

Lessons learned from recent Full Market Openings

Presentation at the EETT conference

“Latest developments in the postal market: Regulatory interventions and development perspectives “

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A few references

2008 Slovak Post –Estimate of cost of USO, based on breakdown of costs and revenues per post office

2008 Slovak Post-review of EU postal directive implementation in Slovak regulation

2007-2008 EETT (Greek postal regulator) Proposal of a new postal regulation, including the definition of the universal service obligation, based on a benchmark with four western countries.

2006-2007 Swiss Post-Evaluating the impact of a full market opening

2005-2006-European Commission-DGMarkt-Impact assessment of full market opening on universal service obligation in the postal sector.

Four cases of full market opening

- Sweden : January 1993, aiming at guaranteeing quality and maintaining USO
- United Kingdom : January 2006 (bulk mail already in 2003)
- Germany : License system introduced in 1998, full market opening in January 2008
- Netherlands : Liberalisation was planned for January 2008, but postponed to April 2009 following
 - ✓ discussions on working conditions
 - ✓ introduction of minimum postal wage in Germany
 - ✓ access conditions to be defined

Balancing forces in moving from a sole US provider to market provision and competition under FMO

The Market: New Entrants and New Products

- Substitutes and changing needs of customers
- New entrants and Market provided services
- Needs and willingness-to-pay for a USO



USP: Enhancing USP's Efficiency and Value in the Market

- Commercial freedom
- Commercial operations
- Competitive attitude
- Efficiency (cost, quality,...)

Regulators: Regulatory Environment to Harvest Benefits

- National & European level
- Access & Quality of service levels
- From profit regulation of the USP to enabling the regulation for the Market

The Market: New Entrants and New Products in 2007

- Sweden
 - ✓ 13% market share of bulk mail(9% of total mail) for City Mail, now a subsidiary of Norway Post
 - ✓ Mail volumes decreasing 1,4% , prices stable since 2003

- United Kingdom :
 - ✓ 18 active licenses
 - ✓ 5% market share, mainly in downstream access
 - ✓ Less than 1% end-to-end competition
 - ✓ Mail volumes declining 2,3%, prices low but increasing 4% average

The Market: New Entrants and New Products in 2007

- Germany :
 - ✓ 750 active licenses , being consolidated, with PIN and TNT as key players ,and many regional players
 - ✓ 10% market share, mainly in quality new products (D-license)
 - ✓ Mail volumes increasing +1,3%, prices declining (5% from 2002)
- Netherlands
 - ✓ No licensing system, open access to market out of reserved area
 - ✓ 14% market share, mainly in direct mail , with two key low-cost players (Sandd , Selekt Mail), time certain delivery twice a week, end-to-end competition on the whole territory, flexible workforce
 - ✓ Mail volumes stable ,low prices

USP: Enhancing USP's Efficiency and Value in the Market

- Sweden

- ✓ Government owned, but without civil servants
- ✓ Employment reduced by 40 %since 1993
- ✓ Merger intent with Post Denmark in April 2008
- ✓ Aim to list the merged company in three to five years

- United Kingdom

- ✓ Still government-owned , with limited presence abroad and in logistics
- ✓ Efficiency programmes started late , automation programme 2007-2012
- ✓ “Modernise or decline “report December 2008:need for 30 stake to a strategic partner

USP: Enhancing USP's Efficiency and Value in the Market

- Germany
 - ✓ Largely privatised(69%), started in 1995
 - ✓ Turn-around started in the nineties, restructured network, new automated sorting centres
 - ✓ Global player in logistics
 - ✓ Acquisitions in the mail business in Spain (Unipost), US , FR, NL (Selekt Mail), Japan, UK
- Netherlands
 - ✓ Totally privatised, started in 1994, after incorporation of the counters network
 - ✓ Turn-around started in the nineties, restructured network, new automated sorting centres
 - ✓ Continuous efficiency programmes
 - ✓ Global player in logistics
 - ✓ Active investments in mail in Germany, UK, BE, LU, CEE, IT

Regulators: Regulatory Environment to Harvest Benefits

- Sweden :
 - ✓ No financing of USO
 - ✓ Subsidies for and obligation of counter services abolished in 2008
 - ✓ Licensing regime
 - ✓ No regulated access

- United Kingdom :
 - ✓ Priority to downstream access through minimum access headroom
 - ✓ Strong price control on all US products
 - ✓ Request to reduce USO to stamped products, and for zonal pricing in bulk mail
 - ✓ State subsidy of 150m£ to rural post offices

Regulators: Regulatory Environment to Harvest Benefits

- Germany :
 - ✓ Extended licensing regime(10 types), with possible market entry below 50gr for quality products (D-license) even before 2008
 - ✓ Late and forced introduction (2005)of downstream access
 - ✓ Plans to adapt USO to individual customers needs, and to reduce post offices
- Netherlands
 - ✓ No licensing regime
 - ✓ De facto promotion of end-to-end competition
 - ✓ Downstream access to be defined

Regulators: Social Environment

Long discussion on inclusion of social issue in European directive

- Sweden
 - Same collective agreement for Posten and main competitor City Mail
- United Kingdom :
 - ✓ Relatively cheap manpower
 - ✓ Cost handicap of 25% towards competition
- Germany :
 - ✓ Average wage of 7,5€ by new entrants, compared with 11,4€ by DPAG
 - ✓ Introduction of minimum wage of 9,80€
 - ✓ Threat of the two main new entrants TNT and PIN group to withdraw their investment plans

Regulators: Social Environment

- Netherlands

- ✓ Long discussions since 2007 on types of contract and wages, new collective convention
- ✓ Postponement of liberalisation to April 2009 in absence of level playing field in UK and DE
- ✓ Introduction of less-paid delivery men by TNT (13€ instead of 23€, compared with 8€ by new entrants), and workforce reduction announced of 7000 jobs

Conclusion

Different paths to full market opening, playing with licenses, access regimes, USO scope, price controls...

Paradox results, with market shares in the most liberalised member state (UK) lower than in the later liberalised (GE, NL) member states and even than the consolidated part in FR

All benefits for the customer, in price, quality and innovation

Thank you

In case you would have any comment, please feel free to contact me:



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