



5th ANACOM Conference
Liberalisation of the postal service: year 1

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- A quick look at postal regulation in France
- The ERGP: building a common background for regulation in Europe



ARCEP structure and missions

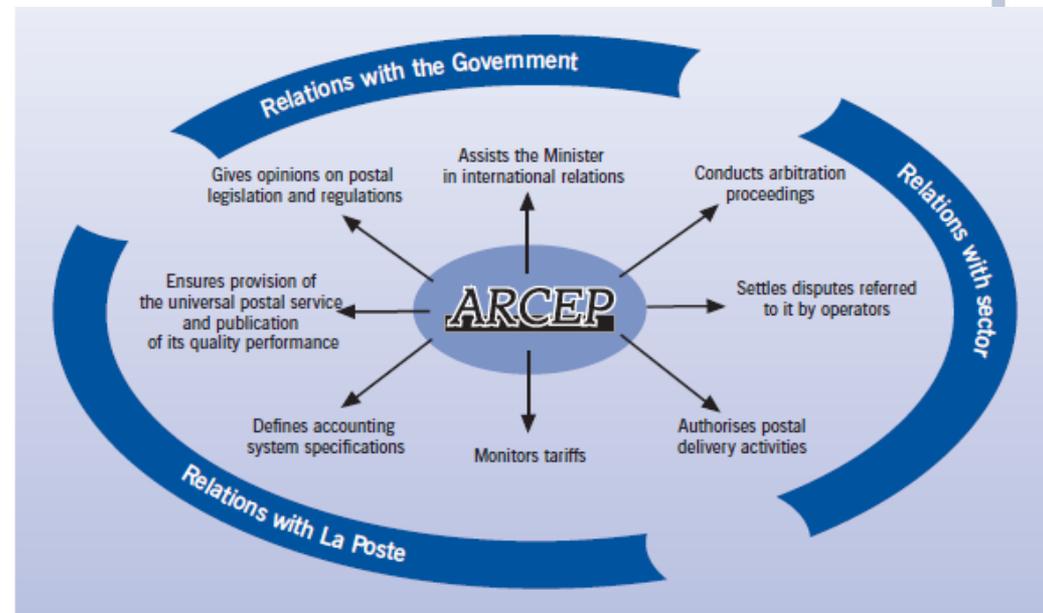


ARCEP is an independent public authority competent for the regulation of both electronic communications and postal services (after 2005):

- decisions taken by a board of 7 members, common for the two sectors.
- mandate: 6 years non-renewable

For postal services, ARCEP follows a twofold objective:

- To promote the quality of universal service, preserve its financing and ensure affordability of services
- To promote competition to the benefit of customers



For postal services, ARCEP focuses on:

In the past few months:

- development of new tools to evaluate entry scenarios (economic modelling);
- better identification of social needs, market trends, and their evolution:
 - several studies initiated or achieved (France, UK, European Commission...)
- new complaints procedure for users in case operators failed to provide satisfactory response

Current issues:

- (new) price cap: work on volume trends; evolution of expenses and productivity;
- evaluation of the net cost of territorial coverage obligations of La Poste beyond universal service obligations;
- work on Quality of Service and proposal package for consumers.

No specific issue related to total market opening: is decreasing traffic the only reason?



Rationale for Arcep participation in the European Regulators group for postal services (ERGP)

ARCEP deals with issues which are new and difficult; such issues are more or less shared across Europe

So, ARCEP, as other NRAs, is interested in:

- sharing analysis and results with Commission and others regulators;
- benchmarking policy orientations and challenging methods;
- benefiting from shared skills and practices.

ERGP shall act as an “enabler” for such exchanges

How does the ERGP answer Commission and NRAs' needs?

Commission decision of 10 august 2010:

- acknowledges the differences in NRA responsibilities and tasks
- acknowledges the needed flexibility in national application of common rules

Creates the ERGP:

- to advise and bring assistance to the Commission “*with a view to consolidating the internal market for postal services and ensuring the consistent application in all Member States of Directive 97/67/EC*”

- soft coordination based on common interest and best practices
- not a direct instrument for deepening harmonization
- no dedicated function in the regulatory framework (different from BEREC or ERG/IRG)

ERGP background

A look in the mirror: the context of the adoption of the third postal directive:

- the directive follows three distinct but related objectives: universal service, market opening and consumer protection;
- it gave NRAs a key role and led some Member States to redefine their institutional framework to guarantee impartiality and expertise;
- it also left room for adaptation to national circumstances (subsidiarity).

Improvement of postal regulation and deepening of the internal market for postal services will be based on:

- progressive convergence of national practices;
- increased skills.

Both can be amplified by a continuous dialog between NRAs and between the NRAs and the Commission.

The creation of a postal ERG was one of the ways to improve such “soft coordination”.

ERGP first steps

First step: plenary meeting, 1st December 2010:

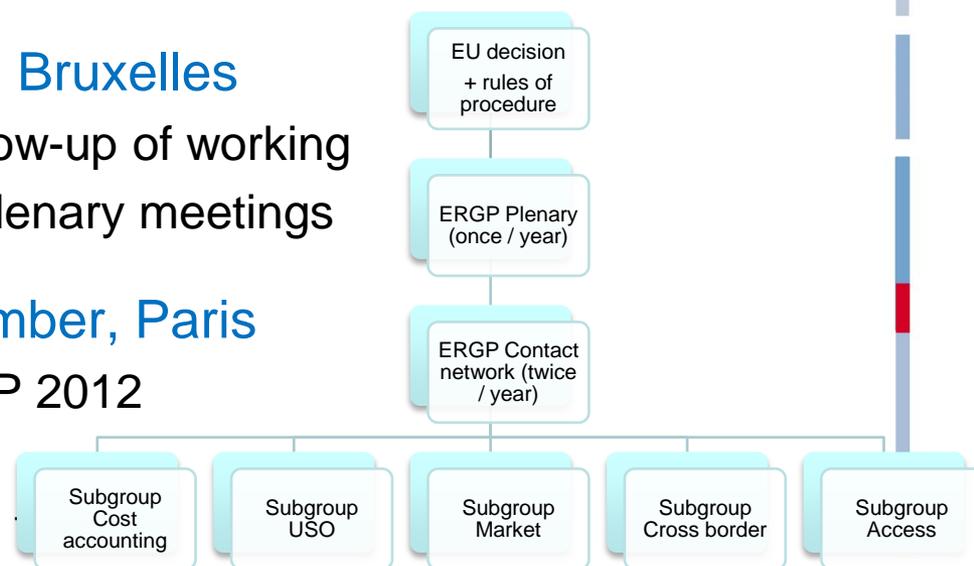
- adoption of the ERGP rules of procedure and work programme
- ERGP work programme 2011-2012:
 - mirrors both differences and points of convergence across Europe on central issues;
 - adopted by all ERGP members and coherent with their interests
 - reaches central issues for postal regulation: **cost allocation and price regulation, net costs of USO, VAT, end user satisfaction and market outcomes, access regulation...**
- Election of the chair and vice chairs for 2011

First Contact network meeting, June, Bruxelles

- 2 meetings per year: ensures follow-up of working group activities and preparation of plenary meetings

Annual plenary meeting 2011: November, Paris

- adoption of 2011 deliverables, WP 2012



1. ERGP WP: Regulatory accounting - price regulation

Common costs represent a substantial part of costs in a sector based on multi-product operators.

The proper identification of those common costs is thus imperative for price regulation and competition issues.

The ERGP will thus:

- Report the differences existing within Europe
- Develop best practices on common costs allocation methods in order to ensure cost oriented tariffs and to prevent anticompetitive behavior
- Build a common approach on common costs taking into account differences in NRA competence and objectives.

A public consultation will be launched before the end of the year

2. ERGP WP – Net cost of USO

As the financing of Universal service obligations shall be neutral from a competition standpoint, the determination of net cost and the financial burden on the US operator needs to properly account for any distortive effect.

To this end, the ERGP will:

- Elaborate common principles for net cost calculation,
- Characterize credible counterfactuals
- On these basis, to try to address the treatment of the VAT privilege as a benefit or a burden

A public consultation will be launched before the end of the year

3. ERGP WP – End user satisfaction / Market outcome

Considering the economic context, liberalization and evolving market conditions may have a multi-dimensional effect on quality of service and end-user satisfaction. This leads NRA to further develop their knowledge of the sector.

For end-user satisfaction, the ERGP will :

- Define relevant common indicators for monitoring quality of service in order to provide guidance in national regulation
- Establish methodologies for a better appraisal of the performance of postal operators and the satisfaction of consumers
- Assess end user complaints procedures

For assessing market outcome, the ERGP will :

- Define a common methodology to measure market developments and the effectiveness of regulation, and make available the corresponding information

4. ERGP WP – Cross-border issues

The growth of electronic communications has had two distinct effects on postal activity: decreasing demand for letter mail and increasing demand for parcels, linked to the growth of e-commerce. The EC requested input on cross-border delivery in view of developing the internal market.

NRAs will thus, through the ERGP:

- Assist the Commission, as needed, in assessing the market for cross-border parcels delivery
- NRA will do so by collecting the necessary information within their scope of competences

5. ERGP WP – Access regulation

Access to the incumbent's infrastructure is an important regulatory tool for promoting competition and has been the object of many complaints across Europe.

The ERGP will thus:

- Provide an opinion on non-discriminatory treatment of consolidators, bulk mailers and competitors relying on wholesale access
- Elaborate best practices on access elements listed in article 11 of the postal directive

Based on an analysis of the European legal framework and on the current situation in EU countries.

- ERGP will establish a multi-country case study, by the end of 2011
- A public consultation will be initiated by mid-2012



ERGP is based on the idea that:

- common issues and limited resources imply cooperation between NRA
- cooperation will result in increased skills and better practices

ERGP raises high expectations...

- real interest from the European postal sector but also from outside Europe (US, China, regulators and operators)

... and generates adhesion from its members...

- high level of participation in the different working groups
- very satisfactory as it confirms the need for such cooperation

...but still displays few results?

Please, wait... results are coming!

Good job needs time and any proper deliverable needs work, so no “*deus ex machina* report”

Day-to-day work already shows an emerging common culture for postal regulation in Europe



Expected Outputs:

- Consultations in the coming weeks
- Web site (in construction)
- First outputs expected by the end of 2011
- 2012 work programme will be adapted accordingly after a public consultation

Thank you !