

*Speeding up liberalization  
in Slovakia*

## *Some definitions*

### *Liberalization*

■ Process of removal of the barriers, if we are talking about the liberalisation of the postal market we should understand the process of removal of the barriers to the free business activities on the postal market.

### *Business activities*

■ Free business activities – it is not headless anarchy on the postal market, but business with observance of the legislation, moral and ethic principles under the transparent and equal conditions for all persons interested in enterprising on the market.

## *Start of liberalization*

### *Beginning of the liberalization process*

■ Directive 97/67/EC of the European Parliament and of the Council of 15 December 1997 has determined the successive steps in the process of the liberalization of the postal market in all European countries and it has created the legislative framework of this process.

### *Progress of the liberalization process*

■ Directive 2002/39/EC of the European Parliament and of the Council of 10 June 2002 amending Directive 97/67/EC has stated more precisely the process of the liberalisation in the EU countries.

# Liberalization of postal market in Slovakia

## *Liberalization impact to legislation in Slovakia*

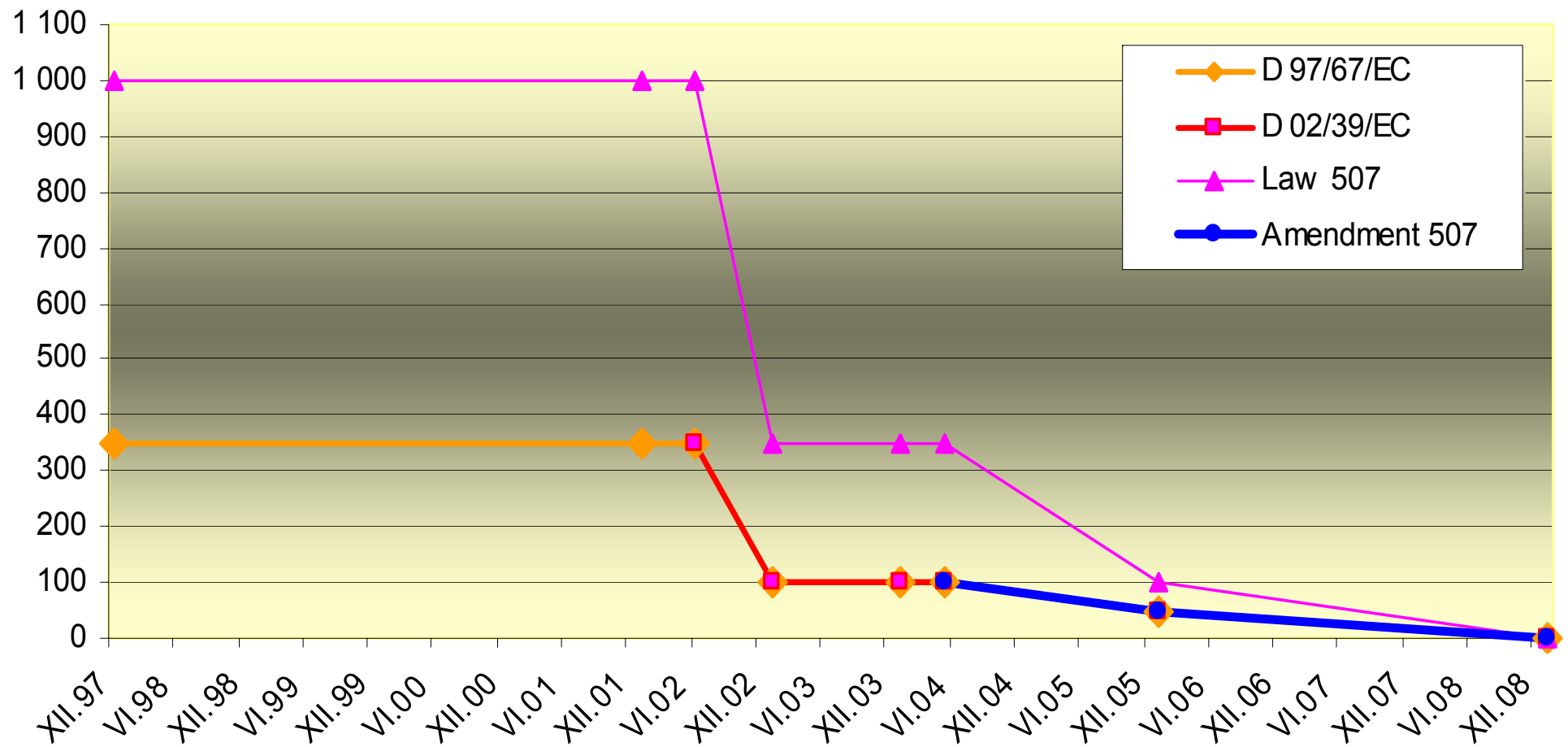
Year	D 97/67/EC	D 02/39/EC	Law 507	Amendment 507
15.12.97	350		1 000	
01.01.02	350		1 000	
10.06.02	350	350	1 000	
01.01.03	100	100	350	
01.01.04	100	100	350	
01.05.04	100	100	350	100
01.01.06	50	50	100	50
01.01.09	0	0	0	0



# Liberalization of postal market in Slovakia

## *Liberalization impact to legislation in Slovakia*

Expected legislation frame



# Liberalization of postal market in Slovakia

## *Starting conditions of the liberalisation*

- Traditional markets of the postal services were under dominant regulation and operation of the state or of the state owned legal subject with monopoly position.
- The main reason of existence of this structure was effort to ensure the postal services provision for all inhabitants independently of the domicile in whole territory of the state (the universal service) and to guarantee the basic quality concerning delivery time, frequency of clearance and distribution for all inhabitants at affordable and if it is possible at equal prices.

# Liberalization of postal market in Slovakia

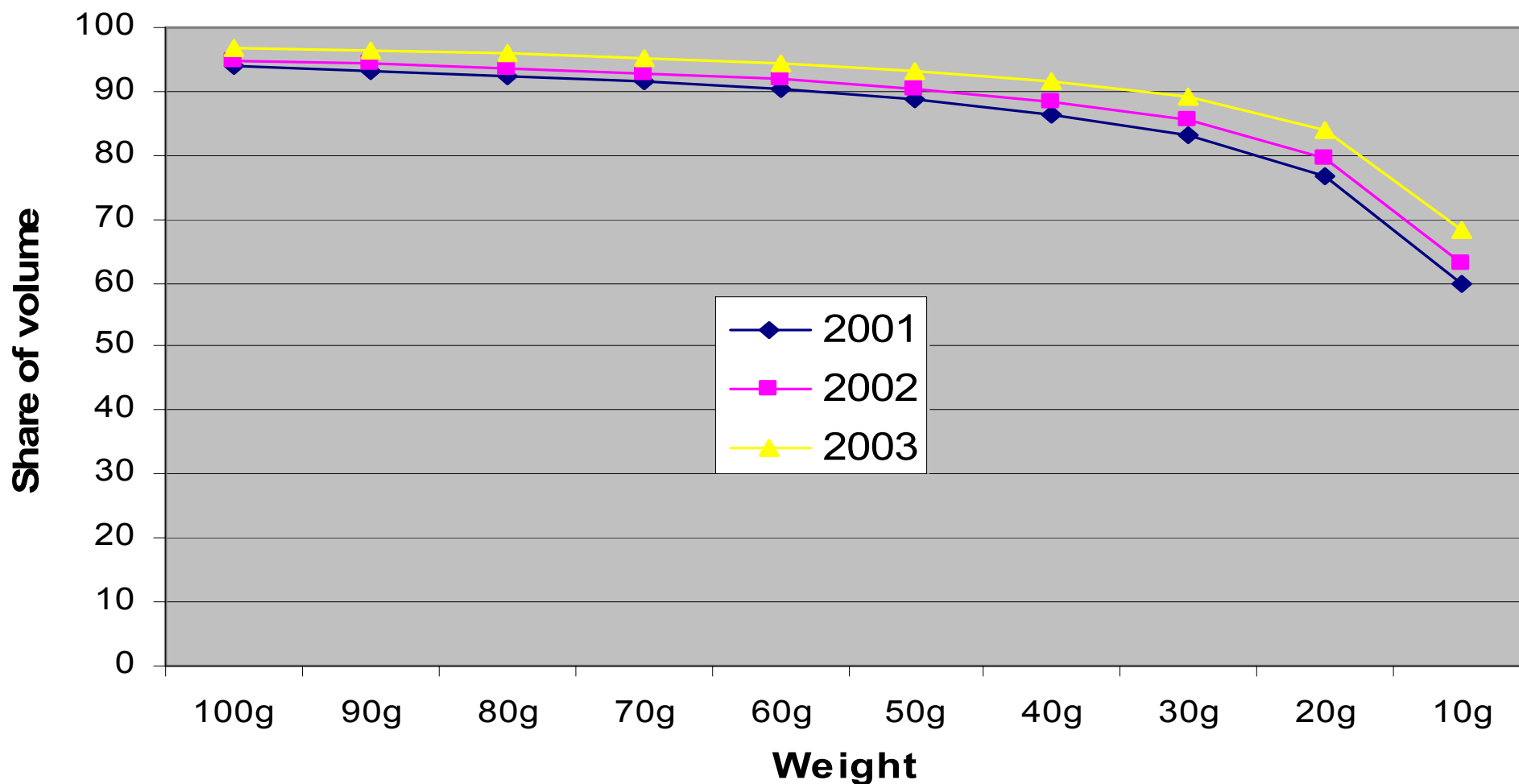
## *Possibilities of the liberalization*

When arrive governmental decision speed up liberalization in our country we have several lines of the liberalization:

- Liberalization of the postal market by reduction of the reserved services (number of products, weight and price limits),
- Liberalization of the postal market by allowance of the entry of the other subjects on the market and their efficient connection to the transport chain of the universal service provider,
- Liberalization of the postal market by creation of the conditions for independent operation of new subjects on the postal market.

## *Possibilities of liberalization by reduction of the reserved services in number of products, weight and price limit*

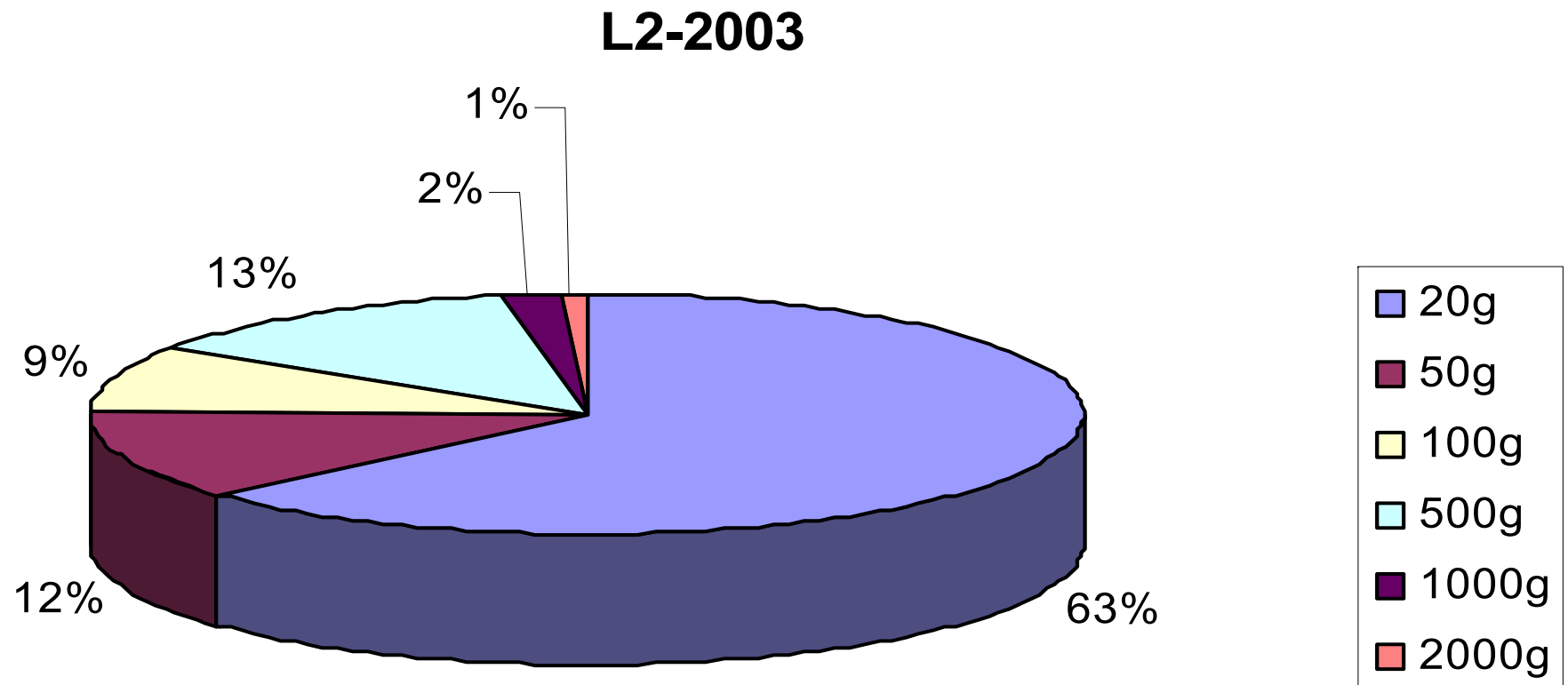
### Non priority letters





## *Possibilities of liberalization by reduction of the reserved services in number of products, weight and price limit*

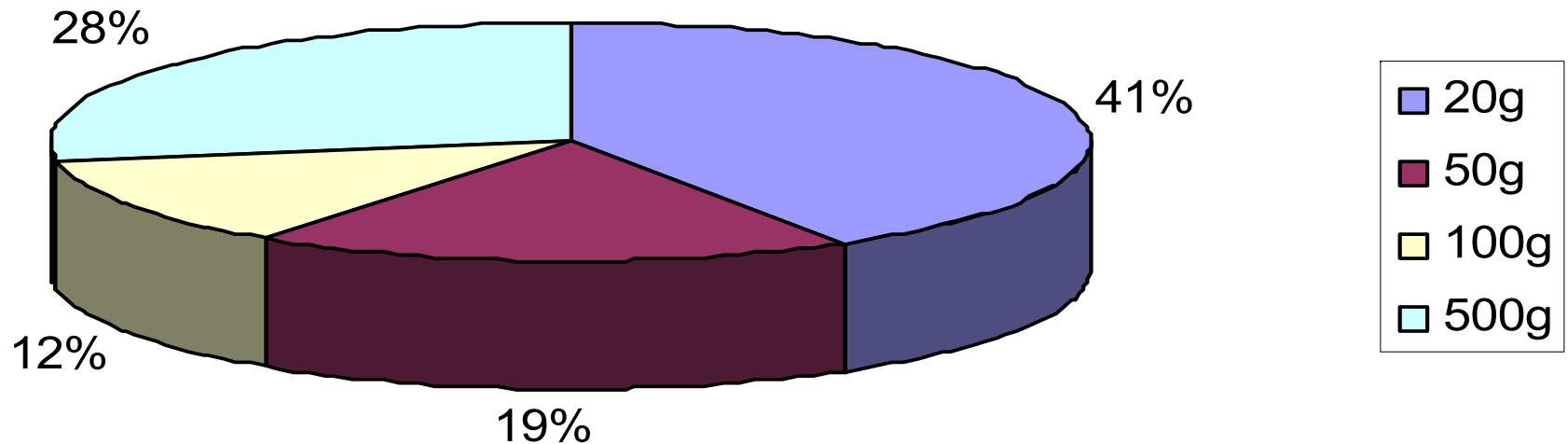
Non priority letters represent the highest volume of items, the highest **revenues**.



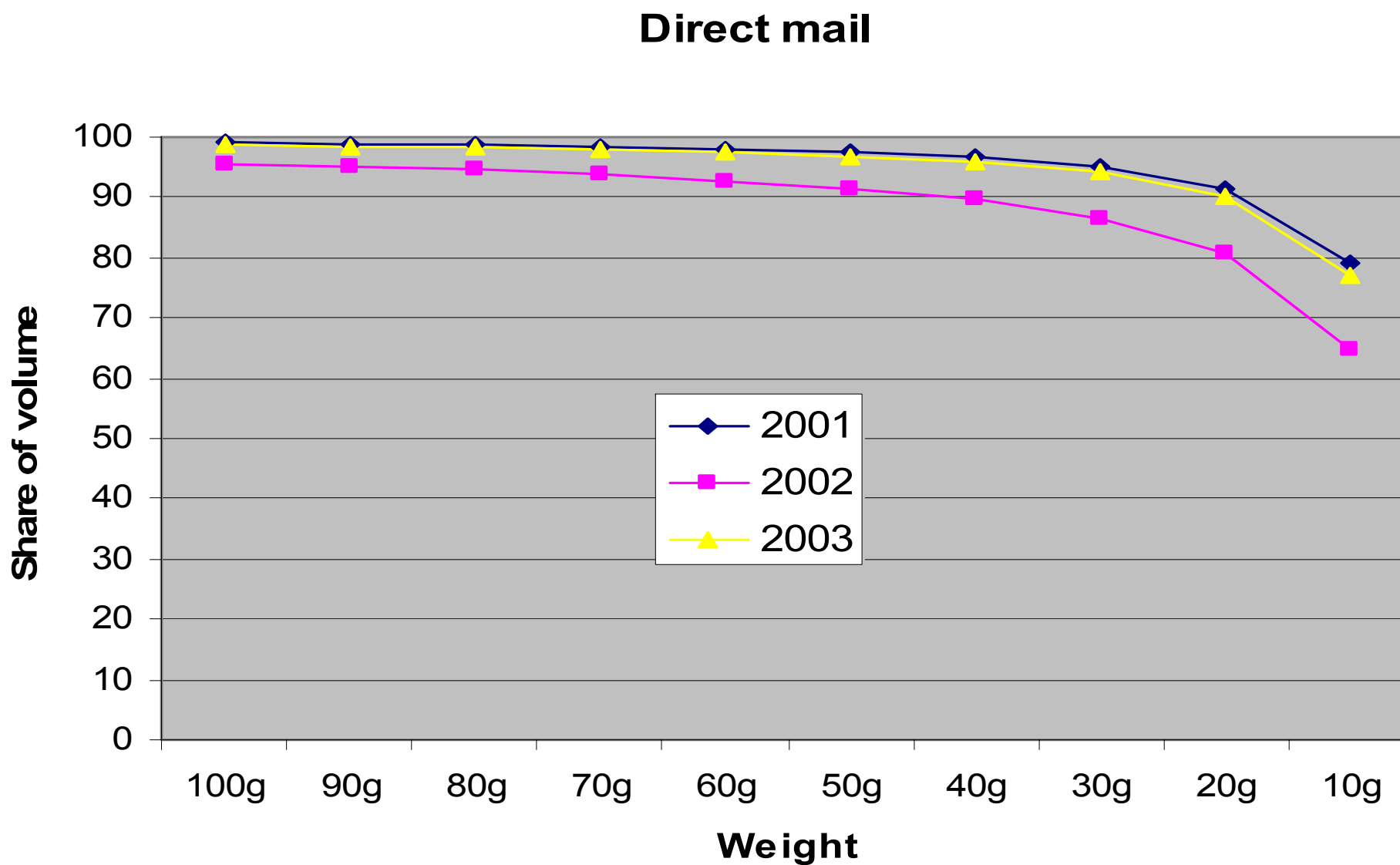
## *Possibilities of liberalization by reduction of the reserved services in number of products, weight and price limit*

Non priority letters represent the highest volume of items, the highest revenues and **profit**.

L2-2004



## *Possibilities of liberalization by reduction of the reserved services in number of products, weight and price limit*



## *Possibilities of liberalisation by reduction of the reserved services in number of products, weight and price limit*

Direct mail represents the product, which was in 2003 provided by the Slovak post, state-owned enterprise, in the most of weight categories but also in general with loss.

So any loss of market share would have negligible impact on the profit of the enterprise.

### **Conclusion:**

- In the category of 2<sup>nd</sup> class letters there is possibility to pass on the 30 g weight limit,
- In the category of direct mail there is possibility to liberalize completely or to pass on the 20 g weight limit.

**Solution do not require considerable amendment of the legislation.**

## **Liberalization of postal market in Slovakia**

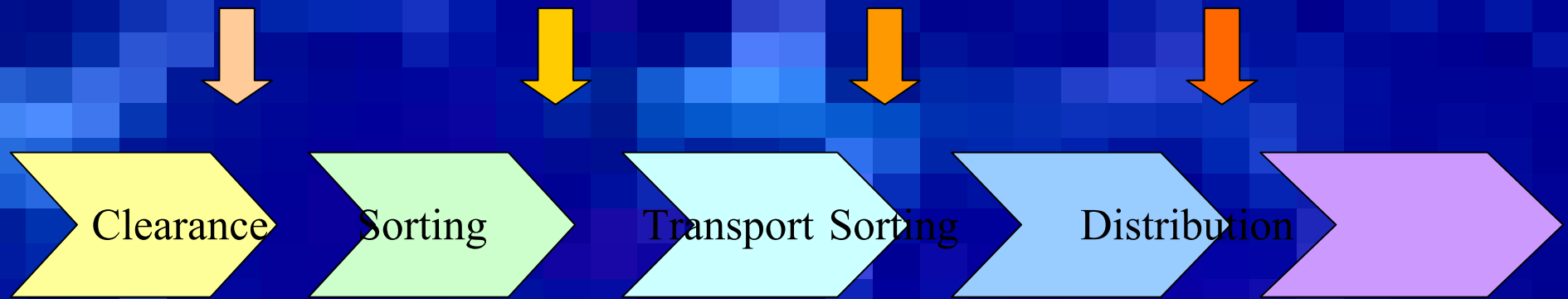
*Possibilities of the liberalisation by allowance of the entry of the other subjects on the market and their efficient connection to the transport chain of the universal service provider*

This kind of liberalisation ( upstream liberalisation ) supposes the liberalisation especially in the initial phase of the postal transportation process. If whole transportation process of postal items is divided into individual parties i.e. clearance, sorting for processing, transport, sorting for distribution and distribution, it stands to reason that each of these process can be effected independently and can be realised by different operator.



# Liberalization of postal market in Slovakia

*Possibilities of the liberalisation by allowance of the entry of the other subjects on the market and their efficient connection to the transport chain of the universal service provider*



Postal transport chain and entrance points.

## **Liberalization of postal market in Slovakia**

*Possibilities of the liberalisation by allowance of the entry of the other subjects on the market and their efficient connection to the transport chain of the universal service provider*

### **Conclusion:**

- **This kind of liberalisation is hardly feasible in our condition.**
- **At the same time it is necessary to solve the approach of regulation, quality, allocation of costs and revenues etc.**

**Solution requires more considerable amendment of the legislation and detailed analysis of costs.**

## *Possibilities of the liberalisation by allowance of the entry of the other subjects on the market and their efficient connection to the transport chain of the universal service provider*

### **Necessary decisions:**

- **Guarantee by law or possibility laid down by law to insert into the USP licence conditions of entrance of the other subjects to the postal network?**
- **Question of the right to join the network when the set conditions are fulfilled?**
- **Possibility of the agreement out of the PRO till given dead-line?**
- **Analogue partial conditions of the postal services provision from point of view of the quality, technology, responsibility, allocation of costs and revenues etc.**

**Solution will require time and detailed technological and financial analysis.**

# Liberalization of postal market in Slovakia

*Universal services are not generally profit-making activities and must have a clearly defined source of financing - Government funding:*

Government is responsible for covering any service operating deficit:

- Financing mechanism is difficult to implement in face limited government funds and conflicting priorities,
- Long-term sustainability of this mode of financing is doubtful,
- Unsuitable for resolving productivity, efficiency and competitiveness,
- Inconsistent with the goal of building an independent, corporatized, financially self-sufficient postal operator,
- Long-term security is balanced depend the political leadership.

It has been used in developing countries without much success and this mode wasn't recommended by NRA **but it was chose by ministry responsible for legislation in postal sector in Slovakia.**

## **Liberalization of postal market in Slovakia**

*Universal services are not generally profit-making activities and must have a clearly defined source of financing - Industry funding:*

**Private postal operator pay taxes or fees (fixed or variable sums) for right to operate postal services then:**

- **For postal operator it is another tax burden to public profit,**
- **Financing mechanism is difficult - costly to control and easily evaded,**
- **Unsuitable for resolving productivity and efficiency in USO,**
- **Inconsistent with the goal of building an independent, corporatized, financially self-sufficient postal operator,**

**It has been used in number countries (in past in Slovakia) with poor results (in Slovakia wasn't needs realize this fund, on the side missed detail how create fund, who can manage this fund...**



## Liberalization of postal market in Slovakia

*Universal services are not generally profit-making activities and must have a clearly defined source of financing – Financing by reserved service area:*

USO holds an exclusive franchise as the basis for the effective financing public service whose provision is to be guaranteed by the government:

- In opposite to the open postal market, impact on the competitiveness, quality, prices,
- Financing mechanism is not easy to control the cost in USO and prescribe the prices for public services,
- Unsuitable for resolving productivity and efficiency in USO,
- Inconsistent with the goal of building an independent, corporatized, financially self-sufficient postal operator,

It has been used in number countries (in past in Slovakia).

# Liberalization of postal market in Slovakia

*Universal services are not generally profit-making activities and must have a clearly defined source of financing – Cost prices:*

When the government will not be able covering service operating deficit then we expect:

- Decrease number of service in US to minimum,
- Whole territory coverage by USO will be divided for 4 parts technological independent and prices in and between those parts will be prescribe based on the calculated cost,
- In chose cities will be prices in city prescribe based on the calculated cost,
-

# Liberalization of postal market in Slovakia

*When the government will not be able covering service operating deficit then we expect – Cost prices:*

## Disadvantages:

- Various prices for the same service depend the routing,
- Very difficult to verify and calculate the real cost,
- Increasing the complexity of technology in prices,
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# Liberalization of postal market in Slovakia

*When the government will not be able covering service operating deficit then we expect – Cost prices:*

## Advantages:

- Long-term sustainability of this mode of financing,
- Suitable for resolving productivity, efficiency and competitiveness,
- Consistent with the goal of building an independent, corporatized, financially self-sufficient postal operator,
- Long-term security is independent of the political leadership.

# Liberalization of postal market in Slovakia



Thank you for your attention