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SPECIFIC FEATURES OF POSTAL SERVICE MARKET LIBERALIZATION

Case Study

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Abstract

The universal postal service is part of the general interest economic services in which the state intervention is needed. From the economic and financial point of view, it is absolutely necessary to find the best formula by which a financial aid does not represent the premises of a state aid. The specific features of this market are determined by the minimum conditions imposed on what the frequency and speed delivery are concerned, in conditions of maximal rates.

This paper focuses on an analysis on the EU's postal services' markets, from the competition point of view, with a special emphasis on the specific features of the players on this market, as well as on the benefits for their clients. The second part of the study focuses on actual situations from two EU's different states and on competition aspects that these states have confronted with.

Introduction

In the case of postal sector, consumers are more and more determined in exerting their rights and interests. At international level, the competition determines different companies, that use postal services, to seek better price offers, comparable to those that their competitors take advantage of. Traditional postal services are deeply affected by new technologies, such as electronic mail or e-commerce. These evolutions have caused concerns regarding the future of these services, next to concerns on labor force employment and economic and social cohesion, having in view the growth of the unemployment rate and the reducing of related budgetary funds, especially in the last years of the economic crisis, 2009-2012. The economic importance of the postal services is considerable, especially the one of the universal postal service. Starting from these premises, it is necessary that the state uses the right instruments or takes those measures that would allow the modernization and development of general interest services, to the extent to which these services have an important contribution to life quality improvement.

As presented in Figure 1, Kleindorfer and Syirmay (2009) have clearly summarized the main points of liberalisation in the EU countries.

The current trend on the postal services' national markets is determined by the process of complete liberalisation which led to a market reconfiguration (Lăzărescu, 2011). This trend is supported by previous examples that have revealed the multiple, positive effects of this process on consumers. In this context, the examples of Germany, Holland, France or Great Britain, on the complete liberalisation of postal services' markets are clear, highlighting the positive effects of these measures on the users of such services, and implicitly on the final consumer. Liberalised market leads to challenges that affect both providers and public regulatory authorities (Calzada et al, 2009).

European Postal Markets

The purpose of EU regulations on postal services is to give homogeneity to the practices from the Member States. As it has been anticipated, the cases' diversity has not allowed a unitary implementation, there was instead a gradual implementation, according to the economic situation of each country. Providing support to these markets, from each country, should be done according to the volume of postal sendings and the specific features of the region where deliveries are made.

Fighting against monopoly position of the well-established service providers takes time and creating competition on the postal market is difficult. In Germany, for example, competition became effective, in the moment when a

consortium of 91 independent firms was created (Hermann, Brandt and Schulten, 2008, as cited by Flecker and Hermann, 2010).

In Austria, private companies were disadvantaged because their access to mailboxes was prohibited, the traditional provider offering most of the postal services. (Hermann, Brandt and Schulten, 2008, as cited by Flecker and Hermann, 2010).

In the United Kingdom, the postal services' market is at the end of a period characterized by long, structural modifications, following community regulations and the evolution of advanced communication technologies. (Cazals et. al, 2010).

In Germany, the monopoly of the operator Deutsche Post was broken, after the liberalisation that took place in 2008 – the market opened to new private companies, also for mail deliveries. (Baumann and Friehe, 2011)

The Estonian market was liberalised in 2009 and it ranked the 5th place in the EU in taking this decision. The monopoly exerted by the Estonian postal service was finally broken and the market opened to small and medium sized companies – this led to an authentic competition that had positive effects on the consumers. (Sepp and Ernits, 2012).

In 2011, Italy liberalised the postal market, so that a new era begun for the companies in this field (Sund, 2011). The mechanism of financial support for the operators on postal services' market relies on subsidies, including crossed subsidies from the profits of other economic operators, in particular of those from financial, insurance fields or of those that provide value-added deliveries. (Comandini and Mazzarella, 2011)

Universal Postal Service Market Liberalisation – Case study on France

As we have demonstrated above, it is obvious that the liberalisation has positive effects on consumers/users of postal services, although the experience of the Member States that had undergone this process showed that there is a high pressure coming from the unions that fight against all the negative effects on labour force, caused by this process. Dismissing employees, from large, national state-owned companies, represents a major reason of concern for the unions, as well as a social problem that the governments of those states had to confront with. It is representative the case of France, which we will present in the following.

In 2011, the investigation was finally over, by issuing the Commission Decision of 23 October 2001 on the lack of exhaustive and independent scrutiny of the scales of charges and technical conditions applied by La Poste to mail preparation firms for access to its reserved services, notified under document no. C(2001) 3186. In this document, the European Commission concluded

that the measures by which national French provider, La Poste, had preferential, discriminating rates represent abusive measures, in relation to contractual partners on the postal services' market. Due to the fact that these measures had been granted on discriminating basis from the financial resources of France, these had been considered as state aid. By its decision, the Commission determined France to provide equal, undiscriminated access to all economic operators on basic postal services' market. In the same time, the Commission referred to the need of supervising La Poste activities, by an independent, unrelated institution.

Following the Commission's Decision, the French state gradually initiated the liberalisation process. If in 2003, the French state had created the necessary premises for opening competition in the case of correspondence services, over 100 g, in 2006 the market was liberalised for all letters that had more than 50 g, standard weight. Even so, France protested a lot, asking repeatedly the delay of the deadline by which the national legislation had to be harmonised with the European one. Confronted with the pressure of privatising the national company, on one hand, and the unions' opposition, on the other one, the French government transformed this national company into a limited liability company, still state-owned. Nowadays, at international level, La Poste ranks the third place, as a major national, economic operator.

The economic aspects of the activity of La Poste also cover other components that refer to social responsibility and whose optimization might affect the prices. Just like in the case of other companies from this field, the current activity is consuming paper and represents a source of pollution. (Boldron et al, 2010).

Specific Features of Romanian Market in the Context of Globalisation

From the point of view of the number of postal sendings per capita, the Romanian postal market is among the smallest ones from the EU. Yearly, in Romania there are registered approximately 30 postal sendings per capita, which represent only 64% of the volume of deliveries, registered in the Member State with the lowest level of annual sendings, as reported in 1992 (when the Green Paper on Postal Services was issued). More than that, the market is concentrated mainly near the capital city, in contrast with the rural area (Dieke et al, 2009).

At national level, the Romanian state granted exclusive or reserved rights to Poșta Română (Romanian Post), as an universal service provider (ANCOM's decision no. 88/2004), due to its infrastructure and possibility of providing the users with an easy access to the postal network, which later led to a monopoly of the market, in the case of

some specific traditional, postal services. In 2007, Romania became a Member State with full rights and obligations and had to comply with all the measures adopted by the postal directives. Having as an overall aim setting common rules for the development of the postal service and improving the quality of it, as well as gradual opening of markets to competition, in a controlled way, the last postal directive, adopted in 2008, demands each Member State to put an end to the monopoly created by granting reserved rights to a unique, national provider. The deadlines for harmonisation are distinctly specified for each state, in the case of Romania this was 31st of December 2012.

The objective of the internal market - supporting the competitiveness of European economy, in a more and more competitive world and provide the consumer with the possibility of choosing between more offers, better quality and smaller prices – represents the final objective of the European package of measures. This objective cannot be fulfilled immediately. Unlike the Founding Member States that had enough time for transposing and implementing the EU legislation, the new Member States had at their disposal a significantly reduced period of time, a developing infrastructure and a relatively limited budget.

Guaranteeing postal service as an universal service, on long term, means that the Member States have to comply to a minimum harmonised standard of the universal service which means a high quality service on their whole territory, with guaranteed, regular distributions and reduced, accessible prices. Actually, this means collecting, transporting, sorting and delivering letters and, within some weight and price range, catalogues and packages. In the same time, the universal postal service includes registered sendings and the ones with declared value; these apply both to internal and external correspondence. The principles on which these services rely on are: confidentiality, impartiality, equal treatment, as well as adaptability.

Actually, Poșta Română, as an universal service provider, must provide postal services, from the universal service range, such as collecting, sorting, transporting and delivering postal sendings, on the whole territory of Romania, delivering packages, registered letters' service that includes the declared value sending service (under certain conditions of weight, location, etc.)

In order to financially support the universal service, a part of it may be reserved to the service providers. So, the Member States may grant exclusive rights in providing postal services, only to the extent that is necessary for guaranteeing the maintenance of the universal service over a given period of time. Any additional funding, asked for supporting the universal service, means setting some obligations to the economic agents in

exchange for the authorisation they received; for example, they might be asked to pay a contribution to a compensation fund, managed by a beneficiary's independent body. European and national legislation in this field state a common, minimum standard for the universal service and common norms for the reserved one. Even so, there are certain state measures that are not presented in the postal directives and might be in conflict with the norms applicable to the Member States, as they are stated by the Treaty. The autonomous behaviour of postal services' providers is also subject to competition rules stated in the Treaty.

Once the providers of universal services receive financial support, they have to justify it and this means additional costs for them. There are more methods for determining the level of such costs, but we choose Jaag's one (2010), which is based on the difference between the providers' profits, taking into consideration 2 scenarios: with or without universal services obligations.

At the national level of Romania, the national company Poșta Română has the right to access, with priority, the border points and customs; right of installing, maintaining, replacing and moving mailboxes on public buildings, including infrastructure, that are on the public property of state or territorial administrative units, free of any charge; to act as an universal service provider in international relations and close operational agreements as such; to use specific international forms, as stated in the international agreements to which Romania is part; to benefit from the sums of money or any other advantages to which is entitled to, under a compensation mechanism of costs incurred by providing postal services that are part of the universal service, as provided by law and the ANCOM (ANCOM – National Authority for Management and Regulations in Communications of Romania); exclusive right of providing reserved services, as set by ANCOM.

In the same time, until 31st December 2012, the national company had the exclusive right to provide postal services that refer to sending correspondence, with or without speed delivery, that weigh less than 50 g and whose rate is less than 2 RON, which meant:

a) collecting, sorting, transporting and delivering internal correspondence;

b) delivering correspondence sendings that were shipped from abroad to an address from Romania.

By ANCOM's decision, adopted at the end of December 2012, Poșta Română's right to provide the universal service was extended till the end of 2013, so that all the instruments needed for complete liberalization of the postal services' market are created. This decision gave enough time to Romanian authorities to create those appropriate market instruments. The mission of the Romanian authorities is not an easy one – to make the right

balance on the labour market, on one side and on the other one provide the universal service that meets quality standards, taking into consideration aspects like: complete market liberalisation and protecting the consumers' interests and also competition.

Controlling the main economic indicators represents the key to financial success in the case of Poșta Română. Constantin (2012) advances the following idea: the management strategies should be based on controlling costs correlated to turnover.

Conclusions

The postal services' market reconfiguration determined by the process of liberalization presents both positive and negative effects. In terms of consumers, the effects are obviously positive, but regarding the labour force, all the pressure made by the massive layoffs associated with the liberalization of the postal services' market is negatively influencing the productivity. As we mentioned before, the emphasis is placed on the customer, who has now the possibility of choosing between more offers, better quality and smaller prices. The role of the Competition Authorities in this labourious process becomes crucial. The policies and strategies developed at both European and national level should focus on a high quality service, with accessible prices.

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Appendices

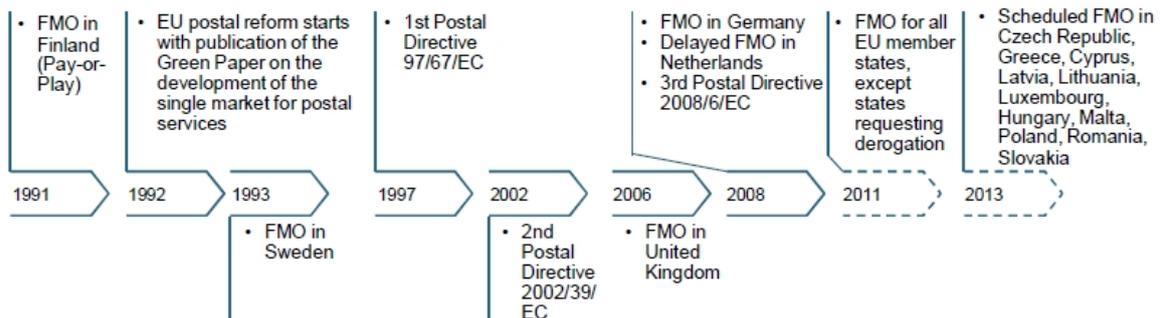


Figure 1. Main points in the liberalisation of EU's postal market
Source: Kleindorfer and Syirmay (2009), p. 9