Liberalisation of the Swiss postal market

22 July 2008

Michel Gabet

www.syndicatcommunication.ch Le syndicat des branches poste, transport, logistique, télécommunication, sécurité aérienne et informatique

Switzerland and the European Union

- country with a very liberal economy
- strong influence of liberal European policies
- at the geographic centre of Europe but not a member of the EU
- relations with the EU based on bilateral agreements
- no reciprocity obligation

Liberalised markets in Switzerland

Telecoms : competition between network operators : implemented unbundling, interconnection

Electricity : as of 01.01.2009 (prices set to increase!)

Post : Express delivery: this service has always existed!

Parcel post: implemented since 01.01.2004
(limit used to be 2 kg)
01.01.2004 Establishment of a regulator

Letter post: 100 grams since 01.04.2006

Government project: letter post market

- restriction of the monopoly by decree (decision-making power rests with the government)
- elimination of the monopoly by a modification of the law (must be submitted to a referendum)
- 01.04.2006: 100 grams
- initial project : 50 grams in 2011, then total liberalisation between 2014 - 2015 more or less aligned on the EU
- Proposal:
  - 01.04.2009: 50 grams
  - 01.04.2012: total market opening

Current situation

- first and second class mail system (known as A + B post)
- single tariff system
- unified working conditions
- strong trade union organisation level

The arguments

- 100% liberalisation

  credo: competition = lower prices / better quality / innovation

- Slanted and subjective analysis of the conclusions drawn by the Plaut Economics et Frontier Economics consultancy

Scenario I

The impact of liberalisation will depend to a large extent on the ability of Swiss Post to adapt its costs. Two scenarios have been envisaged:

- **Cost ceiling**
  - Swiss Post, as a private company, can reduce
    - its costs
    - the number of employees
    - salaries
    - other working conditions
  - greater leeway with regard to interest groups
    - remote regions
    - the cantons
    - some client segments

Scenario II

- **Cost ceiling :** Swiss Post is not free to reduce its costs
  - it does not lower salaries
  - or other working conditions
  - it only reduces staff numbers through natural wastage
  - it provides a universal service which goes beyond the minimum required by the law
  - it continues to meet the political needs of the cantons, the remote regions and other interests

Results of the study on these two scenarios

- **Financing the universal service:**
  - in the short term (monopoly up to 50g), Swiss Post can self-finance the universal service
  - if the market is completely opened up, the conditions of financing will depend on which scenario is chosen
    - cost ceiling, adapting to the private sector, the universal service can be self-financing over the longer term
    - cost ceiling, inclusion of political and trade union demands, the financing deficit could amount to 3% of total turnover
    - need to find other sources of financing for the universal service
    - financial difficulties will be exacerbated if competitors are given easy access to the Post's infrastructure

- **Employment trends:**
  - if Swiss Post adapts its costs: overall loss of jobs in the sector

Results of the study on these two scenarios

- **Trends in supply and demand:**
  - competition will play out primarily in the market for individual letter post items sent either by first or second class mail (A and B post), with probably just one major competitor, or even a few new operators
  - it will be concentrated in urban areas if the new operators are not given access to Swiss Post's infrastructure.
- **Price trends:**
  - in the short term, average prices will fall
    - in the longer term, a further drop in prices is only realistic if Swiss Post can adapts its costs.
- **Impact on the overall economy:**
  - no deterioration in the territorial cover of the postal service
  - on the contrary, the situation may improve in certain regions
  - the quality of the delivery service will improve
  - market liberalisation will put pressure on prices
  - better value for money for the end user.

Summary of the results of the study

- The financing of the universal postal service will be covered by the maintenance of Swiss Post's monopoly on items up to 50 g.
- If the monopoly is eliminated entirely, the financing of the universal service can longer be guaranteed unless Swiss Post reduces its costs: less favourable working conditions, universal service limited to the minimum legal requirement, no account taken of the specificities of each region.
- Average prices will continue to fall until 2011, after which they will remain stable or will continue to fall, depending on Swiss Post's ability to adapt its costs.
- Competition will develop (both for private and business customers), especially in urban centres, provided that the market is completely opened up.
- Full market opening will over the longer term lead to a reduction in jobs in the postal sector.

Modelling

- staff costs
  - competitors: 2/3 ↔ Swiss Post
  - conclusion: adaptation of costs = - 30%

- remote regions / interest groups
  - cost of network : ~ 250 million
  - conclusion: 1000 post offices will close (2500)

Trade union positions and strategies

Political timetable

- proactive approach to influence government thinking through:
  - contacts
  - positions
  - working group
  - lobbying
- government position: disagrees with the opinion of the working group (2011 – 2014)
- consultation procedure: business organisations, regions, cantons, consumers
- development of a set of arguments / initial meetings / bilateral discussions at different political levels
- analysis by the administration
- government decision
- message to Parliament (in Switzerland this means the government sets out its goals and expected effects) with proposals to change legislation
- decision by Parliament (both upper and lower houses)
- referendum or entry into force

Different lines of argument

- our primary goal: to preserve working and employment conditions (at Swiss Post and its competitors)
- twofold objective: to defend the situation at Swiss Post and to organise and negotiate collective agreements with competing postal operators
- means: use of political tools (forcing a referendum)
- forging alliances to create a political majority:
  - consumers
  - regions
  - other stakeholders

⇨ Full market opening - nothing but disadvantages

All experiences with full market opening in other countries provide ample proof :

1. **Prices increase** for the great majority of customers (private individuals and SMEs); only beneficiaries very large users (banks, insurance companies).
2. **The quality of services falls** (fewer delivery rounds, payment services no longer available in all parts of the country ...).
3. **The neighbourhood service model disappears** as a result of the shrinkage of the post office network
4. **The salaries and working conditions** of workers in the sector in general, and Swiss Post workers in particular deteriorate.
5. **The overall number of jobs** in the sector falls.

⇨ The postal market we want

Financing the universal service

Preserving what remains of the postal monopoly is essential for financing the universal service.

- maintaining the current level of quality
- maintaining fair and uniform rates throughout the country
- maintaining the current post office network
- maintaining the current number of access points for payment services

The consequences of a lack of financing are :

- downward pressure on salaries
- restricted access (closure of 1000 post offices according to the Plaut/Frontier study
- reduction in the number of postal collection and delivery services (2-3 per week)
- prices based on distance (elimination of the equal treatment principle)

The elimination of the monopoly thus goes against the interests of

- the population
- businesses (especially SMEs !)
- the regions

Payment services

Payment services (paying in, paying out, transfers) form an integral part of the universal service. They must continue to be included in the universal service mandate so as to provide the population and businesses with services that are

- efficient
- offered at a fair price
- available throughout the country via the post office network (which allows Swiss Post to recoup investments in infrastructure)

Working conditions (I)

We will not accept further market opening at workers' expense.

It must be rooted in a socially acceptable framework.

Examples of developments abroad have shown us what happens if there is no collective agreement for the whole sector :

- starvation wages
- generalised imposition of part-time work
- no social security cover
- no employer contributions to national insurance

Working conditions (II)

Sectoral collective agreement

To prevent such risks,

- the law must require the social partners to negotiate and sign a sectoral collective agreement
- market access must be made dependent upon the acceptance and application of this sectoral agreement.

Collective Agreement for Swiss Post

Whatever happens,

- Swiss Post must be required to negotiate and sign a collective company agreement.
- Swiss Post must offer its employees pay and working conditions that are better than the average for the sector.
- The size of the company, as well as its ability to benefit from synergy and economies of scale, give Swiss Post a competitive advantage which requires and enables it to be a model employer.

Activities

Aims:

- to defend the interests of our members

- to obtain a collective agreement for the whole sector
  - to avoid wage dumping
  - to defend working conditions at Swiss Post
  - to ensure that we organise workers employed by the competitors of Swiss Post

Political lobbying work: use of all available resources.

What have we achieved so far?

- we have proven that we have the capacity to “stir things up”
- we will possibly achieve a postponement of total market liberalisation
- we have created an interest among employers in the trade unions (!)
- we have started negotiations with Kep&Mail