LIBERALISATION (POSTAL SERVICES): COMMISSION STATEMENT

Subject: Liberalisation

Industry: Postal services

Source: Commission Statement IP/00/541, dated 30 May 2000

(Note. In addition to the individual cases which the Commission has brought against national post offices for infringement of the EC rules on competition, the Commission is proposing more generalised action to liberalise the provision of postal services. The problem is to balance the maximum degree of liberalisation against the maximum protection of the principle of universal service. This principle ensures that competition does not result in a creaming off of the more lucrative parts of the postal services market, leaving the provision of less lucrative services or services to less lucrative areas to decline or abandonment. The principle recognises that, while some postal services may be a largely commercial operation, universal service is a social necessity. In percentage terms, the current liberalisation program is rather modest; the program for the years 2004 to 2007, though still modest, is likely to have more far-reaching effects.)

The Commission has proposed measures to open up a substantial share of the postal services market to competition by 2003; and, on the basis of new proposals to be tabled before the end of 2004, a further share of the market will be opened up by 2007. This step-by-step approach to complete the Internal Market in postal services will maintain existing safeguards to ensure universal postal service throughout the Union. The proposals respond to the request by the Lisbon European Council to speed up liberalisation of postal services as part of efforts to ensure a complete and fully operational Internal Market and so develop "the most competitive, dynamic and knowledge-based economy in the world".

In particular, the Commission is proposing to increase the range of services which Member States must open to competition to include letters weighing more than 50 grams (the current weight limit is 350 grams), letters below 50 grams where the price is at least two and a half times the price of a standard letter (the current value limit is five times the price of a standard letter), all outgoing mail to other Member States and all express mail. The effect of today's proposal would be to open up an additional 20% of the European Union postal market to competition, over and above the 3% opened up by the existing Directive.

Internal Market Commissioner Frits Bolkestein said: "Fast, efficient, competitive postal services are vital to ensure the competitiveness of European Union industry and to make the Internal Market a reality for consumers. They are particularly vital if business and consumers are to reap the full potential of electronic commerce people will not want to order goods over the internet unless they can depend on speedy, affordable, efficient delivery. Efficient postal services are also crucial for advertising, communications and rapid, cost-effective delivery of both

components and finished products. We have to leave the ideological debate behind us, given that there are cast iron safeguards for universal service in both the existing Directive and the new proposal so that the special role of postal services in society will be preserved. We must instead concentrate on implementing this balanced step-by-step approach to opening up the postal market to further competition. The challenges facing the postal sector mean that maintaining the status quo is simply not an option."

The proposal aims to ensure that market opening to be implemented in 2003 is significant enough to engender competition without endangering either the universal service or the financial equilibrium of its provision by the universal service providers. To achieve this, the proposed market opening affects all segments of the mail market (that is, reduction of the weight/price limits for the maximum reservable area), but focuses in particular on market segments that are already de facto open to competition (such as outgoing cross-border mail).

First step

The proposal would require Member States, by 1 January 2003, to:

- reduce the existing weight/price limits from 350 grams/5 times the basic standard tariff for letters to 50 grams/2.5 times the basic standard tariff for letters;
- reduce the existing weight/price limits from 350 grams/5 times the basic standard tariff for letters to 50 grams/2.5 times the basic standard tariff for direct mail (that is, addressed advertising material);
- initiate a full opening to competition of outward cross-border mail; and
- initiate a full opening to competition of all express mail services (without price limit).

The total market opening resulting from the proposal is estimated to represent on average approximately 20% of the universal service providers' revenues from postal services.

The Commission is not proposing specific opening measures for inward cross-border mail because of the risk that this could be used to circumvent the area of domestic mail services Member States could reserve for universal service providers.

On the basis of this proposal, Member States could still maintain a reserved area representing, on average, 50% of the universal service providers' revenue from postal services. Currently universal service providers obtain on average 70% of their revenue from reserved services. However, as some Member States have already opened up their postal markets further than has been proposed by the Commission, the impact of the proposal on market opening varies from one Member State to another.

Finally, the proposal improves legal clarity and certainty of the existing regulatory framework with a clear definition of special services, which cannot be reserved, and the requirement for the transparency and non-discrimination principles to apply to

special tariffs.

Next step

A next step for further opening of the mail market is proposed to take effect from 1 January 2007. Precise proposals are due to be tabled by the Commission before 31 December 2004. These proposals will be based on a review of the sector focusing on maintaining the universal service in a competitive environment.

Universal service safeguards

Safeguards for the universal service already defined in the existing postal Directive (97/67/EC) would be reinforced. In particular, Member States will continue to have the option of using licensing systems to impose universal service obligations on competitors and establishing a compensation fund into which operators would have to pay to cover any shortfall in revenue from services reserved for the universal service provider as a result of which it was unable to meet the cost of the universal service obligation. The new proposal would further enhance these provisions by including the explicit possibility for universal service providers to cross-subsidise universal services which are non-reserved with revenue from reserved services, insofar as it is needed to provide the universal service. ■

The Framatone / Siemens / Cogema Case

The Commission has decided to undertake an in-depth, second phase investigation of a proposed joint venture between French companies Framatome SA and Cogema SA and Germany's Siemens AG. The new joint venture will combine the nuclear activities of Framatome and Siemens.

Framatome is a designer and manufacturer of nuclear power plants and manufactures the main equipment of the primary systems, that is, the core part, of a nuclear power plant. Siemens is active in electrical engineering and electronics, and in the design and supply of different types of nuclear power plants, including related nuclear fuel operations. Cogema is a state-owned company, mainly active in the nuclear field.

The Commission considers that the proposed joint venture raises serious doubts about its compatibility with the common market as regards the strong positions on certain nuclear technology markets.

Source: Commission Statement IP/00/926, dated 11 August 2000.