


Cross border mail: The neglected child of EU Postal Policy Reform

Michael D'Arcy, D'Arcy Smyth & Associates
Dublin, Ireland (michael.darcy@darcysmyth.ie)



Background

- **Independent policy advisor for public/private sector**
- **Mentor, strategist, thinker, facilitator and director**
- **30 years involvement in postal policy**
- **15 years advising users (PUG)**



Regulation, Business and Cross Border Mail

- **Starting Point:** ‘neglect’ meaning CB mail has not fulfilled the potential evident in 1980’s
- **Objective:** a debate on regulating CB mail for the 21st Century (well beyond 2011 and 2013)
- **Contribution:** Thoughts on a reform agenda for CB mail to attract new uses/users



The Opportunity:

“Smart people, smart ideas and the right environment: The keys to success in this new century”

Craig Barrett, Founder and former CEO of Intel Corp
Royal Irish Academy, Dublin
February 8th 2010



The Threat?

What will no longer be here in 2020?

- Cheques
- VHS & VCR Players
- Fuel Guzzlers
- Privacy
- Letter writing

The Weaknesses?

- Letterpost volumes have declined
- Users think further reform would boost recovery
- Their focus is mostly on 'domestic' services
- Few have thought about 'Cross Border Mail'
- **Now globalisation rules the world this is not very smart!**



The Strengths?

- **EU CB mail entering new era of opportunity**
- **Operational innovation/development possible**
- **New regulatory environment can be created**



Challenge

This presentation offers a starting point:

- **Recommendations of 1992 Postal Green Paper**
- **What was done/not done to implement them**
- **Thoughts on reforming regulation of CB mail**



What is Cross Border Mail?

*“When letter mail is sent from one postal administration to another through the international letter mail system it is said to be **‘exchanged’**”*

PGP

Annex 3: mail operations and networks



Background

- Concept of exchange at the core of CB regulation
- In 1980's couriers seen as threat to this regime
- End to end service proved attractive to users
- PPOs nervous/concerned by growth of 're-mail'
- Politicians saw ABA re-mail as threat to USO

What the PGP recommended:

- *“There do not seem to be significant reasons for including intra community services in the reserved area and there are service reasons for not doing so”* (PGP p 195 Chapter 8: Discussion of possible solutions, 8.1)
- For international mail *“It is envisaged to place these mail flows in the non-reserved area”* (PGP p 197 Chapter 8: Discussion of possible solutions, 8.2)

What the PGP recommended:

- *“The Community should be actively involved in future congresses of the UPU to help ensure that there are no tensions between congress decisions and obligations under the Treaty of Rome, other Community legislation or the Communities postal policy”* (PGP p247 Chapter 9: Policy Options 3.1)
- *“The compensation charges between postal administrations for delivering each others mail ought to reflect actual inward costs* (PGP p 251 Chapter 9: Policy Options 7.1)

What the Council/Parliament Decided:

- **Article 2** (No change in the 3 Directives):
“Cross border mail: mail to or from another Member State or from or to a third country”
- **Article 7** (Removed from 3rd Directives):
“To the extent necessary to ensure the maintenance of universal service, cross border mail may continue to be reserved within the price and weight limits”

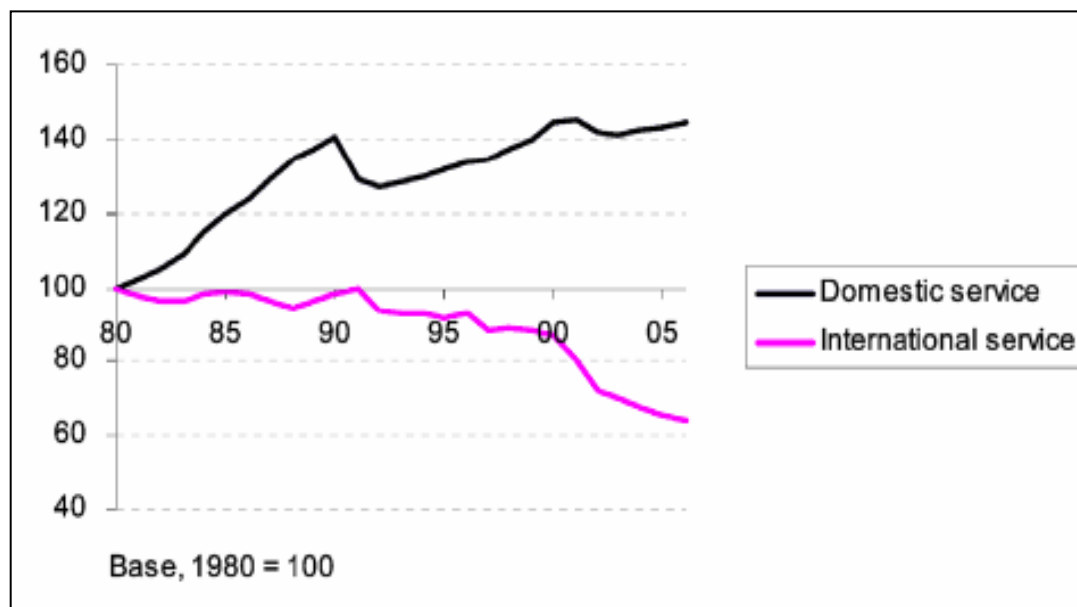
What the Council/Parliament Decided:

Article 13 (No change in the 3 Directives)

- ***To ensure cross border provision of the universal service, Member States shall:***
- *'Encourage' USPs to 'arrange' Terminal Dues (ie exchange) Agreements*
- *That are 'fixed' to the 'costs of processing and delivering incoming CB mail'*
- *And are 'related to the quality of service achieved'*
- *In a manner that is 'transparent/non-discriminatory'*
- *Arrangements 'may include transitional arrangements'*
- *'Such arrangements shall be the minimum required'*

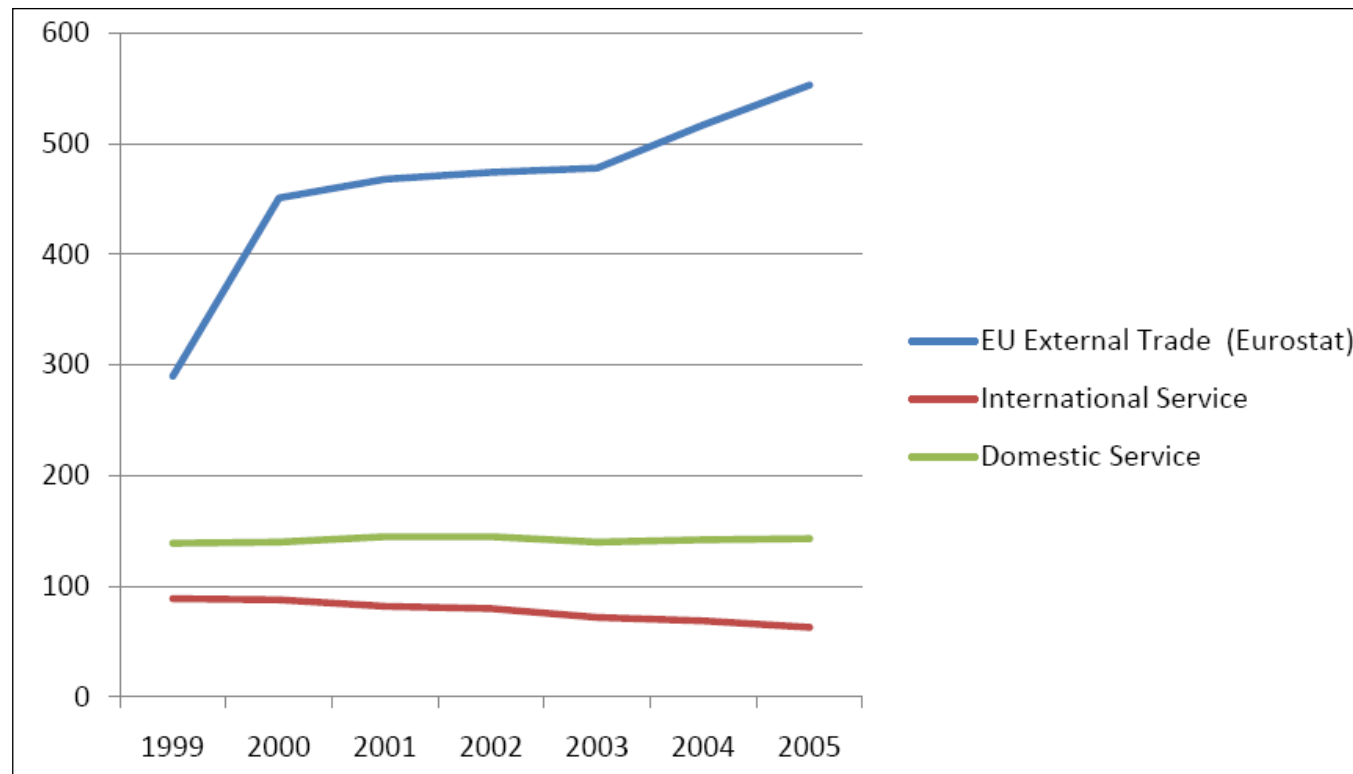
The business of CB mail

- International v domestic volumes:



Source: UPU Geneva Congress 2008, Doc 23, p 19

... compared to external trade



The Regulation of CB Mail

- New laws evidently benefiting CB mail users?
- MEPs making intra EU mail a priority issue?
- Major users confidently perusing reform?
- Regulators effectively implementing these rules?
- ‘Clear blue water’ between UPU/EU regime?



Users Perceptions of CB mail

- There is no genuine intra-community mail market
- Prices decided in secret under REIMS agreements
- USPs /UPU still dictate what users can/cannot do
- CB mail is not a significant growth opportunity
- Little appetite/interest in debating CB mail reform



Personal conclusions

- **'Old-thinking' must end**
- **Reform debate must begin**
- **Era of text, Facebook, Google, Twitter and Skype**
- **Smart thinking/smart ideas definitely needed**



Strategic

- **Aim:** CB mail, globalisation and the internet
- **Objective:** mail connected to how we all now live, work and interact beyond 'borders'
- **Barrier:** Continuing imposition of 19th century models on 21st century human interaction

Economic

- **Worldwide governments expect to recover from recession by growing international trade**
- **Paradigm shift in world's economic order**
- **Demand, capacity, wealth and economic activity moving away from West**
- **Patterns of trade and movement of goods and information will be different**
- **Growth in EU's volume of international trade may exceed that of intra community**

Regulatory

- Do what PGP proposed: *“intra-community and international services.. considered separately”*
- Think: beyond an outdated regime/rules
- Think: ‘end to end’ exchange not ‘cross border’
- Think: delivering intra community services



Operational

Re-categorise 'CB mail' into:

- Domestic Letterpost
- Union Letterpost
- International Letterpost

Cost

To attract new users to Union Letterpost

- Commission Notice says 'transition' now over?
- NRAs agree USO for Union Letterpost secure?
- Discrimination favouring USPs ended/removed?
- New EU wide prices/payment systems?

Cost

For International Letterpost:

- End public/private operator discrimination?
- T&C preventing this declared as illegal?
- UPU rules/standards/customs/TDs challenged?
- Commission actively supported by NRAs?



Standards

- **CERP/CEN hasn't been good to users**
- **Injection of business driven innovation required**
- **'Old standards' must not block new products**
- **Large fines promptly imposed on those who do!**

Customs

- Needs immediate attention, but from whom?
- Safety/security = protect citizens from terrorism
- Draft Modernised Customs Code originally proposed equal treatment for all goods movers
- UPU governed 'special exception' no longer justified
- Segregation of equivalent data/users/goods = additional and unnecessary risk/liability/gaps

Indicators of potential user interest

“...commentators (are) joining the chorus the future is online, online, online almost to the exclusion of everything else. This is a mistake.”

Gavin O'Reilly, May 2009 Power of Print Conference

“Historically new media complemented rather than eliminated older media”

- Research shows *“Consumers have a predilection for paper in its many forms”*.
- Consumer Preferences for Communications Media, Chrystal Szeto and Luis Jiminez, April 2005



Economic and business indicators :

- More goods/information moving cross-border
- On-line commerce only just the beginning
- A new generation of young users re-discovering CB mail could be about to begin.
- **This will not occur organically – it must be made to happen**



Illustrative examples:

- **Christmas cards from the US**
- **Friend wondering why his business mail can't follow him around the world**
- **Letters from England/Australia being paid electronically**
- **Financial Times highlighting iPhone application to order quality prints of pictures appearing in online newspapers, that are then mailed to you!**



Conclusion

The Third Directive enables CB regulators to:

- **Not passively wait for new services/entrants**
- **Remove deeply embedded barriers**
- **Respond to economic fundamentals**
- **Proactively debate a potentially positive future**



Conclusion

To be productive this debate must engage smart:

- **Users**
- **Innovators**
- **Investors**
- **Intermediaries**
- **Letter producers**

Conclusion

“A through investigation will, I am satisfied prove the practicability of the extensive reforms here suggested: but the most superficial examination will manifest the case with which great improvements may be effected...let them proceed with that boldness which the existing state of revenue justifies and requires, and they will... (have) the gratitude of the people.”

Roland Hill, Post Office Reform, Importance and Practicability,
London 1837.