



# *Index of Postal Freedom*

## **New Zealand Post**



### *Overview*

New Zealand Post was corporatized and restructured very rapidly as part of top-to-bottom reorganization of New Zealand's economy beginning in the mid-1980s. The traditional, protectionist and inward-turning model of what had long been a British Crown colony was rebuilt by Labor Party Finance Minister Roger Douglas to integrate New Zealand into the realities of a radically changing global economy. Douglas followed the theories of the American economist Milton Friedman and the Chicago School.

"Rogernomics," as the measures were called, consisted of reforms pushed through Parliament which turned New Zealand towards a free-market, competitive model that welcomed foreign products and investment. The country's sleepy, colonial, agricultural orientation disappeared virtually overnight. Foreign exchange controls and industry subsidies were eliminated. Marginal tax rates were cut and financial markets deregulated. This "new order" continues to the present with many positive results, in spite of lingering controversy. The whole experiment is an unusual example of radical, free-market innovations undertaken by an otherwise left-leaning Labor government.

A significant reform of New Zealand Post, one of New Zealand's largest employers, was part this movement. Until roughly 1985, NZP was a government bureaucracy consisting of mail, savings bank, and telecommunications divisions. These three units were split apart, distanced from direct government control, and restructured as government-owned enterprises, or SOEs. They were not, however, privatized.

The government Ministries of Communications and State-Owned Enterprises continue to hold all shares, and there is no intention, it appears, to sell these



shares to private investors. But the Post now competes as if it were a private enterprise. NZP pays taxes, earns a return for its ministerial shareholders, and reports periodically according to the Postal Acts and other relevant legislation.

Large sectors of New Zealand's mail were opened to competition early on, and NZP's final monopoly on standard letters was stripped away as of April, 1998. Even though NZP remains ultimately under government control, it has expanded aggressively in the private sector through a portfolio of joint ventures and acquisitions. Despite early liberalization, NZP still controls about 95% of the country's letter market.

### *Origins and Development*

New Zealand is a small, remote country consisting of 4 million people living primarily in cities along the coasts of two main islands in the far South Pacific some 1,200 miles southeast of Australia. Settled primarily by the British who for years warred against indigenous Maori, New Zealand eventually became a Crown colony (1902) which retained close ties to Britain and remains, formally at least, under "the Crown," though in practice independent.

Early postal services were set up in the mid 19th century on British and Australian models. New Zealand settlements were isolated and accessible only by sea. Early post offices were agents of the Wellington government -- registering births and deaths, handling money transfers, voting processes, even marriages. That tradition -- the postal offices representing the government and providing government services -- remains alive today.

Of course, in recent times intercity transportation and communication problems have been solved with railways, superhighways, regular air service, and now electronic channels. Sea and air transport is now reliable and regular -- and virtually instantaneous cable and satellite transmissions are now standard.

New Zealanders lived well for decades exporting dairy and agriculture products to England via Australia. The economy faltered when Britain finally entered the European Economic Community in 1973. New Zealand felt -- and was -- economically abandoned, and the economy entered a period of stagnation. By the 1980s, policy makers realized New Zealand had to change to survive amidst



changed realities.

### *Liberalization*

NZP was losing money, and its services were ponderous and slow to adapt. The Postmaster General, under government prodding, ordered a study in 1985 which recommended sweeping changes in the way the Post was organized and administered. The report made the case for splitting up the Post's three core businesses -- mail, bank, and telecom -- and restructuring them as independent state-owned corporations.

According to the State-Owned Enterprises Act of 1986 and the subsequent Postal Services Act in 1987 (supplemented by a Postal Services Amendment Act in 1990) these recommendations were carried out. Some 432 post offices were closed in 1987, replaced by alternative postal outlets. The postal service returned a NZ\$70 million profit in 1988. The price of a standard stamp dropped from NZ \$0.45 to \$0.40 in 1995. During this time, New Zealand Post increased its percentage of next-day deliveries from 17 percent to, eventually, above 99 percent and was able to cut postage rates.

NZP did retain, for more than a decade, a statutory monopoly on the delivery of standard letters. In 1987 this reserved area included letters delivered for under NZ\$1.75 or weighing less than 500 grams. In 1991 the reserve area was reduced stepwise to letters under 200 grams carried for less than NZ\$0.80. By 1998 the Government of New Zealand removed the final Postal Service monopoly on letters weighing less than 200 grams.

New Zealand Post delivers to 1.8 million delivery points, including over 200,000 rural delivery boxholders. Rural boxholders used to be assessed a substantial rural delivery fee, but that fee was eliminated in 1995.

In 1998 an additional Postal Services Act completed the deregulation of the New Zealand postal market which now may be considered open to full competition. New Zealand Post is contracted as the universal service carrier.

Although traditional first-class mail volumes are sinking, over the last 20 years NZP has entered entered joint ventures and acquired companies across the



spectrum of mail, express delivery, bulk business mailing and logistics. NZP also set up a very profitable banking business, Kiwibank, in 2002. Through that bank, the Post has ventured into credit cards, retail store gift cards, personal loans, insurance, foreign exchange, online billpay, business lending and further into the home mortgage market through its 51% stake in New Zealand Home Loans.

### *Ownership, Structure, and Reporting*

According to the State-Owned Enterprises Act of 1986, the New Zealand Post Office was 'corporatized' and its core businesses split into three separate companies as of April 1, 1987. Telecom, Post Bank and New Zealand Post companies -- still owned by the Government -- were expected to operate as commercial entities and be profitable, efficient, good employers, and maintain a high level of social responsibility.

Ten non-executive and independent Directors make up the Board of Governance of the New Zealand Post Group. These governors must report any potential conflicts of interest, and every effort is made to ensure fair and businesslike oversight. Directors in turn serve on task-specific committees for the group using corporate models of governance.

The Act defined the specifics of the Government's (Crown's) ownership of the company, setting out rules governing Directors as well as the responsibilities of the Ministers who retain ownership of shares. The Act also laid out reporting requirements. The Act attempts to distance management from political influence. The Government may instruct the new SOEs to undertake additional tasks only under the condition that the government fund such tasks.

Besides the several Postal Services Acts, the New Zealand Post is also subject to provisions of the Commerce Act of 1986, The Fair Trading Act of 1986, and the Companies Act of 1993. The State-Owned-Enterprises Act also introduced a so-called Statement of Corporate Intent for the New Zealand Post. That statement, which must be updated annually, sets out performance targets and accounting rules. Additionally, performance updates must be presented in half-year and annual reports to the independent Directors, shareholding Ministers and Parliament. A further Deed of Understanding was set up between the



Government and the New Zealand Post which outlines service, price and social undertakings of the corporation.

### *Universal Service*

Unlike most countries, New Zealand has no provinces or states beyond a system of local governments, regional councils, and territorial environmental and transport authorities. The New Zealand Post reports to its Directors and its shareholding ministers in the capital of Wellington, but is also responsible, in a larger social sense, to a network of local planning bodies. New Zealand Post's relationship with its government "owners" and the public is maintained through the Deed of Understanding specifically relating to the postal service, and the various postal and government Acts which apply.

Maintenance of existing levels of universal service by New Zealand Post was stipulated in the postal Acts. According to law, NZP may not cross-subsidize its commercial ventures with mail revenues.

### *Competition*

Under New Zealand's current regulations, it is relatively simple to become a "postal operator" able to process and deliver mail, at any cost. A simple form is required to register on the Postal Register with the Ministry of Economic Development. Today there are some 25 such operators, including New Zealand Post, and a handful of these have set up relatively broad delivery networks. However, despite the loss of its monopoly in 1998, NZP still controls approximately 95% of the letter market today.

By the end of 1998, when mail competition was fully opened, there were 17 registered operators in New Zealand. Most were small and localized. But larger competitors began to emerge, including Fastway Post (a subsidiary of Fastway Couriers) which set up a franchised nationwide network of retail outlets, and New Zealand Document Exchange Limited (DX Mail) began providing regular business-focused deliveries in major cities. These companies and others negotiate access arrangements with New Zealand Post.

In the very competitive express delivery market, New Zealand Post entered into



a joint venture (Express Couriers Limited) with DHL in 2005. NZP is also very active in data management and direct mail processing (Datamail Group), competing against numerous other suppliers. The company has also become one of the largest postal consultancy companies in the world.

NZP constructed a new network of Mail Service Centers, PostShops and mail processing operations to service its largely urban retail and business customers. In addition, the company subcontracts a share of its rural delivery to individuals or rural delivery teams, which service approximately 600 rural routes. These are open to tender and small operators often combine routes.

Besides its joint venture with DHL, NZP is active in ventures which extend beyond mail. In both retail and business banking, NZP Group's Kiwibank has grown rapidly since its founding in 2002, and has become the source of much of NZP's post-reform revenue, in the face of slowly shrinking mail volumes.

### *Statistics and Performance*

NZP delivers to over 1.84 million delivery points, including over 200,000 rural addresses. The Post maintains a network of at least 880 postal outlets and post centers (excluding stamp retailers).

Total mail volume sank 2.1% in the 2006-07 reporting year and the price of a standard post stamp increased to NZ\$ 50 cents. But New Zealand Post profits remain respectable and direct mail volumes are increasing. NZP works closely with roughly 1,300 corporate mailers who, combined, generate some 500 million pieces of mail, approximately one half of NZP's total mail volume of one billion pieces per year.

Overall the New Zealand Post Group reported operating revenues of NZ\$1.2 billion in 2006-07. Its net surplus was NZ\$70.2 million, of which NZ\$30.8 million was returned to the government. Net profit after tax (INPAT) was 12.4%. NZP paid NZ\$29.3 million in taxes in 2006/2007, and raised NZ\$100 million in five year bonds in the country's capital markets.

NZP continues to supply some non-mail services such as voter registration on contract from the Ministry of Justice. Such services must be paid for by the



government units which contract them.

## *Useful links*

[New Zealand Post Annual Report](#)

[1998 Deed of Understanding Between the Queen and New Zealand Post](#)

[Register of Postal Operators](#)

### **Consumer Postal Council**

1600 Wilson Boulevard

Suite 900A

Arlington, VA 22209

Tel 703.312.4563

Fax 703.312.4564

<http://www.postalconsumers.org>