



## Meeting of the Members of the European Committee for Postal Regulation (CERP) in Athens

A highly successful meeting of the European Postal Market Regulators was hosted by the Greek NRA on 8<sup>th</sup> - 10<sup>th</sup> October 2008, at a central location in Athens. The meeting was attended by representatives of the European Committee, the Ministry of Transport and Communications as well as delegates of European Regulatory Authorities from 32 countries.

On October 9<sup>th</sup> (World Post Day), participants were addressed by the General Secretary of Communications, Mr. G. Anastasopoulos, the General Secretary of the Ministry of Culture, Mr. Th. Dravillas, the President of the Postal Operations Council of the Universal Postal Union and Managing Director of the ELTA Group, Mr. A. Taprantzis as well as the Vice President of EETT, responsible for the Postal Services Sector, Mr. M. Sakkas.

In his speech, Mr. Anastasopoulos emphasized the contribution of the Regulator in the development of the sector, underlined the fact that the Ministry works closely with all relevant parties (EETT, ELTA and postal operators), aiming at introducing a legal framework in line with the New European Directive on Postal Services, which will drive smoothly the Greek market to a status of fully liberalization from 1-1-2013. Then, Mr. Taprantzis, after underlining the post offices contribution to the social cohesion and financial prosperity of the countries they operate, he mentioned that new technological advances, require the development of a realistic regulative framework which will contribute decisively to the modernization and upgrading of the quality of postal services offered, taking into consideration



Photo 1: Hellenic state officials attending CERP's Meeting (left to right) the General Secretary of Communications, Mr. Giorgos Anastasopoulos, the General Secretary of the Ministry of Culture, Mr. Th. Dravillas, Dr. Andreas Taprantzis, President of the Postal Operations Council of the Universal Postal Union (UPU) and Managing Director of the ELTA Group, the head of the Postal Sector of the European Commission, Mr. J. Reinbothe and the Vice President of EETT, responsible for the Postal Services Provision Sector, Mr. M. Sakkas.

the global financial environment and country's special needs.

Finally, Mr. Sakkas noted that Greece must use productively the period up to the fully market liberalization, aiming at safeguarding a healthy competitive environment, while at the same time ensuring an effective and upgraded Universal Service (US).

The briefings of Hellenic state officials, were followed by the talk of the Universal Postal Union (UPU) representative. Mrs Won-ja Lee, briefly reviewed the results

of UPU's 24<sup>th</sup> Conference. Special emphasis was put on: the interconnection of postal networks of the UPU member countries for the provision of high quality postal services, issues related to termination fees of interconnected networks and the impact of new technologies on market development.

The Supervisor of the European Committee for Postal Services, Dr. J. Reinbothe, stressed: the significant role that Independent Regulative Authorities of the member states should play in the implementation of the new Postal Directive, the



need for NRA independence, adequate staffing, financial support, and cooperation of the Regulators with the European Commission in addressing problems encountered during the implementation of the Directive. According to Mr. Reinbothe, the Regulatory Authorities should tackle a series of issues in the spirit of the New Postal Directive such as: Universal Service Provider (USP) designation, licensing issues, access to the Public Postal Network, costing - pricing of US, complaint procedure for poor quality provision of postal services and market monitoring. It is anticipated that the pace of implementation of the new Directive is currently slow, and that member states must speed up the process, so that the new Directive does not become a void document. The Committee undertakes a series of initiatives to this end.

The Meeting started in the afternoon of Wednesday, October 8, with a presentation by the Head of EETT's Postal Department, Mr. Ch. Apostolou, on "The Greek Postal

Market – A brief overview". After a quick introduction to the Department's work, with special emphasis on the review of the regulatory framework currently in force in light of the new European Directive, data were presented on the course of the domestic postal market. In conclusion, the market continues to grow with an annual rate exceeding 3%, while the liberalized part contributes substantially to this growth. Continuous modernization and gradual improvement of the quality of services offered is evident, both in the domestic and the cross-border mail. Market is well concentrated, since more than 85% of the volume and revenue is generated by less than ten operators. Finally, the USP holds more than 95% of the US market.

The consequences of the gradual liberalization of the Polish market to country's USP, were presented by the representative of the Polish Post Offices, Mr. Damian Frankiewicz. In particular, the changes brought about in the USP after company's shares were traded in

the country's stock exchange, are: reduction of network operation cost, customer oriented services included within the US, provisional of public postal network to alternative postal service providers, potential geographic differentiation of prices of services within the US, need for developing innovative (postal and non-postal) services with the extensive use of new technologies (e.g. hybrid mail, financial services, etc.).

The delegate of the Lithuanian Regulatory Authority, Mr. Henrikas Varnas, presented the compensation procedure of the USP for the provision of the US. In Lithuania, the Regulator is responsible for drafting a compensation plan and then submits it to the Government for approval. When a compensation claim is put forward by the USP, according to the legislation in force, the USP communicates to the Regulator all relevant information regarding revenues and costs, as well as any supplementary material deemed necessary (e.g. dematerialized profits, such as company reputation) to verify the damages suffered during the provision of the US. Within a period of 60 days from the submission of the application for compensation by the UPS, the Regulator submits a report to the Ministry, while publishing the results of the investigation to the relevant organizations. Within 30 days from the submission of the Regulator's report, the Ministry either rejects the claim for compensation, or compensates the USP from the state budget. So far, the country's USP has not submitted a claim for compensation.

The two presentations concerning the allocation of the US cost to



Photo 2: EETT's Vice President for the Postal Services Sector, Mr. M. Sakkas addresses delegates during the opening session.



► its products, were well received by the audience. Ms Bouin Benedicte, delegate from French Regulator, stated that using the "Activity Based Costing" methodology, it was found that 51% of the total cost is generated during the distribution phase. Special emphasis was placed on the determination of cost drivers from one phase to the next of the postal process. For instance, the anticipated time of delivery of an object (e.g. next day) and the service type chosen by the sender (e.g. bundle or single letter) must be taken into consideration in the determination of cost drivers for the allocation of the sorting phase cost to the products. Using the time required for a postal item within a specific category (the category is defined using the above criteria) to pass through the sorting phase, the cost driver for that item category is determined. The allocation of common costs to products, was another issue tackled by the Regulator. The initial methodology used by the USP allocated 85% of the cost to 1<sup>st</sup> priority, 15% to

2<sup>nd</sup> priority and 5% to 3<sup>rd</sup> priority mail. After studying different cost allocation scenaria, the Regulator reached the conclusion that a 60% - 30% - 10% split to the three mail categories is more appropriate.

Finally, the representative of "Copenhagen Economics" consultancy, Mr. Henrik Ballebye Okholm, presented an application for the determination of the net cost of US of Denmark's USP, following the cost principles described in the recent European postal directive. According to these principles, the net cost of the US is equal to the extra cost the USP suffers when offering US. Thus, the cost of the USP when operating without obligation to provide US (reference model), must be compared to the cost of the USP when operates under the obligation to offer US. The difficulty with this methodology lies in the specification of the reference model. The reference model in the application in question, considers: the discontinuation of services to geographic areas proving not profitable for the USP, the reduction of delivery

frequency of Postal Services (from 6 to 5 days a week), the non-provision of free services to the disabled and the reduction of access points (post offices, boxes, etc.). It was found, that a reduction in delivery frequency and termination of free services to the disabled, will result in an extra capital for the USP, which will not exceed 1.5% of the yearly turnover.

A round table discussion was held on the last day of the meeting, regarding the liberalization of the cross-border mail in Europe. The following parties participated to the discussion: CERP, European Commission, UPU, PostEurop, IPC, EEA and DX. The meeting concluded with proposals for the reorganization of the working groups within CERP, as well as with presentation of the progress achieved by these working groups so far.

In conclusion the meeting, successfully hosted by the executives of EETT's postal sector, led to rather useful conclusions for the further development of postal sector.



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