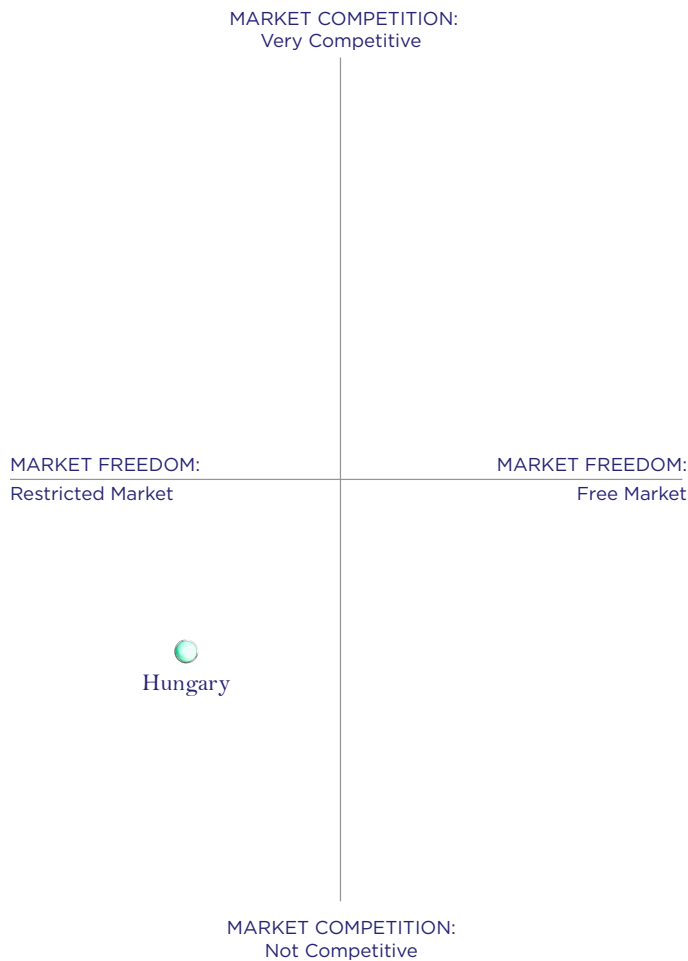


HUNGARY





OVERVIEW

The Hungarian Post Office (Magyar Posta) is a state-owned and operated company with no true competitors in the market for regular mail delivery.

The Hungarian Post claims a long history of mail delivery in central Europe dating back to the 16th century. It claims to be the first postal service worldwide both to introduce the postcard and to use “motorcars” to deliver the mail.

Presently, reform of traditional mail in Hungary is lagging. Reform measures are subject to the heavy procedural burdens of the 1993 Maastricht Treaty governing all liberalization efforts of the European Union, which admitted Hungary in 2004. Mail reform remains bogged down in studies, mandated social dialogues, and meetings. Further, as is common elsewhere in Europe, many stakeholders in Hungary oppose liberalization reforms.

In 2007, Magyar Posta enjoyed operating profit of 5.39 billion Hungarian forints (\$27 million) and profit before tax of 5.66 billion Hungarian forints (\$28.4 million). Letter mail accounted for 92.56 billion Hungarian forints of revenue (\$464 million) in 2007. Financial services accounted for 50.64 billion Hungarian forints (\$254 million) in the same year.

In January 2011, Magyar Posta increased prices by 4.8 percent. A domestic “priority” letter costs 0.40 euros, or 115 Hungarian forints. Standard non-priority letters cost 0.33 euros, or 90 forints.

OWNERSHIP & STRUCTURE

The Hungarian Post Office claims that it achieved official independence from government control by the Act of 1908, when Hungary was still a part of the Austro-Hungarian Empire. After World War II, the Post became an organ of the Communist government, which took power with the Soviet occupation of Hungary in 1945. In 1983, before the end of Russian domination, the Hungarian Post was split off from direct central government management as the Hungarian Post Centre. In 1990, broadcasting and telephone services were separated from the post office, which was reconfigured as the Hungarian Post Office Company.

This arrangement was modified at the beginning of 1994, when the Hungarian Post Office, Ltd., began operations. This company is the state-owned successor to the Hungarian Post Office Company and ultimately reports to the Hungarian Minister of Transport, Communications, and Water Management.

OWNERSHIP & STRUCTURE (CONTINUED)

In 2002, another significant restructuring process was launched. This resulted in a system of three administrative regions and division of labor into three broad classes: strategic and administrative, operations, and internal services like human resources.

Magyar Posta also has set up “mobile post offices” for 950 smaller communities. These mobile post offices are trucks that visit small towns to offer the full range of postal services in lieu of bricks-and-mortar establishments. A further 1,000 conventional post offices of the 2,841 currently in use were targeted for closure in 2009 in favor of these mobile post offices. As a result of these closures, the workforce will be subject to continued paring.

LIBERALIZATION

In some senses, Hungary has led the way among former Soviet satellite states in advancing market reforms. After the fall of the Soviet Union, the government launched a basic program of privatization, which ended on schedule in 1998. Eighty percent of GDP is now produced by the private sector. Hungary has experienced growth in foreign investment, with cumulative foreign direct investment totaling more than \$60 billion since 1989.

Postal liberalization has advanced slowly; the state-owned post still possesses a monopoly on letters under 50 grams. In 1992, Act XLV allowed private companies who had won concession tenders or permission from the government to compete with Hungarian Post in providing basic postal services. The law was meant to open the market, but Magyar Posta remained more or less a monopoly.

In 2001, Act XL established a framework for a gradual transition toward liberalization. This act resulted in numerous market entries.

In 2007, the EU allowed Hungary to postpone effective liberalization of its postal marketplace (i.e., the removal of its monopoly on letters under 50 grams) until 2013.

Magyar Posta has launched some self-directed privatization initiatives, like the “Post Partner Programme,” wherein post offices are operated by private actors. The national post now operates 90 percent of post offices; it expects that figure to drop to 60 percent by the conclusion of the program.

Additionally, in July 2011, Magyar Posta announced a 759.5-million-forint public procurement tender for media buying and planning which will include placing advertisements and creating graphics for the company.

COMPETITION

Well-known multinational companies such as TNT, DHL, and UPS are all very active in Hungary in the markets for package and express delivery, but there are virtually no significant competitors to Magyar Posta in traditional mail. In 2005, the state-owned national post employed more than 38,000 people, or 97 percent of those who work in the sector. Magyar Posta’s 2007 annual report claimed 36,429 employees, 34,995 of whom were equivalent to full-time staff. Universal Postal Union data peg the 2008 workforce at just under 36,000.

COMPETITION (CONTINUED)

In the aftermath of Act XL, several companies registered as postal operators. In 2002, there were 18 postal operators. By 2003, there were 43, and by 2004, there were 58. The National Communication Authority (NHH) conducts the licensing and notification procedures related to entering the postal market.

There is very little data available on market shares in the mail sector. However, managers within Hungary estimate that 60 percent of Magyar Posta's revenue comes from its activities in the competitive market, while roughly 40 percent comes from its monopoly area. The share of revenue from the competitive market is continuously growing.

UNIVERSAL SERVICE

The EU Act CI (101) of 2003 on EU postal services basically stipulates that universal service cover domestic and international correspondence and direct mail of 100 grams or less, as well as mail related to official documents, unless specific exceptions are made by the government.

Magyar Posta bears the universal service obligation in Hungary.

Hungary is embroiled in the required EU Social Dialogue procedures -- ongoing negotiations between unions, employers, government agencies and other stakeholders. With the current financial crisis, it seems unlikely that much progress will be made in the immediate future.

LABOR CONDITIONS

The average monthly salary of a worker at Hungary Post is 156,682 Hungarian forints (\$785). The average income for a Hungarian is about \$600 per month. GDP per capita in Hungary was estimated in 2007 to be approximately \$19,500 on a purchasing power parity basis.

There are nine trade unions active in the postal sector in Hungary. The most significant union is the Postal Trade Union (Postások Szakszervezete, or PSZ), an affiliate of the National Association of Hungarian Trade Unions (Magyar Szakszervezetek Országos Szövetsége, or MSZOSZ). The PSZ has about 20,000 members, or a little over half the workforce.

The second-largest trade union is the Independent Trade Union of Post Workers (Postások Független Szakszervezete, or POFÜSZ), which represents 4,400 employees.

There have not been any strikes in the postal sector for the last 20 years, though labor and management nearly came to blows in late 2007. Those negotiations led to a 7.5-percent wage increase for postal workers in 2008.

As might be expected, smaller postal operators have resisted unionization of their workforces, despite the efforts of Hungary's national trade unions.

FINANCIAL SERVICES

Magyar Posta holds 135,000 customer accounts. Its product offerings include loans, investment funds, conventional savings accounts, and life, property, travel, and car insurance policies. By October 2007, the post's insurance offerings had reached one million customers.