



POSTCOMM

Regulatory Strategy In a Liberalised Market

14 February 2007

Richard Moriarty
Postcomm
Deputy CEO

- EU Postal Directive
- Generally less developed than other sectors, (e.g telcos, energy)
- Marked differences in postal regulation between countries
- Public ownership of incumbent universal service provider is common

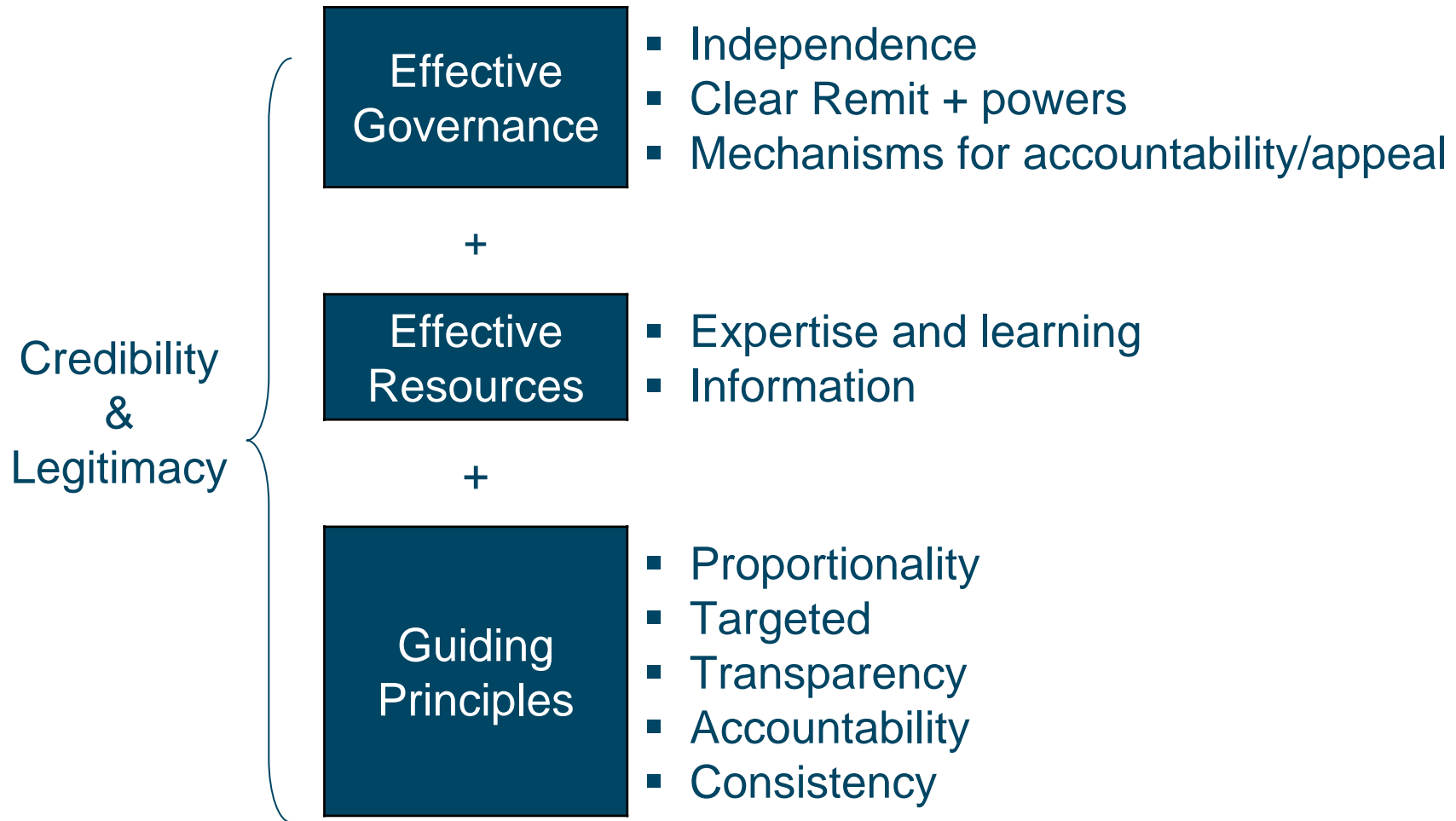


ROLE OF THE REGULATOR ?

- “Market failure” rationale
 - Market power of incumbent
 - Social objectives (USO)
 - Customer awareness and empowerment
- “Administrative“ rationale
 - Licensing body
 - Complaints handling
 - Remove politics/”buffer“



REQUIREMENTS FOR EFFECTIVE REGULATION ?



Postcomm

65 People, £10m Budget, Stand alone

Clear duties and powers in primary law

Independent and accountable

Separate consumer representation

Clear Remit:

Mails not
Counters

- Protecting the universal service
- Price limits
- Quality targets
- 3rd party access
- Licensing

- Clarify social obligations and financing
 - Scope of USO
 - Cost reflective pricing
 - Safeguards
- Competition and deregulation not monopoly and regulation
 - Encourage innovation
 - Address barriers to entry
 - *Ex-ante v Ex-post* regulation



PRACTICAL CHALLENGES FOR REGULATORS?

- Information asymmetry
- Stakeholder relationships
- Timely responsive processes
- Incentives on incumbents
- Encouraging entry and empowered customers
- Deregulation and “regulatory exit”



CHALLENGES FOR NEW ENTRANTS?

- Incumbent's economies of scale
- Incumbent's reaction to new entry
- Customer awareness and confidence
- Incumbent special privileges (e.g. VAT asymmetry in UK)



CHALLENGES FACING THE INCUMBENT?

- Facing up to competition and regulation
- Business model transformation
- (Un)economic price signals
- Changing market dynamics and other media

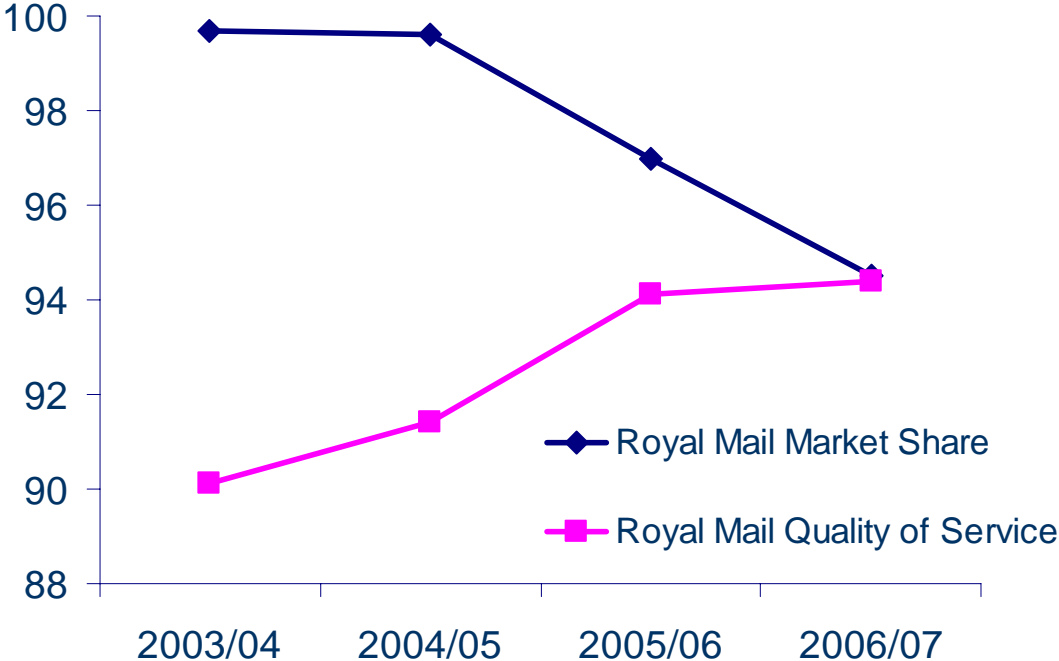


UK TIMELINE I

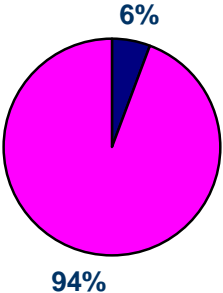
POSTCOMM 

2000 (Jul)	Postal Services Act
2001 (Mar)	Licence Granted, First Price Review
2002 (Jan)	Decision to Liberalise
2003 (Jan)	Bulk Mail Liberalisation (30% by Value)
2003 (Apr)	Second Price Control
2004 (Feb)	Access Deal
2004 (Jul)	USO decision
2006 (Jan)	Full Liberalisation (100% of Market)
2006 (Apr)	Third Price Control
2006 (Aug)	PiP Implementation
Going Forward	Zonal Pricing Strategy Review Licensing Review

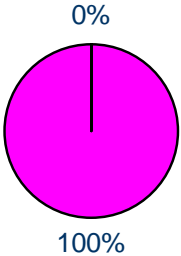
UK TIMELINE II



Access



End2End



VISION OF THE FUTURE

- Choice, innovation and value for customers
- Successful Royal Mail
- Secure universal service
- Regulatory withdrawal





POSTCOMM

Thank You

Richard Moriarty

020 7593 2102

Richard.Moriarty@psc.gov.uk