



## 2<sup>ND</sup> UNI POSTAL GLOBAL UNION WORLD CONFERENCE (Athens, Greece, 27-28 April 2007)

### Agenda Item 6: Development Prospects for Postal Operators in Globalized and Liberalized Postal Markets

Universal service, jobs and competition in liberalized postal markets – experiences, problems and prospects

Contribution for the 2<sup>nd</sup> UNI Postal Global Union World Conference  
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Postal services are currently facing important decisions and challenges regarding further liberalization of letter delivery markets. This will affect in particular the European Union that is planning complete liberalization of the postal market from 1<sup>st</sup> January 2009, thereby creating conditions that will probably have a knock-on effect on the postal services in other countries. This paper sets out to describe the experience to date with liberalization of postal services within the European Union. The impact of liberalization on the scope, quality, price and funding of the universal service are of particular importance, as are the effect on jobs and development of competition following liberalization. Furthermore we shall attempt to show the extent to which comprehensive liberalization of the postal sector in the EU may influence market liberalization in other countries. At the end of the paper we shall consider which conclusions can be drawn for the trade unions from past experience and look at likely future trends in the process of liberalization.

### **1. From monopoly to competition? Development and status quo in liberalization of the postal sector.**

#### **1.1 Historical development: monopoly and universal service**

Historically the postal service has not had to compete in the performance of its services, apart from a few marginal cases. As early as the 15<sup>th</sup> century the Taxis family was granted monopoly rights by the emperor to establish regular postal services between Europe's centres of political power. In most other European countries and the rest of the world postal companies were quickly given exclusive rights for letter delivery. Whilst in its early days the regular postal service was used mainly by patrician and merchant families to send information (and move people in the post coach) between states, during the 19<sup>th</sup> century postal services developed into a country wide and close-knit network for the dispatch of written documents and goods. With the development of notions of the modern state based on social cohesion and economic prosperity the provision of efficient utilities such as water supply, mains electricity, roads and postal services as well as general public access to these networks came to be seen as a central task of government. In order for these services to be run economically by carrying sufficient items and also to allow for cross-funding between profitable and unprofitable parts of the service, these state enterprises were shielded from private competition. Equipped with exclusive rights these monopolies were obliged as part of their condition of supply to provide their service throughout the country to all citizens at a uniformly low cost. This link between an obligation to provide a universal service as part of the duty of the state and the exclusion of competition was long accepted as an economic necessity by the body politic and society at large for utilities and particularly for postal services. This changed in the 1970s when monopolies and the state as economic player were questioned and market liberalization was considered the appropriate in terms of regulation and policy.

## 1.2 What drives liberalization?

Liberalization aims to break up the monopoly supply structures that were a feature of traditional postal services and replace them with market oriented and competitive commercial operations. The purpose of opening up the market is to boost efficiency and customer orientation, to reduce prices to customers without relinquishing the target of full national coverage. A number of different and partly complementary factors have driven liberalization of postal service. Let us briefly consider those factors.

The arrival of a neo-liberal approach to the regulatory environment in many countries in the 1980s created fertile political ground for root and branch liberalization. The idea behind the new policy was to reduce the state's involvement in the economy and replace it with the free play of the market and competition. In the area of basic utilities this became apparent because of a change in the perception of the state's role. The state would no longer act directly to meet its commitment to supply water, electricity, road and communications but increasingly entrust the operational provision of these services to non-state organizations. The state would meet its duty as "ultimate guarantor" by supervising and regulating each utility market.

One of the main driving forces behind the liberalization of postal services is the dismantling of trade barriers and imposition of unfettered competition; they are part of the **liberalization agenda of the supranational organizations**. Given the importance of the postal sector for cross border letter and goods traffic, the institutions have called on their member states to include the postal market in discussions on free trade, a policy they place above all others. The main cheerleaders of this liberalization that has been prescribed by the supranational bodies are:

- The Organisation for Economic Cooperation and Development (OECD) that operates as a policy advice and cooperation agency by making policy suggestions to its 30 member states.
- The European Union (EU) that as part of the development of its single market has promoted the liberalization of nearly all sectors of the economy in what constitutes the world's largest economic area with its 500 million inhabitants in 27 member states.
- The World Trade Organization (WTO) that aims to remove international barriers to trade through multilateral trade agreements between its 150 members.
- The World Bank and International Monetary Fund (IMF) are also considered supranational actors with a clear liberalization agenda, who in adhering to the tenets of the "Washington Consensus"<sup>2</sup> when granting loans and support in developing countries demand an array of economic reforms such as the opening of markets to competition.

An important pre-condition for the liberalization of the postal sector in some countries was the privatization of the postal services that were not in a position to react flexibly to the increasing competition from private service providers in the part of the market opened up to competition (packages and parcels). A drop in income because of the increase in e-mail and loss of market share due to competition and the ensuing deficits in the postal service further increased the political pressure for a complete overhaul of the postal services. Most countries split their PTT companies into post and telecommunications companies, and in so doing the management structure was transferred to a postal company under private law that was led by a management that was organizationally separate and to a great extent independent of government. This went hand in hand with a predominantly commercial approach on the part of postal services that by dint of this reorganization and usually under pressure from increasing competition brought about by further liberalization were supposed to increase their efficiency, productivity and service quality. Liberalization in other sectors had a knock-on effect on the liberalization of postal services. The telecommunications sector – traditionally closely linked to the postal

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<sup>2</sup> See [http://en.wikipedia.org/wiki/Washington\\_consensus](http://en.wikipedia.org/wiki/Washington_consensus)

sector – was seen as an example of the beneficial effects on quality and prices of opening up to competition.

The commercial interests of the courier and logistics companies and the bulk mailers also accelerated the liberalization process because thanks to their wide-ranging lobbying they brought greater political and economic pressure onto the postal monopoly. As early as the 1980s the US courier and logistics companies moved into the peripheral areas and “grey areas” of the postal monopoly with “high value” items (express mail, letters with tracking) and this meant they could *de facto* compete with Europe’s established postal services.<sup>3</sup>

### 1.3 Liberalization of postal services: development and status quo

The liberalization of postal services has so far not followed a specific path. The opening up of the letter market was influenced by different factors in each country and was pursued for different political motives. We shall now consider by way of example the liberalization process in the EU, New Zealand, Sweden and the USA.

Within the European Union the liberalization of the postal services occurred as part of a comprehensive programme to remove barriers to trade and the development of a single EU internal market for goods, services, capital and labour. Postal services were not originally amongst the sectors in which there was to be a single market. The European Commission however recognized in the 1980s the importance of the postal sector for achieving the single market and worked to bring about a uniform structure and legal status of the postal services in the EU member states. A catalyst for the inclusion of the postal sector in the pan-EU liberalization process was the parallel and already further developed changes in the telecommunications sector that was closely allied to the postal service in terms of its administrative structure. The opening of the telecoms markets had been put onto the EU agenda as long ago as the early 1980s. The far-reaching reform of the European postal sector was given further legitimacy by the reforms bringing about a re-organization of the postal services in some member states and a multitude of legal disputes about the extent of the national postal monopolies (see Plehwe 2001). However the aim of EU policy was not just the liberalization of the sector but also the guarantee of an EU-wide minimum level of universal service. The postal services directive 97/67/EC that was introduced by the European Commission in 1997 and was legally binding on all member states established for the first time a unified universal service as a monopoly right, to fund which member states could declare “reserved services” as monopoly rights of the universal service provider. The reserved service was established in the 1997 Directive as letters up to 350 grams, but member states were allowed to restrict the monopoly service even further<sup>4</sup>. After a long wrangle between member states about further opening of the postal market, the second postal services directive (2002/39/EC) came into force in 2002, in which liberalization, although slower than originally planned, was pushed forward. The weight restrictions for reserved services were reduced in two stages to 100 grams (from 1 January 2003) and to 50 grams (from 1 January 2006) and ultimate completion of the internal market for postal services was scheduled for 1 January 2009. The date for achieving an internal market in postal services was made contingent on a final decision by the member states in 2007. The European Commission confirmed the full liberalization of the internal market as of 1 January 2009 in its draft directive published in October 2006. It sets out a number of positive developments it sees as flowing from opening up the market and they are used to justify complete liberalization. According to the EU Commission “the advantages of greater competition will help improve the level of service offered to customers in terms of quality, price and services and open up the potential for growth and jobs in the sector” (European Commission 2006b, page 4). The final decision about it will be taken by the European Council and the

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<sup>3</sup> For the role of the US integrator in the liberalization of postal markets see Plehwe (2001) and Campbell (2001)

<sup>4</sup> When the Postal Service Directive came into force in 1997 some countries (Germany, Denmark and the Netherlands) had clearly defined their reserved services more narrowly than required by the Directive. In Sweden and Finland the postal monopoly was completely scrapped as early as the mid 1990s. In Spain inter-urban postal traffic was opened up in 1964.

European Parliament. Because of resistance from some member states, but also because of the misgivings of the trade unions and political parties, the complete liberalization of the postal sector in Europe cannot be considered a done deal. Although the European Union's policy-makers have prepared the terrain for completely opening the postal services market, it is important to note that full liberalization of postal services is not an obligation that flows directly from the EU treaties. The European Court of Justice has, *inter alia*, in its Corbeau ruling of 15 May 1993 declared that the granting of special or exclusive right for postal services to ensure a universal service was compatible with European law (see Werthmann 2004, p33 ff).

Even before the EU started to liberalize its postal services, Sweden had been the first industrialized country to fully scrap the existing postal monopoly, a decision taken by the Swedish parliament in 1993 – a full two years before the country joined the EU in 1995. As the Swedish postal monopoly had not been protected in law, the company CityMail that specialized in postal services for business clients entered the market in the early 1990s in competition with the previous monopoly "Postverket" (today Posten AB) and therefore operated in a legal grey zone that was the subject of frequent legal disputes. The opening of the Swedish postal market was basically the regularizing the existing competition and was acceptable to the monopoly holder. The incumbent thereby gained a considerable degree of commercial flexibility that allowed it to react more effectively to the existing competition. The Swedish market was therefore not opened with the idea of boosting existing competition, but really to build upon the reorganization of the incumbent so it could compete more effectively with the new operator, CityMail. Similarly, the main target of the Swedish Postal Act that was passed in 1994 was not to enable sustained competition in the postal service market, but to guarantee the quality of the universal service Ecorys 2005, p. 271 f).

In contrast to the pressure to respond to new service providers that triggered the abolition of the postal monopoly in Sweden, liberalization of postal services in New Zealand was entrenched in the fundamental deregulation policy of the conservative national government. The government tried to resolve the country's economic and structural problems by means of neo-liberal policy based on privatization and liberalization.<sup>5</sup> Reform of the New Zealand postal service began as early as 1987 with the transformation of the national postal administration into the private company New Zealand Post Ltd (NZ Post). Simultaneously the postal monopoly was limited to letters weighing no more than 500 grams. In 1991 there was a further reduction of the reserved service for NZ Post to letters weighing up to 200 grams, and on 1 April 1998 the postal market was fully opened to competition.<sup>6</sup> New Zealand's postal legislation does not oblige NZ Post to provide a universal service. However since 1989 there has been a Deed of Understanding in which NZ Post undertakes to provide delivery of postal items 6 days per week throughout the country and the retention of 880 post and sub post offices, 240 of them fully owned branches. As quid pro quo NZ Post remained the country's only representative in international postal organizations and alone enjoys the right to produce stamps that bear the name "New Zealand".

Although the USA is not among the countries in which full liberalization of the postal market is on the political agenda, it is worth taking a quick look at the situation regarding market opening in the USA – if only because of the size and importance of the US letter market. Although the United States has been in the forefront of liberalization of different economic sectors such as financial services, telecommunications, transport and logistics, the postal sector has so far been spared comprehensive liberalization.<sup>7</sup> The legal basis for the postal monopoly is basically provided by the Private Express

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<sup>5</sup> For a full description and analysis of deregulation and liberalization policy in the New Zealand postal sector see Kenny (2006)

<sup>6</sup> Ministry of Economic Development: Postal Services in New Zealand  
[http://www.med.govt.nz/templates/Page\\_1441.aspx](http://www.med.govt.nz/templates/Page_1441.aspx)

<sup>7</sup> See Campbell (1995)

Statutes (PES)<sup>8</sup> that contain criminal penalties for private individuals or organization that carry letters<sup>9</sup>. There is a series of exemptions to this general rule, some of which are granted by the state postal company United States Postal Services (USPS). There are also exemptions for express delivery (“extremely urgent letter”) that costs more than six times the cost of a first class letter of the lowest weight category (currently US\$2.34) as well as items that weigh more than 12.5oz (about 350 grams).<sup>10</sup> These exemptions have not affected the monopoly on delivery known as the “mailbox rule” that covers the last mile. The delivery of items to houses and street mail boxes and post office boxes enjoys all round protection under post office monopoly arrangements in the USA.

Although this arrangement means that only small parts of the letter market are open to competition and the delivery of letters is an exclusive right of USPS, there is competition in the US letter market. With the exception of delivery, large parts of the postal value creation chain have been liberalized. Discounts are granted for front-end services (pre-sorting, coding etc) to bulk mailers or consolidators (“destination entry discounts”) and they were significantly increased in 1979 because of political lobbying by the bulk mailers<sup>11</sup> which has since then led to the creation of broad-ranging worksharing between private service providers and the state postal company. In the meantime about 25% of the traffic within the postal value creation chain is carried by private service providers; more than 70% of all letters are fed into the US Postal Service network via the worksharing program (see Cohen 2004).

### **Status Quo of Postal Liberalization**

The liberalization of the postal sector is not only driven by different factors but is also very different from region to region. As the following table shows, seen on a global scale only 10% of all countries have fully liberalized their postal services, in the majority of countries (61%) the postal monopoly has remained unscathed despite the various liberalization trends.<sup>12</sup> In Asia and Oceania and Africa more than three quarters of all states have a full postal monopoly. In a further 11% of the 157 members of the Universal Postal Union questioned so far only slight market opening has taken place, namely for letters above 100 grams, and another 18% have extensively opened their markets and further restricted their reserved service. The vast majority of these countries are members states of the European Union, outside Europe there are only a few individual countries who have set the reserved area for letters below 100 grams.

However if the EU were to achieve full opening of its postal markets in 2009, this would mean a major push towards liberalization not only in terms of quantity that would lead to about one quarter of the world’s countries having no monopoly rights in the postal service.

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<sup>8</sup> See [http://en.wikipedia.org/wiki/Private\\_Express\\_Statutes](http://en.wikipedia.org/wiki/Private_Express_Statutes)

<sup>9</sup> Catalogues, newspapers and magazines do not fall within the postal monopoly

<sup>10</sup> The provisions of the Postal Reorganization Act that since 1970 have governed funding, pricing and regulation of USPS were completely reformed by the Postal Accountability and Enhancement Act of 2006. Among other matters, the price limits for exemptions to the postal monopoly were slightly reduced from US\$3 to US\$2.34. For a description of the most important changes in the law see National Association of Letter Carrier: <http://www.nalc.org/postal/reform/summary.pdf>

<sup>11</sup> In the 1970s the US Postal Service was forced to increase its prices because of inflation. Thus the price for a first class letter increased between 1974 and 1978 from 10 to 15 cents (see [www.prc.gov](http://www.prc.gov)). As price increases are approved by the price rate commission in a process that involves the bulk mailers, the agreement of business customers could only be achieved by the bulk mailers getting in return major front-end discounts (Cohen 2004, p.8)

<sup>12</sup> The numbers come from data of the World Postal Union (June 2006) for 157 of its members worldwide

<b>Status quo for opening of postal market - overview</b>				
	<b>Countries without postal monopoly</b>	<b>Countries with extensive market opening (&lt;100 g)</b>	<b>Countries with low level of market opening (100 - 500 g)</b>	<b>Countries with full postal monopoly</b>
<b>Africa (47)</b>	4%	2%	17%	77%
<b>America (16)</b>	23%	0%	8%	69%
<b>Asia/Oceania (43)</b>	7%	2%	14%	77%
<b>Europe (41)</b>	12%	66%	2%	20%
<b>World wide (157)</b>	<b>10%</b>	<b>18%</b>	<b>11%</b>	<b>61%</b>

Source: own calculations, UPU (2006a)

<b>Status quo of market opening in postal sector – country examples</b>			
<b>Countries without postal monopoly</b>	<b>Countries with extensive market opening (&lt;100 g)</b>	<b>Countries with low level of market opening (100 - 500 g)</b>	<b>Countries with full postal monopoly</b>
<b>Argentina</b> (since 1993) <b>Estonia*</b> <b>Finland*</b> (since 1994) <b>United Kingdom*</b> (since 2006) <b>New Zealand</b> (seit 1998) <b>Peru</b> <b>Russia</b> <b>Sweden*</b> (since 1993)	<b>European Union</b> (>50 g, Austria, Belgium, Cyprus, Czech Republic, Denmark, France, Germany, Greece, Hungary, Italy, Ireland, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain,) <b>Norway</b> (>50 g) <b>Switzerland</b> (>100 g)	<b>Australia</b> (>250 g) <b>India</b> (>200 g) <b>Israel</b> (4.5 times standard price) <b>Canada</b> (>500g) <b>Kenya</b> (>350 g) <b>USA</b> (>circa. 350g, delivery monopoly) <b>Zimbabwe</b> (>500 g)	<b>Egypt</b> <b>Brazil</b> <b>Chile</b> <b>China</b> <b>Hong Kong</b> <b>Indonesia</b> <b>Japan</b> <b>Korea</b> <b>Mexico</b> <b>Singapore</b> <b>South Africa</b>  <b>Turkey</b>

\*) EU member states  
Source: UPU (2006a), own research

## 2. Experience and problems with opening postal markets

Liberalization of postal markets is a complex process, and it brings with it particular challenges and difficulties. "The opening of the postal market is probably more complex and more delicate to address than most of the market openings introduced in others in the course of the previous two decades in Europe" (PwC 2006, p 123). The consequences of market opening for the postal sector and the people who work in it are very difficult to predict. The European Union is among the pioneers of postal market opening, the consequences of market opening that began 10 years ago in terms of scope, quality, prices and funding of universal service are already in evidence. Experience has also been gained regarding the effect on jobs of liberalization and the introduction of competition in the postal market.

Thanks to a series of surveys on the development of the postal sector in the EU sufficient empirically based data on the consequences of liberalization is available; it may be of particular interest to countries outside the European Union that are contemplating liberalization.

## 2.1 Universal service: scope, quality and price

In liberalized markets the **scope and cost of the universal service** are the subject of several discussions. Whilst the private customers and small business see the universal service as being part of the comprehensive infrastructure of the state that must be maintained with its current coverage and quality, big customers benefit only partially from the universal service and see it mainly in terms of the cost. It is particularly when considering the universal service that it become clear that there are certain aspects of the postal service that are important for bulk mailers while there are others that private customers and small businesses attach great importance to. This was among the findings of an official consultation undertaken by the European Commission about the development of postal services. For bulk mailers the cost of mail items is of prime importance, but medium sized and small scale customers see access to the postal network in terms of post office counters and post boxes as the most important factor (European Commission 2006a, p 8).

A central issue in discussions about universal service and the costs it entails is the extent to which a universal postal service is even needed in the light of changed **communication behaviour of the EU population as demonstrated by the use of emails and the internet** and the consequent change in the importance of postal services with full territorial coverage. In spite of the increasing importance of electronic media used on a daily basis in homes and business, the importance of postal traffic should not be underestimated. In 2004 on average just under a half of the EU population used the Internet. This proportion is far lower in sparsely populated areas, among older people and people with low educational attainment and in certain EU states (Eurostat 2005). Despite the increasing importance of telecommunications for the forwarding of messages, the take up of postal services within the EU is at 89% even higher than for landlines and mobile phones (86% and 83% respectively). Among the utilities only electricity and water supply are used by more people in the EU than the postal services (European Union 2005, p 10). This means that the overwhelming majority of people in the EU – despite the high Internet and email penetration by international standards – remain dependent on an efficient postal infrastructure for their private and business correspondence, and that has to be guaranteed by an adequate universal postal service.

Another important issue regarding liberalization of the postal sector is the quality of delivery of the universal service. Many of the qualms expressed about opening up the postal market concern themselves with the erosion of the postal provision to the public at large that accompanies liberalization. Whilst full territorial coverage and quick delivery times should be guaranteed even in a competitive environment because of the power of the bulk mailers, services that are extremely expensive and only important for private customers or small businesses – such as availability of post office counters and post boxes throughout the country – would not be provided to the required level of service by a competing postal service without a statutory requirement to do so. The fear that as a consequence of liberalization of the postal markets the delivery of postal services would be a lesser quality cannot be rejected out of hand on the basis of the experience gained so far. According to the European Union survey customer satisfaction regarding access to the postal network between 2000 and 2005 dropped by 5%. This has happened most particularly in connection with the closure of post offices and the removal of post boxes in most EU member states. In some EU member states between 2002 and 2004 as many as 25% of the post offices were closed and partly replaced by sub offices inside retail outlets or petrol stations (WIK 2006, p 225 ff). Particularly in countries in which postal markets are already extensively liberalized, the statutory provisions regarding the density of the postal delivery network were set very low and the providers of the universal service were given a high degree of commercial freedom in how they organized their postal network. Therefore in countries with well advanced liberalization the



number of post offices per 10,000 inhabitants is lower and the share of the outsourced post agencies within the branch network is higher than in the countries that have not yet opened up most of their market (WIK 2006, p 250).

In addition to the expectation of an improved range of services, opening markets to competition is generally assumed to bring reduced prices to customers. In the postal sector there have been no indications of an overall drop in prices, and at best price reductions can only be expected from an asymmetric distribution within certain market segments. Accordingly the survey carried out by Pricewaterhouse Coopers (PwC) on behalf of the European Commission assumes that because of a greater focus on cost when setting prices in liberalized market the cost of postage will rise in market sectors where competition is relatively low (sending private letters) whilst in the sectors that are particularly lucrative for new service providers (bulk mail, direct mailing) the prices would fall because of strong competition (PwC 2006, p 82). In the public consultation on postal services undertaken by the European Commission only the bulk mailers spoke optimistically about the likelihood of prices dropping after opening of the market, whilst small businesses and private customers believed the cost of sending a letter would remain steady or even rise after liberalization (European Commission 2006a, p 11). This assessment is in line with the Swedish experience after complete liberalization of the letter market. There after the lifting of the reserved service the prices for sending a single letter rose by about 75% whilst the bulk mailers were able to benefit from price reductions of up to 50% (Jonsson 2004, p 6). Even the postal companies expect that prices are more likely to rise for private customers after opening of the market.<sup>13</sup>

We can therefore conclude that the advantages of opening the market flow mainly to the bulk mailers, who can rely on competition in this sector to bring prices down. However, small businesses and private clients will have to assume that any liberalization of the postal sector will bring price rises and an erosion of postal services, particularly in terms of access to post offices and letter boxes.

## 2.2 Funding a universal service in a competitive environment

The most important political challenge in connection with further liberalization of postal markets is to **reconcile competition with the guarantee of a universal service**. A lot of regulatory issues relating to the opening of the postal market remain unclear, particularly those relating to the costs and funding mechanism in a competitive market. As stated earlier, sufficient volume of mail is the prerequisite for running a postal network economically, with its high level of fixed costs. Only in this way can the costs per item be kept low and uniform prices guaranteed for the whole network. If competition in the postal sectors allows competitors to cherry pick the most lucrative areas (towns and cities) at a time when the incumbent is left with the expensive delivery to rural areas, cross subsidy between profitable and unprofitable parts of the postal network and thus the funding of a nationwide universal service can no longer be guaranteed. This proven mechanism for financing the costs of a universal service will be rendered null and void.

According to the European Commission's planning, despite the scrapping of "exclusive or special rights" of postal companies from 1 January 2009 the universal service should remain in place. If productivity is sufficiently high and if provision of the universal service is based on cost efficiency, the EU Commission believes that the universal service should not create major financial burdens for the postal companies. "If the providers of the universal service are given the required flexibility so they can react to competition, the risks for the financial equilibrium of the universal service will be slight". (European Commission 2006b, p.6). If financial support of the universal service is needed in some member states, this should be done to the extent possible by means of market mechanisms "that cause fewer

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<sup>13</sup> The chairman of the board of the German Post World Net, Dr Klaus Zumwinkel said in an interview "I do not believe prices will fall for private customers, because competitors will concentrate on their major business customers. Prices are more likely to rise, particularly when value added tax arrives" (Stern, 22.03.2007)

distortions in the single market than sticking to monopolies” (European Commission 2006b, p.4). These mechanisms include state aid, public tendering for the universal service and the establishment of a compensation fund to meet the costs of the universal service. In all procedures proposed so far the following questions have remained unanswered: how much does the universal service cost? How can we guarantee that sufficient income will be generated by alternative funding mechanisms to cover the costs of the universal service?<sup>14</sup>

In particular the **compensation fund that many countries favour to fund the universal service** obscures the real problem that barely enough resources can be raised to fund the universal service from competitors who normally have high start-up costs when they enter the market. For example in Italy where provision had up until now been made for this system, the in-flows to the fund from new service providers reach just 0.04% of the actual costs of the universal service at just under €300 million per year (Oxera 2007, p.33). Moreover doubts have been expressed about the lawfulness both of the compensation levies to the fund from new service providers and about the practicability of a procedure that is associated with high administrative costs (see Danwitz 2000, p.411 ff). There is a real threat with compensation funds – as with other alternative funding mechanisms – of a major dispute between contributors and recipients about the cost of the universal service and the consequent level of payments into the fund. Such a dispute could ultimately lead to a reduction of the costs and scope of the universal service. From a competition angle the objection to compensation funds is that in a single European market new service providers “concentrate mainly on countries and regions that make a low contribution to the compensation funds. This would in turn encourage countries or regions that make high contributions to compensation funds also to reduce their payments despite the high costs of the universal service. The final consequence would be that the costs of the universal service in Europe could no longer be covered, on the assumption there is a genuine desire to avoid an erosion in the quality of the universal service” (Haas et al. 2004, p.41).

Several methods using “competition neutral” funding mechanisms for the universal service have in common that they have not been tested in the postal sector, or have so far shown themselves as not being fit for purpose. A survey commissioned by nine European postal services<sup>15</sup> shows that even if one of these funding mechanisms has worked efficiently in other sectors, no conclusions can be drawn about its working well in the postal sector. It is not only the specific nature of the postal sector that impinges on the applicability of such funding instruments, but also the peculiarities of the national markets that will affect their suitability for funding universal service obligations (Oxera 2007, p. 95). These particular features of the market that often vary a great deal between countries include not just the different level of the USO costs to be met through alternative funding mechanisms, but also the very diverse consequences of competition for each postal service.<sup>16</sup> The Oxera survey therefore urgently recommends that regulatory issues pertaining to the universal service obligation in a competitive environment be clarified before further liberalization is introduced.

The maintenance of a reserved area as the means of choice of funding a universal service is particularly recommended in those cases where the competition arising from complete market opening has not really brought the expected effect on productivity and efficiency of the incumbent and new services providers have amounted to little more than cherry-pickers. “This suggests that policy-makers who place weight on the guaranteed preservation of the existing form of the USO [author’s note: universal service

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<sup>14</sup> See Oxera (2007) for a discussion of the difficulties with different systems of funding.

<sup>15</sup> The survey was carried out by the British consultancy company Oxera for the postal services of France, Belgium, Cyprus, Greece, Hungary, Italy, Luxembourg, Poland and Spain.

<sup>16</sup> Universal service costs are particularly high in countries with many rural areas, because the delivery of mail and maintenance of a sufficient number of post office counters and letter boxes cannot be done economically. Conversely the ability of a traditional postal service to make a profit by benefiting from economies of scale if it loses market share after liberalization depends on the country’s postal volumes. The incumbents in countries with low volumes are therefore likely to suffer greater economic consequences from any competition.

obligation] would be more likely to view a reserved area favourably, especially given that it is a 'tried and tested' method that has been shown to be practical. It is also likely to be more attractive in countries where there is a large cost discrepancy between delivering to a high-cost and a low-cost area, as in these countries the threat of cream-skimming entry is greatest". (Oxera 2007, p. 27).

### 2.3 Impact on jobs

The major concern with opening of postal markets is the effect it could have on jobs. Postal companies are among the largest employers in their countries. Also seen on a worldwide scale, postal companies employ a total of 5.5 million employees and are therefore important in their respective labour markets. More than half of all the employees in the postal sector work for the incumbents in the USA (about 800,000), China (about 690,000) and the European Union<sup>17</sup> (about 1.7 million)<sup>18</sup>. Since the beginning of the 1990s there has been a downward trend in jobs, and in a period spanning 15 years some 700,000 jobs were lost because of far-reaching reorganisation that following loss of market share due to competition and electronic substitution – mostly in industrialized countries (UPU 2004, p. 4). Opening the market has brought major pressure for rationalization on postal companies to improve their productivity and their profitability. "To reduce their level of costs, postal operators have embarked on traditional restructuring programmes aimed at increasing organizational efficiency through the introduction of more adaptive and flexible structures and increasing organizational effectiveness through the introduction of quality measurements and improvements programmes. Doing so, the most pro-active postal operators have achieved remarkable accomplishments" (PwC 2006, p. 174).

The reduction in jobs has been clearest in the countries of the European Union where postal markets have been opened up most to competition. Between 1995 and 2000 within the then EU-15 the number of jobs in the postal operators dropped 6% from 1.15 to 1.08 million (PLS Ramboll 2002, p. 19).<sup>19</sup> Between 2000 and 2002 the number of jobs at the incumbent dropped by 2% (WIK 2004, p. 131) and between 2002 and 2004 they dropped another 1% (WIK 2006, p. 187). Overall within ten years about 10% of the jobs at the incumbents were lost within the European Union. However, these statistics on job levels in the postal sector gleaned from several surveys carried out by the European Commission reflect a rather over optimistic picture of the real employments trends. These figures contain beneficial effects on job in individual postal operators that – as happened with the German Post AG and the Dutch TNT – bought in a large number of jobs from outside the traditional postal sector through their acquisition of courier and logistics companies.

If we consider trends in individual countries, the reduction of jobs in recent years becomes starker. Major job losses had to be accepted by postal operators in countries that had opted for the most wide-ranging liberalization:

- In Sweden the jobs in the traditional postal operator Posten AB have been cut since the beginning of the 1990s from 72,000 to 38,000, meaning the number of jobs has been nearly halved.
- In New Zealand 43% of the jobs (FTE) were cut between 1987 – when market opening began – and 1997 – shortly before the full liberalization of the postal market (Kenny 2006).
- In Germany within the letters division of Deutsche Post AG between 1999 and 2005 more than 28,000 jobs have been shed (a drop of 16% according to the German Regulator – Bundesnetzagentur 2007, p.121). Overall the number of employees (in FTE, excluding trainees)

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<sup>17</sup> Data for all 25 EU member states. Status 2004

<sup>18</sup> Data for USA and China (UPU 2006b); for EU (WIK 2006, p. 185)

<sup>19</sup> Measured by the incumbent's "full time equivalent" (FTE) without considering employees at its subsidiaries.

with Deutsche Post have more than halved between 1992 and 2006 – moving from 306,151 to 150, 548.<sup>20</sup>

- In Italy since the beginning of market liberalization in 1993 the number of jobs with Poste Italiane has been reduced from 220,000 to 150,000 (PwC 2006, p. 63).

The reorganisation of the postal operators affected not just the number of jobs but also their quality. There has in particular been a move towards flexible working practices such as part time work and fixed contract employment and a general reduction in the number of civil servants with tenure working for the incumbent. “The most advanced USPs are already progressively introducing [...] new forms of flexible contracts in delivery, those who are not there yet will face it though competition from new entrants, particularly in the attractive areas” (PwC 2006, p. 74).

The qualitative changes in jobs in the traditional postal operators are borne out by the figures below:

- The proportion of civil servants as a share of the overall employee headcount has gone down in the EU by about 10% between 2002 and 2004.
- Between 2002 and 2004 the number of part time workers as a proportion of the overall workforce rose by 3.5%, in countries where liberalization of the letter market is well advanced such as Sweden, Denmark, Germany and the Netherlands between one and two thirds of the employees are already part time workers (WIK 2006, p. 184 ff).
- Current information about the proportion of people on fixed term contract with postal operators is not available. Nevertheless the survey on employments trends in the postal sector carried out on behalf of the European Commission by PLS Ramboll accepts that as more liberalization comes so the trend to greater flexibility in employment will increase and that the number of employers on fixed term contracts and of on-call workers will increase. “The number of USP employees working as temporarily employed, casually employed or on on-call contracts is expected to increase”. (PLS Ramboll 2002, p. 97).

In the light of the overall adverse effect that liberalization of the postal sector has had on jobs, it is hard to understand the at times optimistic assessment of the impact on jobs that an opening of the postal markets would bring, as expressed in various EU surveys.<sup>21</sup> The positive assessment of the effect on jobs of market liberalization is basically predicated on the expectation of additional jobs being created with competitors. There is limited availability of up to date statistics for job trends among the new entrants. Currently only figures for Germany are available regarding job trends among new operators.

The data **about employment trends in terms of quantity and quality of jobs amongst competitors** in the German postal market gives us the following picture:<sup>22</sup>

Between 1999 and 2004 the number of employees in the 950 active licensees in Germany more than doubled from 17,650 to 34,410. However if one also calculates the job losses in the letter post section of Deutsche Post, the number of jobs in the German letter market dropped by 6.2% or 12,148 jobs between 1999 and 2004. If we recalculate this as full time equivalents the balance is even starker because they indicate that 15,057 jobs were lost. In fact since the beginning of liberalization one tenth of the total number of jobs in the German letter market have been lost.

With a share of reduced terms of employment of 62.3% (2004) and wider use of fixed term contracts, the patterns of employment that dominate among the new entrants are characterized by a high degree of insecurity, instability and dependency.

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<sup>20</sup> Figures from Deutsche Post World Net, paper given at the ver.di/UNI DHL Airport Conference, 11.01.2007 in Leipzig

<sup>21</sup> “The social impact of the evolution [full market opening, author’s note] is generally positive for the global employment in the sector” (PwC 2006, p. 74)

<sup>22</sup> For this and following section see Input Consulting (2006b)

The market sector occupied by the new entrants to the letter market is to a great extent characterized by low pay or poverty wages. On average the pay of workers in the new letter service providers is about 50% below the beginners' rate at Deutsche Post and is not enough to support a person even if they work full time. A relevant proportion of the low pay offered by postal competitors is offset in the form of social benefits from the state.

In contrast to the incumbent, Deutsche Post, the working conditions among competitors are not governed by collective agreements; the number of trade union members and the influence of the unions among the new entrants are correspondingly low.

Precarious working conditions tend to be the rule rather than the exception with the new service providers. The majority of the licensees operate according to a business model that is mainly based on the cost advantages arising from the casualization of labour.

It is likely that this ferocious competition that is built on low wage costs will affect the incumbent's employees too. The traditional postal operator is facing the threat of having to cut jobs if it loses more market share. And if it is not possible to make sustainable improvements in the situation amongst the licensees who so far have profited from precarity, then there is an acute risk because of the clear imbalance in working conditions on the letter market, that the standards practised by the former monopoly will be subject to increasing downward pressure. Precarious working conditions can therefore become an issue for the market leader too.

We must observe overall that since liberalization the number of jobs in Germany has fallen and that more protected and secure jobs at the incumbent will be displaced because of the unprotected and precarious working conditions in the competing new entrants. If no countermeasures are taken there is a risk that the postal sector will become a low-pay sector characterized by unprotected working conditions. Our research has shown that this problem can be found in other countries that have gone far in opening their postal markets.<sup>23</sup>

## 2.4 Increasing Competition

The purpose of liberalization is the establishment of a competitive environment between the traditional monopolies and the new service providers. Whether the opening of markets truly creates competition does not only depend on the abolition or curtailment of monopoly rights. Enduring competition will only happen if market entry is sufficiently profitable for new service providers and that market entry exists not only *de jure* but also *de facto*, in other words there are no more barriers to market access. Experience so far has indicated that legally liberalizing the market for postal services has not of itself led to sustainable competition. Apart from monopoly rights there is a range of legal and regulatory barriers that new entrants to the market must usually overcome. Among these are very high (one off and recurrent) licensing fees, the provision of detailed business and finance plans, the demonstration of financial solvency, provisions on quality of deliveries and particularly high requirements for full territorial coverage for deliveries, whereby some of the new entrants are required to make deliveries in rural, high-cost areas. In addition the market access of new entrants is in part made more difficult because of specific national barriers, such as the sole agency right for post office boxes enjoyed by the incumbent (France, Austria and Poland) or the lack of a post code system (Ireland) that may be a factor in keeping potential competitors out of the market (see Input Consulting 2006a).

In the postal market the barrier to entry is not only legal or regulatory, but there is also a series of economic barriers to competition. They are based on the size (economies of scale) of the incumbent, that particularly in the area of letter mail has the characteristics of a natural monopoly. The size advantage of the established service provider and the high investment costs to build a network constitute major barriers to the entry of new competitors. They prevent the competitors from quickly

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<sup>23</sup> An exception is Sweden where terms and conditions of employment in the postal sector as a whole are governed by collective agreements and there are few pay differentials between the incumbent and its competitors (see Input Consulting 2006b, p. 98)

building a national delivery network after the abolition of the reserved services and also make it possible for them to quit the market without too many losses. Under certain circumstances the new service providers will entirely forego the creation of their own nationwide delivery network and concentrate on regional markets, niche products and activities and markets upstream of delivery. Generally speaking because of these economic barriers it is likely that the traditional monopolies will be able to defend their dominant market position for a long time to come after the abolition of the reserved areas (Monopoly Commission 2005, p. 34ff).

The low number of new service providers in the fully liberalized postal markets of Finland, Sweden, Estonia and in part Britain clearly shows that despite the abolition of reserved services high economic and regulatory barriers to market entry can restrict long-term competition. It is worth mentioning in this context the example of Finland, where despite the scrapping of the reserved area in 1994 no new service provider is active on the market because of the obligation to provide coverage in mixed urban and rural areas (Input Consulting 2006a, p. 52). According to the data collected thus far for increased competition in the EU, in spite of in parts comprehensive liberalization of the postal services, the incumbents have so far defended their market dominance (see table). Nevertheless experience so far has also shown that a reserved area does not automatically rule out the introduction of competition.<sup>24</sup> This holds true for those countries that allow competition in parts of the market in spite of a reserved area, such as direct marketing (e.g. the Netherlands) or by "high value high quality services" (Germany). Despite the continued existence of reserved services the new entrants have been able to carve out market shares of between 5% and 10%. Lasting competition arises despite a reserved area whenever new service providers are allowed access to the incumbent's postal network on favourable terms. This means that competition does not exist across all market sectors, but in certain parts of the postal wealth creation chain. The example of worksharing in the USA shows that durable competition can arise thanks to unfettered network access even if the monopoly for delivering letters remains in place.

<b>Liberalization and competition; examples from selected EU member states</b>			
<b>State</b>	<b>Market opening</b>	<b>Requirements of new entrants</b>	<b>Market share of new service providers in regulated sector</b>
<b>Finland</b>	Fully opened market	● ● ●	0%
<b>Sweden</b>	Fully opened market	● ●	circa 8%
<b>UK</b>	Fully opened market	● ●	3% - 10% <sup>*)</sup>
<b>Germany</b>	> 50 g + higher value services	●	circa 7%
<b>Netherlands</b>	> 50 g + direct mail	●	circa 8% <sup>%)</sup>
<b>Spain</b>	> 50 g + completely opened market for post within an urban area	● ●	circa 7%
<b>Austria</b>	> 50 g	● ●	circa 3%
<b>France</b>	> 50 g	● ●	< 3%
<b>Italy</b>	> 50 g	● ● ●	< 2%
<b>Poland</b>	> 50 g	● ●	ca. 1%
<b>Hungary</b>	> 50 g	● ● ●	0%
<sup>*)</sup> Available data indicates a range between 3% (Postcomm 2006, S. 14) and 10% (CWU).  Source: Input Consulting (2006a)		● low level requirements  ● ● medium requirements  ● ● ● high level requirements	

<sup>24</sup> See Input Consulting (2006a)

### **3. Can EU liberalization policy serve as an example to the world?**

Postal services are one of the areas of GATS negotiations, in other words the general agreement on trade in services within the World Trade Organization. In particular the EU is pushing – in line with continuing liberalization of the European single market – for an extension of GATS. This would promote concentration and privatization in the postal sector worldwide. What precisely is on the agenda at the GATS negotiations? What will it mean for the postal sector? And finally, what are we to make of the link between internal market liberalization and the EU's position in GATS – particularly in the run up to full market opening in 2009.

#### **3.1 The significance of GATS for the postal sector<sup>25</sup>**

When the World Trade Organization came into existence in 1995 so did the General Agreement on Trade in Services (GATS). The aim of GATS is complete liberalization of markets for services – indeed it aims at sectors that had not yet been liberalized when the agreement came into force in 1995. The agreement provides a framework in which the world economic order should write competition in the services sector into a kind of international law in a way that is binding and to all intents and purpose irreversible. GATS therefore limits the room for manoeuvre that governments enjoy and hampers the introduction of regulations that restrict competition. In the long term GATS regulations should cover all service sectors. Therefore negotiations on an extension of GATS have been underway since 2000, but they have been making very sluggish headway because of the conflicting interests of industrialized and developing countries.<sup>26</sup> Unlike the industrialized countries, many developing countries whose service sector is not really geared to international competition have little interest in liberalization. In addition, finalizing the talks also depends on agreement in other central areas of contention – particularly in agriculture. The current WTO round should have finished in 2004, but could well drag on for a few more years.

#### **3.2 The role of the EU in the GATS negotiations in the postal sector**

The European Union is conducting the GATS negotiations on behalf of the member states and is intent on achieving comprehensive market opening in the postal sector. Because of liberalization the EU's internal market is very competitive. The former state monopolies that are now subject to increasing competition are therefore keen to move into new markets, which they find in the EU internal market. Simultaneously they are also pushing for major expansion outside Europe's borders (see UNCTAD 2004, p. 111 f). Because they want to operate outside the EU within a competitive framework and with secure conditions for their investment, the new global players in the postal sector – such as Deutsche Post/DHL, TPG/TNT – are calling for further liberalization of national postal markets (see PostEurop 2002). As an instrument to legally secure this liberalization they are backing the EU Commission in the GATS negotiations. Because of early transfer of competence in the area of trade policy to the European level the GATS negotiations are far removed from public debate in member states. This makes it easier for the commission to work with Brussels-based commercial lobby groups, whilst the trade unions and other representatives of civil society are only slightly involved in the negotiations (see Deckwirth 2005). This means that the demands of the major post and courier service providers and their lobbyists are overwhelmingly identical with the negotiating stances of the European Commission (see UPU 2001, p. 31ff).

The EU has offered in the current negotiations to align its market opening obligations extensively on its internal market liberalization at the end of the current round. Simultaneously the EU is seeking far-reaching liberalization from other WTO members. The EU is basing its demands on the current status of

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<sup>25</sup> For a detailed analysis of the consequences of GATS in the postal sector see UPU (2001) and Sinclair (2002)

<sup>26</sup> For a view of the current state of GATS negotiations see Salzburg Seminar (2007)

liberalization in its own internal market, which it expects WTO members to move in line with (European Commission 2005, p. 5f). Moreover the EU is using the liberalization of its internal market as a bargaining chip at GATS. The European Commission has written that further liberalization of the internal market in the postal sector “should enable it to face the negotiations from a strong position and to request increased market access from other countries” (quoted by UPU 2001 p. 27f).<sup>27</sup> Finally when working on a common framework for liberalization of its internal market the EU gathered experiences that it is now trying to bring to the international level. “The EC Directive standards for reserved services could serve as a baseline for market access requests from other Members” (European Commission quoted in UPU 2001, p. 27f). Overall we can see that as internal market liberalization is being pushed forward, this strengthens the EU position in GATS, i.e. it makes broader requirements for market access. We can assume that after full liberalization of the internal market in 2009 the EU will increase pressure for liberalization in the GATS negotiations.

### **3.3 Possible consequences for the postal sector**

#### Competition rules from GATS in place on cooperation in the UPU

Until now the Universal Postal Union (UPU) has been the most important institution for regulating international postal service. Its task is to ensure a universal postal service worldwide. GATS is increasingly encroaching into this global regulation regime that – unlike the UPU – aims to guide the postal market along competitive lines. There have already been disputes between UPU and GATS (see Asser Instituut 2004). This is particularly true of the UPU agreement on payments. UPU also limits the possibility of re-mailing. GATS sees both regulations as anti-competitive measures (see WTO 2001, p. 473). UPU is therefore already preparing its members for an extension of GATS regulations. “Regardless of whether the GATS applies or does not apply to a given postal market, for future planning purposes, it is sensible for all UPU Members to consider the consequences of the GATS as it relates to all postal services and to plan for the application of GATS obligations to the postal sector.” (UPU 2001, p. 12).

#### International companies reap the rewards of pressure on national postal systems to adapt

If WTO members accept the demands of the EU, then postal service will be put under pressure. On the one hand GATS rules will attack monopoly protection of national postal services. On the other hand the rights of foreign private competitors will be strengthened – they are mostly European and US global players – if national conditions attached to universal service obligations or licences more closely adhere to competitive criteria. Moreover GATS will prevent re-regulation such as the reintroduction of monopoly rights or an increase in the prescribed branch density if existing liberalization measures are written in law. As things stand it is unclear whether the GATS negotiations will conclude with wide-ranging obligations for WTO members. This will depend on members’ negotiating strength and strategy. Possibly only once the trade round has been concluded will there be an additional agreement for postal services that not all WTO members will have to sign – this is similar to what occurred in the telecoms sector. But even without obligations and additional agreement GATS is already exerting its discipline and pressure to comply on both the powers and function of the UPU and on national postal systems that are now operating increasingly according to competition criteria (see UPU 2001, p. 32). Overall GATS is working – with the EU in the driving seat – to promote privatization, commercialization and internationalization of the postal sector.

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<sup>27</sup> “As far as the European Union is concerned, the adoption of a directive which reduces considerably the scope of services subject to the monopoly of national post offices should enable it to face the negotiations from a strong position and to request increased market access from other countries



## 4. Conclusions

1.

The liberalization of the postal sector on current evidence has not led to the expected advantages for users in terms of an improvement in service quality and keener prices for postal services. The intended effects of market opening have been beneficial for large scale customers in the shape of falling prices and for new market entrants in the shape of new marketing opportunities. Private customers and small businesses may suffer clear disadvantages from liberalization such as price increases for individual letters and the downgrading of the universal service. The welfare gains of opening the postal markets are not at all in line with the advantages that have accrued to customers on prices and quality in other competitive sectors. Therefore the welfare gains of market opening are extremely meagre and in addition are skewed towards benefiting the bulk mailers and new entrants. Apart from ideological motives there is no economic justification for complete liberalization of postal services.

2.

There has so far been no satisfactory solution to the issue of funding a universal service in a completely opened postal market. Alternative funding instruments, as suggested by the European Commission amongst others, remain untried and the impact of their use in the postal sector is still uncertain. In the light of the sector's economic importance and in the light of the important public obligations that postal companies in many countries must meet, the postal service should not become a test bench for "competition neutral" mechanisms for funding the universal service. The problems that occur in a competitive environment with the provision and funding of the universal service would best be alleviated in the long term by retaining a (possibly restricted) reserved area.

3.

The liberalization of postal markets leads on the whole to job losses. The massive reduction in jobs in traditional postal companies cannot be offset by new jobs with competitors and in the allied logistics and courier sectors. The adverse effect on jobs has also extended to the quality of jobs in postal companies and in the new entrants. As market opening grows so does the risk that the competition will be carried out via wage and social dumping and that on the basis of the resulting cost advantages for the new service providers an increasing number of secure jobs with the incumbent will be displaced by precarious working conditions with the new entrants.

To prevent the adverse consequences of market opening on jobs, liberalization processes require accompanying social measures. The following measures seem appropriate:

### *Social conditions attached to licences*

In liberalized markets competition must be restricted whenever it is done by the undercutting of social standards. Therefore market access for new entrants should be contingent on respect for the usual terms and conditions of the sector to ensure fair competition. Even the prospective survey commissioned by the European Commission recommends that when opening markets the government concerned should "put in place similar working conditions for all operators in the postal market to avoid social competition" (PwC 2006, p. 190).

### *Collective agreements*

Although particular efforts are called for to organize the unions and achieve collective agreements on working practices with the new operators, extending trade union influence and securing agreement on working conditions by negotiation in the letter post sector is indispensable, at least to limit the lack of job security and the adverse impact on jobs in the postal companies.

### *Minimum wages*

Low pay as practised by most of the new letter delivery operators are the most important determining factor in job insecurity as is the competitive asymmetry in this sector. Therefore in addition to the other measures the application of minimum pay regulations would be appropriate in the postal sector, to at least put a floor to “income insecurity” and at least iron out some of the wage cost differentials that cause the competitive difficulties.

4.

When view globally postal sector liberalization is something of a mixed bag. Whilst the industrialized countries in particular have broadly opened their markets to competition, in most developing countries and newly industrializing countries the postal markets remain monopolies. The European Union is the main cheerleader for market opening in the postal sector. Because of the EU's economic clout its liberalization agenda will also affect marketing opening processes and the long term existence of postal monopolies in other countries.

As the EU's postal market further liberalizes thought must be given to the knock-on effect in other countries. It is particularly important to consider that complete market opening can have far more drastic consequences for certain countries – particularly in terms of jobs and the provision of a universal service – than has so far become apparent from the EU market opening process.

Rapid market opening and the simple transfer of the legal and regulatory framework from the EU according to a “one size fits all” philosophy will by no means do justice to the particular problems linked to the opening of postal markets.

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