

European Union
European Commission
Notification of an Agreement on terminal dues (Reims) between postal operators
Case No IV/35.849 - Reims
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1. In December 1995 the Reims (remuneration of mandatory deliveries of cross-border mails) terminal dues Agreement of 13 December 1995, was notified to the Commission for examination under the competition rules. Terminal dues are the remunerations applied between public postal operators (PPOs) for the delivery of incoming cross-border mail.

2. Parties to the Agreement

The parties (16) to the Agreement are the following PPOs: Austrian Post, La Poste/De Post (Belgium), Post Danmark, Finland Post Ltd, Posten AB (Sweden), La poste (France), Deutsche Post AG, Hellenic Posts ELTA, The Post Office (United Kingdom), An Post (Ireland), Ente poste italiane, Entreprise des postes & télécommunications (Luxembourg), PTT Post BV (The Netherlands), CTT Correios de Portugal SA, Norway Post and The Post (Iceland).

The PPO of one EU Member State, Spain, has not acceded to the Agreement. The parties have stated that negotiations with the Spanish PPO, Correos y Telégrafos, will continue with the aim of reaching a compromise before 31 October 1996. The Agreement will automatically expire on 31 December 1996, unless the PPOs of all EU Member States have acceded to the Agreement by that date.

Public and private operators of a mandatory universal postal delivery service can accede to the Agreement, provided they are obliged, or agree, to provide this service to the other parties.

3. Background

In 1993, following a complaint from the International Express Carriers Conference (IECC), the Commission issued a statement of objections with regard to the terminal dues Agreement which was then in force between PPOs, the 1987 CEFT Agreement. The statement of objections was issued because, inter alia, the level of remuneration had no relation to the actual costs of providing the international service and it therefore artificially hampered the activities of commercial remailing companies. Stimulated by the Commission's action, EU PPOs (who are also members of IPC, International Post Corporation) have now developed the Reims terminal dues scheme, which, the notification claims, meets the demands of the Commission with regard to the level of remuneration and the effects on quality of service.

4. Entering into force

The Agreement entered into force on 1 January 1996. The first year of operation will be used to introduce the necessary operational and statistical instruments. As from 1 January 1997 a transitional period of up to five years (as a maximum), will be applied to reach the agreed terminal dues levels. This period should allow all affected interested parties to adapt to the new system.

Withdrawal from the Agreement will take effect at the end of the full calendar year following notice of such withdrawal by a Party.

5. Aims of the Agreement

According to the parties, the main aims of the Agreement are:

- to provide the parties with fair compensation for the delivery of cross-border mail, which reflects more closely the real costs of delivery of each party;
- to improve the quality of the cross-border mail service.

The Agreement is based on the Nordic system, which was established in 1989 between the five member countries of the Nordic Postal Union.

6. Terminal dues

The agreement encompasses three levels of remuneration.

(1) Level 1 remuneration is based on a percentage of the receiving party's domestic tariff for a single letter item. This percentage will increase during the course of the transitional period; starting from the current CEPT rate, this remuneration will ultimately reach, conditional to achievement of specific quality of service targets, 80% of the domestic tariff.

(2) Level 2 remuneration consists of possible discounts on the level 1 remuneration, on the basis that preparation of the mail by the sending party results in cost-savings for the receiving party, which must be taken into account. Examples of such work-sharing are: presentation by formats or in trays, segregation to offices of exchanges (postal sorting offices which specialize in receiving and sending cross-border mail), segregation of machinable or OCR readable items, etc. The possible discounts have not yet been finalized. Each party will inform the IPC of the rates and conditions for rebates two years before the end of its transitional period or by 31 December 1998, whichever is earlier.

(3) From day one of the system's operation, parties will have access to certain favourable domestic rates, such as bulk rates for direct mail, printed matter or periodicals. Under level 3, the full domestic rates (100%) will be applied. The conditions of access to this level have not yet been detailed. The parties intend to relax those conditions which are not related to costs and could bar other parties from access to domestic rates. A database with all rates and conditions will be set up before 31 March 1996.

The Agreement does not cover M-bags (an entire bag of mail addressed to one recipient) and parcels. Before 31 October 1996, the parties will decide whether to introduce special terminal dues for non-priority mail.

7. Transitional period

The transitional period only applies to the mail which will be exchanged under level 1 and 2 remuneration conditions. The maximum length of this period, as from 1 January 1997, is five years. The actual length of this period may however vary per PPO, and per format (see paragraph 9), from one to five years, depending on the level of each party's domestic tariffs in relation to the current terminal dues under the CEPT Agreement.

8. Quality of service

Independent third parties will measure the performance of each party against minimum standards. The standard to be achieved is the delivery of a specified percentage of incoming cross-border mail within one day of receipt in the office of exchange of the receiving party. So, for example, a quality standard of 80%/J+1 means that 80% of the mail entering a given country will be delivered to its final destination, within one day (J = jour) after the mail has entered that country (for example, receipt in an office of exchange of that country.) The parties have been divided into three groups, on the basis of geographical conditions and demographic factors. Members of group A are Belgium, Denmark, Ireland, Luxembourg, the Netherlands, Austria, Finland, Sweden, Iceland and Norway. Members of group B are Germany, France, Italy, Portugal and the United Kingdom. As from 1 January 2000, Greece will become member of group C.

Members of group C may be allowed to establish a premium service with a higher tariff than their traditional first class service, in order to achieve the quality of service standard. This tariff will then be used as the domestic tariff for the purpose of calculating terminal dues, and the party will be placed in group B.

Different quality standards have been set for each group, for 1997/98 (A: 90%, B: 85%, C: 80%) and for 1999 and beyond (A: 95%, B: 90%, C: 85%). Exceptionally, the quality of service standards for Hellenic Posts ELTA are 50% for 1997, 60% for 1998 and 70% for 1999.

A measurement system which shows the quality achieved by the receiving party will be operational at the latest at the end of 1996. The design of such a system will be based on the current IPC monitoring system.

9. Linear tariffs

Level 1 remuneration will be based on domestic tariffs for single letter items. For practical reasons, the tariffs per weight step have been converted into linear tariffs, for three distinct formats. Letters up to format C5 and a maximum weight of 100 grams, flats (flat items) up to format C4 and a maximum weight of 500 grams; packets of all shapes up to UPU limits of weight and size.

Changes in the domestic tariffs will be reflected in the linear tariffs to the extent that they have been notified by September of the year preceding application.

The starting point for the linear tariffs is the current CEPT remuneration level. During the transitional period, parties reaching their quality targets may increase their terminal dues by 15% in 1997 and in 1998 and by 20% in 1999 and in 2000 (Greece: 7%, 11%, 15%, 20%). A final increase in the year 2001 will bring the terminal dues to the maximum level of 80% of the domestic tariff. If the quality targets are not met, the terminal dues may not be increased.

When terminal dues reach 80% of a receiving party's domestic tariff, and from 1 January 2001 at the latest, terminal dues will be subject to specified quality of service penalties. If the quality of service standard is not fully met but a party has achieved over 90% of the target, the terminal dues are lowered by 1,5% for each per cent quality loss. If a party has only achieved between 90% and 80% of the target, the terminal dues are lowered by 3,5% for each per cent quality loss. The lowest value could thus be 50% of the domestic tariff, however, it will not be below the current CEPT rate or below 80% of the domestic tariff of the receiving party, if this value (i.e. 80% of the domestic tariff) is lower than the current CEPT rate.

The level 1 and 2 tariffs may be increased by a certain percentage of domestically applicable VAT, but not before 1 January 1999 and only under specific conditions. This would currently only apply in Sweden and Finland.

10. Articles 25 and 49 (4) of the UPU Convention

Article 25 of the UPU Convention provides PPOs with guidelines on the treatment of mail posted abroad (re-mail), once it re-enters a PPO's territory. Article 49 (4) concerns the application of terminal dues which are related to domestic tariffs, for incoming bulk mail. The parties will not apply these Articles as between themselves following the transitional period. Since parties do not agree on the scope and application of these provisions during the transitional period, they have agreed to abide by the decisions of the competent EU authorities in this respect.

11. Amendment and governing law

The Reims Agreement may be amended by the parties at any time. It shall be governed by and construed in accordance with the laws of the Netherlands.

12. After preliminary scrutiny, the Commission considers that the Agreement must be examined under the provisions of Council Regulation No 17 (EEC) [FN-1 OJ No L13, 21.2.1962, p. 204/62].

13. The Commission invites interested third parties to send any observations they may have regarding this Agreement. In accordance with Article 20 of Regulation No 17 (EEC), such observations will be protected by professional secrecy. Observations must reach the Commission within 30 days of the date of this notice, quoting the reference: IV/35.849 - Reims.

Send observations to:

Commission of the European Communities,
Directorate-General for Competition (DG IV),
Directorate for Information, Communication and Multimedia,
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