



# POSTCOMM

## **Regulatory Strategy In a Liberalised Market**

14 February 2007

**Richard Moriarty**  
Postcomm  
Deputy CEO

# CONTEXT TO REGULATION

- EU Postal Directive
- Generally less developed than other sectors, (e.g telcos, energy)
- Marked differences in postal regulation between countries
- Public ownership of incumbent universal service provider is common



# ROLE OF THE REGULATOR ?

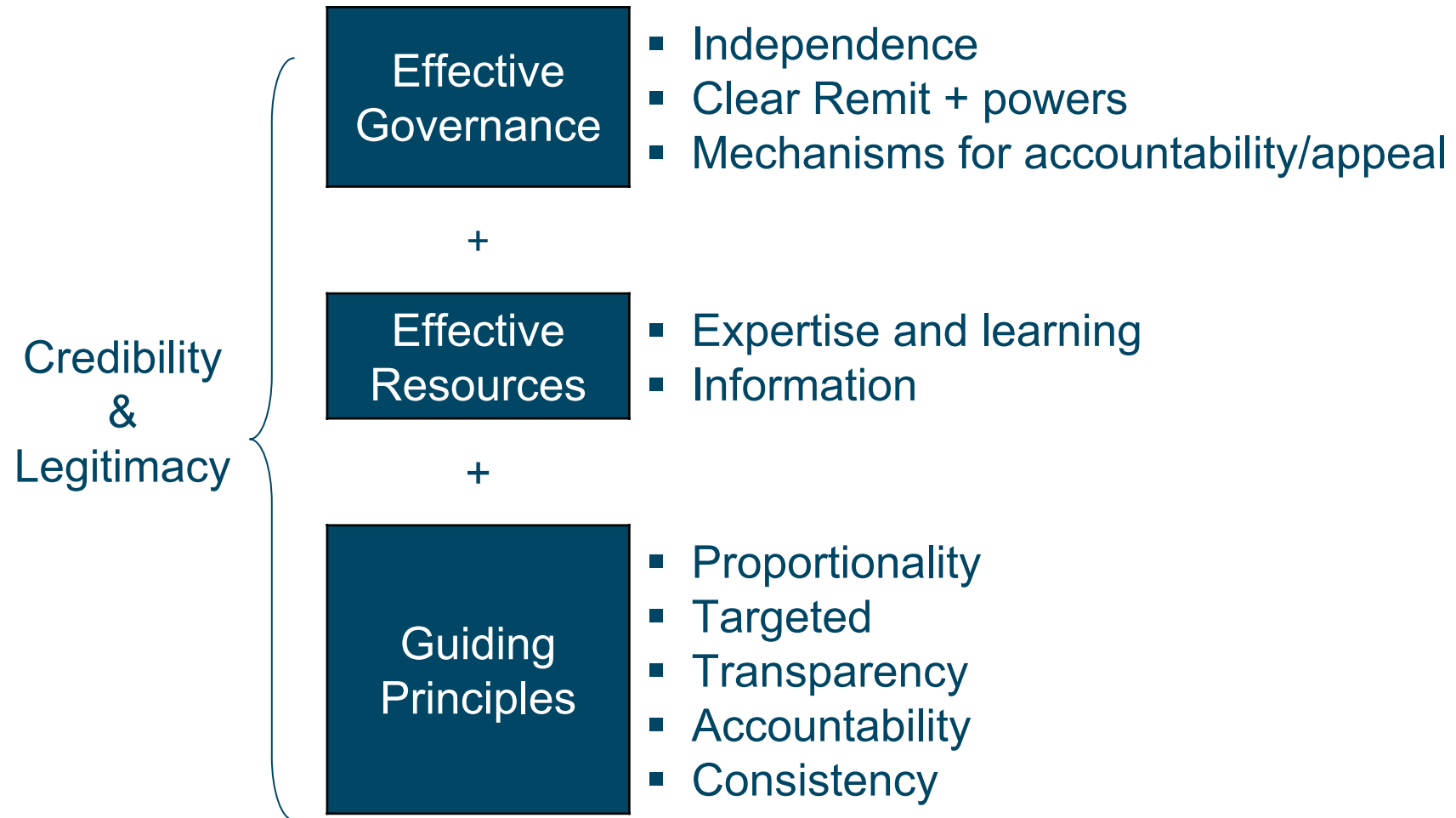
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- “Market failure” rationale
  - Market power of incumbent
  - Social objectives (USO)
  - Customer awareness and empowerment
- “Administrative“ rationale
  - Licensing body
  - Complaints handling
  - Remove politics/”buffer“



# REQUIREMENTS FOR EFFECTIVE REGULATION ?





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65 People, £10m Budget, Stand alone

Clear duties and powers in primary law

Independent and accountable

Separate consumer representation

Clear Remit:

Mails not  
Counters

- Protecting the universal service
- Price limits
- Quality targets
- 3<sup>rd</sup> party access
- Licensing

# ELEMENTS OF REGULATORY STRATEGY

- Clarify social obligations and financing
  - Scope of USO
  - Cost reflective pricing
  - Safeguards
- Competition and deregulation not monopoly and regulation
  - Encourage innovation
  - Address barriers to entry
  - *Ex-ante v Ex-post* regulation



# PRACTICAL CHALLENGES FOR REGULATORS?

- Information asymmetry
- Stakeholder relationships
- Timely responsive processes
- Incentives on incumbents
- Encouraging entry and empowered customers
- Deregulation and “regulatory exit”



## CHALLENGES FOR NEW ENTRANTS?

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- Incumbent's economies of scale
- Incumbent's reaction to new entry
- Customer awareness and confidence
- Incumbent special privileges (e.g. VAT asymmetry in UK)





# CHALLENGES FACING THE INCUMBENT?

- Facing up to competition and regulation
- Business model transformation
- (Un)economic price signals
- Changing market dynamics and other media

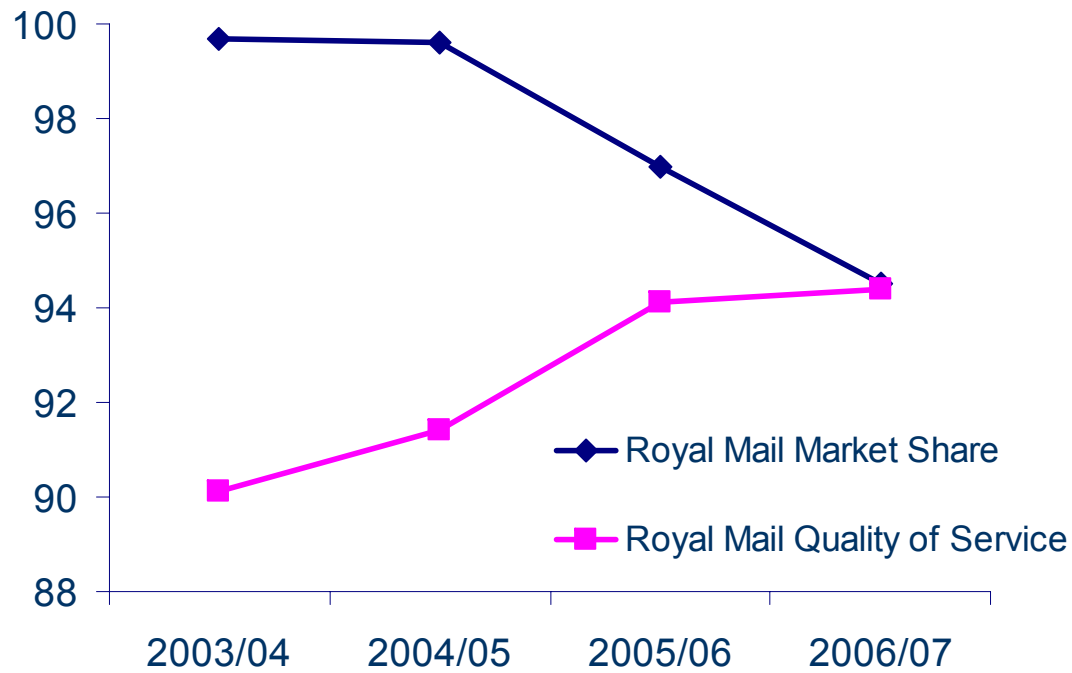


## UK TIMELINE I

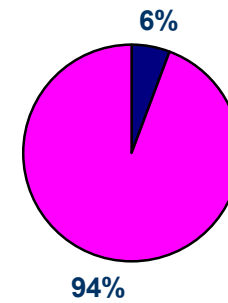
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2000 (Jul)	Postal Services Act
2001 (Mar)	Licence Granted, First Price Review
2002 (Jan)	Decision to Liberalise
2003 (Jan)	Bulk Mail Liberalisation (30% by Value)
2003 (Apr)	Second Price Control
2004 (Feb)	Access Deal
2004 (Jul)	USO decision
2006 (Jan)	Full Liberalisation (100% of Market)
2006 (Apr)	Third Price Control
2006 (Aug)	PiP Implementation
Going Forward	Zonal Pricing Strategy Review Licensing Review

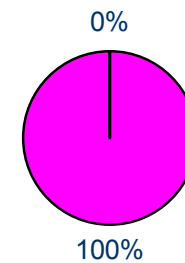
# UK TIMELINE II



## Access



## End2End

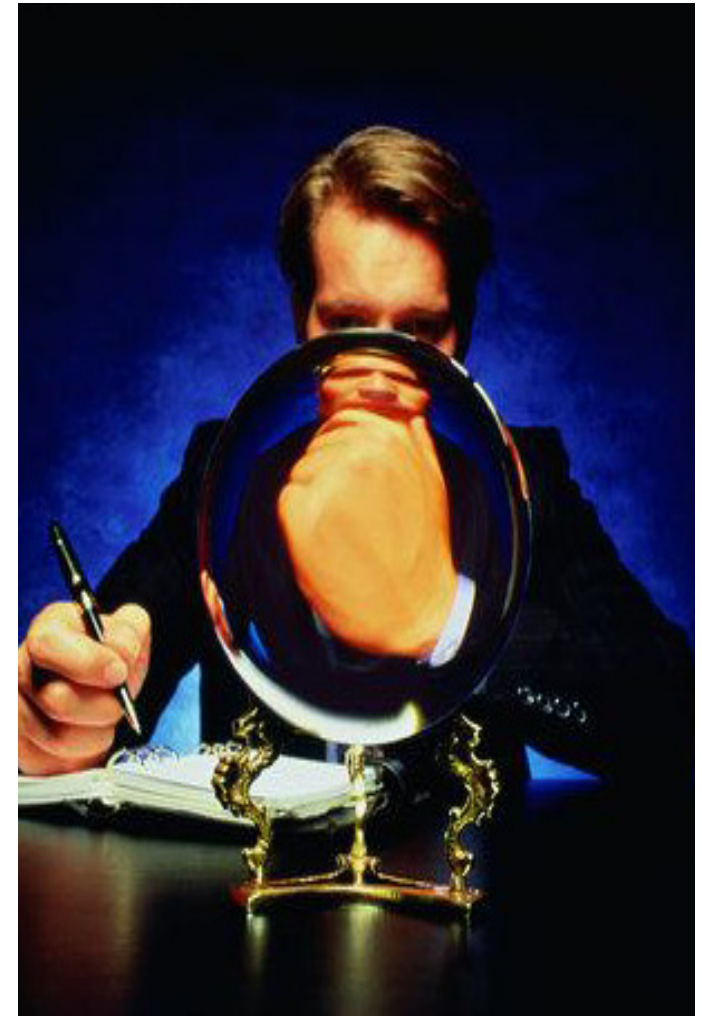


# VISION OF THE FUTURE

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- Choice, innovation and value for customers
- Successful Royal Mail
- Secure universal service
- Regulatory withdrawal





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## Thank You

Richard Moriarty

020 7593 2102

[Richard.Moriarty@psc.gov.uk](mailto:Richard.Moriarty@psc.gov.uk)