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ACCESS PRICING AND ENTRY IN THE POSTAL SECTOR

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Access Pricing and Entry in the Postal Sector*

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Abstract

Postal markets are open to competitor for a long time. But, with a few exceptions, the competitors of the incumbent postal operator are currently active on the upstream segments of the market -preparation, collection, outward sorting and transport of mail products. With the further steps planed in the liberalization process, there are new opportunities to extend competition to the downstream segments of the market -the delivery of mails. In the future, two business model will be possible for the new postal operators: (1) *access*: where the firm perform the upstream operations and uses the incumbent's delivery network and (2) *bypass* where the competing firm controls the entire supply chain and delivers mails with its own delivery network. These two options have a different impact on both the welfare and the profit of the historical operator. In particular, bypass raises severe concerns for the financing of the universal service obligations.

The choice between access and bypass depends on the entrant's delivery cost relative to the cost of buying access to the incumbent operator (the access price). In this paper, we derive optimal -welfare maximizing- stamp and access prices for the incumbent operator when these prices have an impact on the delivery method chosen by the entrant. We show how prices should be re-balanced when the entry method is considered as endogenous i.e. affected by the incumbent's prices.

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