



Index of Postal Freedom

Israel – Israel Post



Overview

Israel Post -- Israel Post emerged days after Israel declared independence on May 14, 1948, when the United Nations' attempt to partition Palestine into separate Jewish and Arab states failed. Israel Post has roots in the British postal system from the mandate period (1920 - 1948) and was an important unifying symbol for the new Israeli State. Throughout its history, Israel Post has been active in commemorating the state's history through its postage stamps. This has occasionally led to political and religious controversy.

Because of the nation's unique defense needs and its socialist roots, the government has played a large role in virtually all aspects of Israeli society. Israel Post is no exception.

Beginning in 1948, the state of Israel provided postal services through the Ministry of Transportation. From 1951, mail delivery came under the Ministry of Posts, which later became the Ministry of Communications. Consistent with the British model, the service included letters, parcels, and telegrams, as well as telephone services. An Israeli Postal Bank was established in 1951 which processed not only private but most government payments and money transfers.

In 1986, legislation was passed to nudge public-service units of the government in the direction of greater self-management. This legislation created the Israel Postal Authority. This Authority was formally constituted in April 1987 and was responsible for mail until 2002, when mounting operating losses, political scandals, and the recognition that deeper structural changes were necessary in light of the electronic revolution in communications led to calls for reform.



Ownership and Structure

Israel Post -- 100 percent owned by the government -- ultimately comes under the control of the cabinet posts of finance and communications. Conflicts, which are usually initiated by labor unions, have led to stormy negotiations before the State Attorney and in civil and even rabbinical courts. Coalition blocks from the Knesset often take sides. Over the past few years, the State Comptroller has conducted investigations into charges of graft and corruption within the postal service.

In 2007, the turnover of the combined entity, the Israel Postal Authority and the Israel Postal Company (IPC), reached NIS 1.732 billion (US\$485 million). The budget of the Israel Postal Company for 2008 was NIS 1.798 billion (US\$503 million).

The Israel Postal Company employs 7,000 workers, including 1,500 postal delivery staff. It maintains 700 postal branches, 4,602 mail collection boxes, and 1,000 vehicles and sorts 2.5 million postal items every day. That adds up to 787 million postal items sorted per year. Israel Post also transports 1.6 million packages per year and makes 2.3 million express deliveries per year.

Liberalization and Privatization

In July 2002, after a series of studies, the Israeli government set up the framework that would convert the Israel Postal Authority into a new government company -- the Israel Postal Company Ltd. -- and allow for a prudent, step-by-step liberalization of the Israeli postal market. Israel Postal Company Ltd. began operations in March 2006. Between 2002 and 2006, licenses were granted to a small number of competitive mail carriers. At first, these competitors were limited to charging rates no less than 4.5 times the rate charged by Israel Post.

The postal market can now be considered open, but Israel Post continues to enjoy one unique monopoly right -- foreign packages arriving in Israel from abroad, regardless of their customs status, are assessed a fee starting at NIS 35 (US\$9.80) for handling by the Post.

It is important to note that the powerful Israeli labor unions -- notably the national Histadrut Labor Federation and Israeli postal employees union -- played large roles in negotiations over postal reform. As the government, concerned about postal losses, sought to raise postal rates in 2006, the unions objected. Union leaders claimed that



higher rates would make the Israeli Post “uncompetitive,” as business would be taken by private firms, eventually resulting in layoffs at the government carrier. Strikes and legal actions have followed. As these disputes have wound their way through Israeli courts, job actions and work stoppages by postal workers have cut off deliveries of tax payments and government benefit checks.

Potential losses at Israel Post put the company on the brink of collapse, so a Tel Aviv Labor Court ordered the government in June 2008 to provide a "security net" of 36 million shekels (US\$10 million) to the Post to make sure the company would not dismiss workers. Moreover, pensions were guaranteed by the government, and those employees who were laid off in cost-cutting moves were given substantial “adjustment grants” by the government. Early retirement buyouts were also used to cut costs.

Regulation and Universal Service

The Israel Postal Company provides universal postal service to the general population, under the motto “From everywhere, to everyone at an equal price to all.” The Post provides approximately 100 products and services, including many items outside the scope of traditional mail, through the largest branch network in Israel.

Rates are recommended by a Rates Committee, which meets together with representatives from the Finance and Communications Ministries.

Because of its large staff, high compensation rates, and contributions back to the government, Israel Post has historically operated at a loss. In 2002, its operating deficit was NIS 150 million; in 2003, it was NIS 200 million. Israel Post's financial prospects may be turning around, however; it posted a small profit in 2007.

Competition

Israel Post faces competition from private carriers. The postal reforms between 2002 and 2006 opened Israeli postal markets to entrepreneurs. Israel Post's monopoly on bulk mail was ended in July 2007, and unions have initiated intermittent job actions and sanctions as a result.

Private carriers generally deliver mail only on profitable urban routes.

Despite this nominal competition, Israel Post retains a stranglehold on the consumer



market. After the IPC announced the 35-shekel fee for incoming foreign packages, the Jerusalem Post editorialized that "the public has no viable alternative to basic mail services making it vulnerable to what amounts to extortion. . . The IPC knows that most ordinary folks remain its captive consumers[,] a fact which renders its new demands [i.e., the 35-shekel fee] particularly unacceptable."

Government studies have recommended raising postal rates, but unions have objected. Union leadership maintains that such increases would bring about "rigidity" in rates and make it "impossible for the Postal Company to compete" with private entrepreneurs.

Mail delivered by the Post weighing between 100 and 500 grams now (2006) costs NIS 3.30 (roughly US\$0.92), and VAT is not charged for international mail.

Future of Israel Post

With the establishment of the Israel Postal Company, the government promised lower rates for consumers and better service. However, the country increasingly relies on electronic communications. As of 2006, close to two million Israelis were Internet users. When the new Post structure was proposed, postal rates were to have been reduced immediately by 6% and then by 1% over each of the following five years. The Postal Bank's services were also to be expanded. But the proposal, at least concerning rates, was opposed by unions and was ultimately dismissed as premature and overly ambitious.

The Post has struggled with deficits. "We are in a deficit because it is difficult to compete and make profits for a few years as our formerly monopolistic services have been exposed to competition. It will take a few years until we can stabilize ourselves and make a profit so we no longer need a safety net," a postal company spokeswoman said in 2008.

Nevertheless, the Israeli economy has rebounded since 2003, thanks to broad structural reform. The economy grew an estimated 5.4% in 2007, the fastest pace since 2000. Foreign investment has been strong, and both tax revenues and private consumption are up, setting the economy on a solid growth path.

Israel Post saw its prospects improve in 2007 after years of losses, posting a profit of



NIS 40 million (US\$11 million). The company's Postal Bank was the engine for much of that profit, bringing in NIS 307 million (US\$86 million). Company officials predict that profits will grow in the future.

Useful links

[Israel Postal Company](#)

[Dun and Bradstreet Profile of Israel Postal Company](#)

[Israeli Government Statement on Liberalization of Postal Market](#)

[First Stamp Announcing Creation of Israel Postal Company](#)

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