

# Universal Postal Service in the European Union

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# The liberalization of public monopolies in the European Union

## - Reasons:

- poor performance of public monopolies
- industry pressure
- incompatibility of monopoly rights with the Single Market
- successful market-opening reforms in some Member States

## - Current state of liberalization:

- telecommunications: complete (1998)
- postal services: in progress
- electricity and gas: in progress
- rail transport: in progress

# The obstacles to postal liberalization

- opposition of some public postal operators to reform themselves
- highly unionised and thus politicized sector
- fear that market-opening reforms will lead to major job losses
- fear that liberalization will have a negative impact on universal service

# Wages as a proportion of total costs 1995, 2000

	1995	2000
Ireland	71.6	68.0
Greece	84	82
Austria	N/A	75.3
Denmark	63.8	62.3
Finland	53	49
France	68.3	64.5
Italy*	79	73
Luxembourg **	73	70
Netherlands	N/A	62
Portugal	72.9	68.7
Sweden	61.1	52.1

\* Italy is using 1999 figures \*\* Luxembourg is using 1999 figures

# Services of general interest as a central part of the European model

- Communication from the Commission on “Services of General Interest in Europe” (1996):

“Solidarity and equal treatment within an open and dynamic market economy are fundamental European Community objectives; objectives which are furthered by services of general interest. Europeans have come to expect high-quality services at affordable prices. Many of them even view general interest services as social rights that make an important contribution to economic and social cohesion. This is why general interest services are at the heart of the European model of society, as acknowledged by the Commission in its recent report on the reform of the European Treaties.”

# Directive 97/67 and universal service

- Definition
- Content of universal service
- Quality standards
- Tariffs
- Funding

# Definition

Article 3.1 of Directive 97/67 defines universal service as the duty for the Member States to:

“ensure that users enjoy the right to a universal service involving the permanent provision of a postal service of specified quality at all points in their territory at affordable prices for all users”.

# Content of universal service

Pursuant to Article 3.3, Member States are to take steps to ensure that universal service provider(s):

“guarantee(s) every working day not less than five days a week, save in circumstances or geographical conditions deemed exceptional by the national regulatory authorities, as a minimum:

- one clearance
- one delivery to the home or premises of every natural or legal person or, by way of derogation, under conditions at the discretion of the national regulatory authority, one delivery to the appropriate installations”.

In addition, Article 3.4 of the directive provides that:

“Each Member State shall adopt the measures necessary to ensure that the universal service includes the following minimum facilities:

- the clearance, sorting, transport and distribution of postal items of up to 2 kilograms,
- the clearance, sorting, transport, and distribution of postal packages up to 10 kilograms,
- service for registered items and ensured items”.

# The universal service of Member States

Member States	Days/ Week	Parcels weight (kg)		Uniform tariff
		Dom.*	ICB*	
BE	5	10	20	Yes
DK	6	20	20	Yes
DE	6	20	20	Yes
EL	5	20	20	Yes
ES	5	10	20	Yes
FR	6	20	20	Yes
IR	5	20	20	Yes
IT	5	20	20	Yes
LU	5	10	20	Yes
NL	6	10	20	Yes
AT	5	20	20	Yes
PT	5	20	20	Yes
SF	5	10	20	No***
SE	5	20	20	Yes
UK	6	20	20	Yes

\*Domestic, \*\*Incoming cross-border, \*\*\*Applied in practice

# Quality standards

Article 16 of the directive provides that:

“Member States shall ensure that quality-of-service standards are set and published in relation to universal service in order to guarantee a postal service of good quality.

Quality standards shall focus, in particular, on routing times and on the regularity and reliability of services.

These standards shall be set by:

- the Member States in the case of national services,
- the European Parliament and the Council in the case of intra-Community cross-border services (see Annex)”.

# Tariffs

Article 12 of the directive provides that:

“Member States shall take steps to ensure that the tariffs for each of the services forming part of the provision of the universal service comply with the following principles:

- prices must be affordable and must be such that all users have access to the services provided,
- prices must be geared to costs; Member States may decide that a uniform tariff should be applied throughout their national territory;
- the application of a uniform tariff does not exclude the right of the universal service provider(s) to conclude individual agreements on prices with customers,
- tariffs must be transparent and non-discriminatory”.

# Funding

Funding raises two main questions:

- Whether operator(s) entrusted with universal service obligations should – for funding purposes – be granted an exclusive area (the “reserved sector”).
- What should be the scope of this area, if any.

# Can a reserved sector be justified as necessary to fund universal service obligations?

*Corbeau* and *Deutsche Post* cases: Yes

Directive 97/67: Yes. Its preamble provides that:

“the maintenance of a range of those services that may be reserved, in compliance with the rules of the Treaty and without prejudice to the application of the rules on competition, appears to be justified on the grounds of ensuring the operation of the universal service under financially balanced conditions.”

# What should be the scope of the reserved sector?

Article 7.1 of the directive provides that:

“To the extent necessary to ensure the maintenance of universal service, the services which may be reserved by each Member State for the universal provider(s) shall be clearance, sorting, transport and delivery of items of domestic correspondence, whether by accelerated delivery or not, the price of which is less than five times the public tariff for an item of correspondence in the first weight step of the fastest standard category where such standard category exists, provided they weigh less than 350 grams.”

Moreover, Article 7.2 of the directive stipulates that:

“To the extent necessary to ensure the maintenance of universal service, cross-border mail and direct mail may continue to be reserved within the price and weight limits laid down in paragraph 1”.

# The reserved area in the Member States

Member	Items of correspondence		Specific Direct Mail Opening*	Specific Outgoing Cross Border Mail Opening
	Weight limit	Price Limit (*basic tariff)		
BE	350 gr	5		
DK	250 gr	5		0 gr
DE	200 gr	5	50 gr	
EL	350 gr	5		
ES	350 gr**	5	Open envelopes	
FR	350 gr	5		
IR	350 gr	5		
IT	350 gr	5	10,000 items	
LU	350 gr	5		
NL	100 gr	3	0 gr	0 gr
AT	350 gr	5		
PT	350 gr	5		
SF	0 gr	0	0gr	0 gr
SE	0gr	0	0 gr	0 gr
UK	350 gr	1 £		0gr

\* Definition of direct mail varies between Member States, \*\* In Spain, local mail is excluded from the reserved area

# Directive 2002/39 and universal service

The main impact of this directive will be on the scope of the “reserved sector” as the new article 7.1 provides that:

“The weight limit shall be 100 grams from 1 January 2003 and 50 grams from 1 January 2006. These weight limits shall not apply as from 1 January 2003 if the price is equal to, or more than, three times the public tariff for an item of correspondence in the first weight step of the fastest category, and, as from 1 January 2006, if the price is equal to, or more than, two and a half times this tariff”.

The directive also provides that:

- the provision of wholesale services to bulk users / competitors should be done on the basis of “avoided costs”.
- cross-subsidization of universal services outside the reserved sector out of revenues from services in the reserved sector must be prohibited except in limited circumstances.

# Difficulties faced by the sector in the current of liberalization

- substitution effect as users increasingly rely on e-mail services
- limited development of e-commerce
- failed strategies of diversification
- labor movements

# But there is some hope

## USPs financial performance

	1988 profit/(loss) (million ecu)	2000 profit/(loss) (million euro)
Belgium	(249)	100
Denmark	(35)	66
Germany	(1210)	2038
Greece	(23)	13
Spain	(308)	2
France	(498)	N.D.
Ireland	(1)	44
Italy	(1058)	(51)
Luxembourg	(3)	N.D.
The Netherlands	47	803
Portugal	(36)	10
UK	160	80
Austria	N.D.	39
Finland	N.D.	92
Sweden	N.D.	162