

POSTCOMM



**Delivering a
competitive
response to a
liberalizing market**

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“A range of reliable, innovative and efficient postal services, including a universal postal service, valued by customers, and delivered through a competitive postal market”

- **January 2003: upper weight limit reduced and 30% of the market (by value) open to competition for large bulk mailings above 4000**
- **April 2005: a further 30% of the market (by value) open to competition**
- **April 2007: all restrictions to competition abolished**
- **But the possibility of competition is not the same as the development of effective competition.**

Making competition happen

- **Requirements:**
 - A fair and level playing field
 - An efficient, innovative, high quality market
- **Bulk mail market opened first**
- **Key areas of Postcomm's work:**
 - Licensing
 - Price control
 - Access arrangements
- **Other barriers to competition**
- **“Building blocks” crucial to success**

- **Licensing will control phased market opening**
 - Licensing powers extend to 350 grams
- **So far four long-term licences issued for:**
 - bulk mail
 - consolidation
 - enhanced document exchange, and
 - tracked business-to-business mail
- **Slow progress has caused us to look at other barriers to entry**
- **Postcomm committed to light-touch regulation and fair and proportionate licensing**

- **New control set on 31 March. Objectives:**
 - To ensure the provision of the universal service
 - Protect the interests of postal users
 - Encourage efficiency/economy within Royal Mail, and
 - Give Royal Mail commercial flexibility
- **Control allows Royal Mail an extra £750m over three years and opens the way for an enforceable compensation scheme. It allows:**
 - A 3% price increase this year (stamp prices rose 1p in May)
 - Increases of RPI-1% in years two and three.

- **The scale of Royal Mail's delivery operation gives the company a tremendous advantage**
- **Advantages for everyone if rival companies could pay Royal Mail for its postmen to deliver "the last mile"**
 - **Customers would have a wider choice**
 - **Royal Mail would keep and develop its network**
 - **Rivals would get access to nationwide delivery at a fair price**
 - **Rivals would pay Royal Mail for doing some of their work**
 - **Competitors could choose to set up their own network or use Royal Mail's**
- **Postcomm is currently consulting on an access application from UK Mail**

- **VAT a barrier to fair operation of the market:**
 - Private operators must charge VAT
 - Royal Mail is exempt
- **EU has indicated that Member States can set a reduced VAT level for postal services**
- **A 5% rate in UK would level the playing field and have little effect on Royal Mail's prices.**
- **Postcomm is to consult on Royal Mail's special privileges.**

- **Imbalance is caused by opening the UK market to rival operators whose domestic markets remain closed to competitors**
- **But some Member States – notably Germany and the Netherlands – are matching UK's commitment to full liberalization in 2007**
- **The EU has set full market opening as a clear objective, but the programme post-2006 is in doubt**
- **Postcomm hopes other Member States will recognise the wider opportunities of opening up the EU and international postal market.**

- **Postcomm's review for the first time asks users what they want from the universal postal service.**
- **Growth of competition requires greater clarity about what universal services Royal Mail must provide**
- **Aim is to set broad principles of what a universal service should be and why, and**
- **Define which of Royal Mail's services constitutes a universal service**
- **We will review the issue from time to time as the market develops**

Our vision: is it working?

- **People want postal services that respond to their needs**
- **Competition has started slowly but is having an effect**
- **Royal Mail is now more efficient and reliable – the letters business is profitable and profits should increase**
- **We must ensure the threat of competition keeps this improvement going.**

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