



Postal Services. Quo Vadis?



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- Postal Services have been in existence for many millennia.
- Feldman and Kane (1975) summed up the evolution of postal services during this period in the following terms.
 - *“It is one of the remarkable facts of Post Office history that all the really important innovations and reforms were the work of outsiders, who usually did not achieve success until the strenuous opposition of Post Office Officials was overcome.”*



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Rowland Hill Reforms

- 1837 Publication of his pamphlet "*Post Office Reform its Importance and Practicability.*"
- 1840 (JAN) Introduction of Universal Penny Post
- 1840 (6 May) First postage stamp the *Penny Black* issued
- 1843 Brazil issues postage stamps
- 1847 USA issues postage stamps
- By 1855 22 states issuing postage stamps



Postal Services. Quo Vadis?

Divesting

- Telecommunications
 - Now only Luxembourg has joint P&T enterprise
- Post Offices and Postal Savings
 - Germany, Sweden, UK
 - Social service aspects of post offices
 - Need for subsidies
 - Postal services need commercial management

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Diversification

Company	State ownership	Product diversification	Nature of diversification	Geographical diversification
Deutsche Post	20.5%	29.8%	Freight SC	30.6%
Post Italiane	64.3%	33.0%	Digital FinS	Nil
Swiss Post	100%	35.1%	Log. FinS Bus	84.5%
bPost	50% + 1	43.6%	Log. FinS Retail	64.1%
La Poste (Fr)	100%	45.7%	DPD Bank Digital	72.8%
An Post	100%	66.7%	FinS Printing Database	88.9%
Post Nord	100%	87.7%	Information Log	80.1%
Royal Mail	Nil	Nil		74.5%



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The mix of postal services

- Mail from individuals now less than 10%
- Provided under public law; features non-negotiable
- Businesses want bespoke services under contract law
- Prepayment by stamps challenged by technological changes
- Volumes fallen significantly -3.1% pa worldwide; -2.4% pa UPU industrialized countries



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The mix of postal services (continued)

- Letters still a sizeable business 271bn pa in UPU IC
- More expensive but more effective than email etc
- Volume decline being arrested?
- D+1 premium service, basic service D+3 or D+5

- Growth in packets and Parcel volumes +7.1% pa
 - Impact on delivery methods
 - Lockers, Parcel Shops, Evening and weekend deliveries
 - Postal operators at competitive disadvantage



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International services

- 1874 UPU established
- 1969 Terminal Dues introduced
- 1980s Arbitrage leads to Remail etc; transit delays led to courier services
- From 2000 distortions to posts and trade highlighted
- Recent growth in eCommerce imports from Asia prompt EU and USA to take action
- EU – low value tax exemption eliminated
- VAT and Customs Duty must be paid by commercial senders
- USA withdrawing from UPU; parallels with IATA; special UPU Congress September 2019



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Corporatization

- Of EU countries only in Cyprus are services provided directly by Government
- 4 of UPU IC countries have autonomous state entries
 - Australia, Canada, Luxembourg, Switzerland
- 19 of UPU IC countries services provided by limited liability companies
- 3 fully privatized
 - Japan, The Netherlands, UK
- Germany only 20.5% held by Government
- 3 partially privatized, state owns 50-65%
 - Austria Belgium Italy



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Conclusions (1)

- No consensus as to future directions
- There is a future for domestic letters, but depends on national focus
- International letters declining faster than domestic (5.5% v 2.4%); will depend on UPU reform
- eCommerce will drive growth in parcel and packet services
- But Posts are competing in a very competitive market



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Conclusions (2)

“is there a role for government in the provision of postal services in the future?”

- capital needed to finance diversification, growth and working capital.
- Where states have the capital, and can justify investment under state aid rules, where applicable, then governments may still have a role.
- But some operators are fully privatized and others have access to private capital.
- Even where the state retains a controlling interest the expertise of private investors can help operators better react to changing market conditions



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THANK YOU

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