



Tasneem Azad
Deputy Director, Competition
Postcomm
Hercules House
6 Hercules Road
London
SE1 7DB

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Response to Postcomm's Consultation: "A review of Royal Mail's Special Privileges"

The European Express Association (EEA)¹ welcomes the opportunity to respond to Postcomm's consultation, '**A review of Royal Mail's Special Privileges**'. Royal Mail has traditionally been the subject of special treatment in order to secure the provision of the universal postal service. It is however important to ask, as Postcomm does, if these special privileges are still warranted given developments in the postal services market over recent years. Have the special privileges enjoyed by Royal Mail been integral to facilitate an effective provision of universal postal services or have they in retrospect hampered effective competition between operators providing standard as well as special services?

The EEA will in its response to this consultation only focus on the special privileges that we believe are infringing on the express industry's ability to provide services in the competitive market.

VAT-exemption

The EEA supports Postcomm's assessment that the VAT exemption isn't instrumental in keeping the price for the universal service at an affordable level.

Our main concern however would be that the current VAT exemption granted to Royal Mail is such that the Royal Mail-owned express company Parcelforce is not required to charge VAT for shipments within the European Union. This is a very good example, in our view, of how a special privilege aimed at securing the universal service distorts competition amongst the actors providing express services, outside the scope of the universal service. In order to promote fair competition, all companies providing express services in the European Union should be subject to the same rules, i.e. if special privileges are to be granted, they should be based on the service provided rather than according to ownership structure.

¹ The European Express Association (EEA) represents the interests at European level of the world's leading integrators: DHL Worldwide Express, Federal Express, TNT Post Group and United Parcel Service as well as national express associations and small and medium size companies operating across Europe.

The express industry specialises in time-definite, reliable express transportation services for documents, parcels and freight, revolutionising the way companies do business worldwide. It allows European business to rely on predictable, expeditious delivery and collection of supplies, thereby enabling them to attain and maintain global competitiveness. In Europe, the industry employs over 400,000 people of which 100,000 are employed by the four integrators alone. The four integrators operate over 20,000 collection and delivery vehicles, 4,000 heavy freight vehicles and over 223 flights each night.

The EEA Secretariat is based in Brussels and four working Committees address specific issues of its members: Fair competition, Customs, Security and Transport and Environment.

If a level playing field for operators providing express is to truly exist, we believe that that it is of the utmost importance that equal services are treated in an equal fashion. Subsequently a VAT exemption on express services is no longer appropriate and is counter-productive to measures set out in European Union's Postal Directives 97/67/EC and 2002/39/EC introducing competition to the market.

It is also important to underline European postal legislation, which states that companies wishing to enter the standard services market segment will have to meet with the individual licensing requirements set by the national regulatory authorities, in order to secure the provision of universal service.

Customs Clearance Procedural Exemptions

Royal Mail and Parcelforce are currently subject to an exemption, which facilitates customs clearance. The exemption is extended to Parcelforce, which is a direct competitor of the members of the European Express Association. The services our members provide their customers with are time sensitive. Consequently Parcelforce is given a competitive advantage in relation to its competitors as Parcelforce can benefit from preferential treatment for customs clearance procedures. The EEA supports a simplified procedure for customs clearance and would welcome a level playing field for all operators involved in providing express delivery services. We do not support preferential treatment for Parcelforce as a result of its affiliation with the Royal Mail.

Exemption from traffic regulation

The EEA appreciates the fact that Royal Mail should enjoy certain exemptions from the application of traffic regulation in its capacity as universal service provider. We would however argue that the services provided by our members are as essential for our business customers as Royal Mail's services are to users of the universal service. We would welcome further discussion on the possibility to grant similar privileges as currently enjoyed by Royal Mail for other carriers.

The principle of fair competition should at all times prevail. Royal Mail should not enjoy any privileges with regards to the application of traffic regulation when involved in providing services that compete directly with express operators.

The EEA hopes that Postcomm will take the above comments in to consideration. Should Postcomm require any further information, please do not hesitate to contact me.

Best regards

A handwritten signature in blue ink, appearing to read 'Mark van der Horst', with a long, sweeping underline.

Mark van der Horst
Chairman of the EEA Competition & Market Reform Committee