CONSUMER POSTAL COUNCIL

INTERNATIONAL POSTAL UPDATE

October 2006

EUROPE'S POSTAL MONOPOLIES LOSE GROUND

EU, BRITISH REGULATOR PUSH LIBERALIZATION

The future of Europe's postal sector -- which thus far has resisted complete liberalization -- will face a critical hurdle this fall. In a bid to push through full liberalization across the 25-member European Union by 2009, the European Commission will propose its third postal services directive. The reform process started in 1997. The Commission, which is the EU's executive body, is expected to suggest scrapping "reserve" monopoly areas, which currently allow countries to maintain monopolies on letters below 50 grams. Nine countries -- including France, Italy, Spain and Belgium -- are expected to resist. So it remains to be seen whether the directive will succeed.

The proposal will likely encounter tough opposition, in particular from member states like France and Italy, which have strong trade unions and have been reluctant to open public services to private-sector competition. A majority of European Members of Parliament must approve the proposal before it can become law. Among EU members, Sweden, Finland, Estonia and Great Britain already allow full competition. Germany is expected to open its market by the end of 2007.

The European Commission is expected to ask the French government to withdraw the unlimited guarantee that allows La Poste, the state-owned postal operator, to borrow. In December 2005, Brussels authorized La Poste to sell some banking services, prompting complaints from private sector French banks.

The British regulator Postcomm imposed a financial penalty on Royal Mail, the former monopoly carrier, in September for failing to take adequate steps to avoid gaining an unfair advantage over its competitors in access to the last mile of delivery. The postal market in Britain was opened to competition at the beginning of this year, but most competitors only collect and process mail while still paying Royal Mail to handle delivery.

DUTCH DECISIONS

A judge in the Netherlands ruled against TPG Post, a subsidiary of TNT, the country's former state-owned mail carrier. TPG Post, which still holds monopoly rights on letters below 50 grams, had brought a suit in The Hague's district court against the postal company Sandd for delivering a mail-order company's packages that contained both a bill and a catalogue. TPG argued that Sandd was evading the law by bundling the catalogue with the letter so as to push the total weight above 50 grams. The court ruled that it was the weight of the entire package that counted, not whether or not the package contained a letter.

The European Court of Justice ruled that the Netherlands is breaking the law by owning a "golden share" in TNT. Though TNT is fully privatized, the Dutch government possesses a single special share that gives it veto rights in certain stockholder votes. European governments have often used such golden shares to protect privatized state assets from corporate takeovers, particularly by foreign companies. In this case the ECJ said that the government's stake is incompatible with the free movement of capital in the European Union.

NEW JAPAN PM BACKS POSTAL BREAK UP

Japan's new Prime Minister Shinzo Abe is expected to continue his predecessor's economic reforms, including postal privatization, according to Dow Jones' MarketWatch. Abe was elected on Sept. 20. Bills pushed through parliament by former Prime Minister Junichiro Koizumi will split Japan Post into four units under a state-owned holding company, and require the sale of its savings and insurance businesses by 2017. The four units would handle branch management, mail delivery, insurance, and postal savings.