

Business Europe / By Elisabeth Eaves

Opening the Mail

At the beginning of this year, Britain ended the Royal Mail's 370-year-old monopoly on letter delivery, becoming the fourth and largest European economy to embrace an open postal market. Many European governments, though, are dragging their feet on postal liberalization, despite an EU directive calling for members to open the industry to competition by 2009. The laggards are not doing their citizens any favors.

Opening up industries to competition, whether they are state-run monopolies or close-knit oligarchies, tends to benefit consumers. British electricity customers have seen their bills fall by 5-20% since deregulation in 1999, and natural gas deregulation in 1998 rewarded U.K. buyers with price cuts of 10-20%. In the United States, the price of long-distance phone service fell by more than 40% in real terms, and the price of air travel by 29%, within a decade of those industries' deregulation.

It may be too early to assess the full impact of Britain's postal liberalization, but elsewhere the signs are good. Economist Rick Geddes surveyed postal deregulation around the world in his 2003 book "Saving the Mail," and concluded that the net effect was positive. Take New Zealand, where the mail monopoly was fully abolished in 1998. Mr. Geddes notes that that reform spurred New Zealand Post to introduce services and improve efficiency without any government support—meaning citizens won both as consumers and as taxpayers.

Many nations, in fact, have sought the benefits of liberalizing their postal markets. Finland ended its postal monopoly in 1991, Sweden did so in 1992, and Estonia followed in 2002. Japanese Prime Minister Junichiro Koizumi recently put Japan Post on the road to privatization. Even develop-

ing countries such as Jordan and Nigeria have announced privatization schemes.

The European Union has endorsed postal reform despite resistance by some members. The potential impact of EU liberalization has been extensively scrutinized and evidence continues to mount in its favor. In a study published last year, Ecorys Research and Consulting reported that, with deregulation, postal operators would become more focused on customers' needs. It also found that the price for delivering bulk mail in urban areas—a segment of the market where competition is likely to be particularly strong—may drop as much as 20-25%.

In Britain, consumer groups are optimistic. Ian Leigh, managing director of watchdog group Postwatch, said "competition will provide Royal Mail with the incentive to sharpen up their act, while at the same time allowing competitors to provide products and services required by consumers."

So the question is, why wait? The German, Dutch and Slovakian governments have all said that they will liberalize postal services ahead of the 2009 deadline, probably in 2007. Elsewhere, though, national governments are digging in their heels.

COSAC, the network of member-state parliaments, has singled out the EU postal directive, which calls for an open market, as an example of Brussels' overregulation—meaning that COSAC may ultimately demand that the European Commission revise it.

Meanwhile, as the commission considers whether to keep or extend the 2009 dead-

line, certain members of the European Parliament are urging the latter. French Socialist Gilles Savary put it in these exquisitely bureaucratic terms: The postal sector represents "an irreplaceable specificity...which the market will not be able to ensure on its own." Italian MEP Armando Dionisi urged the European Parliament to keep "a careful eye on the social consequences" of liberalizing the postal market. In Austria, meanwhile, the Social Democratic Party has said it will use legislation to create obstacles for private mail-service providers.

Some MEPs complain that "universal service," or daily delivery to every home, will be lost under full liberalization. Nonsense. Customers will be served at the level they demand because mail delivery is profitable. That's why private companies across Europe are clamoring to get into the sector.

Moreover, imposing a government monopoly on citizens in the name of preserving universal service is really a form of corporate welfare. After all, some 80% of all postal traffic in Europe is from businesses to consumers—that is, it's mostly junk mail. Businesses have every right to deliver their solicitations, but there's no reason for taxpayers to subsidize them.

One reason lucrative mail monopolies linger on is that Europe's state postal companies are powerful and deeply entrenched. Philippe Bodson, president of the Brussels-based Free and Fair Post Initiative, notes that the old national post offices maintain close relationships with their governments. "They hold a very strong influence on the governments' decisions as regards full liberalization of the domestic letter market," he said.

Mr. Bodson fears that some postal operators use revenue from their monopoly market—generally confined to letters below a certain size—to fund expansion into areas like parcel delivery, where theoretic-

ally the free market reigns. Because the postal monopolies still receive protection and funding from governments, this kind of "cross-subsidization," as it is called, risks running afoul of EU competition policy. Mr. Bodson's organization is urging European postal regulators to set up uniform, transparent accounting systems to make cost allocation visible.

Mail monopolies' commercial ventures have been substantial. Deutsche Post and Holland's TNT have been transformed into corporate giants. They have been gobbling up logistics companies world-wide, all while retaining a monopoly on letter delivery in their home markets.

The French government-owned La Poste is also on a buying spree. Its GeoPost unit recently announced the acquisition of two parcel-forwarding companies, French Exapaq and Greek Interattica. Amid its corporate jockeying, La Poste also found time to hike stamp prices on its monopolized letter-mailers in 2005.

The Royal Mail has said it will soon raise prices, too. The key difference, though, is that in Great Britain, 14 companies are now licensed to deliver mail. If you don't like the service provided by Royal Mail, it's legal to take your business elsewhere. Big-volume mailers are already doing so in droves. UK Mail, owned by Business Post, has picked up contracts from GE Capital, Vodafone, Powergen and Royal Bank of Scotland. The grocery chain Tesco and the cable group NTL are giving their business to DHL.

Ending a monopoly doesn't level the playing field instantly, but it's a first step. We're seeing the beginning of a postal divide across Europe. Britons have made a critical move toward what should ultimately lead to better service and lower prices. Most EU citizens, unfortunately, look likely to remain captive consumers for years to come.

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