

13th Königswinter Seminar on Postal Economics

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Challenges & Progress with implementing the Third Postal Directive

Werner Stengg

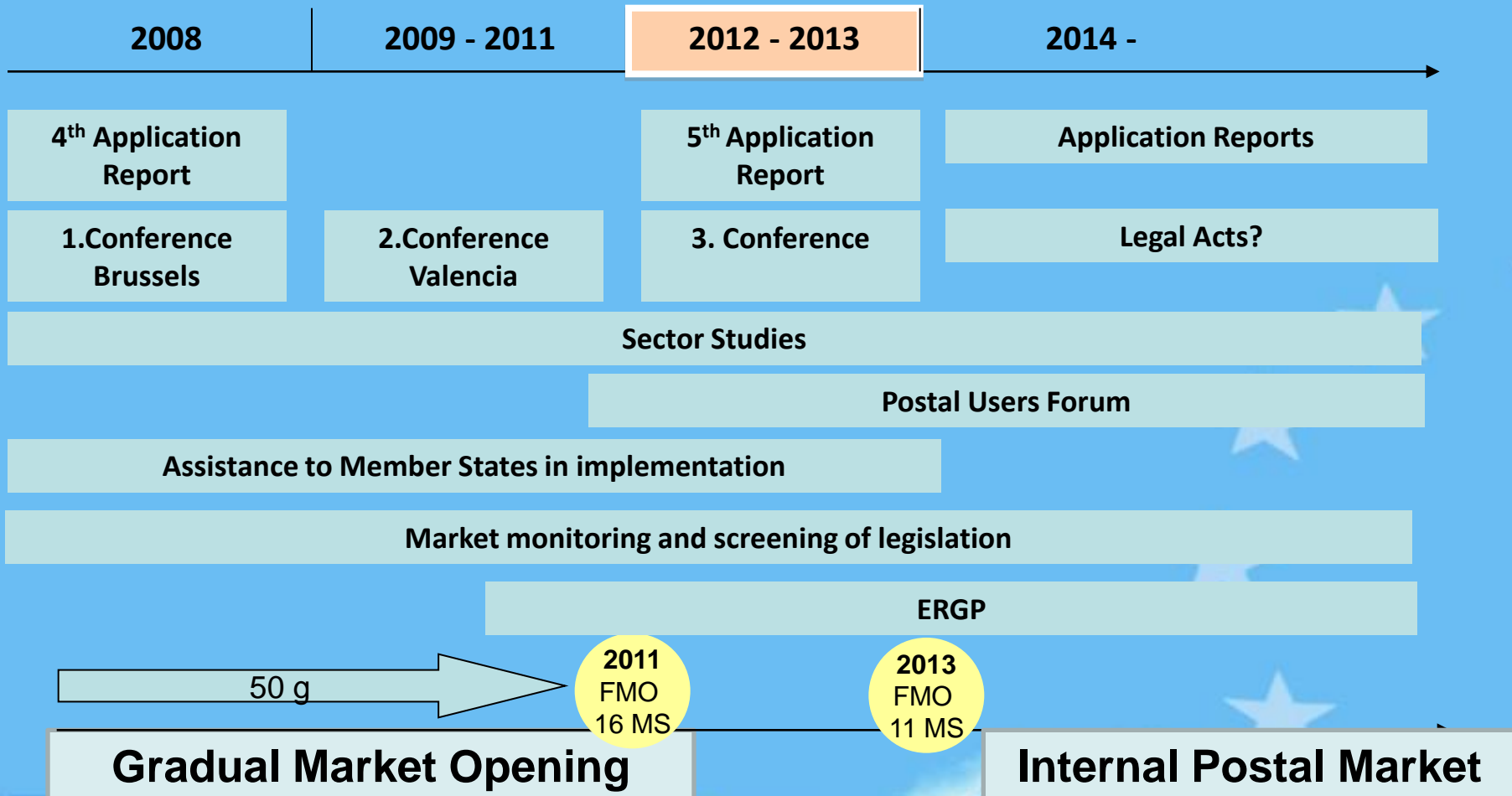
Head of Unit «Online and Postal Services »

DG Internal Market and Services

OUTLINE

- **The Implementation Process**
- **The Starting Point**
- **What We Want**
- **What We Need**
- **Risks**
- **Universal Service**
- **Access to Networks and Infrastructure**
- **The Cross-Border Dimension**
- **Conclusions**

Implementation Process



European Commission
Internal Market & Services DG



The Starting Point

- Network industry; economies of scale and scope – what type of competition is feasible?
- Historically grown structure based on national monopolies that gradually need to adapt to:
 - Liberalisation
 - Technological progress (e.g. Automation)
 - Changing environment (e-substitution, e-commerce, etc.)

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- Industry at crossroads of communication and logistics, which needs to serve:
 - Citizens
 - Economy as a whole
- Economic and financial crisis that reduces potential for public spending (and state aid)

What we want

- Competition, which is fair for both incumbents and alternative operators, requiring:
 - Transparency (costs, tariffs, etc.)
 - Non-discrimination
 - Proportionality
- Efficiency, innovation
- Productivity, competitiveness

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- Choice; affordable prices; quality
- Sustainable and high-quality employment
- Universal Services that meet the needs of users and are affordable to taxpayers
- Social and territorial cohesion
- An efficient industry that satisfies the communication and logistics needs of the rest of the economy

Risks - general

- Unsustainable universal service
- Obstacles to competition (e.g. cross-subsidisation, predatory pricing, etc.)
- Unsustainable employment conditions
- Lack of public and political support for reform process

Risks - regulatory

- Entry barriers:
 - Excessively onerous licensing requirements (e.g. shadow USO, employment conditions, etc.)
 - Restricted access to postal network and infrastructure
- Tariffs not cost-oriented, non-transparent, discriminatory
- Accounting systems unable to separate USO from non-USO services

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- Financing of USO: inability to calculate net cost and “unfair burden”
- Application of PSD principles in cross-border situations; friction with UPU system
- Independence, competences and capacity of national regulators (esp. outside USO)
- Distortions stemming from VAT exemption

USO

- Varying scope across Member States
- Challenge of adapting it to technical, economic and social environment and to the needs of users
- Financing of USO:
 - Who contributes to compensation fund, and how much?
 - How to establish net cost/financial burden?

USO – net cost

- Pre-conditions:
 - Availability of data (separation of accounts)
 - Reference scenario
- No commonly shared methodology, little practical experience
- Likelihood of requests for compensation rising with declining mail volumes and fixed nature of delivery networks

USO – net cost

- Reference scenario:
 - Parameters: delivery frequency, geographical coverage, access points, quality standards,....
 - Cost-efficient operator?
 - (Un-)profitable consumer segments?
 - (Un-)profitable services?
 - Reasonable profit?
 - Intangible benefits?
 - Economies of scale and scope, demand complementarities and reaction, etc.

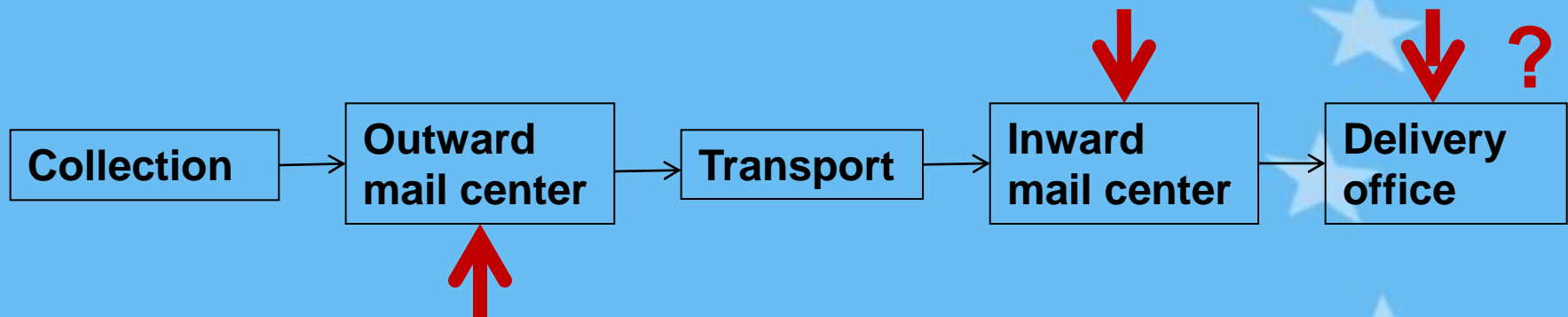
Access to network/infrastructure

- Access to networks (Art 11), elements of postal infrastructure or networks (Art 11a), special tariffs (Art 12/5)
- To “protect the interest of users and/or to promote effective competition”
 - Competition by alternative network providers would need time and considerable financial means
 - Duplication of delivery networks not economically reasonable

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- **Example: consolidators**

- Active in 13 Member States (esp. F, UK); different practices and rules
- E.g.: Downstream access at what point?



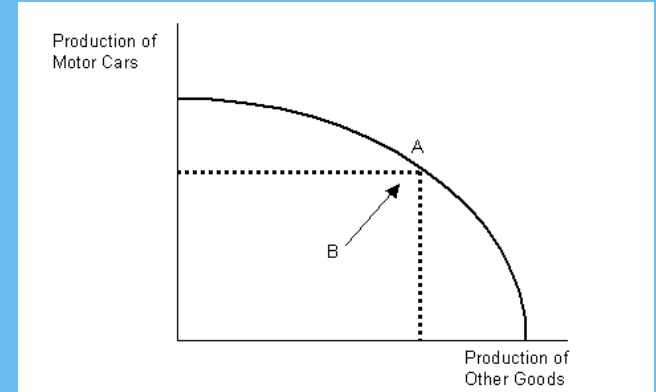
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- Mailing houses/Consolidators – issues:
 - Independence: outsources for mail preparation OR sender in its own right?
 - VAT exemption
 - Discriminatory rebates between bulk senders and mailing houses/consolidators. E.g.:
 - FR: rebate schemes to “stimulate demand” generated from price-sensitive mailers
 - ECJ ruling Vedat Deniz

Cross-border aspects

- Relation with UPU:
 - Cost-orientation of termination charges?
 - Access to UPU rates by alternative operators?
- EC Study on cross-border parcel delivery:
 - Prices above “benchmark prices” (domestic + transport + administration)
 - Scale and competition as driving forces
 - Small versus large senders
 - Issues: transparency; quality of service measurement; complaint handling

Conclusions



USERFOCUS

