

The logo for POSTCOMM, featuring the word "POSTCOMM" in a blue serif font, followed by a square icon containing a blue 'X' shape.

POSTCOMM

Developing Access Regulation

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1. Overview

- **Information then discussion...**
- **The UK Postal Services Act 2000**
- **UK liberalisation**
- **Why third party access?**
- **The framework for access**
- **Key developments & how it's working out**
- **Looking forward – issues to consider**

2. Postcomm origins & remit

- **Postal Services Act 2000 established:**
 - **Royal Mail as a public limited company with greater commercial freedom (100% owned by the Government)**
 - **Postcomm as the industry regulator responsible for:**
 - ensuring the provision of the universal service and
 - furthering the interests of postal users...through
 - the promotion of effective competition
 - Licensing postal operators

3. The Liberalisation process

- **European Postal Directive – 2009 liberalisation**
- **Royal Mail faltering and in need of commercialisation**
- **Timetable for liberalisation**
 - **Creating the environment for reform: Royal Mail opposed at first but now supports full liberalisation**
 - **Three stage process: 2003 – 2007**
 - Phase 1 & 2: mainly business to consumer
 - Phase 3: B2B and the rest
 - **Revised timetable: phases 2 & 3 merged and brought forward**

4. Why third party access?

- **Clear economies of scale in:**
 - Delivery
 - Some other pipeline activities also
- **A springboard for competition**
 - Enables competition for first class services
 - Facilitates full geographic competition
 - Facilitates end-to-end competition
- **The future of postal competition – a natural monopoly in delivery?**

5. Economies of scale in post

	<i>Collection</i>	<i>Outward sort</i>	<i>Trunking</i>	<i>Inward sort</i>	<i>Final delivery</i>
B2B (28%)	L	L	L	M	M
B2C (58%)	L	L	L	M	H
C2C & C2B (14%)	M	M	L	M	H

6. Framework for access

- **Royal Mail licence Condition 9: Part 1**
 - Negotiate in good faith, with...
 - Any customer or operator, on...
 - Cost based access price, which are...
 - Non-discriminatory
 - Postcomm determination
- **Part 2: Access Code**
 - To be proposed by Royal Mail
 - Change mechanism
 - Application of Part 1 (in the presence of an Access Code)

7. Key developments

- **One request for determination**
 - Made by UK Mail (in April 2002)
 - Withdrawn December 03
 - Agreement reached with Royal Mail in February 04
- **The UK Mail agreement**
 - Price £0.13 at inward mail centre level
 - Mirrors Mailsort range (Royal Mail bulk retail product)
 - National posting profile...and its implications
- **Looking to the future – how best to minimise the risk of discrimination or anti-competitive behaviour?**

8. Access today

- **Access is thriving:**
 - 11 agreements (with both operators and customers)
 - Over 1 billion access items this year already
 - Royal Mail forecasts over 3b access items in 2007
- **De-averaged, or “Zonal” pricing**
 - The future for access & bulk?
 - Geographically differential pricing: £0.11 – £0.21 per item
- **Condition 10 & 11 complaint - from TNT, UK Mail and Express Dairies about:**
 - Unfair commercial advantage (failure to prevent)
 - Discriminatory terms

9. Looking forward...

- **Some tough questions for Royal Mail and Postcomm:**
- **Access within the Price Control**
- **Is the regulatory framework for access right?**
 - **Is Condition 9 working?**
 - **The role of an Access Code**
 - **Does Royal Mail's licence encourage equality of access and a "level playing field"?**
 - **Are further steps needed?**

10: In conclusion

- **Postcomm duty to “promote effective competition”**
- **Access a feature of UK utility regulation**
 - A result of scale barriers
 - A feature of Royal Mail’s licence
- **Exponential growth in access volumes**
- **A springboard for E2E competition**
- **Some tough questions about access remain...for Postcomm and Royal Mail**
