

# SPAIN



## OVERVIEW

The genesis of mail service in Spain is the royal messenger system first created in the Middle Ages by the Spanish Catholic monarchs. An early “public” postal system was built up under a royal monopoly by a privileged aristocratic family who sold its creation in 1720 to the Bourbon King Phillip V. He placed the mail under direct royal control and made postal service officially available to all.

The modern postal operator in Spain -- Correos y Telegrafos S.A. (known as Correos) -- formally came into being in 1992, when it ceased to be a government department and was christened an independent commercial organization.

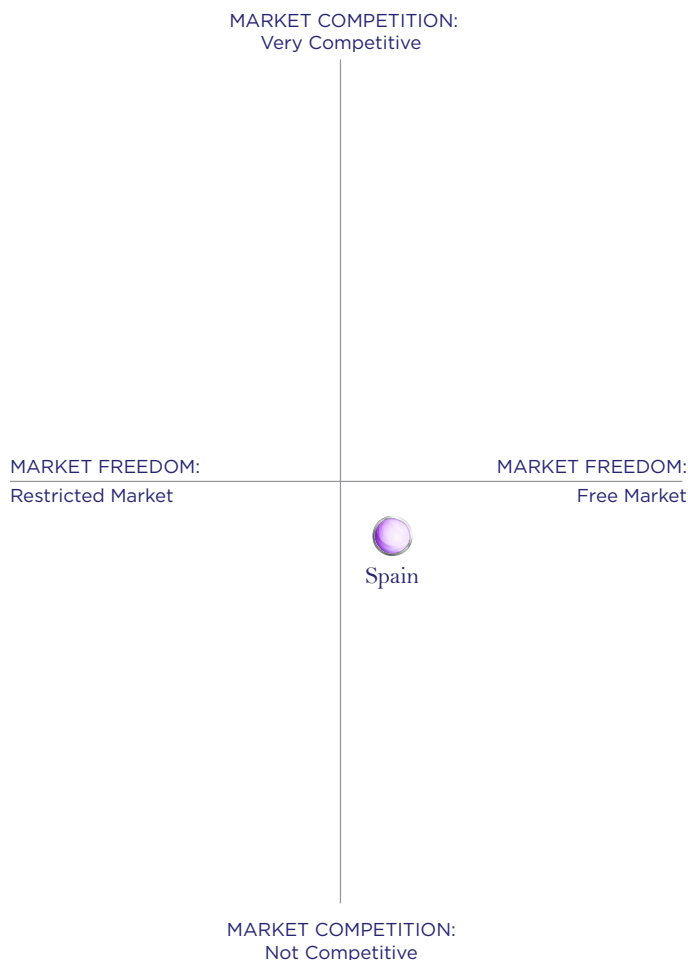
As in many other European countries, the Spanish postal market was fully liberalized on January 1, 2011. Mail volumes have been declining. Volume was down 9.6 percent in 2009 over the previous year. Revenue declined 4.8 percent in the same period.

## STRUCTURE & STATISTICS

Correos has roughly 66,000 employees who serve a Spanish population of approximately 46 million. According to its annual report, the company posted revenues of more than 2 billion euros in 2009 and handled 4.6 billion pieces of mail.

Correos operates nearly 10,000 postal centers, including more than 2,300 multiservice offices and more than 7,400 service points which provide postal and delivery services to the country’s rural regions. The company also offers online fax, telegram, and digital delivery services. Its website, which it calls a “virtual office,” is used by 750,000 individuals every month.

In 2007, the company invested nearly a quarter-billion euros in service, processing, and infrastructure improvements.



## STRUCTURE & STATISTICS (CONTINUED)

Besides its core conventional mail unit, the Correos group consists of three main subsidiaries. Chronoexpres S.A. provides express delivery for some 1.2 million packages per year. Nexea – previously known as Correos Hibrid – offers mass-media communication services and hybrid mail. Correos Telecom S.A. specializes in telecommunications services, including internet access and e-commerce.

Unionization of Correos began in 1978, almost as soon as unions became legal after the end of the Franco regime. Public-sector unionization has been stronger and more pervasive than in the private sector; the “liberalization” of the postal market has not affected this trend. Workers within Correos are represented by about a half dozen unions, which do not always present a united front in negotiations.

Correos remains subsidized in part through investment requirements laid out in previous negotiations with unions which allowed expanded private competition. To advance the cause of liberalization, the Spanish government has been forced to make stronger guarantees of job security and subsidize both the provision of universal service and the acquisition of assets which Correos deems necessary to providing the universal service. The accounting for such subsidies is somewhat opaque.

## LIBERALIZATION & PRIVATIZATION

Spain was among the first countries in Europe to allow private competition in its postal markets. This happened as early as 1960. But even though small, private services were allowed to operate, Correos remained the dominant carrier.

In the early days of its existence, Correos served as a savings bank for Spaniards. It's estimated that at the outbreak of the Spanish Civil War in 1936, some 40 percent of Spain's savings were held in post office accounts.

After General Francisco Franco's death in 1975, change came rapidly to the postal sector, thanks in large part to a wave of liberalization in other parts of the economy, which required more reliable and efficient mail. In 1981, Correos launched a domestic express mail delivery service, Correos Expres. In 1983, an international express mail service, Postal Expres Internacional, came into being. In 2001, Postal Expres Internacional merged with France's La Poste express service in Spain, creating ChronoExpres. In order for Spain to meet the standards of the Maastricht Treaty, which created the European Community, the whole Correos y Telegrafos organization was subject to a multiphase restructuring in 1992, with the goal of moving it out of direct government control.

In 1997, Correos became an autonomous government company. In 1998, Spain's Ministry of Development crafted and secured passage of Law 24/1998 to set Correos on the course to become a limited liability company in 2001. The law spelled out Spain's version of the 1997 EU Directive on postal services, which addressed regulations associated with the Universal Service requirement in European nations as well as other postal liberalization topics.

## **LIBERALIZATION & PRIVATIZATION** (CONTINUED)

Law 24/1998 initially allowed Correos to retain monopoly rights for long-distance domestic and international services for letters and postcards weighing less than 100 grams until January 1, 2006. After that date, the monopoly would only apply to letters and postcards below 50 grams. With its liberalization program, Spain intended to jump ahead of what was required by the EU Postal Directive. Spain liberalized its market in January of 2011.

In order to prepare for these ambitious liberalization plans, the Spanish government made massive investments to upgrade Correos's services and infrastructure to bring it up to world standards in mail and communications processing. Correos is now one of the world leaders in the use of advanced RFID systems. Correos Telecom provides telecommunications services, including internet access and e-commerce services.

Correos also introduced a spectrum of new services designed to support Internet communications and e-commerce. In 2006 the company opened a network of 30,000 Telecentros Internet access terminals for rural markets. At the same time a new unit, Correos Hibrid, was set up to provide mass-media communication services and hybrid mail. Correos Hibrid now goes by the trade name Nexea.

In 2006, a law requiring Correos to offer private operators access to its service network was passed.

As of January 2011, the mail market is open to competition.

Although Correos has not been privatized, it faces competition from private mail companies both within metropolitan areas and in the cross-border market. Commercial direct mail is now open and although inter-city and cross-border are officially not yet liberalized, it has been reported that, for all practical purposes, outgoing cross-border mail is already open.

Postal unions continue to argue that both local and urgent mail are essential and profitable services for Correos. Union leaders claim that the monopoly is necessary to guarantee the economic solvency of the public operator and a sufficient standard of service. Postal unions also claim that the liberalization process has led to price increases for postal and courier services and a decrease in the stability of employment.

In order to compete in the newly liberalized market, Correos has published a new business plan for 2011-2014. The new plan claims to shift emphasis from the product to the consumer. In doing so, Correos hopes to gain a greater market share in traditional post, parcels, direct marketing, and technological services.

## **COMPETITION & UNIVERSAL SERVICE**

Competition within Spain's postal markets has been less than robust. Government estimates of market share from 2007 using 2004 data give Correos 94.1 percent share, Unipost 3.8 percent, and other carriers 2.1 percent. The same government report attributes 91.3 percent of Correos's revenue to postal services.

## COMPETITION & UNIVERSAL SERVICE (CONTINUED)

Market surveys put the number of active mail services at about 150. Unipost, which is partially owned by Deutsche Post, is the biggest of Correos's competitors. It posted revenues of 89 million euros in 2006 on mail volume of 513 million pieces. Altogether, private operators handle more than 700 million items each year, according to 2005 data.

A few international companies (DHL, La Poste, MRV, UPS) have succeeded in gaining the largest share of the courier-services market. Correos and the Spanish firm SEUR also offer courier services. Smaller domestic couriers try to compete with these larger international firms, but their deliveries are for the most part geographically limited.

Growth of the courier sector has outpaced growth in conventional mail. Between 1996 and 2003, the courier market grew 12.2 percent on average, while the conventional postal market grew at a little over 9 percent annually.

Although Spain long resisted the move to liberalization and maintained that EU directives on funding were insufficient to cover the cost of the service, the market was liberalized in January 2011.

The universal service obligation covers money orders; standard national and international letters up to 2 kilograms and packages up to 10 kilograms; national and international deliveries of advertising material, books, catalogues, and periodicals; and services accompanied by a certificate and of stated value. Correos maintains monopoly delivery rights over money orders; letters, advertising, and periodicals in the protected weight class; and deliveries to Public Administrative Bodies. Competitors may deliver letters in the protected weight class if they charge 2.5 times more than Correos does for the same service.

Correos delivers letters and parcels six days per week, but it must deliver letters five days a week to be in compliance with the universal service obligation.

## REGULATION

Under the postal law (Ley Postal 1998) passed in 1998, Spain's Ministry of Development is charged with making sure that postal services are universal, have suitable quality, cover the whole national territory, and are provided at affordable prices. The Subdirectorate General for Regulation of Postal Services is responsible for enforcing the postal laws.

## PRODUCTS & PRICING

Correos offers a full range of mail services for both individuals and business through its core unit and subsidiaries.

**PRODUCTS & PRICING** (CONTINUED)

Correos launched a venture with Deutsche Bank in 2006 to offer banking services. Branded as BanCorreos, the venture suggests that Correos may be moving more fully into financial services. BanCorreos offers financial services, loans, and mortgages. Its total business volume increased 1.1 percent in 2009. Despite Spain's real-estate crisis, BanCorreos maintained a zero percent delinquency rate on the mortgages it issued.

Prices vary by weight (standard mail up to 2 kilograms) and zone -- mainland Spain, the islands, and trans-border. A standard stamp costs 35 euro cents -- 10 cents less than the average stamp price in the EU.