



POSTAL USERS GROUP (PUG)

◆ An ad hoc alliance of Europe's major users of postal services

PUG's position paper on the European Regulator Group for Postal Services report on "access" to the postal network and elements of postal infrastructure

The Postal Users Group (PUG), ad hoc platform of major EU postal users and their representative organisations, **welcomes this report on "access" to the postal network and elements of postal infrastructure prepared by the European Regulator Group for Postal Services.** Indeed, PUG's key high level goals include the finalization of postal liberalization and a renewed, high level commitment by Member States and European Institutions to further promote a competition based on transparency, prices and quality of services in the postal sector. PUG considers this report as a step forward for the finalization of postal liberalization and a sign of renewed high level commitment by the ERGP and European Institutions to further promote a competition based on transparency, prices and quality of services in the postal sector. **This evaluation is positive and helps to understand the further steps necessary to take.** Having been invited last year to the Postal User Forum, PUG would like to continue contributing to the debate.

PUG would like to impart first on two important notions. One relative to the market shares of incumbents, the other on the role of NRAs.

PUG agrees with ERGPs assessment that competition is not yet a reality in the postal letter market, in the sense that postal incumbents, despite the postal directives and competition law, still hold the largest shares among all postal operators in the national postal letter market. Indeed, **despite partial or even total market opening, incumbents often maintain market shares of 85 % or sometimes above 95% in letter markets.**

PUG would also like to highlight the difficult role of the NRAs to ensure a fair level playing field and access to postal networks in shrinking letter markets. The NRAs sometimes face a challenging backdrop of social pressure to ensure a future to the postal staff in the EU. Nevertheless, the distinction between competition aspects and social aspects must be maintained. **The objective of ensuring fair competition should not be overshadowed by social aspects** (for example, reduction of working places) **due to drop of volumes.**

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PUG would like to highlight necessary elements for effective access to the postal market (I) and requirements to overcome further barriers of the postal market (II) and encourages the European Institutions to strictly follow up on the implementation of the postal directives.

I Effective access to the postal network and elements of the postal infrastructure

PUG considers the remaining barriers to access and certain difficulties surrounding key elements of the postal infrastructure.

- **Available postcode systems**

- Reasonable access to postcode systems is important for competitors and consolidators to organize their delivery and organize it in a cost effective manner. E.g. consolidators have a **better rebate** for their mail if they can sort it out by local postcode instead of by regional postcode. Therefore, the better the letters are postcode sorted, the more there is a basis for competition.

PUG insists on the necessity of reasonable access to postcode data sharing to enable cost effective sorting by competitors and to further competition.

Access to delivery boxes and post office boxes in blocks

Competitors need access to delivery boxes inside apartment buildings and flats to ensure an **effective last mile delivery**. For the same reason, they need access to final post office box of consumers. Customers expect this level of last mile service from competitors; especially in the case of office boxes designed to receive a large number of postal items or designed to welcome business mail.

PUG insists on the necessity of access to delivery boxes and post office boxes to enable competitors to deliver effectively, even in the last mile, and whenever possible, a full end to end service.

- **Sharing redirections data**

- Updated redirections data lists, which include information resulting from deaths and change of addresses, are important for competitors to ensure effective mailing. Reasonable access to up to date lists is key for competitors to **avoid receiving fines for not respecting environmental, consumer and privacy requirements**.

PUG encourages reasonable sharing of redirections data so as to further competition by enabling competitors to respect environmental, consumer and privacy requirements thereby earning the trust of its customers.



- **Price transparency**

- With shrinking volumes comes the growing risk of cross subsidization. NRAs need to ensure that the price models of postal operators are reflecting the actual costs of postal services to **avoid cross subsidization**.

PUG encourages further letter price transparency to enable NRAs to analyze price models, to identify and avoid any cross subsidization between USO services and competitive postal services managed by the Universal Service Provider. To ensure this price transparency and more effective competition, PUG believes in well funded and independent NRAs.

- **Transparency on volumes**

- The majority of NRAs provided no or limited data on volumes (23% of rate of reply).

PUG encourages a system to allow NRAs to receive all volume linked data from postal operators. This volume data is necessary for NRAs **to understand their postal market** and take the necessary measures to ensure fair competition. PUG encourages member states to develop further the habit of collecting this data.

II Further considerations to avoid discriminatory elements and barriers to access to the postal market

- **VAT exemptions only for minimum USO**

- The diverging rules on the application of VAT to postal services across the EU 27 are an obstacle to **fair competition**. Lack of **clarity** with respect to taxation not only creates market distortions, but can act as a deterrent for companies and operators to make the needed investments to further adapt to the ever changing market conditions.

PUG believes that VAT exemptions should be restricted to the minimum i.e. to the Universal Service Obligation to enable a **fairer level playing field**. Indeed, restricting VAT exemption just to the Universal Service Obligation products limits the barrier to competition on non USO bulk mail, parcels and international mail while protecting consumers and SMEs in USO products. PUG equally believes that the exemption of VAT should be determined by the service being supplied (USO) and not the operator supplying it (USP).



- **Equal treatment of consolidators**

- Consolidators play a **key role in the postal market, particularly for SMEs**, by printing and sending their mail at acceptable prices and rebates, offering more choice of delivery options, experience and expertise and value added services. Consolidators therefore play a key role in furthering competition in the postal market by mainstreaming small volumes. Supporting consolidators will **encourage SMEs to use the mail channel** and therefore it will contribute to **increasing overall letter volumes**.

PUG is against discriminatory treatment of consolidators, whether for example by the postal operator compared to bulk mailers or for any factor affecting the level playing field such as interoperability or for VAT (franking). PUG is for rebates and even different types of rebates (differing conditions) but only as long as the price model is non-discriminatory and transparent to NRAs.

- **Enforcement of the role of NRAs in helping parties seek access to the postal network**

- Where third party access is based on negotiations, it is customary for parties seeking access to ask the postal incumbent to grant access. Negotiations then generally last for 3-4 weeks. If the negotiations fail, the NRA can settle the dispute so as **to ensure the competitor a fast, effective, smooth access to the postal network**. Indeed, a competitor who knows that access to the postal market will take months will lose his incentive to enter the market. This implies a maximum dispute resolution of 3 months, including negotiations period and NRA decisions. Competitors also need to know that the NRA can override the postal operator's decision or offer by taking a specific decision which will grant him effective access to the postal network.

PUG believes that, in the context of negotiations between the owner of the postal network and the party seeking access, NRAs should have the power to intervene in the absence of a market oriented agreement (and not only if there is abusive behavior by the incumbent following an agreement). However PUG believes that, if after one month, no agreement has been reached, the competitor should be able to refer the dispute to the NRA. PUG believes that the duration of the dispute resolution period should be laid down; the NRA should have 2 months, maximum 3 months to resolve the dispute brought to it between the owner of the postal network and the party seeking access. PUG believes



that the NRA's should have power of decision in the context of negotiations between the owner of the postal network and the party seeking access; the NRA should have the power to issue a decision or direction (including obligation to conclude a contract). This power of decision would allow it to create precedents to which it can refer to for following cases. PUG believes the NRA must be able to provide solutions.

Conclusion

This ERGP report highlights that access to the postal network and elements of postal infrastructure by competitors is still limited. Certain discriminatory elements still prevail in the letter market. It is therefore very important that the Commission keeps on assisting the realisation/transposition of the directive and encouraging NRAs in their role to guarantee effective competition. Indeed, **the NRAs must work to bridge the gap between the postal directives and the reality of liberalization.**

Nevertheless, **PUG approves this report and the underlying renewed high level commitment to postal liberalization. PUG equally looks very much forward to continuing our work within the frame of the new Postal User Forum annual initiative, reinforcing the Commission's users' approach.** PUG fully appreciates and encourages Commissioner Michel Barnier's bottom to top approach regarding Postal liberalization. The Postal Users Group through its activities in the past years, adopted this approach, sharing with the Commission the users' needs and concerns. A user focus approach highlights issues which are not necessarily visible to institutions or foreseeable.

About the Postal Users Group (PUG):

The Postal Users Group (PUG) is an ad hoc platform of major EU postal users and their representative organisations. Since its formation in 1996 PUG has been actively promoting the creation of an Internal Market for postal services. Throughout we have worked closely with DG Internal Market.

The PUG membership includes representatives from the major bulk mailing business sectors, such as the Federation of European Direct and Interactive Marketing (FEDMA), the European E-commerce and Mail Order Traders Association (EMOTA), the European Publishers Council (EPC), the European Magazine Media Association (EMMA), the European Newspaper Publishers Association (ENPA), the Federation des Editeurs Europeens (FEP-FEE), European Express Association (EEA), Confederation of European Paper Industries (CEPI), the European Federation of Envelope Manufacturers in Europe (FEPE) and the Dutch Postal Users' Group (VGP).



In 2011, the the Postal Users' Group adopted five key high level goals for postal services:

1. Finalization of postal liberalization;
2. A renewed, high level commitment by Member States and European Institutions to further promote a high level of competition based on transparency, prices and quality of services in the postal sector;
3. Quality of postal core activities by encouraging innovation and the investments necessary;
4. Coherent policy based on the input of all stakeholders in view of identifying in a timely way the most efficient solutions to current legal and technical barriers;
5. Reaching the next level: conceiving and promoting postal services as complementary with the development of the Digital Single Market.



EPC | European Publishers Council

