POSTAL NEWS
No. 74/2009

Formulated by UNI-Japan Post in cooperation with UNI-Apro, ASPEK Indonesia and SPPI

1. Austria - Minimum Wage For Postal Workers And Postal Fund

20 April 2009 by David Lynch - © Hellmail.co.uk

Despite resistance by UK postal regulator Postcomm to impose a levy on competing postal operators to contribute to the cost of the loss-making Universal Service, it seems that Austria is to make it mandatory.

Although so far only a draft law, Austria is determined to ensure that it's core postal service is not undermined by cherry-picking from rivals once its postal market opens up to full competition.

In the UK, Postcomm has been wary of imposing a similar condition on rival operators on the basis that it would stifle competition and possibly face an enquiry under anti-competive laws set out by the European Commission.

However, Austria is concerned that competitors would only concentrate on rural areas, leaving Austrian Post to shoulder the cost of providing postal services to rural and remote areas.

In the UK, Royal Mail has already made tentative moves to increase the cost of business mail deliveries based on distance, although suggestions that domestic post could follow suit have been rigorously defended by the regulator.

Following squabbles in Germany with the Dutch over wage rates, Austria wants to enforce a minimum wage for employees of rival operators in Austria to at least match those paid by Austrian Post, but with Dutch postal workers already being asked to take a 15% pay cut as an alternative to compulsory redundancies, the issue of rates of pay in a liberalised postal market is likely to be felt right across Europe as the market opens up further,

Critics of Postcomm say that the lack of any regulation on the long-term funding of the Universal Service has accelerated the loss-making situation currently being experienced by Royal Mail and although the UK has a minimum wage, there is no specific requirement for rivals to pay the same salaries as those of state-owned Royal Mail.

Steve Lawson, editor for Hellmail, the European postal industry news site said:

"There are still many areas of liberalisation that remain sketchy. Some countries are widely different in terms of density of population and terrain, so a like-for-like comparison is often difficult, but there are issues in terms of whether wage rates themselves could be seen as being anti-competitive, and ofcourse the more important problem of paying for the Universal Service.

"At present the onus is entirely on individual countries to decide how it should be paid for, but with no cohesive thinking on this, postal liberalisation is, and has been, a complicated and difficult path to tread, all at a time when most operators are witnessing decline rather than the growth originally envisaged." he said.

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2. Latvia Crisis - Krauklis Quits Board Of Latvian Post

22 April 2009 by Franz Groter - © Hellmail.co.uk
Ivars Krauklis, chairman of the Board at Latvian Post has resigned. From today, his role will be temporarily filled by Raitis Avots.

Krauklis gave advance notice of his departure from the board after it was revealed that from the 1st May his salary would be reduced by as much as 60% due to amendments to the state laws and share capital. The board has alread been reduced from eight members to just three as Latvia Post

Latvia is struggling with an fierce economic crisis. It saw annual growth of around 11% in its boon years but now expects its economy to shrink by as much as 13% this year due to bad debts and poor decisions by its previous government.

Latvia Post increased postal charges in November last year by a staggering 29% and then halved the consignment fees for its Baltic Express service this month. It is now struggling to meet the conditions of an IMF bailout.

The Latvian government is now looking to reduce public sector wages by 20% and slash pension and healthcare provision.

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3. A Tough Year For European Postal Operators

22 April 2009 by Steve Lawson - © Hellmail.co.uk
2009 is becoming a nightmare year for many European postal operators and most, already contending with annual mail volume shrinkage are now trying to weather a global recession.

There are signs at least, of some consolidation with the merger of Swedish and Danish postal operations. Bigger players are certainly better-placed to weather a prolonged

economic storm or even run at a total loss in some sectors but it will be a difficult year for everyone, and a total nightmare for some.

Liberalisation is still running at full speed ahead despite what has ultimately been consistent decline for many operators. The problem is, trying to liberalise a market in the midst of a global recession is like trying to change a lightbulb, blindfold, with boxing gloves on. The timetable is there, but there is far less scope for operators to consider risky ventures now, particularly when the decline in stamped mail still hasn't bottomed out yet.

The partial sale of Royal Mail in the UK could not be more badly-timed and Lord Mandelson is struggling to convince anyone that he can strike a good deal in terms of a partnership. It really is a buyers market at the moment and getting the level of investment needed to make a partnership work will need all the dexterity and quick-thinking of a used-car lot salesman. Its important to be optimistic, it always is in this business, but these are difficult times.

We also seem to be witnessing an emerging cross-border problem in terms of rates of pay. The more the markets opens up, the greater the issue will become. Wages make up a significant part of operating costs for any business, and in the case of competing postal operators, trying to be competitive and at the same time, avoid being seen as anti-competitive by the EC is a real juggling act.

Dutch postal workers (TNT) are having to contend with wage cuts or face redundancy, the Baltic states face a domino effect depending on how Latvia copes this year, the French still have a long way to go on liberalisation, and even Deutsche Post is pulling in it's horns to concentrate on those areas that are at least profitable. A recession is not exactly condusive to enterprise and risk. 'Stability' seems to be the most important factor right now.

All operators fully recognise the threat of E-mail but to modernise any postal service and bring it into the digital communication age costs an enormous amount of money. Innovation and diversification are an essential part of surviving in a liberalised market but there isn't exactly a glut of money around right now. Smaller European countries are really struggling to make sufficient headway this year.

The Universal Service is crucial to everyone in Europe but liberalisation still seems centered around competition in what was supposed to be a period of unprecedented growth and opportunity. In the end though, as state-owned postal operators continue to lose their grip on their share of the market and make even more cuts, we could all end up picking up the cost of the USO just to ensure it continues to function whilst everything else vanishes into the private sector. I'm still not convinced that liberalisation will yeild all that has been promised. For the moment, everyone seems to be chasing their own tails....

4. **Brussels approves merger of postal services**

By Nikki Tait in Brussels

Published: April 22 2009 01:55 | Last updated: April 22 2009 01:55

The first merger of established national postal services in Europe has been given a green light by Brussels under EU competition rules, but only on condition that they divest some assets and business.

The proposed merger of the Swedish and Danish postal operators – both of which are at least partly state-owned – is also the first to be announced since EU lawmakers passed legislation requiring countries to open their postal market and get rid of remaining state monopolies, by 2011.

Analysts predict that this will trigger a wave of consolidation in the sector, which is why the proposed tie-up between Sweden's Posten AB and Post Danmark has been closely watched.

On Tuesday, EU competition commissioner Neelie Kroes said they had raised some problems, but these had been resolved "quickly and in full" by the companies' commitments.

"Liberalisation can move forward as before," she said.

Under the decision, the two operators will divest assets and customer contracts covering their entire overlap in the domestic business-to-business parcel delivery services market in Denmark. This was one of the areas that triggered concerns from other operators in the region – including Itellla, the state-owend Finnish postal company and Norway's Posten Norgen.

However, critics had also wanted the commission to put pressure on Denmark to liberalise its postal market well ahead of the 2011 deadline. But on Tuesday Brussels said its investigations showed that liberalisation there was not at risk and the proposed merger was unlikely to increase barriers to entry or expansion or impede competition in the Danish mail market.

The Swedish postal market is already fully liberalised.

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