

## CONTENT

### Title

**Prospective study** on the impact on the **universal postal service** of the full accomplishment of the internal postal market in 2009 (COM (2006) 596) from 18 October 2006

### Summary

#### Background

The European postal policy consists of a step-by-step phasing in of competition into European postal markets. The first Postal Directive (97/67/EC) in 1997 already provided for the limited reduction of existing postal monopolies. With the second Postal Directive (2002/39/EC) in 2002, the postal actors have been given more time to prepare for competition through a further gradual and limited reduction in their monopoly rights. According to this second Directive, the European Commission is to assess by the end of 2006 whether or not the complete liberalisation of the European postal markets can be achieved as planned by 2009. The question of whether the liberalisation of the market can be achieved while maintaining the universal postal service is of essential importance. The prospective study addresses this issue.

#### Safeguarding the Universal Postal Service: Starting Point

In its study, the Commission comes to the conclusion that the **partial liberalisation of the postal markets has thus far had a positive effect on the universal postal service**. The Universal postal service in the European Union is of high quality, the prices are affordable, and the services are easily accessible. In countries such as Sweden, Great Britain, and Finland, **where the liberalisation of the postal sector is well advanced**, the quality of universal service has not declined. Even though there are no longer any areas reserved as monopolies for postal operators, **the efficiency and reliability of the postal services has increased** in these countries. Studies show a high degree of satisfaction with the postal services from both citizens and companies.

#### Effects of a full Market Opening of the Postal Market

##### ► Impact on the provision of universal postal services

The Commission rejects the argument that the liberalisation of the postal markets could have a negative effect on universal service in some countries. Three independent studies have all come to the same conclusion that **in no member state the provision of universal postal services is endangered by the full opening of the market for competition** by the year 2009. The Commission believes that the confirmation of the date for the market opening would provide incentives to finalise preparations for the new situation.

According to the Commission, full market opening of postal services will lead to **better quality services** and also a continuation of the **area-wide coverage of postal services**. Only **in remote regions** it might be possible that competition will not lead to a sufficient supply of services. **Supporting measures** would be necessary in this case.

##### ► Impact on the financing of universal postal services

According to the Commission, competition will contribute to the **more efficient supply of universal postal services**. However, the Commission claims that the future of universal service should not be put solely in the hands of market forces. The Commission believes that in certain conditions **ad hoc funding or other regulatory measures** may be necessary **to safeguard the universal service**.

Regarding prices, the Commission expects a better alignment with the actual demand. It recommends that regulatory safeguards in the form of price cap mechanisms be introduced to control developments.

##### ► Impact on employment aspects

The Commission expects that competition on the postal markets will contribute to the maintenance of employment within universal service providers as well as to the **creation of jobs** by new entrants. According to the Commission, an opening of the market will have a more positive effect on employment than maintaining the current status quo.

##### ► Impact on Investments

The Commission considers that the continuation of **postal monopolies** would threaten the provision of universal service. Both budgetary restrictions within the member states and the current lack of regulatory certainty for postal service providers **endanger the investments** required for the sustainability of universal postal services. In addition, the Commission argues that monopolies lead to price increases, which prompts users to switch to alternative communication products, which in turn has negative effects on investment plans.

#### Complementary measures to safeguard universal postal services under full market opening

The Commission recommends various complementary **measures** that, if necessary, are **to safeguard the supply and financing of universal postal services** under a full opening of the postal markets. These include a wide range of regulations regarding consumer protection, access to the infrastructure of the universal service providers, and authorisation requirements. Regarding the financing of any residual net costs of providing universal postal services, the Commission adds, it would be preferable to provide this financing through compensation funds, state aid, or public tendering, rather than to retain the postal monopolies.

#### Summary

The Commission's prospective study confirms that the **universal postal service can be safeguarded also when fully opening European postal markets** in 2009. On the contrary, delaying a continuation of the process of market opening would jeopardise the long-term sustainability of universal postal services. **If necessary**, the prospective study provides for alternative **financing mechanisms, securing the provision and financing of universal service** in a fully opened postal market.