CONSUMER POSTAL COUNCIL

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COMPETITION BEGINS IN BRITAIN

UK MAIL MARKET ADJUSTS TO DEREGULATION

Since Britain ended the Royal Mail's postal monopoly on January 1st, competition for big mail contracts has been heating up. The banks Lloyds TSB and Barclays, credit-card giant MBNA, and pay television company BSkyB are all giving their postal business to TNT Mail -- the UK arm of the partially privatized Dutch mail company TPG. GE Consumer Finance, Vodafone, Powergen, and Royal Bank of Scotland have contracted to use mail service provided by UK Mail, an arm of the courier group Business Post. The grocery chain Tesco and the cable group NTL, meanwhile, have signed deals with DHL.

At least 14 firms are now licensed to deliver mail in Great Britain, among them the privatized former mail monopolies of the Netherlands and Germany. So far competition is primarily affecting business-to-business and business-to-consumer mail. The head of the consumer watchdog organization Postwatch says he believes that competition will ultimately benefit consumers.

Whether to privatize Royal Mail or not continues to be a subject of political debate in Britain. The leader of the country's third-largest party, the Liberal Democrats, in February sought to establish his party's free-market credentials by endorsing a proposal to sell off 49 percent of Royal Mail. The Communication Workers Union, the country's largest communications industry union, remains opposed to privatization.

Royal Mail competitor TNT Mail is urging the European Commission to reject Royal Mail's request for 2 billion pounds from the British treasury. TNT has said that the funding would constitute "unfair state aid" and contribute to an already distorted market.

British postal regulator Postcomm has proposed a new stamp-price regime designed to help compensate for Royal Mail's pension deficit. The scheme would allow first- and second-class stamp prices to go up by no more than 2 pence this year, but allow the price of a first-class stamp to rise to 37 pence by 2010, rather than the 36 pence the regulator previously proposed. The extra-penny increase would take effect if Royal Mail's pension deficit were to increase above 5.9 billion pounds. The price of a first-class stamp is currently 30 pence.

NETHERLANDS, AUSTRIA MOVE AHEAD ON LIBERALIZATION

The Netherlands looks likely to embrace full postal competition by April 2007, the logistics consultancy MRU reported, citing a spokeswoman for the Dutch Ministry of Economics. Dutch privatized mail carrier TPG still holds a monopoly on letters weighing less than 50 grams and is advocating an extension of the monopoly beyond the above-mentioned date.

Austria is planning to sell up to 49 percent of Austrian Post (Oesterreichische Post) in an initial public offering. Post office management and the government have said that they expect the IPO to take place before June. The sell-off will follow a 25-percent increase in the operating earnings for the year 2005, in part due to job cuts. Austrian Post's letter-mail monopoly is expected to end by 2009, in line with a European Union deadline.

Posing a potential risk to the timing of the Austrian privatization, the country's highest court issued a verdict against Austrian Post in February, ruling that it had abused its dominant market position in distribution contracts signed with newspapers. Austrian Post had forced newspaper publishers to sign five-year contracts. The case was brought by a private competitor, Redmail, a subsidiary of Styria Media AG.

MERGER MADNESS

Globally, more mergers and acquisitions are occurring in the express, mail and logistics industry now than at any time since 2000-2001, according the consultancy Transport Intelligence. The company's chief analyst credits a growth in online sales and a boom in international freight driven by the Chinese economy. He singled out Deutsche Post's acquisition of Britain's Exel as a major 2005 purchase.