

Dear La Poste, competition on letters is nothing to fear

By Valentin Petkantchin

Like several other EU countries, France is reluctant to give up its postal monopoly. It would have been interesting to know the opinion of the presidential candidates.

There has been virtual silence on the matter; it has barely been mentioned during the election campaign, though in many ways the issue goes to the heart of the left-right showdown we have been promised in the second round.

The whole centuries-old idea of state postal monopolies is increasingly being thrown into question, challenged both by new means of communication – notably email – and by European legislation.

Since the start of 2006 it has been possible to compete with incumbent operators for the delivery of letters weighing more than 50 grams and a recent EU proposal is for a full opening up to competition by 2009.

Resistance is often based on the argument that competition may be a threat to post offices, which fulfil different social roles and are considered central to communities – in the UK for example. They are said to give people more independence and provide them with a meeting place.

Yet opening the post to competition hardly precludes local authorities from, if they choose, financing such social roles in some other way.

It is also argued that a monopoly is essential to secure a universal postal service. With the uniform tariff that prevails in France, for example, some customers of La Poste are being forced to pay a price that exceeds costs for their mail deliveries, in reality subsidising deliveries to other customers who enjoy a tariff lower than the delivery costs incurred by the postal monopoly.

Opening this system to competition would, it is argued, leave only unprofitable sectors to the incumbent operator and deny the possibility of cross-subsidies, placing the universal postal service in jeopardy.

As experience shows, however, a monopoly is not essential to secure universal service.

Countries such as Finland, Sweden, Germany and the United Kingdom have abolished their postal monopoly but maintained universal service.

In truth the whole concept of a uniform national tariff for postal services deserves to be called into question. After all, when you travel by train, the cost of your ticket usually varies according to the distance and the cost of serving your destination. Why should it be different when it is your mail, rather than you, that travels?

Furthermore, it is never economically sound to conceal the real cost of a service to some customers. The result is invariably waste of scarce resources. Neither is it sound artificially to inflate the price paid by some customers, especially business customers. This puts many firms – their mail constituting roughly 90% of dispatched postal mail – at a disadvantage with respect to rival firms which can benefit from postal competition.

Competition encourages postal operators to innovate in sorting and delivering mail, in being responsive to the needs of their customers and in providing services at the lowest cost. New and more flexible networks – such as food retail chains, filling stations or tobacco shops – can thus receive and dispatch mail with extended opening hours that consumers want or find useful.

Mail collection can also be made more frequent if that is what business customers need. In short, in this area as in many others, competition encourages suppliers to provide the best value to consumers.

Those European countries which have relinquished their postal monopolies “show that the efficiency and reliability of postal services have been improved and meet the needs of citizens and businesses”, according to the European Commission.

Liberalisation is far from being a threat to Europe’s postal services. Opening them up to competition will allow them to adapt to the changing and hugely expanding communications market.

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