



# **(More) open postal markets: 1 Jan 2011 and then what?**

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(\*) The views expressed herein do not necessarily reflect those of the DG Internal Market, the Commissioner or the Commission.

## State of play: where are we?

- 3 groups of countries with different stages in transposition.
- Legislation is necessary, but not sufficient => NRA role.
- Classical stumbling blocks to market opening.
- 1 Jan 2011 and then what?

# Transposing the 3<sup>rd</sup> Postal Services Directive



## Stumbling blocks: the classics

- NRA. NRA. NRA. NRA. NRA. NRA. NRA. NRA. NRA.
- USO: What? How? Who?
- RRC1: 'shadow' USO obligations.
- RRC2: sectoral CLAs are back in fashion.
- RRC3: this ancient VAT directive.

## NRA – the need for new roles

- Policing USO execution not ambitious enough.
- NRA to keep market power in check (retail pricing).
- NRA to facilitate and promote entry (access pricing).
- NRAs to ‘educate’ the NCAs.
- NRAs to closely cooperate at European level.

## USO – a microsurgery, not an atomic option

- Planners tend to ‘optimise efficient increments to USO’.
- So ‘clean’ definition of USO critical.
- Market failure or equity or what?
- Find a mechanism to reveal USO preferences/valuations.
- Find a least distortive financing mechanism.
- Do NOT impose ‘shadow’ USO obligations on entrants.
- Localised USO designation to promote entry?

# To a worm in horseradish, the world is horseradish!

*(Malcolm Gladwell edition)*



- We all want 'extra chunky' spaghetti sauce – we just don't know it yet.
- Remember this Waldfogel paper about Christmas presents waste?
- Transfer buying power from grandma to junior => vouchers.
- Postal USO vouchers?!

## Of social dumpers and good employers

- Wage competition is the low hanging fruit for entrants.
- Strike the right balance: Postal Directive recital 16.
- CLA – negotiated, but ideally not at gun point.
- At a wage matching the post(wo)man skill set.
- Otherwise returns from education reduced (Lisbon?).
- And other socially useful occupations discouraged.

## CLA as a level playing field?

- CLA typically positively correlated with firm size.
- Smaller firms tend to choose labour-intensive technologies.
- Smaller firms are less able to pass-on cost increase.
- CLA raises (sunk) cost of entry => lower contestability.
- The more CLA, the more access regulation is needed.

## And VAT...

- It is sometimes distortive, but always a big mess.
- On net it depends on cost base and customer VAT status.
- Requires changes to VAT directive (under unanimity).
- Some guidance from ECJ (TNT ruling).
- Only improvements 'at the margin' currently possible:
  - Tight definition of USO.
  - Including VAT benefit into net USO cost calculations.
  - Access regulation (*~individually negotiated terms*).
- In general, 'public interest' of VAT exemption unclear.

## 1 Jan 2011 and then what?

- Recession a time to rethink business models (Aghion).
- Evolve from communications to delivery services.
- The future is a parcel => closer substitution with express?
- More Hayek, less Walras.
- Move beyond market additions to bloated USO.
- More experimental entry, less envelope theorems.
- Innovation and quality must be the central concern.