

Differences Alternative PTT Post compared to REIMS II

1. Basic Cost Level International Exchange

	Alternative	REIMS II
Terminal Dues after transition period	70 percent domestic tariff	80 percent of domestic tariff

The alternative includes a lower basic remuneration rate.

2. Length of the Transition Period

	Alternative	REIMS II
Final date	2003	2001
Conditions	Gradual increase is continued from 2003 onwards if the receiving country is not fully liberalized	None

The alternative contains a longer transition period, which allows for a more gradual increase of terminal dues. The end of the transition period is combined with the expected liberalization of postal services in Europe. Major increases at the end of the transition period as foreseen in the original REIMS agreement cannot take place unless the market is fully liberalized. By then, commercial pressure will have brought domestic rates down and alternative distribution networks will be available. This will limit possible jumps at the end of the transition period.

3. Increases of Terminal Dues

	Alternative	REIMS II
Mechanism	Maximum increase of present rate: 15 percent a year	Jumps from present rate to 55, 65, 70 and 80 percent of domestic tariff
Relation with Quality of Service	Targets for quality of service improvements	Targets for quality of service
Quality of Service	No terminal dues increases if quality of service does not improve	Less terminal dues increase if quality of service target not met

In the alternative, increases of terminal dues are limited to 15 percent a year, whilst REIMS II contains increases of up to 70 percent or more in the first year. In the alternative the increase of 15% is only applied when quality of service targets are fully met. If quality of service has been improved and is close to the quality of service target, a smaller increase (less than 15%) will be applied. If quality of service performance has neither met the target, nor improved compared to the year before terminal dues will not be increased at all.

4. Quality of Service

	Alternative	REIMS II
Targets	Annual targets, based upon gradual improvement of QoS from the 1997 level to 95 percent for all operators in 2003	Different annual and final targets for three country groups
Incentive	No improvement implies no increase of terminal dues	No improvement or even decrease of QoS implies less increase of terminal dues
End-to-End	Outbound quality of service targets with financial consequences	None

In the alternative, the problem of three quality of service groups in REIMS II is solved by setting an improvement schedule dependent on the 1997 quality of service performance level, which aims at 95 percent quality of service for all postal operators in 2003. Also, an outbound quality of service target is defined, including financial consequences. This element is not present in REIMS II.

5. Level 2

	Alternative	REIMS II
Operational	Level 2 agreement constitutes an integral part of the agreement	None

The sending party has the possibility to save costs by preparing mail for the receiving country. This means that cost increases may be limited. At the same time the level 2 agreement will have a positive effect on the quality of service.

6. Additional Possibilities to Exchange Mail

	Alternative	REIMS II
Non-Priority	Lower terminal dues	Lower terminal dues
Level 3	A concrete level 3 agreement constitutes an integral part of the agreement	The possibilities of a level 3 agreement are being studied

As in REIMS II a non-priority service at lower costs will be established. In the alternative agreement a level 3 arrangement has been worked out whereby postal operators can really profit from the domestic rates for bigger commercial mailers as they are available in the domestic service.

7. Other Elements

	Alternative	REIMS II
Lost & Damaged	Information is exchanged on the treatment of lost and damaged mails	None
Article 25	Article 25 will not be applied	Article 25 will not be applied after the transition period

The fact that Article 25 will not be applied between the postal operators removes the present uncertainty for customers concerning the possible non delivery of their mail.

8. Expected Benefits for Customers

In this agreement, PTT Post has developed an alternative for REIMS II that both meets the requirements of the postal directive of the European Union and the needs of the postal market and its customers as a whole. It offers PTT Post the possibility to avoid sudden and major increases of International tariffs for both business and private customers. These increases will be inevitable when applying the REIMS II agreement. Furthermore, the alternative sets a firm base for quality of service improvements.

9. European Competition Authorities

The alternative agreement is the first and only cost related agreement for the remuneration of international mail that is approved by DG TV. The speed in which DG TV has given her approval to this agreement strengthens PTT Post in her opinion that this bilateral agreement is a real market oriented agreement.