

Newsletter

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EDITORIAL

VIEWPOINT

The key priorities for the French Postal Regulator

by Paul Champsaur, President of ARCEP



Philippe Bodson

2006: Postal services at a crossroads

2006 will mark a milestone for the future of the European postal sector as the Commission will present a proposal confirming a final date to complete liberalisation and achieving the full accomplishment of the internal market for postal services.

The dynamism and growth of the mail sector are more than ever at stake. The decisions that will be taken next year will set the rules for a long time ahead and will hence have to be the fruit of an objective and unbiased analysis of the key elements and reflect the views of all the actors involved.

All the research reports in the world cannot however be a substitute for political leadership. We believe that after a lengthy period of "gradual and controlled" market opening, it is now time for all parties to commit to this long-awaited final step of the postal reform. The FFPI has called on many occasions for a proposal that supports the concept of full opening by the end of 2009 at the latest to encourage the development of competition and legal certainty for all players.

I am glad that a number of decision-makers and stakeholders are making their voices heard, like the FFPI, saying that completing liberalisation is the best way forward for the postal sector.

For instance, the "Study on the development of competition in the European postal sector" commissioned by DG Internal Market, confirms that full liberalisation is possible within the deadline set by the Directive: *"From the perspective of this study, we therefore see no reason to change the time path for the complete liberalisation of the postal market as set out in the postal Directives. We conclude that liberalisation is the right way forward and see no urgent reason why customers should*

Continued on page 4

The FFPI welcomed the recent establishment of ARCEP, the Postal Regulatory Authority for France, which has already demonstrated its commitment to holding a strong role in controlling the universal service provision, ensuring transparency and separation of accounts for the incumbent, setting tariffs, etc. ARCEP's President shared with the FFPI the key areas for its future activity.

Firstly, a few words on the Autorité de Régulation des Communications électroniques et des Postes (ARCEP). ARCEP is now in charge of the regulation of «electronic communications and post». It is an independent authority composed of a college of 7 people, including the chairman, appointed for six years and irrevocable. It is not answerable to any government authority. One of the main achievements of ARCEP is the booming high-speed Internet access market in France, with close to 9 million subscribers, the largest number in Europe. The very strong growth of this market is the result of regulation that has enabled intense competition to develop in healthy economic conditions, as well as innovation.

The realities of the French postal market are fascinating to observe at the present time. I would like to concentrate on some fundamental challenges for ARCEP in the near future: firstly assessing our approach of the universal service obligation, secondly facilitating an active and innovative upstream postal market (mail preparation and consolidation are widely developed in France), and finally fostering competition in the downstream markets. Basically, we need to promote an efficient, growing, multi-operator market.

Assessing our approach to the universal service obligation

The French market ranks amongst the first in Europe in terms of volumes per capita (over 300 items/capita), and the postal service is generally considered as essential for the economic and social life of the country. It enjoys a good reputation. We want to act in order to preserve its ability to evolve in parallel with consumer needs, in the course of liberalisation.

It is interesting to note that the law on postal regulation strictly determines the obligations of the universal service: other service obligations such as the presence of post office counters in rural areas or special tariffs for newspapers are defined and financed separately.

Facilitating an active and innovative upstream postal market

Legally, mail preparation and consolidation are subject to the general law on competition. They are not subject to any authorisation procedure.

Economically, these activities have become widespread on the French postal market since the end of the 1970s. We evaluate at some 900 million € the turnover of the firms concerned; around 75% the proportion of advertising mail processed by routers, these are often SMEs and there is a large number of them (some 200), although we note a tendency towards concentration in the sector; around 35%, the proportion of bulk mail (other than ads), processed by a limited number (roughly ten) of medium-sized firms, often subsidiaries of postal operators (DPWN, the Belgian post office / De Post, La Poste).

Continued on page 2

THE EUROPEAN PARLIAMENT'S VIEWS ON POSTAL SERVICES

MEPs and stakeholders exchange views at FFPI luncheon

The FFPI recently held a Roundtable discussion at the European Parliament to exchange views with other postal stakeholders on the European Parliament's Report on the application of the Postal Directive. The meeting was hosted by MEP Markus Ferber, draftsman for the Report, and was attended by MEPs, representatives of the European Commission, postal operators, trade and consumer associations, etc.

Comparing the postal sector with the telecom industry, Mr Ferber said that "liberalisation is the way forward" and added that the Parliament looks forward to reviewing the EC Prospective Study next year.

Participants to the debate expressed their views on the various elements dealt with in the Report particularly as regards the need to redefine the universal service and its geographical coverage, the maintenance of quality services, the access the incumbent's network, type of regulation and overview mechanisms that should be put in place to guarantee fair competition interests of users are equally protected.

The Report, which was adopted by the Transport and Tourism committee on 22 November and will be voted in plenary in January, concludes that the postal market has progressed in line with the Directive, but that further improvement is necessary in several areas.

The FFPI, which is concerned about the incomplete and incorrect implementation the Directive in some member States, will continue to follow the debate on the application of the postal Directive and to actively promote an open and balanced debate amongst stakeholders with similar events ■

THE FERBER REPORT IN A NUTSHELL

- Recognises the crucial **economic and social role of postal services** for the development of the Lisbon Agenda.
- **Market opening is going at slow pace** due to the persistence of several barriers e.g. the advantages enjoyed by incumbents and the uneven playing field created by regulatory asymmetries (i.e. VAT in postal services).
- **Further efforts from Member States are needed** to monitor regulatory developments on critical issues such as market opening, authorisation and licensing and to exercise better control over tariff setting, transparency of accounts and cross-subsidies.
- Calls on the Commission to **reassess the definition of universal service** and its financing and analyse in detail the effects of the reforms on quality, efficiency and customer orientation.
- Calls for further analysis and impact assessment on the **downstream access system**.
- Acknowledges the achievements of **CEN** in setting **standards** for the postal sector that guarantee transparency and quality of postal services.
- Involvement by and **input from all interested parties** (customers, social partners, etc.) should be guaranteed in the decision-making process.
- Requires the Commission to intensify the dialogue with Regulators
- Points out to the current discriminatory **VAT treatment** of postal operators ■

Viewpoint - Continued from page 1

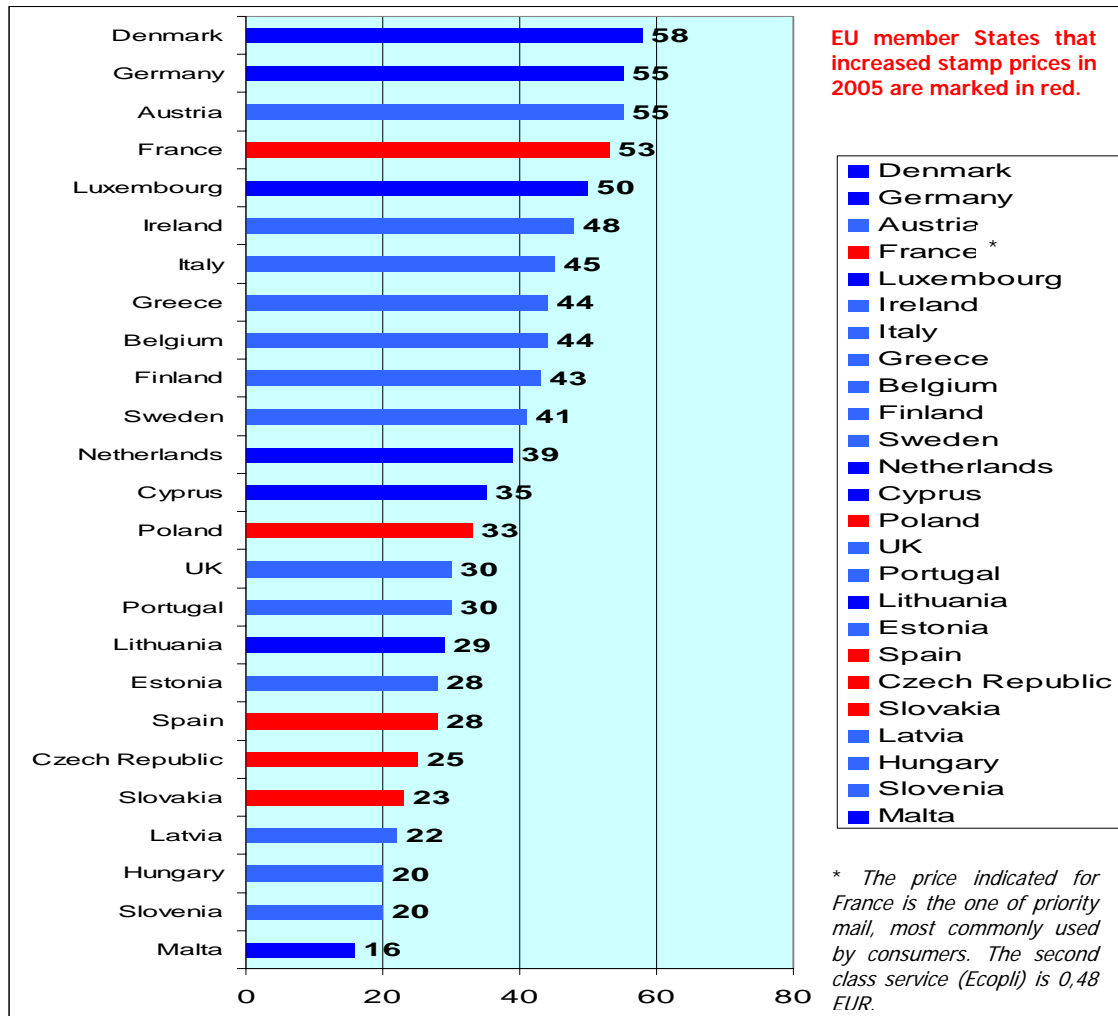
We have become aware that a dynamic and innovative sector could stimulate mail demand, facilitate firms' access to direct marketing rather than other forms of advertising, facilitate subscription to magazines, rather than their purchase from retailers. Of course, such progress is not at all automatic. For it to materialise, the sector must be truly dynamic and the framework of its relationship with La Poste must facilitate technical innovation.

Downstream competition, the transition to a multi-operator context

In France, as in all developed economies, there is a rich array of potential entrants: newspapers delivery services, parcel delivery networks, or the major networks currently operating in the delivery of non-addressed items. Unlike the numerous small firms in this sector, three major operators have developed geographic information systems which enable them to offer "targeted" distribution, taking into account geo-marketing criteria. It is at this point that they started to offer addressed distribution rivalling that of La Poste. The firm ADREXO for example, claims to cover 20 million letter boxes and entered the addressed market for volumes estimated at 35 millions items in 2005 ■

Stamp price gap grows in 2005

Trend continues as European postal sector prepares for market opening



The FFPI released on 8 December 2005 its fifth survey on stamp prices in the EU. The study, which covers EU-25, reveals that:

- 20% of EU countries have increased stamp prices in the course of 2005;
- Prices of stamps for basic domestic letters have increased in 5 member States during this year;
- Costs have risen in 3 countries from the EU-15, therefore further enlarging the difference with the price in the new member States;
- The number of requests for domestic letter price reviews filed by postal operators and that will be decided upon in 2006 shows that operators are adjusting price levels in anticipation of market opening and full competition.

The reduction of the reserved area on the 1st of January 2006 has led to a number of strategic reviews on the part of the Universal Service Providers. Some of these changes seem to focus on promoting added value mail categories (i.e. first class mail) at the detriment of the less profitable standard domestic mail, expecting the latter to be phased out by the new telecommunication technologies. *"The introduction of new limits to the reserved area should not become an excuse to overprice users and consumers. I believe that it is in the interest of the incumbents to be forthcoming and work for transparent tariff setting in the EU, ensuring that stamp prices are indeed cost based. The role of the Regulators is vital to maintain checks and balances to ensure that excessive pricing and profits are avoided and that the revenue generated via reserved services is only used for the purpose of financing the universal service obligation"*, commented FFPI President, Philippe Bodson.

Please refer to our website for the full results of the FFPI stamp price survey 2005

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not be allowed to freely engage in agreements with postal operators of their own choice if these are able to propose a better business proposition in terms of price, quality or adaptation of the services to their specific needs".

A view that was recently confirmed by Commissioner McCreevy in a recent speech: "We have all invested a lot in this policy over the years; giving up half way - or even delaying it - is a price the EU economy cannot afford. Not moving ahead would put the achievements to date at risk and miss the opportunities. I believe that, with all necessary safeguards, opening up postal markets to competition by 2009 is a realistic objective for all Member States."

Moreover, several Member States already embraced the objective of liberalisation and intend to open their markets to competition before the timeframe outlined in the EU Postal Directive. Sweden, Finland, Estonia, have already fully liberalised their markets, the United Kingdom will do so in January 2006 and Germany and the Netherlands often declared they would follow suit in 2007.

The opportunity for achieving full liberalisation is at hand and the consequences of not acting or acting too late could be dramatic for a sector which, as a whole, represents over 5 million jobs and more than 200 billion euros in revenues to the European economy. Therefore commitments have to be made in order to ensure a level playing field that allows operators to work in a market open to competition and that assures legal certainty which in turn is a prerequisite for the substantial investments in the sector from newcomers that we wish to see.

The FFPI will take the opportunity to present the postal users' views to the Commission responding to the public consultation recently launched. I am hopeful that stakeholders will be forward-looking and will support a decision of 2009 as the final date for liberalisation ■

Philippe Bodson

■ *EU Commission launches public consultation*

Stakeholders to provide input on key elements for liberalisation

On 10 November 2005 the European Commission launched a public consultation on the future of the EU postal sector. This consultation, which will be open until 27 January 2006, will be used to complement the Commission's sector studies, notably:

- A third application report on the impact of the current Directive on EU postal services (scheduled for December 2006)
- A prospective study on the impact of full market opening on universal postal service in the EU (scheduled for May 2006)

The Commission will base the formulation of its proposal as regards the accomplishment of the internal market for postal services on the results of the consultation and of the studies.

The FFPI welcomes the Commission's initiative to open this consultation which is a necessary step in the on-going debate on the future of the postal services, and will provide stakeholders with an opportunity to provide their views to the Commission on key issues such as the definition of the Universal Service and its financing, the role of Regulators, the impact of market opening for users, downstream access, etc.

The FFPI will participate in the consultation, and closely follow the development of the consultation and will seek to contribute with its views to this important phase of EU policy making in the Postal Sector ■

- **10 November 2005-27 January 2006:** EU Commission consultation on the future of the EU postal sector
- **20, 21 and 22 March 2006:** The Institute of Economic Affairs' 9th Annual Conference, European Postal Services, Renaissance Vienna Hotel, Vienna
- **11-12 May 2006:** 2006 World Mail & Express European Conference, Sofitel Rive Gauche, Paris
- **31 May – 3 June 2006:** CRR1 14th Conference on Postal Delivery Economics, Bern, Switzerland



Upcoming events