

# What to Expect from Postal Liberalisation in Italy?

## International Experience and Conclusions

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# Who is WIK-Consult?

- WIK ('Scientific institute for infrastructure and communication services')
  - Independent research institute, owned by the German government
  - ~ 45 consultants/researchers
  - > 25 years of experience with economic regulation and sector policies
  - Telecommunications, postal and energy markets
- WIK-Consult is a 100% subsidiary of WIK
  - Consultancy specialized in regulated industries, founded in 2001
  - ~ 60% of revenue from customers outside Germany

## 2011: End of postal monopoly (in Italy and most of EU)

- In Italy, competition was long introduced for direct mail.
- Since 2011, all correspondence is liberalised
- How will full liberalisation affect the postal market in Italy?
  - Market structure/competition?
  - Poste Italiane?
  - Private operators?
  - **Customers?**

**Discuss  
international  
experience**

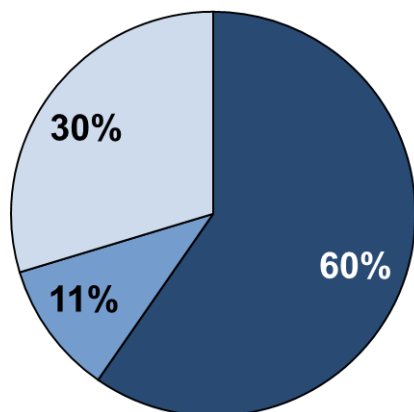
**Outlook  
?**

# Liberalisation in the EU

## Even before 2011, majority of EU Mail was liberalised

- Postal Directive: 17 of 27 MS (94% of all EU mail volume) must fully liberalise by 2011
- Progress of implementation of 3rd Postal Directive unclear to date

**Importance of national monopolies in EU, end 2010**  
(Countries weighted by mail volume)



- Fully liberalized
- Monopoly for Correspondence < 50 gram
- Monopoly for all letter post < 50 gram

- Most EU states maintained maximum permissible monopolies until 2011
- No monopoly in seven countries
  - Finland (1991)
  - Sweden (1993)
  - Great Britain (2006)
  - Germany (2008)
  - Netherlands (2009)
  - Estonia (2009)
  - Spain (local mail liberalised)
- Some countries restrict monopoly to correspondence – direct mail liberalised, e.g. Italy, Spain, Slovenia...

# Liberalisation in Sweden

## The European Frontrunner

<b>Approach to market opening</b>	<u>Full liberalisation in 1993</u>
<b>Actual competition</b>	<ul style="list-style-type: none"><li>• Only one important competitor: Bring CityMail</li><li>• Bring CityMail delivers business mail in urban areas</li><li>• In 15 years, CityMail's market share rose very slowly to ~11,1% (of mail volume) in 2009</li><li>• Sweden Post reacted with aggressive pricing (and prices were challenged by competition authorities)</li><li>• Business mail tariffs declined, stamp price increased</li><li>• CityMail went bankrupt twice</li></ul>

- Competition does not come easily in the postal sector

# Liberalisation in Germany

## Competition from Local Operators

<b>Approach to market opening</b>	<ul style="list-style-type: none"><li>• Weight and price limits since 1998. Value added services liberalised, e.g. guaranteed overnight delivery</li><li>• <u>January 2008: Full liberalisation</u> But barriers to competition: sector-specific minimum wage (2007-2009) and VAT exemption</li></ul>
<b>Actual competition</b>	<ul style="list-style-type: none"><li>• ~ 750 licensed operators in 2009, mostly local</li><li>• ~10% combined market share in 2009 (by volume). Deutsche Post's market share around 10% since 2006</li><li>• 2006-07: Emerging nationwide operations TNT and PIN</li><li>• 2008-2009: Household coverage of TNT-Holtzbrinck partnership aiming to 90%; recent hybrid mail initiative</li><li>• Deutsche Post strongly decreased business customer tariffs in 2008 and 2010</li></ul>

- Competition did not increase with full liberalisation!

# Liberalisation in the Netherlands

## Competition for Direct Mail

<b>Approach to market opening</b>	<ul style="list-style-type: none"><li>• Direct mail (Drukwerk) opened to competition in 2000</li><li>• <u>April 2009: Full liberalisation</u></li></ul>
<b>Actual competition</b>	<ul style="list-style-type: none"><li>• Entrants started off delivering unaddressed, expanded to addressed direct mail and publications</li><li>• Two important entrants<ul style="list-style-type: none"><li>• Sandd and SelektMail (Deutsche Post)</li><li>• Nationwide coverage</li><li>• Entrants adopt low cost model (two deliveries per week)</li><li>• Press: SelektMail to be acquired by Sandd</li></ul></li><li>• TNT's market share down to ~ 84% in 2010</li></ul>

- Entrants operate nationwide delivery networks

# Liberalisation in Spain

## Competition on Local Delivery

<b>Approach to market opening</b>	<ul style="list-style-type: none"><li>• Monopoly has long related to inter-city mail only<ul style="list-style-type: none"><li>- Local mail liberalised</li><li>- Weight and price limits for inter-city mail</li></ul></li><li>• Downstream access regulated since 2006</li></ul>
<b>Actual competition</b>	<ul style="list-style-type: none"><li>• Incumbent market share ~ 89 %</li><li>• Market share Unipost 10%, other local operators 1%</li><li>• Main competitor is Unipost<ul style="list-style-type: none"><li>- Group of local operators, 38% owned by DP-DHL</li><li>- covers approx. 70% of population</li><li>- 2010 revenue 109 M€</li><li>- Unipost market share around 10%</li></ul></li></ul>

- Unique history of local delivery operations outside monopoly



# Liberalisation in the UK

## Downstream Access but no Competition in Delivery

<b>Approach to market opening</b>	<ul style="list-style-type: none"><li>• January 2003: Bulk mail liberalised (&gt; 4,000 items)</li><li>• 2004: Royal Mail offered “access contracts” under pressure of its regulator (at high discounts)</li><li>• <u>January 2006: Full liberalisation</u></li></ul>
<b>Actual competition</b>	<ul style="list-style-type: none"><li>• Practically no competition in end-to-end delivery - Royal Mail’s market share: 99.9% in 2010</li><li>• Successful entry by consolidators (~3% of vol. in 2005/06, ~6% in 2006/07, ~12% in 2007/08, 26% in 2008/09, ~34% in 2009/10)</li><li>• Royal Mail reacted with new pricing strategies: ‘Direct customer access’ &amp; ‘Zonal pricing’</li><li>• Access discounts to be reduced in 2011</li></ul>

- Competition among consolidators but none in delivery

# Liberalisation in the EU

## Overall positive impact on market players

- ... on **business customers**  
(~85% of total demand for letters)
  - Quality of service (routing times) improved greatly
  - Businesses start benefiting from choice of supplier
  - Price level reduced overall
- ... on **private households** (~15%)
  - Quality of service (routing times) improved greatly
  - Nationwide access maintained, improved opening hours in franchise agencies
  - Price level increased
- ... on **incumbent posts** (DOs)
  - DOs became profitable
  - DOs maintain strong dominant market position (>85%)
  - Improved efficiency due to network re-structuring
  - Enhanced commercial flexibility
- ... on **new entrants**
  - Allowed successful entry in some niche markets
  - Generally below expectations, some exits

# Liberalisation in the EU

## Conclusions

- Even where market where liberalised earlier, incumbent postal operators have maintained market shares around 85-90%
  - Some barriers to competition remain (restrictive licensing, VAT exemptions, slow implementation of the 3rd Postal Directive)
  - Clear benefits for customers, primarily for businesses customers
  - Universal service maintained, and quality of service improved
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- Despite de jure liberalisation, postal operators maintain very strong
    - Weak (but positive) effect of competition on postal market
    - Some discipline enforced on incumbents by other media
- Regulation may be needed for long period

# Full Liberalisation in Italy

## What future for Mail?

Poste Italiane to remain  
strongest player

Competition to continue focus  
on direct mail?

Entrants to grow in  
statements/correspondence?

Postal regulator to promote sector  
transparency & regulation

**Future of postal sector?**  
**How long will customers  
send mail?**



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