

## CONTENT

### Title

Accompanying document to the Proposal for a directive of the European Parliament and of the Council amending directive 97/67/EC concerning the full accomplishment of the internal market of Community postal services: **Summary of the Impact Assessment**, SEC(2006) 1292 from 18 October 2006

### Summary

#### Introduction

The purpose of this document by the Commission is to provide an executive summary of the full **impact assessment on the opening of European postal markets**. In that document, the **Commission** investigates the Impact of four “basic political options” and formulates **recommendations**.

#### Starting Point

Postal services make a significant contribution to the EU economy, with the European postal sector earning revenues of about 90 billion EUR in 2004. With an added value of 37 billion €, it makes up 0.4% of the EU GDP. 1.7 million Europeans are directly employed in the postal sector, while 3.5 million jobs exist in postal-related or induced sectors, providing additional revenues of 150 billion €. The most significant consumers of postal services are business customers, sending 87.5% of all postal items. Individual users, on the other hand, receive the majority of the mail (70%).

#### Objectives of the Commission

The Commission has identified the following policy objectives for the proposed Directive COM(2006) 549:

- ▶ to achieve the full opening of the European postal markets,
- ▶ to maintain an affordable and high quality universal postal service for all,
- ▶ to reduce barriers to the internal market.

The instruments recommended by the Commission are:

- ▶ the continued reduction and the eventual abolition of postal monopolies,
- ▶ if necessary, the use of alternative universal service safeguards or financing mechanisms,
- ▶ the provision of fair access to the postal infrastructure (such as post office boxes, postcode or change of address databanks).

#### Basic Policy Options

The Commission considers four basic policy options and assesses them as follows:

- ▶ **Option A: No new legislative measures**  
The current Postal Directive (RL 97/67/EC) expires on 31 December 2008. If the Commission were not to provide for a new regulatory proposal, from 2009 on, the postal sector would be primarily governed by the competition law provisions in the EC Treaty (Article 86). Following those provisions, member states can only award monopoly rights when they can demonstrate that granting such rights is necessary in order to safeguard the provision of the required universal services by the monopolist. Member states could furthermore individually define universal service and associated quality standards in accordance with international agreements and treaties such as the Universal Postal Union Obligations. In its impact assessment, the **Commission rejects this option**. It would lead to greater differences between the member states in the legal framework and in universal service standards, which would increase the barriers to the internal market.
- ▶ **Option B: A substantially new Postal Directive** leading to fully opened European postal markets in 2009 and to a harmonisation of member state acting in all issues of the postal sector  
The **Commission sees no reason to follow this option**. It is of the opinion of the Commission that the Community's current legal framework is in principle adequate. Due to different national peculiarities and needs it is unlikely that a common and universally valid solution can be found.

- ▶ **Option C: The prolongation of the existing Postal Directive**  
In this option, Article 27 of the current Postal Directive (DIR 97/67/EC), which limits the validity of the directive to the end of 2008, would be deleted, but all other elements would remain unchanged. According to the Commission, this **would essentially mean a reversal from the objective of a full market opening**. It would delay important measuring for the restructuring of the postal sector, slow down the development of innovations and reduce consumers' choices. The Commission believes that in the longer term, this would undermine the competitiveness of the postal sector compared to other communications sectors, which would in conclusion have a negative impact on employment. In addition, it would endanger the sustainability of providing the universal postal service at affordable prices.
- ▶ **Option D: Changes to the existing Postal Directive**  
In this scenario, the Commission assumes that the maintenance of a **high quality universal postal service and a full market opening are compatible**. The Commission refers to the results of a prospective study on the impact on the universal postal service of the accomplishment of the internal postal market by 2009 [(COM (2006) 596]. According to the Commission, this option would maintain and build on the existing Postal Directive. Modifications would only have to be made there "where needed given recent and expected market developments."

#### Conclusion by the Commission

**The Commission rejects options A and B.** They do not contribute to the realisation of the objectives aimed at. The Commission expects that these options lower universal service standards and consequently have a negative impact on consumers.

The Commission fears that option C may also endanger universal service. While option D plans for the application of uniform tariffs and the retention of current universal service standards, including affordability requirements, the Commission gives to understand that a full market opening might also bring about some single item price increases due to a closer orientation of prices to true costs.

**In order to make a decision between the basic political options C and D, the Commission compares the impacts of these options with respect to five central aspects and makes the following recommendations.**

#### Recommendations by the Commission

- ▶ **Scope of the universal postal service**  
The more extensive the legal requirements for the universal postal service, the greater the likelihood that it will not be profitable for private postal operators to voluntarily offer the full scope of the universal postal service. The Commission believes that an **EU-wide restriction of the scope of the universal postal service** to postal products, which are not being provided for by market forces, **cannot be reached** at this point. The unequal development of competition in member states as well as differences in users' needs are good reasons, according to the Commission for leaving the general scope of the universal postal service unchanged.
- ▶ **Universal service standards**  
The Commission recommends a change to the existing standards of universal service. The core issue here is the application of uniform tariffs by the Member States. The Commission fears that Member States would set uniform tariffs that are too high, making competitive pricing impossible. That would have a negative impact on, for instance, universal service providers working efficiently. Such provider would not be allowed to provide its services under the uniform tariff, even though this would be profitable for him. The high uniform tariff thus protects other providers who work less efficiently than this universal service provider. These "inefficient" providers would cause a loss in the universal service provider's revenues, which in turn could undermine the ability to finance the universal service. The Commission thus recommends applying **uniform tariffs for single item mail** and certain other items **only**.
- ▶ **Reserved area and alternative financing models**  
The Commission recommends the **abolition of all postal monopolies**. Member States are given the **choice between different models to finance the universal postal service**, including public procurement of services, state aid, and a compensation fund financed through obligatory fees paid by postal operators.
- ▶ **Access to essential means of the postal infrastructure**  
The national regulatory authorities should be obliged to identify the essential means of the postal infrastructure (such as postal and delivery boxes, postcode and change of address databases). To avoid that the advantages of increased competition do not materialise because of a lack of access to the infrastructure, non-discriminatory access to these means should be **guaranteed by the regulatory authorities**.

► **Downstream access to sorting and delivery networks**

Downstream access is not explicitly regulated in the current Directive. The Commission recommends that due to the differences in the postal markets among the Member States, this point be also **not** be **regulated in the new Directive**. Only a few elements of the postal network are 'essential facilities' to which access should be guaranteed. The decisions on the **possible obligation** for a dominant postal service provider to open its 'essential facilities' to competitors should continue to be made **at member state level**.

**Conclusion**

**The Commission proposes the full opening of the postal markets to competition, ensuring** a high level of **universal postal service** through complementary measures. Both can to be made possible by adapting the existing Postal Directive (Option D).