POSTAL PRIVATISATION AND Deregulation

QUESTIONS AND ANSWERS

PRIVATISATION

What does privatizing a post office mean?

Privatisation means selling a public post office to the private sector by selling shares to private investors. Once shares are sold to anyone - even employees - a post office is under pressure to make profits to satisfy investors. In other words, a privatized post office’s main goal is to make profits, not provide service to the public.

A post office may also be privatized, through the back door, by contracting out certain postal services and jobs to the private sector.

Is the public in favour of postal privatisation?

No. A parliamentary committee looking into Canada Post as part of the federal government’s 2016 review of the corporation found that Canadians support keeping Canada Post public. This committee held cross-country hearings in 21 communities and concluded that Canada Post should “be maintained as a universal public service for all Canadians…” See recommendation #1 at: http://www.ourcommons.ca/DocumentViewer/en/42-1/OGGO/report-4/

An earlier review in 2008/2009 found that “there appears to be little to no public support for the privatisation or deregulation of Canada Post at this time, and considerable if not unanimous support for the maintenance of a quality, affordable universal service for all Canadians and communities.”

Who gains and loses when a post office is privatized?

Postal managers sometimes support privatisation because they do not want to be subject to regulations or legislation, which they see as encumbering their ability to compete. Canada Post President Deepak Chopra has dodged questions about postal privatisation, but former President Moya Greene supported moves to privatize Canada Post. She asked the government to approve an employee share ownership plan.

To date, the federal government has not been willing to go the privatization route. The Liberals ruled out privatization during the recent review of Canada Post, as did the Conservatives before them during a 2008/2009 review of the corporation.
Governments arguably lose a great deal by privatizing. They forfeit regular payments to national coffers if post offices are profitable (as opposed to receiving one-time profits from privatizing). They also risk being politically unpopular with the public, especially people living in rural and remote areas. These residents stand to lose affordable service, or service altogether, in a privatized postal system geared to profit.

As a rule, post office competitors are not interested in privatisation either. They don't want a big private post office competing with them. Of course, some of them may be interested in buying up the lucrative parts of a post office, just not the money-losing but socially valuable services, such as rural post offices and delivery.

What do polls say?

Polls show that people continue to believe that Canada Post should remain in the public sector.

64.4% of respondents to a 2014 Stratcom poll said they opposed privatizing Canada Post.

65% of respondents to a 2011 Forum Research poll also said they opposed privatizing Canada Post. This poll was taken during a postal disruption.

A 2009 Harris Decima poll found that 60% of respondents were opposed to the idea of selling off Crown assets to keep the deficit down, while 30% were in favour of such a move. Only 30% supported privatisation of Canada Post.

A 1996 Angus Reid poll found that 64% of those surveyed believed Canada Post should be a government department or a Crown corporation that makes a profit. Less than one third (31%) believed the corporation should become a private sector company.

What countries have privatized their post offices?

Few post offices have been wholly privatized.

Malaysia, Malta, Lebanon, Portugal, the Netherlands and the United Kingdom – Malta Post, Pos Malaysia, Liban Post, CTT Group, PostNL and Royal Mail (the postal operator in the Netherlands) are wholly private postal services.

Germany - The majority of Deutsche Post shares have been sold, which means the German government no longer has a controlling interest in its postal service. Germany has an indirect stake of 20.5% in Deutsche Post through KfW Bankengruppe (KfW), which is a state-owned development bank. (Information as of December 2016)
**Singapore** – The government of Singapore indirectly owns about 22% of SingPost. Temasek Holdings, an investment company owned by the Singapore government, owns 51% of SingTel, which in turn holds 21.7% in SingPost. (Information as of 2016/2017)

**Belgium and Austria** - Post offices in some countries, such as Belgium and Austria, have been privatized to varying degrees. However, the governments of these countries still have a controlling interest. The Austrian government indirectly owns 53% of its post office Post through the holding company ÖIAG. The Belgium state directly and indirectly owns 51%. (Information as of December 2016 and April 2017)

**Greece** – Greece has plans to privatize Hellenic Post. Currently, the state holds 90% of the shares. The remaining 10% are owned by the Eurobank Group. (Information as of June 24, 2016).

**Japan** - In 2012, Japan passed a bill relating to privatisation of Japan Post. Prior to 2012, Japan Post Group consisted of five companies: Japan Post Network, Japan Post Service, Japan Post Bank and Japan Post Insurance, under Japan Post Holdings. The law required that the government reduce its shares in Japan Post Holdings to one-third by 2017. It also required the state to sell its entire stake in Japan Post’s banking and insurance companies by the same deadline. The 2012 legislation removed the 2017 deadline and instead directed the holding company to make every effort to dispose the stakes as early as possible. In other words, it made full privatisation a non-binding target rather than an obligation, as stipulated under the old law. The 2012 law also merged Japan Post Service and Japan Post Network and obligated post offices to provide universal postal and financial services across the nation. In November 2015, the government sold about 20% of its stake in Japan Post Holdings and about 10% in both Japan Post Bank and Japan Post Insurance. (Information as of January 16, 2017).

**United Kingdom** – The Royal Mail has been privatized. However, the retail network, which is known as the Post Office, remains state-owned.

**Italy** – The government of Italy owns 29.3% of Poste Italiane and the largely state-owned Cassa Depositi e Prestiti owns 35% (Information as of May 15, 2017).

**Romania** – The government owns 75% of Posta Romana and Fondul Proprietatea owns 25%. There has been talk of listing Posta Roman on the Bucharest Stock Exchange. (Information as of September 21, 2016)

**Russia** - The government has discussed the potential privatization of Russian Post, Russian Railways and other large assets. (Information as of February 2, 2017)

**Colombia** - Colombia’s repressive government used force, intimidation and union-busting to privatize its postal service.
Argentina – The post office was privatized in 1997 but is now back in state hands.

France – The government dropped plans to sell part of La Poste in 2009. In March 2010, La Poste became a public limited company with 100% publicly-owned shares.

DEREGULATION

What does deregulating a post office mean?

Deregulation means reducing or removing a post office’s monopoly.

Post office monopoly: No post office has a true monopoly on mail. A postal monopoly (also called a reserved service area or exclusive privilege) simply gives a post office the exclusive right to deliver certain kinds of mail. For example, Canada Post has a monopoly or exclusive privilege to deliver letters. A letter is defined as “one or more messages or information in any form, the total mass of which, if any, does not exceed 500 g, whether or not enclosed in an envelope, that is intended for collection or for transmission or delivery to any addressee as one item...” Some countries have monopolies that extend beyond letters.

The scope of the monopoly is usually limited to some degree. Some letter monopolies allow messengers to deliver letters that are above a certain weight. Others allow messengers to deliver letters as long as they charge an amount that is, for example, two or more times the basic letter rate. Some monopolies are defined by a combination of weight and price.

In Canada, anyone can deliver letters as long as they charge a fee that is three times the regular rate for letters weighing fifty grams ($3.60 as of July 12, 2017).

Is the public in favour of deregulation?

There was very little discussion of postal deregulation or liberalisation during the cross-country consultations held in relation to the 2016 Canada Post Review.

An earlier review in 2008/2009 found that: “there appears to be little to no public support for the privatisation or deregulation of Canada Post at this time, and considerable if not unanimous support for the maintenance of a quality, affordable universal service for all Canadians and communities.”

Moreover, submissions to the 2008/2009 review showed there is widespread opposition to deregulation, including the public, major postal users, many federal politicians and municipal representatives as well as groups representing seniors, rural residents, people
with disabilities, labour, students and civil society. Municipalities were especially adamant in their opposition. Five hundred forty-three (543) of the 653 municipalities that made submissions said they opposed deregulation. Another 26 municipalities said they were concerned. Only one municipality supported deregulation.

Who wants deregulation?

Multinational courier companies and international mailers have lobbied to deregulate Canada Post and increase their share of the postal/courier market. Some have lobbied federal Members of Parliament. Others have attempted to deregulate or liberalise through the backdoor of international trade agreements.

The former Conservative government responded to some of this lobbying. In 2010, the Tories inserted deregulation of international letters into its budget bill (C-9), making the issue a question of confidence and a potential election trigger. At the time, the government said “Canada Post will continue to have the exclusive privilege for domestic mail throughout Canada.”

What would happen if Canada Post was deregulated?

If Canada Post was deregulated, private companies would have the right to compete for the lucrative letter market but they would not necessarily be obliged to provide universal service like our public post office. The financial crisis resulting from volume and revenue lost to competition would leave our post office with less money to provide the public with service. There would also be less revenue for decent wages, benefits, working conditions and jobs.

What do polls say?

A 2013 Statcom poll found that 71% of respondents opposed allowing private companies to deliver lettermail while 29% supported this change. Stratcom also found that support for postal deregulation was not solid. Respondents who favoured deregulation were asked whether they would change their minds and oppose letting private companies deliver lettermail if they knew that this move would make it impossible for Canada Post to keep its one-price-goes-anywhere service for the price of a stamp. Stratcom found that over half (58%) of the support for deregulation would melt away, bringing support to 12%, down from 29%.

A similar poll conducted by Ipsos Reid in 2008 found that 69% of respondents opposed postal deregulation and just 27% supported it. The response to “allowing private companies to deliver lettermail” was similar in both urban and rural Canada. Furthermore, 45% of respondents supporting deregulation said they would
change their minds if opening up lettermail to competition made it impossible for Canada Post to keep its one-price-goes-anywhere service for the price of a stamp.

The Ipsos Reid and Stratcom findings do not stand alone in showing opposition to postal deregulation. The Canadian Federation of Independent Business (CFIB) also discovered resistance in a 2008 survey of their membership. When asked if Canada Post should be allowed to keep its mail monopoly, 52% of respondents answered yes and 35% said no, with 13% undecided or not interested. Over 11,000 CFIB members participated in this survey.

A 2008 Strategic Communications poll suggested that a significant amount of the opposition to deregulation is due to concerns about what deregulation may mean for the environment and security of the mail.

The poll found that 74.9% of respondents were concerned about the environmental consequences of allowing private contractors to deliver lettermail in Canada (i.e. more motor vehicles delivering lettermail).

Similarly, the poll found that 76.8% of respondents were concerned about identity theft or a risk to their privacy if private contractors were to deliver lettermail instead of Canada Post.

What countries have fully deregulated their post offices?

A substantial number of countries have deregulated or liberalized their postal service, either fully or partially. Some of these post offices are still in the public sector while others are not.

Countries with fully liberalized postal markets:

- Argentina
- Austria
- Bahrain
- Belgium
- Bulgaria
- Colombia
- Cyprus
- Czech Republic
- Democratic Republic of the Congo
- Denmark
- Ecuador
- Estonia
- Finland
- France
- Gabon
- Germany
- Greece
- Hungary
- Iceland
- Ireland
- Italy
- Japan*
- Kyrgyzstan
- Latvia
- Liechtenstein
- Lithuania
- Luxembourg
- Malta
- Netherlands
- New Zealand
- Nicaragua
- Peru
- Philippines
- Poland
- Portugal
- Romania
- Russian Federation
- Singapore
- Slovakia
- Slovenia
- Spain
- Sweden
- Togo
- United Kingdom


*Japan formally liberalized its post office in 2002, but there has not been much actual liberalization (see below).*
A number of other countries have postal markets that have experienced de-facto liberalization or deregulation. Although they are not formally liberalized, there is competition.

What has the impact been in countries that have deregulated?

**European Report:** Opening up postal markets to full competition has not achieved its objectives according to a 2013 report called *The Liberalisation of European Postal Markets and the Impact on Employment and Working Conditions*. The report, which was conducted by Forschungs- und Beratungsstelle Arbeitswelt (FORBA), says supporters of liberalization promised better services, lower prices and more employment, but that this has not happened.

*Findings* - Liberalisation has “resulted in the establishment of a series of new competitors who mainly focus on lucrative clients and highly populated areas while pursuing a low cost, low quality business strategy.”
- New competition has aggravated problems for postal administration that already face declining mail volumes.
- It has been difficult for new competitors to acquire a significant market share in most countries.
- Prices may have gone down for large customers but not necessarily for regular users who pay standard rates.
- The quality and efficiency of postal services is debatable and depends on the operator and the price.
- Liberalisation has been “rather disastrous” for workers and employment. New competition has created pressure to invest in new technology and cut costs, leading postal administrations to drastically cut back on the number of employees and cut wages for newly hired workers.
- Reduced employment and new control and planning initiatives have resulted in increased workloads.
- Jobs with new competitors normally have less security, lower wages and are often offered as short, part-time contracts or on a self-employed basis.

*Norwegian report:* A report by the Norwegian government looked at the wages and employment conditions in the postal market of five countries that had undergone full market liberalization as of 2010 - Sweden, Germany, the Netherlands, New Zealand and the UK. The report found that wages fell dramatically after deregulation in some countries and that the number of temporary employees and the proportion of part-time employees increased.
UNI report: Global union federation, Union Network International (UNI), published a report called *Postal Liberalisation: The Issues, The Impact and Union Responses* in October 2012. The report found that postal liberalization is often accompanied by post offices closures and service reductions. It says:

- **In Germany**, **Sweden** and the **Netherlands**, there are no longer any non-franchised post offices.
- **In Hungary**, 514 post offices were closed between 2002 and 2010.
- **In the UK**, the number of crown and agency post offices has declined by 2,558 since Royal Mail’s monopoly was removed in its entirety. The quality of the universal service has also suffered, with deliveries reduced from twice to once a day in 2004, the abolition of Sunday collections in 2007, and delivery times pushed back from early mornings to the middle of the afternoon.
- **In Argentina**, it is estimated that 2,000 post offices closed throughout the liberalisation and private concession period. The new operators were only interested in the most populated areas and profitable customers, leaving the rest of the country to a marginal universal service with inadequate funding, provided by the public operator.
- **In 1987, New Zealand** Post took over the previous postal network of 1,244 post offices, of which 906 were full post offices and 338 were postal agencies. The Government retained the title to 600 post offices that were identified as uneconomic and paid subsidies to New Zealand Post and Post Office Bank Ltd to maintain existing services. The subsidies ceased on 5 February 1988 and 432 post offices were closed to become “post only” agencies. At the remaining 168 locations, agencies were closed to become postal delivery centres or stamp retail outlets. Currently there are 995 retail outlets, of these some 150 are Corporate PostShops.
- **La Poste in France** is also implementing measures to save money by reducing services. They are transforming many traditional post offices into agencies operated with local authorities or post offices managed with other service providers.

**Japan:** Although Japan Post was formally liberalized in 2002, there is still no competition for general correspondence delivery, largely because competitors must meet strict license conditions (i.e. provide nationwide delivery, six days a week; provide 100,000 collection boxes throughout the county; mail items that are 40cm x 30cm x3cm or smaller and weigh 250g or less). However, private operators deliver postal products excluded from general correspondence because some products are not recognized as lettermail. (Information as of November 2014).

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Sources: Available upon request.