



Index of Postal Freedom

Italy - Poste Italiane



Overview

Government-owned **Poste Italiane** has evolved into a financially profitable and technologically sophisticated conglomerate that offers an array of services to Italy's 60 million consumers. According to a 2007 Fortune Magazine report, the group's revenues of US\$21.4 billion ranked sixth in the world -- behind only Deutsche Post, the U.S. Postal Service, UPS, FedEx, and France's La Poste. Established firms TNT, Japan Post, and Britain's Royal Mail all trailed Poste Italiane's revenues by significant margins.

The organization's success has been helped significantly by its expansion into banking, insurance, financial services, logistics, phone cards, and other competitive markets. This effort built upon Poste Italiane's network of 14,000 post offices. Traditional mail services in Italy are often slow and barely profitable -- only half the mail sent between Naples and Bologna, 360 miles away, arrives within the 1-3 day delivery window classified as "on-time." Financial services have surfaced as a crucial source of new revenue for the organization.

So far, Poste Italiane has weathered and actually benefited to some degree from the global financial crisis. The postal bank invests only in state bonds, and Italian consumers view postal savings certificates and accounts as safe havens for their cash in the wake of declining values for other types of assets.

Structure

Sixty-five percent of Poste Italiane shares are held by the Italian government's Ministry of Economics and Finance. The remainder is owned by a government company which manages the investment of public savings (Cassa Depositi e Prestiti S.p.A).

Management controls a broad empire beyond mail and package delivery. This



includes business logistics, banking and internet services, insurance, credit cards, investments, hybrid electronic document processing, and even mobile phones.

Here is a short summary of Poste Italiane's many subsidiaries:

- BancoPosta accepts and invests deposits.
- PostePay facilitates bill-paying.
- The SDA Group provides express mail and logistics.
- Mototaxi runs city bike couriers.
- Postecom operates Internet services.
- PosteVita sells a range of insurance products.
- Fondi Bancoposta Sgr handles investments.
- Postel is the European leader for hybrid electronic mail and document processing.
- Poste Italiane's Europa Gestioni Immobiliari unit engages in real-estate financing.

Poste Italiane employs 46,000 postmen and about 155,000 workers in total. The workforce has shrunk since Poste Italiane became an independent company. While government-run, the national post employed more than 200,000 workers.

In 2007, Poste Italiane delivered more than 3 billion pieces of mail. It retains just 5 percent of the domestic package market, according to IBM. Letter volumes are less than half EU per capita averages.

Poste Italiane reported its first overall profit in 2002 -- after fifty years of red ink as a government agency. It has reported profits in each of the six years since.

In 2007, Poste Italiane reported that its net income was up 25 percent, to €844 million, from €676 million in 2006. That represents a 141 percent increase in profit in just two years. The group reported revenue from postal services of €5.5 billion and from financial services of €4.5 billion in 2007. Both represented increases in revenue from the previous year.

Nevertheless, some analysts believe Poste's profits are tenuous. Just 200 customers are



responsible for 20 percent of Poste Italiane's revenues.

Liberalization

In 1998, in response to the general EU schedule for gradual liberalization of national postal markets, Italy converted its traditional national post into a public limited company. The new share company evolved rapidly.

In 1999, Priority Mail service was introduced, and in 2000, Poste Italiane implemented a broad plan to upgrade post offices.

Poste Italiane still maintains a monopoly on letter mail below 50 grams, as do many other European posts. The EU has directed that postal markets in member states must be liberalized by 2011. The target date for full liberalization has been postponed several times, and Italy has taken full advantage by refusing to liberalize its market ahead of schedule.

Poste Italiane has received government support during the transition to a liberalized postal marketplace. In 2006, for example, the Italian government removed the standard 45-cent letter from Poste's product offerings. Since then, every letter sent via Poste must be sent as "post prioritaria" at a cost of 60 eurocents.

Competition

Licenses have been granted to 1,600 mail operators for a market that includes some 900 million pieces of mail outside the monopoly, which is currently in effect for letters weighing less than 50 grams. Given Poste Italiane's historical unreliability, many consumers embraced the entrance of independent operators into the delivery market in the 1990s. Nevertheless, the postal market is relatively non-transparent, and the monopoly on letter mail -- the weight for which has declined over time -- guarantees Poste Italiane a dominant position.

The market for packages is more competitive. According to IBM, Poste Italiane has just 5 percent of the domestic package market.

Major players in the postal market include Dutch titan TNT Post, which employs 1,800 workers in Italy and posted €147 million in revenue in 2006. According to BT Global



Services, TNT Express Italy is the market leader for domestic and international parcel and package shipments in Italy.

Deutsche Post's various brands also maintain a presence in the Italian market.

There are five significant players in the mail market, of which Poste is by far the biggest. Poste Italiane has revenues more than three times higher than its nearest competitor.

Non-Postal Services

Poste Italiane has been aggressive in diversifying its business into markets more lucrative than traditional mail, even as it's maintained its core mail obligations. It has invested substantially in electronic infrastructure for banking, financial services and advanced business logistics have. These efforts were undertaken in partnership with outside firms, including such technology leaders as Microsoft and Cisco.

Non-mail financial services compete directly with the private sector.

More than half of Poste Italiane's revenues come from financial services and insurance. Traditional mail accounts for less than a third of total revenues. It's clear that Poste Italiane's management is "betting on banking," as IBM's postal analysts put it in 2006.

So far, the global financial crisis has contained some good news for Poste Italiane. Money has poured into Poste Italiane's banking unit, which Italian savers regard as a safe alternative to the country's endangered commercial banks. The postal bank only invests in state bonds. In October 2008, purchases of postal savings certificates were almost 300 percent higher than in September, while Italian mutual funds suffered massive withdrawals. Deposits to postal savings accounts jumped 112 percent in October 2008 compared to the previous month.

Today, Poste Italiane manages €340 billion of savings in more than 5 million accounts. With such assets, Poste Italiane is one of the largest savings banks in Italy.

Its investment arm, Fondi Bancoposta Sgr, handles €3.3 billion.



A further €29 billion of savings and deposits is managed through Poste Vita, the national post's insurance company. Poste Vita is the largest life insurance company in Italy.

In 2003, Poste Italiane introduced PostePay, which is now the most widely used prepaid credit card in Europe.

Poste Italiane has recently moved into wireless telephony with its “virtual” telephone company Poste Mobile. As of December 2008, 630,000 customers have bought Poste Mobile SIM cards for their phones. Poste Mobile also has tapped into the market for payment systems by phone.

In a partnership with Italy’s National Railway System in 2008, Poste Italiane set up Italia Logistica, a nationwide business logistics operation.

Notably, in the course of these modernization and expansion initiatives, Poste Italiane units have not been spun off.

Future of Poste Italiane

From 2002 through 2007, Poste Italiane reported six consecutive years of profits.

Poste's management has bet heavily on financial services as the engine of growth for the organization. Some commentators question whether will be able to maintain its dense network of post offices into the future, particularly as consumers move online to conduct their financial operations.

Poste Italiane continues to venture into new fields where it essentially competes with private-sector providers. Its mail operations have benefited from the profits borne by non-mail operations.

Such cross-subsidies have helped modernize and maintain the mail sector. For example, all Italian postmen will soon be provided with mobile devices to track mail status and deliveries.

In 2008, Standard & Poor’s listed Poste Italiane as one of the top candidates for “final”



liberalization. Indeed, there were reports in June 2008 that the Italian government was considering a further privatization of certain state-owned companies, including Poste Italiane. But the credit collapse has put such plans in doubt.

In Italy's "mixed" economy, the government has traditionally played a large role. Given the current economic environment, the "safety" of Poste Italiane's financial conglomerate grants the state postal monopoly great advantage over private-sector firms engaged in everything from financial services to communications to package delivery.

Useful Links

Poste Italiane 2007 Results

(http://www.poste.it/en/azienda/press_room/press_kit/Sarmi-Postetaliane-2007Results-ConfStampa-26mar08-EN.pdf)

Profile of Poste Italiane

(http://www.poste.it/en/azienda/press_room/company_profile_en.pdf)

Select News Articles on Poste Italiane

(http://www.poste.it/en/azienda/press_room/press_selection.shtml)

News Article from *Financial Times*: "Wary savers flee from banks to Poste Italiane"

(http://www.ft.com/cms/s/0/83ffa2d2-c49f-11dd-8124-000077b07658.html?nclick_check=1)

Article: "Industrial relations in the postal sector -- Italy"

(<http://www.eurofound.europa.eu/eiro/studies/tn0704018s/it0704019q.htm>)

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