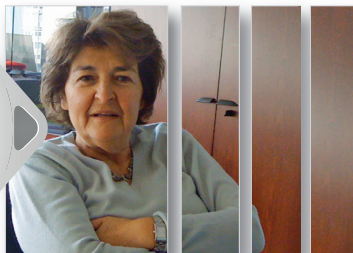


Interview with Joëlle Toledano,
Chair of the European Regulator Group for Postal Services (ERGP)



Excerpted
from the
"Cahiers de
l'ARCEP"
2011
issue



« The fact that regulators are initiating and introducing economic analysis mechanisms **will improve the quality of the political debate** »

■ **How is the European Regulators Group for Postal Services organised?**

The ERGP was set up by a European Commission decision of August 2010. At its first plenary meeting, on 1 December 2010, the Chair and Vice-Chairs – the Swedish and British regulators – were elected and the broad lines of the Group's work programme defined, with the Commission providing the secretariat. In 2011/2012, we will be working on five topics:

- the allocation of postal operator costs;
- the cost of the universal service and, in particular, the issue of differing VAT rates which could benefit the operators responsible for the universal service;
- user satisfaction and monitoring how postal markets operate;
- cross-border tariffs: the Commission is keen to understand whether parcel price levels are justified;
- access to the postal market for new entrants, mailing houses and consolidators.

■ **Let's start with cross-border tariffs. Why is there a different price for sending an item from Paris to Albi or from Paris to Riga, when we all live in the European Union?**

Firstly because of the costs postal operators bill each other for services provided on each other's behalf. History

too plays a role. There's no reason for tariffs to be the same, unless there were to be a postal monopoly for the whole of Europe regulating tariff equalization. It's by no means certain that would be in users' best interests!

■ **But the European Commission has imposed standard roaming tariffs throughout the Union for telecoms...**

Fifty years ago, postal operators billed each other on the basis of very low terminal dues, which were much lower than their actual costs, while telecom operators had very high distribution charges. Market liberalisation and the search for greater efficiency resulted in higher terminal dues and lower distribution charges. Even today, the ratio between inner-European tariffs and national tariffs is much lower for mail than for mobile telephony. The situation for trans-European parcel tariffs is different from the situation for letters. At first sight, parcel prices seem too high. And this is a problem for the European Commission in view of the objective of setting up a single e-commerce market. Within the limits of its restricted powers in this area, the ERGP will help the Commission to understand why parcel tariffs are high – in other words, whether they are economically justifiable or

whether they are inappropriate. However, in this matter, leadership lies very clearly with the Commission.

■ **Does the ERGP have more definite powers as regards cost allocation?**

This issue is part of our core competencies and missions. Regulatory texts stipulate that tariffs are to be cost based. As postal operators by their very nature supply multiple products, understanding costs is clearly crucial. We aim altogether for a better understanding of cost allocation rules using cost drivers deriving from economics principles.

■ **You also mentioned the universal service and differing VAT rates...**

The cost of the universal service is another focal issue, especially for the ten or so countries where the market was fully liberalised from 1 January 2011. It is a matter of assessing the additional costs generated for the universal service operator by its US constraints – in the knowledge, however, that, in a certain number of countries, the VAT systems result in skewed competition that benefits the universal service operator. At present, there is no method for creating a level playing field for these two factors, should the need arise. That is part of our work.

■ **Wouldn't it be simpler for each Member State to have a standard VAT rate for the incumbent operator and market entrants?**

VAT is a fiscal matter. Several years ago, the Commission submitted a draft directive on standardising VAT but failed to obtain the necessary unanimity for this kind of decision. Since then, CJEC case law has specified the grounds to be put forward for justifying VAT exemption. In a certain number of countries (but not necessarily all of them), we will now be trying to see to what extent the benefits accruing to postal operators responsible for the universal service from difference in VAT rates can be evaluated, and this presupposes making progress on methodology.

■ **Getting back to user satisfaction ...**

The idea is to see whether the various quality of service indicators currently applied are calculated the same way and with the same methods, and whether they are comparable. Monitoring smooth market operation primarily involves gaining a better knowledge of postal markets in the various countries using common evaluation grids and statistical tools that deal with the same subjects.

And network access?

This question covers two types of issues: on the one hand, access for competitors to essential information (changes of address, postcodes, P. O. boxes, etc.) held by incumbent operators. On the other hand, access for mailing houses and consolidators to incumbent operator services to which big generators of items – which are likely to use these intermediaries – themselves have direct access. Are mailing houses and

consolidators disadvantaged or at an advantage in respect of these big generators of items? National legislation differs throughout Europe, so developing mutual understanding on this matter is essential.

One has the feeling that the ERGP's main task will be to create common analytical tools!

The aim is indeed to develop and share common methodological tools and harmonise analytical methods

– in a nutshell, to speak the same language when discussing an issue so that our respective countries can then regulate making the best possible use of these same tools when applied to regulatory situations and frameworks that may differ.

In conclusion, is it possible to be a postal regulator without being an economist?

I'm an economist myself, so I talk like one, but the Post is an interesting emotional topic in all

countries, so there is no chance of its being reduced solely to an economic issue, nor do we want that to happen. On the other hand, economics permits objectivity about a certain number of things and, in that respect, I think the fact that regulators are initiating and introducing economic analysis mechanisms will improve the quality of the political debate.



Les "cahiers de l'ARCEP" is a quarterly publication produced by ARCEP

