

# **What has postal liberalisation delivered?**

A Study by UNI Post & Logistics  
on the Liberalisation of the Postal Sector

**Foreword..... p. 3**

**Part I: The origins of liberalisation in the postal sector**

1. The driving forces of liberalisation..... p. 5

2. National context of liberalisation..... p. 6

3. Evolution of the national operator in view of the liberalisation  
of the market..... p. 6

4. Forms and stages of liberalisation.....p. 8

5. Liberalisation and privatisation.....p. 9

6. Forms and roles of the regulator..... p.10

**Part II: The effects of liberalising the postal sector**

1. Competition

    i. What happened to the incumbent?..... p.11

    ii. How effective is competition?

        a. Fluctuation in the number of competitors and their  
            market shares.....p.11

        b. Cream skimming.....p.12

2. Impact on employment and working conditions

    i. Level of employment..... p.13

    ii. Shift of jobs from the incumbent to the new competitors.....p.13

    iii. Impact on the quality of employment..... p.14

    iv. Casualisation of work.....p.15

    v. Wage dumping..... p.17

**Part III: How have trade unions dealt with the liberalisation  
Process p.19**

**Conclusion.....p.24**

**References..... p.25**

## Foreword

*"I am a single mother with two school-going children. I am entitled to welfare, but to show that it was not my intention to sit at home all day, I became a mail deliverer for Selekt Mail and Sandd. (...) Officially, I work on Tuesdays, Thursdays and Fridays, but, in reality, this work keeps me occupied every day. (...) I do not know exactly how many hours I am working on this job, but it is definitely more than a job on the side..."*

*I would like to continue to do this work, but some issues must be regulated first. For example, social security premiums should be deducted, and you must have social protection if the company wants to let you go.*

*If I calculate it correctly, I earn approximately three Euros per hour.*

*I do not believe that I am insured through the companies. (...) And now, I am hoping that nothing will happen when I am working. I would be in real trouble if that were the case (...)*

*This is odd, you work for the company, you promote the company, but you must pay for it (a raincoat) yourself. The same applies to bicycles.*

*Sandd will give you a repair kit at times, but this will not help you to buy a new bicycle when your old one is worn out, which does not take very long, with all the mail you carry on the bike."<sup>1</sup>*

This is the situation of a mail deliverer in the Netherlands. How is this possible in industrialized countries in the 21<sup>st</sup> century?

This is one of the questions this study seeks to address. As we see the wages and working conditions of workers in the postal sector deteriorating following the liberalisation process in this sector of the industry, UNI Post & Logistics wanted to understand how this could happen.

It was thus decided to undertake a global study on the liberalisation of postal services and its impact on workers, in order to assist our members in preventing

such situations as the one described above.

This research is based on case studies from countries that have undergone liberalisation and some that are in the process of preventing it. They include: Argentina, Canada, Germany, Japan, Morocco, the Netherlands, New Zealand, Sweden, Switzerland, Tunisia, the United Kingdom and the USA. We have also looked into available material on this topic.

The first part of this study deals with the liberalisation process itself and how it came into being in the postal sector: the driving forces of liberalisation, the national context in which it occurred, how the used-to-be public operator was prepared for the opening of the market. Other topics in this part of the research include the forms and stages of liberalisation, liberalisation and privatisation and the forms and roles of the regulator.

The second chapter of the study discusses the impact of liberalisation, firstly looking into the effective competition taking place in postal markets, including the effect on the national operator, the number of competitors and their share of the market as well as the cream-skimming effect. The second part of this chapter looks into the effect on employment of the opening of the markets. This means the effects on the level of employment, the quality of employment, differences in working conditions between the incumbent operator and new competitors, as well as atypical forms of work and wage dumping. Finally, the report seeks to address how trade unions have been dealing with the liberalisation process in order to minimize its impact on workers.

This study would not have been possible without the assistance of the following UNI affiliates: CUPW (Canada), ver.di (Germany), JPGU (Japan), FNPT-UMT (Morocco), AbvaKabo FNV (the Netherlands), FNV Bondgenoten (The Netherlands), EPMU (New Zealand), SEKO (Sweden), Syndicat de la Communication (Switzerland), FG-PTT (Tunisia), NALC (USA), CWU (UK) and Unite The Union (UK). We would thus like to thank them here for providing us with

---

<sup>1</sup> FNV Bondgenoten, *Colophon, The black paper of FNV Bondgenoten, the largest Dutch trade union, about the reality of mail deliverers in the Netherlands*, The Netherlands, 2007, p. 5

reports and information, as well as the support that was indispensable for compiling this study and making it a valuable resource for our readers and UNI Post & Logistics Global Union.

# Part I: The origins of liberalisation in the postal sector

## 1. The driving forces of liberalisation

Although one would tend to attribute the liberalisation of postal services to the national context of each country, we can see that there are four main forces driving the liberalisation process in this sector of the industry. Some of these are universal and are linked to the neo-liberal ideology of the times in which liberalisation was first envisaged, in the eighties and early nineties.

A first driver of postal liberalisation is the economic crisis certain countries were undergoing at the time of the liberalisation process. This was the case for New-Zealand as well as for Sweden.

As for New Zealand, *“the catalyst, an economy in crisis, the drivers being the reformists, and their Washington Consensus inspired belief ‘that structural problems were all automatically solved by the cannons of the consensus and by the unimpeded operation of the free market-price mechanism.’*<sup>2</sup>

Another driver of liberalisation is the technological changes and the structural decline in mail volume caused by the increase in substitution for mail. The case of Sweden illustrates this well. *“Concurrent with the liberalisation of postal services, the market underwent major structural changes that were based on an ever greater use of IT. Already at the beginning of the 1990s there were clear signs that developments within IT had had an impact on the delivery of letters in Sweden. Subsequently there was a(n):*

- *reduction or stagnation in the volume of letters*
- *surge from more expensive to cheaper postage (from A to B) which was reinforced by the competition coming from Bring Citymail*
- *increase in electronic mail*

<sup>2</sup> Kenny A., *Beyond the Propaganda, Postal Deregulation in New Zealand*, EPMU, Wellington, 2006, p.2

- *increase in the advertising market*
- *increase in the share of Direct Mail (DM).*

*Sweden is a highly computerised society, which means that both private individuals and companies are rapidly going over to the cheaper electronic services available. The number of letters being sent between private individuals in Sweden is today almost negligible - one percent of the entire volume of letters. Stamped letters are primarily used by small companies and associations”*<sup>3</sup>. The push for liberalisation in Germany can also be explained by this factor.

A third factor explaining liberalisation, in the case of the European Union member countries, is the push for liberalisation of markets from the European Union Commission that adopted the first Directive of the Postal Sector in 1997. Recitals 1 and 2 of the Directive are quite clear when it comes to the value added of having an internal market for the postal sector. *“...Whereas measures should be adopted with the aim of establishing the internal market in accordance with Article 7a of the Treaty; whereas this market comprises an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured (...)Whereas the establishment of the internal market in the postal sector is of proven importance for the economic and social cohesion of the Community, in that postal services are an essential instrument of communication and trade...”*<sup>4</sup>. This was particularly the case for Germany and the Netherlands, as well as Sweden, all three Member States that have in fact anticipated liberalisation as regard to the latest EU Postal Directive.

Finally, and this is the case for Argentina, liberalisation (and privatisation) of postal services were advocated and introduced by structural adjustment plans, guided by the Washington consensus, whereby, in

<sup>3</sup> SEKO, Case study for UNI post & Logistics on the liberalisation of postal services in Sweden, Stockholm, 2009, p.1

<sup>4</sup> DIRECTIVE 97/67/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 December 1997, recitals 1 and 2

order to receive loans from the World Bank, certain countries, especially in Latin America, had to reduce their public spending and open their markets (i.e. privatise and liberalise certain industries).

One can notice that whatever the political and/or economical issues all these countries were facing in their postal sector before liberalisation, the same answer was applied: liberalisation of the sector will solve these issues, be it an economic crisis or a more structural problem such as the decline in mail volume. The case of the UK is a good example in the sense that, according to the white paper published in 1999, entitled "Post Office reform: a world-class service for the 21<sup>st</sup> Century", "*The Post Office is taking steps to improve its efficiency, introduce modern services, and enter new markets. The Government will enable the Post Office to invest more in its future so as to realise this vision.*

*We also have a vision of customers being given greater choice in postal services by the entry of new players into the market, meeting developing customer demands as well as challenging the Post Office to provide ever more efficient services. We will help realise this vision by allowing more competition, strengthening the Post Office Users' National Council (POUNC) to ensure customers' interests are taken fully into account, and establishing a Regulator to ensure fair competition in the UK postal market.*<sup>5</sup>

Furthermore, this argument is still advocated today. Indeed, in the light of the current economic crisis, there is a push, if not for liberalisation of postal services, then for their privatisation. This is the case for Canada, France, Switzerland and the UK.

## **2. National context of liberalisation**

It seems that most liberalisation processes have been initiated when conservative governments were in place in the respective countries of our case study or by external factors based on a neo-liberal

---

<sup>5</sup> Post Office Reform: A world class service for the 21st century Presented to Parliament by the Secretary of State for Trade and Industry by Command of Her Majesty July 1999

ideology, such as the structural adjustment programs advocated for by the Washington consensus. Often a review of the postal services would take place, followed by recommendations to liberalise or privatise postal services. This is the case for New Zealand where a review of the New Zealand Post Office took place in 1986, followed by the corporatisation of the Post Office in 1987 and the liberalisation of the market in 1998. In the United Kingdom, the review of the postal sector took place in 1992-94 under the conservative government of John Major and was followed by a Green Paper putting forward the idea to privatise Royal Mail, which was rejected<sup>6</sup>. In Germany, liberalisation was first put forward by the conservative-liberal government in the mid-80s, but the social aspect of the regulation was introduced by a labour government (SPD) at a later stage.

## **3. Evolution of the national operator in view of the liberalisation of the market**

There is one main pattern that comes up when we look into how the used-to-be national operator went through the liberalisation process or was being prepared for it. This process is often linked to that of privatisation but not always.

The pattern is that of the National operator being transformed into a corporation, initially owned by the State and in a second stage split up into different companies or holdings, depending on its initial structure, which often incorporated the telecommunications, the banking or even the insurance sectors. This is what happened in Japan, in 2003, where postal services were transformed into a corporation owned by the government. At a later stage, the corporation was privatised and split into four companies: the mail handling, the postal savings (which became Japan Post Bank) the postal life insurance (which became the

---

<sup>6</sup> Pond, Richard, *Liberalisation, privatization and regulation in the UK postal services sector*, Pique, London, 2006, p.3

Japan Post Insurance) and the counters network (which became the Japan Post Network) under one holding: The Japan Post Group.

This is also the case for New Zealand where, in 1987, the Post Office became an SOE (State Owned Enterprise, which was the case for many former State agencies that had to be corporatized) and incorporated the postal network. In 1993 the New Zealand Post & Telecommunications was split into three corporations: the Post, the Post Bank and the Telecoms. The latter two were later sold to private interest. In 1998, the Post's exclusive privilege to deliver was withdrawn, but it maintained the Universal Service Obligation through a deed of understanding with the State.

The same pattern applies to Sweden, where the Post Office was privatised in 1994 and became Posten AB, a State owned public limited Company. The separation from the post Bank took place in 2002.

The Netherlands is another example of this process. In the 1970s, the Dutch postal services already started to direct their business towards a more profit-oriented business rather than a "public good" service provided by the government, by offering tailor-made products and services meeting customers' needs. In 1989, the PTT was privatised and transformed into a publicly limited owned company: KPN (the Royal PTT Netherlands, TPG Post Ltd being the postal operator). In 1994, KPN went public. In 1996, KPN took over TNT (Thomas Nationwide Transport) and merged it with the postal operator. The splitting up of the postal and telecom units into two separate entities took place in 1998. At that time, PTT post and TNT became a subsidiary of TNT Post Group (TPG) and TPG separated from the KPN in order to obtain a separate listing on the stock exchange. PTT post then changed its name to TPG post and finally to TNT post.<sup>7</sup>

The case of Germany is similar but in reverse order. The different entities that formed the PTT were already separated in 1989 and transformed into incorporated companies in 1995. In 2000, gradual privatisation of the German Post was

undertaken through public offers on the German Post and it was in 2005, that the majority of shares were retained by private investors, although the German government, through the Reconstruction Loan Corporation (a credit institution) retains around 36% of the company.<sup>8</sup>

The Argentinean case follows more or less the same pattern in the sense that privatisation of the national postal actor took place a bit before the market was liberalised. ENCOTEL was transformed into a private enterprise: ENCOTESA. In 1997 a national and international tendering process took place for the concession of ENCOTESA. The concession was supposed to last for a period of 30 years. In August of that same year, the concession under the name Correos Argentina SA (CASA) was granted to a consortium made up of Itron SA and Sidec SA (retaining 73.5% of shares), the Banco de Galicia of Buenos Aires (with 12.5% of shares) as well as the workers (with 14.5%) of shares. Technical assistance was given by the British postal services in this process. The consortium fell into financial difficulties rather quickly which led to waves of dismissals and also the search of new partners for the consortium. Exxel was one of these partners. However, none of these partnerships worked. In 2001, discussions took place in regard to the renegotiation of the consortium contract and in 2003 the decision to terminate the contract was taken. The postal services then went back under the Ministry of Communications. The Company has been re-nationalised, with 99% of its shares being retained by the Ministry of Planning, Public Investment and Services and 1% by the Ministry of Economics and Production.

From our case studies, the only exception to this pattern is the case of the UK, whereby the Operator was split into different companies and corporatized but not privatised. This is interesting because although Royal Mail has not yet been privatised and liberalisation took place in 2006, Royal Mail's monopoly was already reduced in 1981 to letter and parcel distribution worth less than £1. Structural

---

<sup>7</sup> For more information, please see : Abvakabo FNV, Case study for UNI post & Logistics on the liberalisation of postal services in the Netherlands, The Netherlands, 2009

---

<sup>8</sup> Drews K., *Liberalisation, privatization and regulation in the German postal services sector*, Pique, Düsseldorf, 2006, p.17

changes in the Post Office already took place in the mid eighties with the separation of the Post Office into five divisions: Royal Mail, Parcelforce, Post Office Counters, Girobank and Subscription Services.<sup>9</sup> In 2001, The Post office was transformed into a Publicly owned corporation, the government being its sole shareholder, with a limit to its activity of £75 million per year. Talks did take place with TPG (now TNT) in 2001 about a possible joint-venture, without succeeding.<sup>10</sup>

Another interesting point to discuss here is the similarities between what happened to the national operators in Germany and in the Netherlands alongside the liberalisation process. Both postal operators have followed the same scheme of investing massively abroad. For TNT Post “the idea was to use a global brand in order to strengthen the company’s position, both domestically and internationally over the long term”. The same can be noticed with Deutsche Post. Another similarity between both of these companies is that the majority of their shares are held by private investors, the State retaining around 1% for TNT<sup>11</sup>, and around 36% in the case of Deutsche Post.<sup>12</sup>

#### **4. Forms and stages of liberalisation**

From the information gathered through our case studies, we can notice that the liberalisation of the postal market did not happen all at once, but rather through various stages, each time reducing the scope of the reserved area and giving more scope to competitors. What is interesting to notice is the case of Germany where liberalisation was channelled through different stages, giving

the national operator the time to adapt to the changing environment. In fact, liberalisation took place in four stages. The reduction of the reserved area of Deutsche Post (DP) took place in 1989, in 1998, 2003 and 2006 and culminated with the abolition of the reserved area in 2008. Within this same period, the first postal reform took place in 1989 when the green light was given to the liberalisation process. The second postal reform took place in 1995, with the transformation of the three entities that formed Post & Telecommunications into incorporated companies (the post, the bank and the telecoms). In 1998 the Postal Act was adopted which included rules and regulations for new competitors.<sup>13</sup>

As for Japan, the market is not yet completely liberalised but the situation is being reviewed since part-liberalisation took place in 2003.

It can be noticed, that where the liberalisation process has been less well channelled or confusing, it has led to the national postal operator becoming weaker throughout the process. This is the case for the UK whereby, in 2002, according to the regulatory authority that was set following the Postal Act of 2000, Postcomm, the liberalisation of the postal market was supposed to be undertaken in stages. But it was finally decided in 2005 that it would take place in two stages with the liberalisation of bulk mail (4000 and more items) in 2003 and full liberalisation as of 1<sup>st</sup> January 2006.

Argentina is also a good example in the sense that, over time through various laws and regulations, private competitors were able to enter the market, before it was formerly liberalised. In 1979 already, the first steps were taken towards liberalisation, by which, under certain limited conditions, the State could delegate postal services to private actors. The liberalisation process went further in 1987 when a decree was passed which allowed for free competition in the area of activity of public enterprises, and that repealed any laws granting exclusive rights or privileges. At the beginning of the nineties, Argentina went through a massive program of privatisation and regulation, as recommended by the World Bank and the IMF, in the era of the Washington consensus. This meant the transformation of ENCOTEL into

---

<sup>9</sup> For more information, please refer to: Pond, Richard, *Liberalisation, privatization and regulation in the UK postal services sector*, Pique, London, 2006

<sup>10</sup> Hayes B. and Bell S., *Monopoly to Competition in the UK Mail Market – Conflicting approaches*, United Kingdom, 2008

<sup>11</sup> For more information, please refer to: Abvakabo FNV, *Case study for UNI post & Logistics on the liberalisation of postal services in the Netherlands*, The Netherlands, 2009, p.2

<sup>12</sup> Drews K., *Liberalisation, privatization and regulation in the German postal services sector*, Pique, Düsseldorf, 2006, p.17

---

<sup>13</sup> *Ibidem* p.2

ENCOTESA. In 1993, a new Decree set out formal deregulation as well as conditions for new entrants on the postal market. The Decree also led to the creation of a National Register of postal services providers, controlled by the regulator: TNCS. The liberalisation was not well mainstreamed and legal rules were not centralized in a central Postal Services Act. Furthermore, these rules were not geared towards quality of services nor investment and there was a lack of rules concerning accountability of companies.

The liberalisation in the Netherlands also seems to have been chaotic in the sense that the full opening of the market has been announced and postponed many times in the past years. This is linked to the fact that the social aspect of deregulation had not been dealt with, and the fact that the market would not be opened to competition until certain minimal standards in terms of employment could be settled. Indeed according to the Postal Act that was adopted by the Lower House of Parliament in June 2007, liberalisation should have occurred on 1 January 2008 with the enactment of the Act. However it was postponed twice (the Upper House not adopting the Act) until July 2008 and then January 2009, due to the lack of dealing with the working conditions of letter carriers. The Minister of Social Affairs and Employment recently looked into this and an Administrative Decree concerning the postal sector was introduced whereby “professional contracts”<sup>14</sup> will be gradually phased out. This in turn has led to the decision to fully liberalise the Dutch postal market by 1 April 2009.

## **5. Liberalisation and privatisation**

It can be noticed, that for most of our case studies, privatisation (or corporatisation) of the national postal operator has occurred before the liberalisation of the postal market. In most cases, privatisation has taken the form of the national operator being transformed into a company, publicly owned by the State. This is often the first step towards further privatisation.

---

<sup>14</sup> For more information please see the next chapter

Only two companies from our panel are truly privately owned companies, namely TNT and DP DHL, the majority of their shares being retained by private shareholders.

In the case of Japan and Sweden, both the process of privatisation and liberalisation occurred simultaneously, or within a short interval. As for the Swedish post, there are currently interesting developments occurring as a result of its merger with Post Danmark A/S which was announced on 1 April 2008. “According to the letter of intent on the merger, a parent company owned jointly by the Swedish state, the Danish state and CVC Capital Partners (which has had a 22% shareholder stake in Post Danmark A/S since 2005) will be established consisting of both companies. The Swedish and Danish parliaments approved the deal in June 2008 on condition that definitive agreements are signed and the regulatory authorities have their say. On 2 February 2009 the Swedish Government together with the Danish Government signed a shareowner agreement and a combination agreement for the merger of Posten AB and Post Danmark A/S. The merger will be finalised after formal approval has been granted by the Finance Committee of the Danish Parliament and after the EU has ruled on competition”.<sup>15</sup>

Argentina is a bit of an exception in the sense that liberalisation took place before formal privatisation. This is also the case of the UK, where the postal market has been liberalised since 2006 and the part-privatisation of Royal Mail has been announced following the publication of the Independent review of the UK postal services sector in December 2008. However, the possibility of privatising Royal Mail was referred to in the green paper of 1994, “Future of Postal Services”<sup>16</sup> and there had already been secret talks with TNT, the Dutch postal operator about part-privatisation in 2001<sup>17</sup>.

---

<sup>15</sup> SEKO, *Case study for UNI post & Logistics on the liberalisation of postal services in Sweden*, Stockholm, 2009, p.3

<sup>16</sup> For more information, please see Pond, Richard, *Liberalisation, privatization and regulation in the UK postal services sector*, Pique, London, 2006, p.3

<sup>17</sup> Hayes B. and Bell S., *Monopoly to Competition in the UK Mail Market – Conflicting approaches*, United Kingdom, 2008

## **6. Forms and roles of the regulator**

The opening of the postal sector also meant changes in the regulatory environment. Indeed the state functions of “ownership” of the postal operator and that of “regulator” had to be separated, which often led to the setting up of an independent regulatory body, but linked to the State in one way or another. The regulatory body has various functions from delivering licences to new entrants, regulating prices, monitoring the market or even ensuring competition. These tasks are different in each country and in certain cases can be conflicting. For instance, how can the same body regulate the market, ensure competition, as well as ensure that the Universal Service Obligation is met in a neutral way?

If we take the case of the UK, the regulatory authority, Postcomm, was set up following the 2000 Postal Service Act. At the same time, Postwatch, a consumer’s protection body, was also set up. Part of Postcomm’s functions include ensuring that the USO is met as well as monitoring competition and regulating prices; which can be seen as conflicting.<sup>18</sup> Furthermore, it should be noted that Royal Mail also needs a licence and that the company has already been subject to fines for various reasons. Another interesting point is that Postcomm monitors the amount Royal Mail is allowed to invest in modernisation. Royal Mail as a corporation is subject to the UK Competition Law.

In certain cases, the monitoring of the market is left to the Competition authority, which is separate from the postal sector; this is the case in Sweden where competition is monitored through the Swedish Competition Authority.

In some countries there is no regulatory authority per se. This is the case in New Zealand where there is no specific regulator. However the owner and regulator functions of the government are separate. Ownership of the Post Office is done through the SOE (State Owned Enterprise) Unit whereas regulatory functions are taken care of by the Ministry of Commerce. Furthermore, NZ Post is subject to the Competition Law.

As to social regulation, Germany is an interesting case since it is the only country from our case studies to have incorporated such a rule in its postal legislation, with mixed success, one has to admit. Discussions about the negative impact of liberalisation on employment and working conditions had taken place before the 1998 Postal Services Act. This was reinforced by the experience of liberalisation on the parcel market. The SPD feared that liberalisation would be undertaken on the back of postal employees in the new competitors as well as in the incumbent company. A conciliation Committee between the Bundestag and the Bundesrat (lower and higher houses of parliament) was set up and a consensus was reached whereby a social clause was introduced into the Postal Services Act. Accordingly, during the licensing procedure, the regulator must check on the compliance of the new entrants of working standards.<sup>19</sup> However, this clause has never been implemented and has not helped prevent wage dumping in the German postal market.

---

<sup>18</sup> Ibidem

---

<sup>19</sup> For more information, please see Ver.di, *Case study for UNI post & Logistics on the liberalisation of postal services in Germany*, Berlin, 2009

## Part II: The effects of liberalising the postal sector

### 1. Competition

#### i. What happened to the incumbent?

The impacts on employment will be looked into later on but when we look at the effects of privatisation/corporatisation and/or liberalisation on the used-to-be national operator, there are mixed results. In certain cases such as New Zealand, the transformation of NZ Post into an SOE has led to the reinforcement of the incumbent's positions, and its profitability. This was possible through improvement in productivity and a diversification and increase in the services provided (e.g., the Kiwi bank and a joint venture with DHL)<sup>20</sup>. This was also the case in Japan, where competition has yielded incentives for the incumbent to be more effective. In Tunisia, although the national operator has not been privatised and the market is not fully open to competition, it can be noticed that services provided by certain private operators pushed the public operator to innovate and offer them too, increasing its services offer.

However, liberalisation has also left certain incumbents far worse off. This is the case for Royal Mail in the UK, where; "As Royal Mail's revenues have fallen over the last two years, its operating costs have continued to rise, and now stand at over £6.9 billion. As a result Royal Mail made its first operating loss (of £3 million) in 2007-8 since the company's reorganization in 2001-02."<sup>21</sup> Furthermore, the report states that: "After liberalisation, alternative carriers are collecting, sorting and transporting 20% of mail, before handing it to Royal Mail for delivery. The introduction of postal competition is estimated to have reduced Royal Mail's operating profit by £100 million in 2007-8."<sup>22</sup>

<sup>20</sup> Kenny A., *Beyond the Propaganda, Postal Deregulation in New Zealand*, EPMU, Wellington, 2006, p.17

<sup>21</sup> Hooper R., Hutton D. & Smith I., *Modernise or decline, Policies to maintain the universal postal service in the United Kingdom, An independent review of the UK postal services sector*, United Kingdom, 2008, p.58 §86

<sup>22</sup> Ibidem p.48§66

#### ii. How effective is competition?

##### a. Fluctuation in the number of competitors and their market shares

The number of competitors in the market fluctuates over time. It usually starts quite low with a sharp increase in the few years following liberalisation then usually declines over the longer term. This is what was noticed in Argentina, New Zealand and in Sweden, where markets have been deregulated for over 10 years. In the case of Sweden there were four new competitors in 1994, a year after the market was liberalised, and their numbers grew to 105 in 1997 but fell back to 31 in 2008<sup>23</sup>. Currently Japan is in a position of rising numbers of competitors. The case of Germany is a bit different in the sense that before the market was fully opened, competitors could deliver mail under the so called "D-licence" (mail under 50g. and time-sensitive), which stimulated the market to the point that in 2007, there were about 850 companies active in letter mail delivery.<sup>24</sup>

These figures seem quite impressive. However, the market share of the competitors to the incumbent remains low: 8.6% in Sweden, 10% in New Zealand, 10.4% in Germany, and only 0.1% in Japan. In the UK, "there is virtually no competition to Royal Mail in the delivery of addressed letters" according to the Hooper review.<sup>25</sup> Indeed, in the end-to-end competition, competitors have a market

<sup>23</sup> SEKO, *Case study for UNI post & Logistics on the liberalisation of postal services in Sweden*, Stockholm, 2009, p.10

<sup>24</sup> Ecorys, *Main Developments in the Postal Sector (2006-2008), Final report and Country Sheet summaries*, Rotterdam, 2008, p.327

<sup>25</sup> Hooper R., Hutton D. & Smith I., *The challenges and opportunities facing UK postal services, An initial response to Evidence, An independent review of the UK postal services sector*, United Kingdom, 2008, p.5

share of 0.2%<sup>26</sup>. However, competitors to Royal Mail have 20% of market access volume. This means that 20% of the total upstream letter mail is provided by competitors.<sup>27</sup>

Even the Directorate General for Internal Market for Postal Services of the European Commission has commented on this aspect of competition: "Competition in the letter post market is emerging but is still developing slowly, and meaningful competition still has to emerge. Market shares of competitors, although increasing, remain at a low level even in Member States that have fully liberalised their postal markets."<sup>28</sup>

The relatively low market shares of the new competitors on the letter market can be attributed to various reasons: regulations to enter the market, competitors focusing only on certain niches markets, decline of the postal market, etc.

Another interesting fact to point out is that although there are many registered competing postal operators, only 1 to 4 of them are significant competitors to the incumbent and retain amongst them most of the market shares of the competition. There are two main competing postal operators in Germany: PIN Group and TNT Post; 2 in the UK, namely UK Mail and TNT post<sup>29</sup>, 2 in the Netherlands: Sandd and Selekt Mail, 4 in New Zealand and only 1 in Sweden: Bring Citymail. This is to say that the market instead of promoting competition as advocated by the defenders of liberalism, is in fact evolving more towards a kind of oligopoly. Not to mention the fact that in the European context, each incumbent is competing with one another within its country but also on markets outside its borders.

If we look at the regulation issue, some regulatory authorities promote mandatory

access to the network of the incumbent such as Germany or the UK. New Zealand has done so in order to dissuade competitors from setting up their own network, whereas in certain cases such as Japan, one of the conditions for new postal operators to have the permission to enter the market is to have its own end to end network. This does have an impact on competition if we compare figures between Japan and the UK, where competitors have 0,1% of shares of the market in one case and up to 20% of volume of upstream access in the other and where competition has grown further than planned<sup>30</sup>.

Advocates of liberalisation of postal services promoted that deregulation would bring innovation through competition. However, in a declining market such as that of the letter market, competition is rather based on price and this is one of the reasons why new competitors focus on niche markets. Instead of having an open competition benefiting consumers, this has led to cream-skimming in the postal market, endangering in certain cases the survival of the national incumbent.

## **b. Cream skimming**

One can notice from some of the case studies that competing postal operators usually focus on the most profitable parts of the market, such as business to business, business to consumer or bulk mail and in certain cases only focus on certain geographical regions or cities. As for the case of Japan: "New entrants into the Japanese market target specialized geographical areas and specialized services."<sup>31</sup> This is also the case in the UK and the situation was emphasised in the press: "*What has really tipped Royal Mail over the edge are Postcomm's rigged rules for access to Royal Mail deliveries, which have levered corporate operators into the most profitable parts of the business. They now handle 40% of the profitable bulk mail which previously underwrote remote deliveries and turned*

<sup>26</sup> Ecorys, *Main Developments in the Postal Sector (2006-2008), Final report and Country Sheet summaries*, Rotterdam, 2008, p.1010

<sup>27</sup> *Ibidem* p.952

<sup>28</sup> Report from the Commission to the Council and the European on the application of the Postal Directive (Directive 97/67/EC as amended by Directive 2002/39/EC)p.6

<sup>29</sup> Ecorys, *Main Developments in the Postal Sector (2006-2008), Final report and Country Sheet summaries*, Rotterdam, 2008, p.950

<sup>30</sup> Hayes B. and Bell S., *Monopoly to Competition in the UK Mail Market – Conflicting approaches*, United Kingdom, 2008

<sup>31</sup> JPGU, *Case study for UNI post & Logistics on the liberalisation of postal services in Japan*, Tokyo, 2009, p.4

*an operating profit of £233m in 2006-7 into a £279m loss this year.*<sup>32</sup>

Cream skimming not only has an effect on the universal service provider but also on workers since in order to have competitive prices, postal competitors tend to reduce their costs to their maximum and as in the postal industry most of the costs are labor costs, these companies do everything they can to reduce these labour costs as we will see in the next chapter.

## **2. Impact on employment and working conditions**

### **i. Level of employment**

All of the case studies undertaken in the context of this research demonstrate that there have been tremendous job losses because of the liberalisation process: tens of thousands of jobs in almost every case. In Germany, Deutsche Post cut more than 21,000 full-time and more than 12,000 part-time jobs between 1999 and 2006. In Japan, full time workers in mail delivery business have dropped from approximately 120,000 to 109,000. In New Zealand, Post Office staff fell from 12,006 to 6,892 full-time equivalent staff between 1987 and 1997 (43%). In the Netherlands, the number of full-time equivalent (FTE) jobs has dropped from 40,000 to as few as 24,000. In Argentina, there were 40,409 workers processing 808 million of postal items in 1997, a number that fell to 31,985 workers in 2000, processing 1,053 million postal units.<sup>33</sup>

These jobs were not lost overnight when the postal market in each of these countries suddenly opened; they are the result of the liberalisation process as a whole.

This means that, the main postal operators have restructured their business, often at the time of privatisation in the lead up to liberalisation. This is typically the case in Switzerland. SwissPost is still a publicly owned company with a monopoly but in its

anticipation of the liberalisation of the market has undertaken a reorganisation, automation of mail processing, restructuring of the postal network, reduction of services in peripheral areas, reorganisation of distribution processes. The same applies regarding working conditions and employment levels. Indeed, job deskilling, increase in part-time work, and an increase in atypical working hours have been noticed.

The main factors of job loss can be explained by the restructuring of the national operator anticipating the opening of the market, automation and modernisation. One can notice this in the Swedish case study whereby the number of postmen has remained more or less the same at around 16,000 at the incumbent, which could lead us to say that most jobs lost were in the mail processing caused by automation. Competition does accelerate the need to invest in technology in order to increase productivity.

Structural decline in mail volume also accounts for job losses but on a smaller and more continuous scale. This can be noticed in Sweden again, where overall, in postal services, the number of full time equivalents has decreased continuously, around 30% since 1996.

An interesting case is that of Argentina where total employment was reduced following the liberalisation and privatisation process but has been increased following the re-monopolisation of the postal sector as shown in the report<sup>34</sup>. The increase in employment can be explained by the re-monopolisation as well as the economic recovery.

### **ii. Shift of jobs from the incumbent to the new competitors**

According to economic theory, the opening of the market means more competition and thus more jobs which could compensate for the job loss in the ex-monopoly. But let us not be mistaken. This has not happened. Of course, competing

<sup>32</sup> Milne S., *Corporate cherry-picking isn't delivering the goods*, The Guardian, 22 May 2008

<sup>33</sup> These figures are provided from the questionnaires UNI Post & Logistics Global Union affiliates have responded to

<sup>34</sup> Manzanelli P., Azpiazu D. and Basualdo F. *Case study for UNI post & Logistics on the liberalisation of the postal services in Argentina*, Buenos Aires, 2009, p.22

postal operators have provided new jobs, but not in the same quantity and certainly not in the same quality as those lost by the national postal operator.

In Japan, “no employment shift has happened from the incumbent to competitors.”<sup>35</sup>

In Argentina too, “there is no available evidence that demonstrates that employees move from one employer to the other, however, according to previous studies and interviews, it can be shown that there are two main factors for the transfer of workers from the public operator to private operators: overstaffing of the incumbent in certain sectors and the low wage level paid by the incumbent to qualified workers in comparison to the private sector.”<sup>36</sup> The latter is an exception and the context of the economic situation in which liberalisation and privatisation have taken place in Argentina is very different from those the European States are undergoing at this moment.

### iii. Impact on the quality of employment

The restructuration processes and in some cases, the automation process, equally parts of the impact of the liberalisation process, have affected the quality of employment. Not only have full-time positions been reduced, as we will see later on, but it is often the terms and conditions of employment that have been degraded or in certain cases have remained unchanged for many years such as in the UK. And the work itself has become more difficult and intense, notably due to automation. This is the case in Switzerland where work in the postal sector “has become more difficult and workers are more stressed, the work rhythm has intensified.”<sup>37</sup> This is due to the incumbent preparing for the opening of the market.

---

<sup>35</sup> JPGU, *Case study for UNI post & Logistics on the liberalisation of postal services in Japan*, Tokyo, 2009, p.3

<sup>36</sup> Manzanelli P., Azpiazu D. and Basualdo F. *Case study for UNI post & Logistics on the liberalisation of the postal services in Argentina*, Buenos Aires, 2009, p.25

<sup>37</sup> Syndicat de la Communication, *Case study for UNI post & Logistics on the liberalisation of postal services in Switzerland*, Bern, 2008

Although there are noticeable differences in the working conditions between the incumbent and the new competitors, there are also differences within the incumbent between old and new staff (i.e. between former civil-servants and newly employed staff).

To illustrate the differences in working conditions between the incumbent and postal competitors as well as within the incumbent, one can take the case of the Netherlands where Sandd and Selekt Mail compete against TNT. “At the present time, approximately 27,000 mail deliverers are employed by Sandd, Selekt Mail (part of Deutsche Post) and VSP (part of TNT) on the basis of a contract for professional services. They have no employment protection, they are not paid when they are ill or take holidays, they are not entitled to unemployment benefits and they have no disability insurance. Full-time jobs are en masse converted into “jobs on the side” without the legal protection of an employment contract.

Responding to the increased competition by Sandd and Selekt Mail, TNT has made the decision to replace a few thousand mailmen by mail deliverers. They too perform the “naked” mail delivery job and earn less accordingly. While the number of postmen and post women employed by TNT will be reduced dramatically in the coming years, the number of mail deliverers employed by its subsidiary, VSP, is expected to grow significantly. At the present time, approximately 27,000 mail deliverers are employed in the sector on the basis of a contract for professional services.”<sup>38</sup> We can see in this case, that the incumbent TNT has created a company of its own, VSP, with poorer working conditions than that of the parent company in order to compete on its own market!

This is also the case in Germany where “in 2006, competitors employed 27,928 persons in so-called marginal jobs (also known as mini jobs which are not subject to social security contributions). This means that only 18% of the employment created by Deutsche Post’s competitors are full time jobs; more than 24% of employees have part-time contracts and 58% work in precarious mini jobs (low-paid mini jobs pay less than an average of €

---

<sup>38</sup> For more information, please see : FNV Bondgenoten, *Colophon, The black paper of FNV Bondgenoten, the largest Dutch trade union, about the reality of mail deliverers in the Netherlands*, The Netherlands, 2007

400 per month). Thus, 80% of the jobs created by competitors do not provide a living wage. The jobs that did pay a decent wage at Deutsche Post have been edged out and replaced by precarious jobs among the competitors in the wake of market liberalisation. Long-term jobs subject to full social contributions are the exception rather than the rule among the new letter post operators.”<sup>39</sup>

The situation in New Zealand is no different. In deed, “The majority of workers working for competitors in the industry do not have collective agreements, are on individual employment agreements and are by and large on minimum terms and conditions of employment, and in some instances required to provide their own bicycles for delivery rounds. Where the employers, and in NZ Posts case the shareholders, have benefited in greater profitability, the standard of living has moved slowly and only marginally for many (but not all) NZ Post postal workers. Gains for postal workers have not been commensurate with the Companies commercial success.”<sup>40</sup>

The Pique research project sums up the situation of the deteriorating working conditions well:” Since many service sectors are rather Labour-intensive (the electricity sector is an exemption in this respect), companies tend to transfer market pressure on the workforce and try to overcome their former “privileged” public sector Labour Relationship Regime. Hence, one of the general findings is an increasing decline of union power, a fragmentation of the bargaining structures and subsequent employment and wage conditions within the former monopoly suppliers (e.g. two-tier wage structures between new and old employments after privatisation or liberalisation and between employees with and without civil servant status) as well as between the former monopoly suppliers and the new competitors. In several sectors and countries new competitors are covered by no, or different collective agreements and profit from lower employment standards

<sup>39</sup> Ver.di, *Case study for UNI post & Logistics on the liberalisation of postal services in Germany*, Berlin, 2009, p.3

<sup>40</sup> Kenny A., *Beyond the Propaganda, Postal Deregulation in New Zealand*, EPMU, Wellington, 2006, p.24

(lower wages and longer or more flexible working hours).”<sup>41</sup>

#### iv. Casualisation of work

Not only are employment conditions offered by the competing postal companies (and in some cases by the incumbent) lower, but one can notice a casualisation of work in the postal sector in general. This can be seen by a general shift to part-time work, an increase in atypical forms of work as well as a tendency to outsource certain tasks and functions.

There seems to be a general pattern of shifting full-time work to part-time work, which is more flexible. This is the case in Japan, Sweden, or the Netherlands where the number of full-time equivalent jobs has dropped from 40,000 to 24,000 in TNT Post. Furthermore, the company practically does not hire any full-time employees any more.<sup>42</sup> In Germany the number of part-time employees hired by competitors rose from 4,160 in 1999 to 11,626 in 2006.<sup>43</sup>

There has also been an increase in the range of atypical forms of work. These include: contract workers, workers paid by the hour, workers paid by the piece, temporary workers, fixed-term contract workers, re-employment of retired workers, “mini-jobs” workers and so on. The atypical form of work depends on the national context and the national labour laws, or rather the absence of labour laws.

Below are some examples of what is occurring in certain liberalised markets across the world.

“Today, Japan Post Service holds about 130,000 irregular workers. The reality is that there are more irregular workers than regular workers in that unit. Irregular workers are fixed-term employment placed in unstable employment meaning no

<sup>41</sup> Brandt T. and Schulten T., *Liberalisation and privatization of public services and the impact on labour relations: A comparative view from six countries in the postal, hospital, local public transport and electricity sectors*, Pique, Düsseldorf, 2007, p.128

<sup>42</sup> Abvakabo FNV, *Case study for UNI post & Logistics on the liberalisation of postal services in the Netherlands*, The Netherlands, 2009, p.3

<sup>43</sup> Ver.di, *Case study for UNI post & Logistics on the liberalisation of postal services in Germany*, Berlin, 2009, p.3

*promise to renew employment contracts. Simultaneously, working conditions are lower than that of regular workers.*<sup>44</sup>

*"In Sweden, Bring Citymail has around 1,000 workers on hourly rates, contrary as to Posten AB staff with the same conditions; this work represents their main form of employment and income".*<sup>45</sup>

*"In Germany, among the new operators, the percentage of employees who are hired on a mini job contract (i.e. earning less than € 400 without social security benefits) stands at almost 60%. The problem is further exacerbated by the increase in the number of employees on fixed-term contracts. Thus jobs are characterised by uncertainty, instability and dependency."*<sup>46</sup>

Another interesting case is that of the Netherlands with so-called: "overeenkomst van opdracht (OVP)" contracts. These are "professional contracts" as we saw before, used mainly by competitors of TNT Post. These contracts, are not regulated by the Dutch law and resemble more a contract between an independent service supplier, the "contractor" and a company, than an employment contract per se. Accordingly, the person under contract (the so-called mail deliverer) is paid by the number of pieces delivered, they have no social protection such as sick leave, holiday leave, disability insurance, nor any entitlement to unemployment benefits. The fact that no social insurances must be paid by the company is because according to the Dutch law, no insurance premiums must be paid as long as the client (mail company) pays the contractor less than 40% of the minimum wage.<sup>47</sup> Some mail deliverers do not even realise that they have agreed to that kind of contract rather than to an employment contract<sup>48</sup>. There are currently 27,000 mail deliverers with such contracts.

---

<sup>44</sup> JPGU Research Institute, Yoneda Y., *Presentation on The universal Service Crisis*, Tokyo 2009

<sup>45</sup> SEKO, *Case study for UNI post & Logistics on the liberalisation of postal services in Sweden*, Stockholm, 2009

<sup>46</sup> Ver.di, *Case study for UNI post & Logistics on the liberalisation of postal services in Germany*, Berlin, 2009

<sup>47</sup> FNV Bondgenoten, Colophon, The black paper of FNV Bondgenoten, the largest Dutch trade union, about the reality of mail deliverers in the Netherlands, The Netherlands, 2007, p.7

<sup>48</sup> Ibidem

The unions have fought for the government to outlaw this form of contract and it was decided in March 2009 that with the complete opening of the postal market, these contracts would be phased out within the next four years.

Outsourcing of certain services other than those linked to mail delivery has also taken place, notably regarding accounting, human resources and IT. This has happened in Sweden and in the UK. However, the trend in Sweden is now more towards insourcing.

An exception is that of the UK, where according to the European Foundation for the Improvement of Living and Working Conditions, there has been a massive reduction in casual employment in Royal Mail in order to improve motivation and service and to answer customers' concerns about mail integrity. There were 20,000 casual staff in 2004 and now there are 500.<sup>49</sup>

The huge increase in these atypical forms of work are a consequence of competition on the postal market in the sense that this kind of workforce is more flexible to quickly adapt to the changes in demand of the market. It is also far cheaper as we will see in the following chapter.

These new forms of work pose many challenges not only for the unions but also for the customers and the universal service. In Germany, according to a study carried out by Input Consulting GmbH in 2007, only 3.5% of all companies that are required by law to have a works council among the new letter post companies actually have some form of staff representation. This situation is due to the fact that management often does everything it can to prevent trade union organisation work and the establishment of works councils.<sup>50</sup> What happened in the UK is a good example of the discontent of customers in terms of service quality and mail integrity. Regarding the latter, the situation of mail deliverers in the Netherlands is quite alarming due to the

---

<sup>49</sup> Ecorys, *Main Developments in the Postal Sector (2006-2008)*, Final report and Country Sheet summaries, Rotterdam, 2008, p.1016

<sup>50</sup> Ver.di, *Case study for UNI post & Logistics on the liberalisation of postal services in Germany*, Berlin, 2009, p.4

fact that they are paid by the piece. A former mail deliverer interviewed in the context of a study by FNV Bondgenoten on that kind of work did mention: "If I had to bike 20 minutes there and 20 minutes back to deliver my last letter and this for less than a nickel, I just looked to see if the letter was important. Usually, it wasn't, so I dumped the letter in the ditch".<sup>51</sup>

## v. Wage dumping

The liberalisation process has not only led to the deterioration of working conditions in the postal sector but it has also led to the deterioration of wage levels and in certain cases to wage dumping.

Regarding the differences in wages before and after the liberalisation of the postal market in the incumbents, experiences are mixed. In New Zealand, the wages have kept pace with inflation and in Sweden, although they slowed down after liberalisation and privatisation, the tendency has changed lately<sup>52</sup>. In Germany however, once Deutsche Post was privatised, "employees were graded according to the actual work they were required to perform based on the job description. In practice, this meant that average pay was cut by approximately 30%"<sup>53</sup>

Facts are more alarming regarding wages paid in competing postal operators. Indeed, in Germany and in the Netherlands, low labour costs are clearly used as a competitive advantage.

In Germany, according to "Input Consulting," *"the hourly wage rate in 2007 paid by the new postal operators to postal delivery workers amounted on average to only € 7 in western Germany and an even lower € 5.90 in the eastern part of the country. Gross monthly wages for a 38.5 hour week thus amounted to € 1,169 in western Germany and € 985 in eastern*

*Germany. In 2007, Deutsche Post paid its postmen a starting wage of € 1,698 in addition to a holiday allowance (€332.34), a Christmas bonus (amounting to an extra month's pay) as well as a variable performance-related bonus. Thus, on average, employees who work for the new postal operators earn 40% less than their colleagues at Deutsche Post in western Germany and 50% less in eastern Germany"*<sup>54</sup>. The Pique research clearly explains that private postal companies often use a strategy of wage dumping in order to gain a competitive advantage over Deutsche Post.<sup>55</sup>

The issue of wage dumping was often front-page news in Germany (and in Europe) last year. Indeed, with the opening of the market, the unions had fought and managed to get a sectoral minimum wage agreement for the postal sector. This was done through a minimum wage agreement and an extension of the Posted Workers Act, which was accepted by the Bundestag (lower house of parliament) and the Bundesrat (upper house) in December 2007. The minimum wage which was to be effective as of 1 January 2008 was set at € 8 per hour in eastern Germany and € 9.80 per hour in western Germany. Then followed a series of legal battles instigated by PIN Mail AG Berlin, BdKEP – the Federal Association of International Express and Courier Services, TNT Post Regioservice GmbH, Ridas Sicherheits- and Handelsgesellschaft mbH (a TNT company), all competitors of Deutsche Post, about the legality of extending the minimum wage to all workers employed in the postal sector, which they won.

In February the Bundestag and the Bundesrat approved a new version of the Posted Workers Act. According to this new version, which reflects the decision of the Administrative Courts, the right for the German government to issue an ordinance has been extended. As a result, a solution which offers greater legal certainty has been found to allow the Federal Labour Minister to impose a minimum wage for the letter post sector.<sup>56</sup>

---

<sup>51</sup> FNV Bondgenoten, *Colophon, The black paper of FNV Bondgenoten, the largest Dutch trade union, about the reality of mail deliverers in the Netherlands*, The Netherlands, 2007, p.12

<sup>52</sup> SEKO, *Case study for UNI post & Logistics on the liberalisation of postal services in Sweden*, Stockholm, 2009, p.7

<sup>53</sup> Ver.di, *Case study for UNI post & Logistics on the liberalisation of postal services in Germany*, Berlin, 2009, p.4

---

<sup>54</sup> Ibidem, p.5

<sup>55</sup> Drews K., *Liberalisation, privatization and regulation in the German postal services sector*, Pique, Düsseldorf, 2006, p.21

<sup>56</sup> For more information, please refer to: Ver.di, *Case study for UNI post & Logistics on the liberalisation of postal services in Germany*, Berlin, 2009

The situation in the Netherlands is clearly of concern: a mailman employed by TNT earns an hourly wage of around € 15. The total payroll cost for a mailman, including employment protection, pension accumulation, holiday pay, work disability insurance and unemployment insurance, amounts to € 23 per hour<sup>57</sup>. However, a mail deliverer employed by Sandd or Selekt mail, paid by the piece earns a total payroll cost of € 7.60 per hour. This would amount to € 11 per hour for an employee covered by a collective contract<sup>58</sup>. As we have seen, mail companies do not have to pay the contractors (mail deliverers) any social insurances if they earn less than 40% of the minimum wage, which could lead these companies to knowingly not encourage their contractors to work over 16 hours a week<sup>59</sup>. What is most disturbing though is that according to the study undertaken by FNV Bondgenoten, only a few mail deliverers know what they approximately earn per hour (since they are paid by piece). They estimate that they earn on average € 5 per hour. An earlier survey by the FNV union showed that mail deliverers earned on average between 6 and 8 Euros per hour.<sup>60</sup>

The crucial question here is, how are people supposed to live on such low salaries, if they can be called salaries.

The postal industry is one where labour costs represent a large part of overall costs, which makes it a labour intensive industry. New competitors may use wage dumping as a way to acquire more market shares but, not only do workers suffer, but the quality of service does too, which impacts on the customer and in turn on the company itself. Another serious fact is that such low wages and working conditions set a downwards spiral for the whole postal industry, making postal workers fall into the low paid-workers category.

---

<sup>57</sup> FNV Bondgenoten, *Colophon, The black paper of FNV Bondgenoten, the largest Dutch trade union, about the reality of mail deliverers in the Netherlands*, The Netherlands, 2007, p.3

<sup>58</sup> Ibidem p.16

<sup>59</sup> Ibidem p.15

<sup>60</sup> Ibidem p.11

### Part III: How have trade unions dealt with the liberalisation process

The whole liberalisation process has put trade unions under huge pressure not only because they could foresee the bad consequences it would have on their members, but also because it would affect them directly. There was therefore this double threat to trade unions: external, from the changes of the political and economical context they were operating in as well as the changing attitudes of postal operators; and internal with the different views and strategies on how to react to liberalisation, which in certain cases caused turmoil within trade unions.

If we look into the external pressure put on the unions from the economic perspective, one can notice that the incumbent postal operators have become harsher during negotiations with trade unions due to the liberalisation context. Indeed, competition has pressurised these companies in terms of rationalisation of costs, which in turn put pressure on the trade unions. The case of the Netherlands is thus quite symptomatic. *“The KPN (now TNT Post) collective labour agreement was initially drawn up in the protective environment of a state-owned enterprise, which had officially been privatised but which was still not facing much competition back in 1998. From that point onward, however, the competition started to get progressively stiffer and the company increasingly came to the collective bargaining table with the argument that the working conditions did not reflect ‘market conformity’. And this meant, and continues to mean for the company, not only that the hourly wages needed to be lowered, but also that more flexible working conditions were needed. Supplements for irregular and overtime work were placed under pressure, and there was also sustained pressure on the point of opening hours (including the idea of extending them)<sup>61</sup>.”* The same situation occurred in 2003, whereby the company put pressure on the union during negotiations: *“either accept poorer working conditions or jobs would be lost. According to TNT, working conditions had to be made 25% cheaper to allow it to compete*

*with the new postal operators and avoid compulsory redundancies<sup>62</sup>.”* The same situation repeated itself with the in-principle agreement reached on 9 March 2009.

Sometimes the economic changes in the postal sector were accompanied by political changes, with tougher laws against trade unions, which made it twice as hard for trade unions to accomplish their role in such a changing environment. That was the case in New Zealand, where, after NZ Post had been corporatized, *“a new anti-union legislation was put in place, undermining the union, the organisation of labour and collective bargaining and reducing the status of workers<sup>63</sup>.”*

The internal doubts caused to unions due to privatisation and liberalisation can be linked to division in the strategy to adopt with regard to liberalisation. This was the case for SEKO in Sweden: *“When Bring Citymail was established in 1991, opinions were divided at SEKO on what perspective the union should take with regard to the establishment of a competitor to the national post office.*

*In the beginning, SEKO’s position with regard to Bring Citymail was much divided. On the one hand, there were strong reactions against the new order, on the other, there was the realisation that the mission of the trade union demanded the organisation of the workplace and the conclusion of a new collective agreement with the new company.”*

At the beginning of the liberalisation process, *“SEKO reacted strongly against the establishment of Bring Citymail and the liberalisation of the postal market. Members at Posten AB reacted strongly against liberalisation and opening up the postal market to competition.*

*The union carried out several major actions and campaigns and called on the Government in order to try to prevent liberalisation. That was a struggle we lost.*

<sup>61</sup> Abvakabo FNV, *Case study for UNI post & Logistics on the liberalisation of postal services in the Netherlands*, The Netherlands, 2009, p.4

<sup>62</sup> Ibidem p.5

<sup>63</sup> Kenny A., *Beyond the Propaganda, Postal Deregulation in New Zealand*, EPMU, Wellington, 2006, p.7

*At the same time SEKO felt obliged to strive to conclude a collective agreement with Bring Citymail. Among other things to ensure that none of the other competing trade unions would get there before us.*<sup>64</sup>

Competition between mail companies can also mean competition between respective trade unions. This can be illustrated by the situation occurring in the postal sector in the Netherlands. *“AbvaKabo FNV is the trade union for TNT, previously the state-owned enterprise PTT. Since liberalisation and the arrival of new postal operators, FNV Bondgenoten (‘Comrades TUC’) has also become active in the postal sector. There are currently talks about pursuing some form of cooperation or joint venture between the two, leading to a single FNV Bond (‘Union TUC’) for the postal sector. These talks are not going well. FNV Bondgenoten has the interests of the employees at the new companies at heart, whereas AbvaKabo FNV defends the interests of TNT’s employees. This has led to diametrically opposed positions on liberalisation: AbvaKabo FNV has always been against liberalisation, whereas FNV Bondgenoten has always been in favour of it.”*<sup>65</sup>

This first part has set the context in which trade unions have to operate when liberalisation is underway. Let us now look into what strategies trade unions have undertaken to fight the liberalisation of the postal market in their countries. (In this part of the report, we have decided to include examples from countries that have not necessarily undergone liberalisation yet, but that have however, led campaigns against it.)

First and foremost, all trade unions have undertaken lobbying activities. In order to lobby effectively, each trade union targeted relevant groups, according to its own national context. For instance certain unions in Canada targeted consumer groups whereas the Swedish trade unions did not. But all have targeted parliament members, government members and political parties, not only at the national level but also at regional and local levels.

---

<sup>64</sup> SEKO, *Case study for UNI post & Logistics on the liberalisation of postal services in Sweden*, Stockholm, 2009, p.13

<sup>65</sup> Abvakabo FNV, *Case study for UNI post & Logistics on the liberalisation of postal services in the Netherlands*, The Netherlands, 2009, p.11

The NALC in the USA is a good example. Indeed, *“NALC has long used its associations in the 50 states to advance its legislative and political agendas. Every year, most state associations send delegations to Washington to receive training from the national union and to directly lobby their members of Congress on legislative matters. For more than a decade, postal reform legislation (dealing with liberalisation and other matters) was the number one issue for these lobbying visits. Thousands of “member-lobbyists” took part.”*<sup>66</sup>

CUPW of Canada and the Syndicat de la Communication in Switzerland have also lobbied certain specific groups that would be most touched by the effects of liberalisation. In the case of Switzerland these included consumers, small and medium enterprises (SMEs), citizens from peripheral and mountain regions. As for Canada this also included first nations associations and seniors’ associations.

The issue on what to lobby for must also be well looked into, as it is not necessarily the same depending on the country and political context. In Japan, JPGU focused on the scope and speed of liberalisation. In Switzerland, the Communications union focused on the financing of the universal service as well as on the quality and quantity of postal services offered in the context of the universal service to individual consumers as well as to the global economy.<sup>67</sup>

In order for this type of lobbying to be most effective, it is important it be supported by research, fact sheets, bulletins etc. In Morocco, the FNPT-UMT union has been working with academics in order to support its argument against the privatisation and the liberalisation of the postal sector as well as to validate its arguments by a third party.<sup>68</sup>

Networking is another tool unions have used in order to push their fight against liberalisation forward. The CUPW has done so with major mail organizations,

---

<sup>66</sup> NALC, *Case study for UNI post & Logistics on the liberalisation of postal services in the USA*, Washington, 2009, p.8

<sup>67</sup> Syndicat de la Communication, *Case study for UNI post & Logistics on the liberalisation of postal services in Switzerland*, Bern, 2008, p. 4

<sup>68</sup> FNPT-UMT, *Case study for UNI post & Logistics on the liberalisation of postal services in Morocco*, Rabat, 2009, p.7

small and medium businesses, rural associations, senior associations and first nations' associations.<sup>69</sup>

The involvement of media is also important in order to highlight a cause. The JPGU in Japan used this tactic. Indeed, *“media has covered postal situations in local areas and anti-postal privatisation campaigns done by consumers and NPOs. Actions covered by media have affected national politics largely. Especially, resolutions and opinions made by heads of local communities and local assemblies have the political effect of policy making. Therefore, it is necessary to arrange these actions effectively.”*<sup>70</sup>

Cooperation amongst the trade union movement is most important too in order to advance such a cause as the defense of the public postal sector. This happened in the USA in the context of the Postal Accountability and Enhancement Act of 2006 (PAEA) where the mail postal unions got together with major postal stakeholders. *“...at the national level, the NALC, the APWU and the NPMHU formed a coalition with key postal stakeholders including the Direct Marketing Association, the Parcel Shippers Association, the Mailers Council, the Magazine Publishers Association and key vendors like Pitney Bowes to advance a consensus approach to reform. That approach focused on maintaining the monopoly but winning new commercial freedoms for the USPS. The mailing industry agreed to stay away from changes in collective bargaining and the unions agreed to seek a more streamlined system for setting postage rates.”*<sup>71</sup>

But first and foremost, the most important way unions can fight a cause such as liberalisation is by mobilising their members especially in the postal sector where postal workers are in constant contact with the general public. This can have a multiplying effect on a campaign. As the NALC wrote, *“the lessons learned*

---

<sup>69</sup> CUPW, *Case study for UNI post & Logistics on the liberalisation of postal services in Canada*, Ottawa, 2009, p. 3

<sup>70</sup> JPGU, *Case study for UNI post & Logistics on the liberalisation of the postal services in Japan*, Tokyo, 2008, p.7

<sup>71</sup> NALC, *Case study for UNI post & Logistics on the liberalisation of postal services in the USA*, Washington, 2009, p.8

*by the NALC and the other postal unions in the USA during the decade-long debate over postal reform will be invaluable in the future. Most important among these is the need to mobilize the union membership to protect universal service and high-quality postal jobs.”*<sup>72</sup>

What we have seen until now is connected with union tactics in order to prevent the liberalisation process. However, we also need to look into what unions have done when the battle was lost and the postal market was opened to competition. This can be resumed in one word: organise. Let us look at the case of Sweden and how SEKO dealt with organising in newly established companies following deregulation.

No to liberalisation<sup>73</sup>

*SEKO reacted strongly against the establishment of Bring Citymail and the liberalisation of the postal market. Members at Posten AB reacted strongly against liberalisation and opening up the postal market to competition.*

*The union carried out several major actions and campaigns and called on the Government in order to try to prevent liberalisation. That was a struggle we lost.*

Organising the workplace and collective agreements

*At the same time SEKO felt obliged to strive to conclude a collective agreement with Bring Citymail. Among other things to ensure that none of the other competing trade unions would get there before us. An agreement was concluded and we started recruiting members at Bring Citymail.*

*At the beginning, it was the SEKO elected representatives employed by Posten AB who carried out the task of recruiting members and organising the Bring Citymail workplace. The fact that Posten AB workers, albeit elected representatives but still employees, were working to set up a SEKO organisation at and negotiating with Bring Citymail was something that the company was able to use against SEKO.*

*The question that was put by Bring Citymail management was whether*

---

<sup>72</sup> Ibidem p.9

<sup>73</sup> From : SEKO, *Case study for UNI post & Logistics on the liberalisation of postal services in Sweden*, Stockholm, 2009, p.13-15

employees at Posten AB, a Bring Citymail competitor, could be credible representatives for employees at Bring Citymail.

Naturally the company was able to make use of the fact that SEKO had acted as an opponent to liberalisation. Was it possible for a union like SEKO to be a credible representative for the interests of the employees of Bring Citymail when SEKO did not want to see any competition in the market?

Despite this we managed to create a working trade union organisation at the company. A collective agreement was concluded, which to begin with was not, however, equal to Posten AB's agreement. Problems also arose with regards to credibility not only with future members at Bring Citymail but also with existing members at Posten AB. Members at Posten AB felt that their union had let them down when SEKO concluded an agreement and created a SEKO organisation at Bring Citymail. Members at Posten AB had lived so long with Posten AB being the dominant company that they had trouble coming to terms with the fact that the market had been liberalised. You could add that at that time both Posten AB and members at Posten AB had the same interest in maintaining the old order.

#### New direction

However, it was necessary for the union to change both policy and strategy. Going from organising members at one company to organising members in a market with several companies required a change to our trade union work.

A very important issue was to ensure that Swedish postal legislation was designed in such a way that no company was given business advantages in the legislation. This meant prolonged and methodical work trying to influence the politicians.

In this respect the union can probably claim that it has been successful. Today we have legislation for the postal market that is relatively neutral and favourable.

The union's lobbying was geared towards political parties, members of parliament and government representatives. The Swedish trade union movement has also traditionally had good political contacts, primarily with the Swedish Social Democratic Party but also with others.

In Sweden, there is no tradition of working with other organisations on this type of issue, for instance consumer organisations.

The Swedish trade unions enjoy a high level of affiliation and have many members which means that trade unions are a strong voice in society. Furthermore, Sweden does not really have a particularly strong consumer movement since consumers are used to being represented by the state through government agencies like the Swedish Consumer Agency.

It is also worth noting that Citymail has been very clever in its lobbying in Europe which has benefited an increased liberalisation of the postal market

#### Collective agreements with equal terms

In order to ensure a good relationship with members at both the two major companies it is important that the collective agreements do not give one company a competitive edge over the other. It is important to prevent the companies from competing over the employment conditions of our members. Instead it is better that the trade union strives to ensure that the employment conditions are the same.

Also in this respect you could say that the union has succeeded fairly well.

Today, SEKO has trade union officials employed at the union who manage contacts in the negotiation work with one or other of the companies so that SEKO cannot be accused in any way of giving a competitive advantage to one or other of the companies. However, the suspicion still remains above all at Bring Citymail.

What also remains is the historical problem particularly among workers in Stockholm where Bring Citymail first set up business. Many workers in Stockholm do not want to be members of SEKO since they believe SEKO primarily represents workers at Posten AB. The situation is better in Göteborg and Malmö, where the level of affiliation is high at Bring Citymail.

The ambition is to arrive at similar agreements for all postal operators. There is still some way to go before we get there since a prerequisite is that the postal companies must be able to sit at the same negotiation table as their competitors – they have not come that far yet.

The most difficult problem at Bring Citymail today is that the staff turnover is extremely high and that the absolute majority of workers are very young. This naturally creates a problem as regards the level of affiliation and a sense of continuity for the trade union elected representatives.

Finally, it is important to mention that there are a few small postal companies that work with deliveries at the local level. These companies usually only have 3-4 employees. SEKO has also concluded agreements with equal terms with these operators.

Finally

The liberalisation of the postal market was carried out in accordance with political decisions made in the Swedish Parliament. At that time SEKO decided to take a path which consisted of the following important requirements:

- neutral legislation
- neutrality in our own dealings with the postal companies in the market
- competitively neutral agreements in order to prevent wage dumping between the companies.

What we can learn from the experience of SEKO is that organising in competing postal companies is clearly not an easy task. It is not easy for the union, in terms of its credibility and its struggle to reach a balanced collective agreement with the new company; but it is not easy for workers of the incumbent to accept that their union is no longer representing only them. Another difficult step was the change in policy and strategy for the union after the campaign against the liberalisation of the postal sector was lost. But as it was put in the report from SEKO: "...there was the realisation that the mission of the trade union demanded the organisation of the workplace and the conclusion of a new collective agreement with the new company"<sup>74</sup>. Of course, we have to take the national context and the collective bargaining system into consideration.

Nevertheless, as we have seen in Part II of this report, postal companies do compete on costs, i.e. on working conditions and wages of workers. In order to prevent this from happening, "it is better that the trade union strives to ensure that the employment conditions are the same"<sup>75</sup>.

This was emphasised in a report on Industrial Relations in the postal sector by the European Foundation for the Improvement of Living and Working Conditions: "The experience of countries in which liberalisation has already happened suggests that an alternative to a probably imminent deterioration of employment conditions and industrial relations in this important branch of the services sector is the diffusion of sectoral collective agreements. In fact, these could help to reduce the polarisation and foster greater harmonisation of employment conditions in the postal sector. It is worth recalling the case of the Royal Mail, which has recently reduced its previously massive use of casual workers in order to maintain the quality of its services. Such a move suggests that, in this economically and socially vital sector, it is also in the interest of postal companies to be able to rely on employment conditions which enhance the commitment and cooperation of their human resources."<sup>76</sup>

---

<sup>74</sup> SEKO, *Case study for UNI post & Logistics on the liberalisation of postal services in Sweden*, Stockholm, 2009, p.13

<sup>75</sup> Ibidem

---

<sup>76</sup> European Foundation for the Improvement of Living and Working Conditions, *Industrial relations in the postal sector*, Dublin, 2007, p.31

## Conclusion

According to the economic theory, market liberalisation was supposed to yield competition and in turn bring growth, innovation, price reductions and employment.

Let us not be mistaken, this has not happened in the postal market:

- There is very little competition in the postal market, with competitors detaining from 0.1% to around 10% of market shares
- There are very few main competitors to the incumbent, in most cases only between one and four
- There is very “little innovation since competition is mainly based on price”<sup>77</sup>

When it comes to the employment aspect, then the supposed “advantages” of liberalisation are very concerning:

- Tens of thousands of jobs lost countrywide
- No significant shift of employment from the ex-national operator to new competitors (at least not in the same quantities and certainly not for the same working conditions)
- Decrease in full-time positions and an increase in part-time jobs
- Deterioration of working conditions in the competing postal operators and in the sector in general
- Increasing precarious working conditions through the increase in atypical forms of work
- Cuts in wages
- Wage dumping
- Less job security
- Job deskilling

So where are the gains of liberalisation?

The objective of this research was to assist UNI Post & Logistics affiliates to face the impact and consequences of the liberalisation of postal markets on employment and working conditions. We have tried here to do so by providing

information on the realities of liberalisation for postal workers. This is a first step. But we need to look further at what alternatives can be found and what can be done to prevent such situations as the ones faced by mail deliverers in Germany, the Netherlands or elsewhere.

What SEKO has undertaken in terms of organising is an interesting case. Indeed, competition in the postal sector has led to union fragmentation and thus union weakness at a time when unions should in fact be strong. By organising workers in new companies, not only have workers benefited from similar wages and working conditions but the union has benefited too in the longer term in terms of increase in membership.

Organising is one recommendation we can thus put forward. Another one could be to look into the “right of users to a universal postal service” as provided by the UPU Letter Post Convention Art.3, as a way to protect quality service and quality jobs. We believe there are others ways of protecting workers from the detrimental impact of liberalisation on their jobs. These will require further consideration.

E.Bares 21.04.2009

---

<sup>77</sup> Hooper R., Hutton D. & Smith I., *The challenges and opportunities facing UK postal services, An initial response to Evidence, An independent review of the UK postal services sector*, United Kingdom, 2008, p.6

## References

- Abvakabo FNV, *Case study for UNI post & Logistics on the liberalisation of postal services in the Netherlands*, The Netherlands, 2009
- Accenture, *High performance. Delivered., Postal Universal Service Obligation (USO) International Comparison, International Postal Liberalization – Comparative Study of US and key Countries*, USA, 2008
- Andersson M. and Thörnqvist C., *Liberalisation, privatization and regulation in the Swedish postal services sector*, Pique, Göteborg, 2006
- Bickerton J., *Postal Deregulation: Its impacts on postal workers and the response of a postal union*, Ottawa, 2006
- Bickerton J., Sauber J., Steinhoff K., *Is North America preparing to embrace postal deregulation?* Ottawa, 2008
- Brandt T. and Schulten T., *Liberalisation and privatization of public services and the impact on labour relations: A comparative view from six countries in the postal, hospital, local public transport and electricity sectors*, Pique, Düsseldorf, 2007
- CUPW, *Case study for UNI post & Logistics on the liberalisation of postal services in Canada*, Ottawa, 2009
- CUPW, *Say not to postal deregulation, Fact Sheets 1-4*, Ottawa, 2008
- CUPW, *Submission of the Canadian Union of Postal Workers to the Canada Post Corporation Strategic Review*, Ottawa, 2008
- CWU, *Case study for UNI post & Logistics on the liberalisation of the postal services in the UK*, London, 2009
- Draws K., *Liberalisation, privatization and regulation in the German postal services sector*, Pique, Düsseldorf, 2006
- Ecorys, *Main Developments in the Postal Sector (2006-2008), Final report and Country Sheet summaries*, Rotterdam, 2008
- European Commission, *Report from the Commission to the Council and the European Parliament on the application of the Postal Directive (Directive 97/67/EC as amended by Directive 2002/39/EC)*, Brussels, 2008
- European Foundation for the Improvement of Living and Working Conditions, *Industrial relations in the postal sector*, Dublin, 2007
- FG.PTT, *Case study for UNI post & Logistics on the liberalisation of postal services in Tunisia*, Tunis, 2009
- Flecker J. and Hermann C., *How Companies react to the liberalization and privatization of public services*, Pique, Policy paper 4, Vienna, 2009
- FNPT-UMT, *Case study for UNI post & Logistics on the liberalisation of postal services in Morocco*, Rabat, 2009
- FNV Bondgenoten, *Colophon, The black paper of FNV Bondgenoten, the largest Dutch trade union, about the reality of mail deliverers in the Netherlands*, The Netherlands, 2007

- Hayes B. and Bell S., *Monopoly to Competition in the UK Mail Market – Conflicting approaches*, United Kingdom, 2008
- Hermann C. and Verhoest K., *Varieties and Variations of Public-Service Liberalisation and privatization in Europe*, Pique, Vienna, 2007
- Hooper R., Hutton D. & Smith I., *The challenges and opportunities facing UK postal services, An initial response to Evidence, An independent review of the UK postal services sector*, United Kingdom, 2008
- Hooper R., Hutton D. & Smith I., *Modernise or decline, Policies to maintain the universal postal service in the United Kingdom, An independent review of the UK postal services sector*, United Kingdom, 2008
- Input Consulting, *Liberalisation and Regulation of the Postal Sector in the European Union, Presentation*, Luxemburg, 2006
- Input Consulting, *Liberalisation and Precarisation – Employment Conditions of the New Letter Service Providers in Germany*, Presentation, Luxemburg 2007
- Input Consulting, *Liberalisation and social regulation of the letter market in Germany*, Presentation, London, 2008
- JPGU, *Case study for UNI post & Logistics on the liberalisation of postal services in Japan*, Tokyo, 2009
- JPGU Research Institute, Yoneda Y., *Presentation on The universal Service Crisis*, Tokyo 2008
- Kenny A., *Beyond the Propaganda, Postal Deregulation in New Zealand*, EPMU, Wellington, 2006
- Manzanelli P., Azpiazu D. and Basualdo F. *Case study for UNI post & Logistics on the liberalisation of postal services in Argentina*, Buenos Aires, 2009
- NALC, *Case study for UNI post & Logistics on the liberalisation of postal services in the USA*, Washington, 2009
- Pond, Richard, *Liberalisation, privatization and regulation in the UK postal services sector*, Pique, London, 2006
- Postcomm, *UK Postal Market Competitive Market Review 2008*, United Kingdom, 2008
- Schulten T., Brandt T., and Hermann C., *Liberalisation and privatization of public services and strategic options for European trade unions* in Transfer N°2, 2008
- SEKO, *Case study for UNI post & Logistics on the liberalisation of postal services in Sweden*, Stockholm, 2009
- Syndicat de la Communication, *Libéralisation du marché postal, Un risque pour notre économie*, Bern, 2008
- Syndicat de la Communication, *Questionnaire, Procédure de consultation concernant la révision totale de la législation postale*, Bern, 2008
- Syndicat de la Communication, *Case study for UNI post & Logistics on the liberalisation of postal services in Switzerland*, Bern, 2008
- Unite, *Case study for UNI post & Logistics on the liberalisation of postal services in the UK*, United Kingdom, 2009

Universal Postal Union, *The Evolution of the Postal Sector, Implications for Stakeholders (2006-2012)*, Bern, 2007

Ver.di, *Case study for UNI post & Logistics on the liberalisation of postal services in Germany*, Berlin, 2009