

## **The Postal Services Directives 97/67/EC, 2002/39/EC and 2008/06/EC**

Cost - £12bn in [Royal Mail pension deficit](#)

### Talking Points

The directives give Royal Mail more to do with less

For much of the past 10 years, Royal Mail made massive losses owing to EU directives stripping it of the profitable sectors of the market whilst leaving it with the costly, labour intensive aspects of the market, namely the sorting and delivery. This has created deficits in pensions and other areas profit could have been reinvested.

The UK has to ask the EU to support the Post Office

Under EU state aid rules, the UK government has to ask permission to support the Post Office. Past refusal has led to lower UK payments and subsequent post office closures.

What is it?

Three directives (1997, 2002, 2008) aimed to gradually liberalise postal services across the EU.

Under the directives, member states had to gradually de-monopolise postal services in order to achieve the goals of the EU single market. The general provisions of the directive require the government service (Royal Mail) to uphold a universal service – a basic minimum of service – whilst creaming off the profitable sectors to private competition. This has left Royal Mail with the most labour intensive sectors of the market (sorting and delivery) whilst relying on the less profitable sectors covered in the universal service (first and second class letters etc).

The Postal Services Act 2000 (PSA) implemented the 1997 Directive in the UK. Statutory Instrument 2002 No. 3050 amended the PSA to take account of the changes required by the 2002 Directive. UK implemented the Directive differently. Instead of 'reserved areas' the UK created 'licensed areas'. The 'licensed area' covered items 350g or less and items costing £1 postage or less.

PSA created 'Postcomm' to regulate the licensed area. PSA also established Postwatch, an independent statutory organisation, to represent, promote, and protect the interests of postal service users (this merged with other regulators to become Consumer Focus in 2008).

Postcomm is the National regulatory authority required by the Directive.

Postcomm is required to ensure the provision of the universal service. These are:

- Royal Mail's 1<sup>st</sup> and 2<sup>nd</sup> Class deliveries
- RM's Special and Recorded delivery
- Royal Mail's Re-direction (up to 12 months). Keepsafe, Post Restante, Certificate of posting and Business collections
- RM's standard parcel service

Because Royal Mail is a de facto monopoly provider, Postcomm controls Royal Mail's prices to ensure these are affordable, geared to costs, transparent and non-discriminatory (as required by Article 12 of the 1997 Directive). Royal Mail is also required to publish accounts for its postal operations each year.

Postcomm issues a standard licence to competitors, but is different to Royal Mail's because competitors are not universal service providers. Competitor licences last for at least seven years and restrict the services that they may offer.

Postcomm does not control the prices offered by competitors or prescribe the quality of service levels to be provided. Postcomm decided to fully open the market in 2006, leading the way for full or part privatisation in 2012.

Third Party Opinions

"The chief cause of Royal Mail's huge losses was Britain's keenness to comply with three EU postal services directives, designed to end national postal monopolies by 2010 and to promote "cross-border" integration of the EU's postal services." Christopher Booker, [The Telegraph](#).