

## **Competition in Postal Services**

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Until a few months ago I always had to apologize, being a regulator. Being a regulator was not cool. One had the image of a bureaucrat who intervenes in the free market and free market was everything. Now, all of a sudden everybody asks for regulation. Regulator seems to be the only job which booms. Bankers estimate government's intervention the best thing since sliced bread has been invented. Industry leaders who couldn't condemn enough anything which came from state authorities say now that only "res publica", the government, can sort things out.

Interventions in the markets are in,  
entrepreneurial-initiative is out,  
regulation is in,  
free markets are out.

All this has of course a financial impact, as governments have to bail them out of their incredible mess. And as most of these things happened because of no or wrong regulation.

It is funny it is now me, who has to say, "oh no, hold on, we should only regulate what the market can't rule itself" Or "no. - too much regulation hinders or even stops investments".

Things I always said - even as a regulator. As I am, and always have been, a big believer of a free market and of the power of competition in it.

But a socially responsible market and fair competition are not possible without good regulation – a regulation which just concentrates on the whole-sale, not touching the retail business and which only rules the main things and doesn't get lost in all the bureaucratic details of regulation.

A good example is the telecom market.

We made competition possible - but not without regulating the shared access to the infrastructure i.e. interconnection or unbundling of the local loop. And it works! The prices went in the last 10 years down by 60 - 80 %, the choice of services and the investment improved, so did the universal service.

And how is it with the postal market? The same dynamic of the telecom liberalisation can't be seen at the postal market. The European Union has shown the way forward for the opening of the postal market. But without the fascinating enthusiasm Mrs. Reding usually shows in the proposals for a better European telecom market - and the Commission made a proposal with exceptions for some EU members. We can see this restraint concerning a fast opening of the postal market also in the Swiss politics. I can't say that the Swiss government got very excited when it presented its way forward in opening the postal market. But our government keeps up with the liberalisation-speed of the European Union. We open the market in July 2009 for letters down to 50 g. And in 2012 it is planned to open the postal market completely - down to zero gram.

But - as always in Switzerland - this can be challenged by a referendum - the Swiss citizens have the last word. And the trade-unions and the socialists have already announced that. That is a tough challenge – as Postal Services are very emotional, the yellow of our Swiss Post is almost National Heritage ! That is why our government splits the new postal law from the question of a total liberalisation to zero gram. So if the Swiss would vote against the zero gram limit we still would get a modern postal law.

But opening the market is not enough, it needs regulation. And there the devil lies in the detail of the legislative work. As I said at the beginning the financial market showed drastically that free market without regulation leads to disaster - or to a private monopoly instead of a state monopoly.

So we need regulation of the access and distribution - like sorting centres, post-boxes, address-management and collecting the letters.

If we don't do that the Post will keep at least a 90-percent market-share in the letter market - and we will have no competition.

The big question I am always asked is: will the opening of the postal market really bring something to the consumers? Or will it be like the opening of the electricity-market which just brings in Switzerland 30 % higher retail-price, which defeats the object of liberalisation.

Let's be honest: The prices for postal services will not fall like they did for the telecom-services after opening the market. But we expect especially for the business-letters a pressure on the price – due to a competition which now only exists for the parcels. Many small and medium businesses will profit of this, because they still send letters to their clients although we think everything goes electronically.

The other point is of course that everybody profits of the liberalisation, and not only the big ones. That you have the same service in a remote chalet in a mountain valley as in Zurich or Geneva. This aspect of Universal Service is the main task of Swiss politics. If you want to kill a political project you just have to say, “the service is good in the towns and bad in the rural or mountaneous areas”. That is why we have trains in regions you would not even have a bus in an other country, or we support local radio stations for minorities with almost zero percent of listeners or we are world-champions in the Universal Service Obligation in telecom. Anybody can demand a ADSL-access for a regulated price, wherever he or she lives. So the service of the Swiss Post has to stay perfect – we have 2500 post-offices. The Swiss-Post has the idea to distribute in some towns the mail in the afternoon – I already know now that this will not be accepted. The Swiss wants his post in the morning – if I think all these early retired people who wait since 8 am for their letters I can imagine that a late mail-distribution will cause

a revolution amongst the Grey Panthers. Bref: Without a guarantee of a good quality of the Universal Service no further steps of opening the market. And it is also the main job of Postal Regulation in Switzerland to check on the Universal Service of the Swiss Post. By the way the one who has to deliver the Universal Service has a big image-advantage and can keep an infrastructure which is vital for the success in the free market. We have calculated that Swiss Post would need 1500 post-offices even if they would have no Universal Service Obligation – just for their mail delivery and as a contact point to the clients. This is a big advantage of the incumbent to the new entrants – an advantage, which explains why the old Posts keep their main position even if the market has completely opened. Those who think the Classic Post will disappear after liberalisation are wrong. We made studies which proved that the universal service will be guaranteed and the burden for the Post of the universal service relatively small. Moreover the consultants foresee that the average price will drop on a medium and long term if the Swiss Post can adapt the structure of its costs as it has been the case until now. Furthermore not only must the Swiss Post continue its reforms but the Swiss government must also introduce an efficient regulation system. And the politics must allow the Post to be efficient – which is not always easy because of the pressure and demands of the trade unions.

All in all there is no reason to keep any monopoly in the postal sector.

So lets open the doors for a free Postal Market ! With a clever regulation, which gives every firm access to the market and to the assets of the market and which avoids doubling up of infrastructures.

And let us profit of the message, which comes out of the financial crisis: Free markets are good but they need good, responsible and competent regulation.