1. Postal reform: introduction

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1. INTRODUCTION AND ORIGINS OF POSTAL REFORM

Although Herodotus wrote admiringly of Persian messengers undaunted by ‘either snow, or rain, or heat, or darkness of night’, not the Persian Empire, or the Greek city states, or the Chinese Emperors, or the Senate and People of Rome ever developed a service that is comparable to what is today known as a ‘postal service’. None provided a universal collection and delivery service for documents and parcels. Persian messengers and their successors were, government couriers to whom the citizen had no access.

The concept of a public service for the transmission of documents developed gradually with the development of Europe after the Middle Ages. In the twelfth century, inexpensive paper (as opposed to parchment) was introduced. Enterprising Venetian merchants of the fourteenth century organized private courier systems to deliver commercial documents, eventually extending their reach into the German hinterland. The Renaissance saw, after centuries of repression, the reemergence of scholarly exchanges of ideas. Monasteries and universities, notably the University of Paris, began to organize messenger systems. In the fifteenth century, the invention of a printing press with moveable type accelerated the dissemination of ideas.

The fifteenth and sixteenth centuries saw the slow emergence of nation states in France and England. Royal governments sought to ban private messenger services, especially international services, as part of the process of consolidating their authority. Postal communications thus became a government monopoly. At the same time, to sustain and facilitate commerce, government courier systems were opened to the public.

In the nineteenth century, the new technologies of the Industrial Revolution prompted reconsideration of a broad range of social institutions including the national post office. In 1840, Great Britain radically reduced and simplified postage rates and introduced the practice of prepaying postage at a uniform rate irrespective of origin and destination by means of adhesive stamps. It would be difficult to exaggerate the impact of this change in the development of modern postal systems. The British reforms were rapidly adopted in other countries. For the first time, the postal service became affordable for ordinary communications by the common man. Mail volumes exploded, paving the way for eventual development of the modern, affordable, universal postal service of today.

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Mail service originated as a government function and has remained a government function almost universally until recently. So it was not surprising that national post offices (POs)¹ were run as government bureaucracies and not as commercial enterprises. In the last half-century some steps were taken to change the status of POs from government departments to government-owned corporations. The most notable of these changes in governance was probably the Postal Reorganization Act of 1970 (PRA) in the United States which, in creating the United States Postal Service (USPS), moved the US Post Office a step away from a government department.

At the end of the twentieth century, another wave of technological advances has transformed infrastructure industries and the way they are regulated by government. Once again, fundamental post reform is necessary. Some would suggest that this process began with the laws that changed national post offices into more independent, 'business-like' government agencies, for example, the British Post Office Act of 1969 and the US PRA of 1970. Others would point to the division of ministries for post, telephone, and telegraph (PTTs) into separate postal and telecommunications agencies, for example, the British Telecommunications Act of 1981 or the German Postreform I of 1989. However, the present wave of fundamental postal reform originated arguably in 1988, when the European Union (EU) began work on a regional postal policy and the government of New Zealand first broached the idea of repealing the post monopoly.

From these stirrings a wave of postal reform has spread across the globe. Important milestones include publication of the European Postal Green Paper (1992), publication of the Australian Industry Commission Report (1992), repeal of the Swedish postal monopoly (1993), substantial privatization of the Dutch Post Office (1994), adoption of the European Postal Directive (1997), enactment of an end date for the German postal monopoly and creation of a German regulator in Postreform III (1997), repeal of the New Zealand postal monopoly (1998), creation of a British postal regulator with authority to end the postal monopoly (2000), substantial privatization of Deutsche Post (2000), privatization of the Japanese Post Office (2005), the initial public offering (IPO) of Österreichische Post (2007) and adoption in 2008 of a Third European Postal Directive setting an end date for all postal monopolies in Europe as of 2011 for most countries and 2013 for the remaining. Asia, Latin America and others have joined this wave of postal reform, with restructuring of national POs, regulatory authorities and increasing liberalization of postal markets.

Postal reform may be considered part of a broader movement worldwide, which included privatization of network industries. The intellectual foundations of the movement might be traced to an uprising in economic thinking in the 1970s and 1980s, which argued for the greater use of market forces and greater commercial orientation rather than bureaucratic structures in major sectors of the economy. This uprising was visible in different countries at different times. With sectors such as aviation, telecommunications, and energy leading the way, governments turned to privatization, new regulatory forms, lower entry barriers, and other forms of market liberalization. The postal sector seemed immune to these currents for a long time. However, the increasing need to integrate postal operations with other means of communications and the increasing need to come to grips with electronic substitution and technology change have pushed the postal sector inexorably in the direction of commercialization and markets. Finding an appropriate confluence with these trends is the primary objective of postal reform.

This book will examine a number of aspects of postal reform including the origins of the postal monopoly and universal postal service and the relationship between the monopoly (or the reserved area) and the legal obligation to maintain universal service (the universal service obligation or USO). Such considerations are at the heart of the postal reform debate and will be a prominent and continuing theme in this book. This debate will be apparent in many chapters that follow, including the studies of individual countries or regions provided in the book. This chapter sets the scene for the book by providing, in Section 2, a sketch of reform in a number of countries and, in Section 3, some highlights of the chapters that follow.

2. POSTAL REFORM WORLDWIDE

Postal reform is taking a firm hold around the world. The driving force is undoubtedly the changes that have been occasioned by increased competition, first by the emergence of substantial private express companies in the 1980s and second, and more importantly, by the evolution of the Internet of other electronic services in the 1990s. Electronic competition, in particular, means that POs are facing declining demand for the letter mail that not only provides higher margins than, for example, newspapers and advertising mail, but has traditionally been the *raison of d'être* of the government post. So POs are facing increasing financial pressure through electronic competition. For most governments, an increasingly competitive environment clearly implies the need to allow POs to operate more efficiently and more like commercial companies as opposed to government bureaucracies. This transformation requires not only operational changes but also the freedom to price in a more commercial manner. At the same time, governments are unwilling to allow POs to follow commercial logic to the point of cutting back on politically popular services in areas of the country or for portions of the population.

Therefore, in granting commercial flexibility, governments have also found it necessary to define with precision the standards of universal postal service which must be maintained, that is, the USO. And governments, or their post offices, still have to finance the USO as traditional postal markets are being eroded. Yet, at the same time, it is generally agreed that the need to finance the USO or expand into new markets does not justify the extraction of monopoly rents from captured mailers or the use of predatory pricing against competitors. This three-way balancing among commercial flexibility, universal service, and fair competition has been a continuing theme in the postal reform area and will continue to be for the foreseeable future. We start with a brief overview of some of the major developments to highlight the approaches taken towards this issue and other issues arising from competitive entry into traditional postal markets.

The Netherlands and New Zealand were among the first of the postal services to recognize the importance of becoming more commercialized (Toime, 1991), followed closely thereafter by Sweden, which opened its markets to competition in 1993. The Netherlands and Germany embraced privatization, while New Zealand Post and Sweden Post adopted a corporate structure and have remained wholly owned by the government.

Across Europe, a major restructuring of the postal sector across all 27 member states of the EU is well underway. Shortly after the formal opening of the European internal market in 1992, the postal and logistics sector was recognized as a sector in need of

reform. The Postal Directive of 1997, as amended in 2002 and 2008, is moving the EU to a full opening of the postal market to competition by January 1, 2011.² Full market opening means, among other things, no statutory monopoly privileges (that is, no 'reserved area') for any of the components of the postal value chain or for any postal products. Thus, competitors will be free to collect, sort, and deliver all types of documents and parcels whenever and wherever they wish. The impending market opening is transforming the European postal sector from a slow-moving government service, with a limited range of traditional products and excess employment, into a vibrant new industry. Crew and Kleindorfer (2006 and 2008) provide details of the ongoing transformation of European postal markets.

Some of the countries that are implementing wide-ranging postal reform have done so through changes in regulation and corporate structure directed at promoting commercialization of the national PO. A common approach has been to promote strong management incentives for performance through executive profit targets as, for example, in Australia, Canada, Sweden and New Zealand, where the post offices are organized as corporations, with a for-profit, commercial culture, but with the government still the sole owner. Other countries are headed to full privatization. Today (February 2008), 69 percent of equity in the postal service is privately owned in Germany and 100 percent in the Netherlands and Malta.

In addition, Post Danmark A/S recently transformed itself into a public limited company (that is, a corporation), and then began a process of privatization; 25 percent of its shares are now owned by a private investor. In 2005, Post Danmark and its investor, in turn, bought 50 percent of the Belgian Post Office (La Poste). The Austrian Post Office (Österreichische Post AG) began the process of privatization with an IPO in 2006, in line with the changes that are occurring in Europe in communications markets as well as in parcel and express markets. The first tranche of shares in the Austrian Post Office, amounting to 49 percent of the business, were sold in an oversubscribed IPO, and shares began trading on the Vienna Exchange on May 31, 2006. The Italian Post Office (Poste Italiane) has also announced the possibility of an IPO. Japan Post is a further interesting case of privatization, which was the central issue in the Japanese parliamentary elections in 2005 (see Campbell and Porges, Chapter 21, this volume).

The above represents some highlights of the fast-moving developments in the postal arena outside the United States. To give a sense of some of the important details that have occurred, we shall briefly summarize the experiences of four countries: New Zealand and Sweden, which were early entrants to postal reform and have remained corporatized but not privatized operators; and Germany and the Netherlands, the two largest privatizers. Sweden is examined in more detail in Chapter 17 by Andersson in this volume, and aspects of the other three countries are also covered in the chapters that follow. This brief review of the experiences of these leaders in the postal reform area aims at setting out some of the main issues that are at stake in the postal reform movement.

2.1 Commercialization: New Zealand Post and Swedish Post

New Zealand Post and Sweden Post were early adopters of a commercialization approach. New Zealand Post is chartered and organized as a corporate entity and is expected to be run as a business: specifically, it is expected to give its primary shareholder, the government, a reasonable return on invested capital. It is also expected to maintain a

specified minimum level of national postal services agreed with government; since April 1998 it has done so with an open market without a reserved area. Executives face performance-based executive compensation systems, modeled after the private sector with which they compete for managerial talent. Shares in the corporation are owned by the Ministry of Finance and the Ministry of State Owned Enterprises. There is virtually no sector-specific regulation of postal operators except a registration procedure and consumer-protection measures administered by the Ministry of Economic Development. The combination of corporate structure, a charter that underlines the commercial nature of their activities, proper incentives for management, and light-handed regulation have all combined to make New Zealand Post a successful business venture. Reflecting the efficiency improvements associated with commercialization, revenue per employee has more than doubled in nominal terms, while the real price of a single-piece stamp has fallen by almost a third during the 1987–2004 period.

In Sweden, the market was fully opened to competition in 1994, with Sweden Post (known as Sverige Posten AB) maintaining responsibility for the USO. The price of a single-piece stamp was increased dramatically, by 38 percent between 1993 and 1997, but subsequently moderated. In addition, Sweden Post took action to change the way it provided universal service: the number of full-service postal counters was decreased dramatically after liberalization, with extensive franchising taking place. Similarly, in high-cost rural areas, fixed counter services were replaced by rural postmen/women who delivered the mail and sold postal services. These and other activities by Sweden Post have led to significant cost savings and improved quality of service (measured by the percentage of mail meeting its delivery requirements). Faced with competition in major urban areas because of the open market, Sweden Post has undertaken significant restructuring to better align the cost, value and prices of its services with customer demand. Although fully owned by the government, Sweden Post's status and culture as a for-profit corporation and the competition it faces have made Sweden Post an oft-cited example to illustrate the benefits of corporatization and competition.

Posten turned out to be a formidable competitor, so formidable that it quickly faced antitrust action from its major competitor, CityMail, which complained of Posten's discriminatory pricing and other practices. Ultimately a settlement was reached. Interestingly, CityMail has changed ownership a number of times. It has rarely reported profits, though it did so in 2005 and may now have finally reached a stage of profitability under the ownership of Norway Post. The Swedish case raises interesting issues of the conflicts of interest created by public enterprise. Where a PO acts in a commercial manner and prices aggressively, it may be subject to antitrust action. If the PO is publicly owned, the government has a conflict of interest in enforcing antitrust actions against a company it owns.

Commercialization without privatization thus introduces inevitable anomalies. While legal institutions may provide adequate safeguards, at a minimum public ownership makes the application of competition law less straightforward than when two privately owned companies are parties to an antitrust dispute. A further difficulty with commercialization relative to privatization is that executive compensation is not related to an exogenous index of value like stock price and, thus, attempts to link compensation to performance are subject to additional problems of both measurement and legitimating. Perhaps most significantly, absence of private ownership means that public postal operators are not subject to the scrutiny and discipline of capital markets.

Table 1.1 TNT: then and now, 1989 to 2005

	1989 (=PTT Post)	2005
Total employment (full-time equivalents, average for the year)	59,300	128,307
Employment in postal operations	59,300	77,447
Employment in express and courier services	NA	50,860
Service quality D+1 letter mail	D+1: 93%	D+1: 97%
Single-piece letter mail price	€0.34	€0.39
Total postal revenues from letter mail, parcels & express services ²	1.9	10.1
Revenues from mail ²	NA	4.0
Revenues from express services ²	NA	6.1

Notes

1. The employment figures here do not reflect the additional 35,007 employees who are part of the TNT Logistics Group. According to the TNT Annual Report 2005, the TNT Logistics Group is being divested in order for TNT to focus entirely on its core delivery network businesses, for both mail and parcels. Employment and revenue figures for the Logistics Group are therefore excluded from this table. Similarly, telecommunications activities were included in KPN in 1989, and these figures have also been excluded in the above table.
2. Revenues are in billions of euros. Excluded here are revenues from financial services and logistics services not directly connected to TNT's delivery network businesses. Including such revenues for 2005 would yield total operating revenues for TNT of €13.6 billion as reported in the 2005 TNT Annual Report.

Sources: PTT, Annual Report 1989 (PTT Post only); TNT, Annual Report 2005.

2.2 Privatization: The Netherlands and Germany

The Netherlands changed the structure of its post office in 1989 from a state enterprise to a private company whose stock was entirely owned by the government. As it turned out, this change was the first step towards full privatization. A close commercial relationship began to develop between the Dutch post office and TNT, an international express carrier with its origins in Australia. In 1994, the flotation of the Dutch Post as part of KPN (the combined postal and telecommunications operator) took place on the Amsterdam Stock Exchange. In 1996, KPN acquired TNT. In 1998, KPN 'demerged' into two companies, the new KPN, a telecommunications company, and TNT Post Group (TPG), a post and transportation company. In 2005, the various strands of the relevant business were regrouped and renamed as TNT. As Table 1.1 shows, TNT is now a large company with around 128,000 employees and revenues of €10.1 billion in 2005 from its postal businesses. Its success has arisen from a solid base of mail revenue upon which to build, but its more recent activity is clearly global in scope, reaching out in both the express area and in letter-mail activities in various countries. TNT has used its privatized status, and its improved knowledge of investor relations and markets, to gain an early-mover advantage in many of the growing areas of business-to-business and business-to-consumer commerce. It is now a force to be reckoned with in traditional mail, express and parcel markets, and supporting infrastructure, as well as in international trade.

The German privatization story begins with 'Postreform I' adopted in 1989. Postreform I created separate departments within the Ministry for Posts and Telecommunications for

Table 1.2 *Deutsche Post: then and now, 1989 to 2005*

	1989	2005
Employment figures (full-time equivalents, average of the year) Total employment	272,491 ¹	347,607
Employment in postal operations	232,985	129,200
Employment in other operations	39,506 ¹	218,407
Service quality D+1 and D+2 letter mail	D+1: 76% D+2: 95% ²	D+1: >95% D+2: >99%
Single-piece letter-mail price	€0.51 ³	€0.55
Revenue figures (€bn) Total revenue	9.3 ¹	44.6
Letter-mail revenues	NA	12.9
Postal revenues (letter mail, parcel and express services) ⁴	8.2	31.2
Revenue from all other operations	1.1 ¹	13.4

Notes:

1. Note: in 1989 Deutsche Post also provided telecommunications services. However, all figures given here exclude telecommunications services. The figures for 1989 do not include the 86,000 employees that Deutsche Post absorbed in 1990 from the former East German Post Office after reunification of East and West Germany. Thus, the reduction in employment in postal operations is even more pronounced than is apparent from these comparisons for the years 1989 and 2005.
2. Figures for the year 1991 (no exact measurements before that year).
3. €0.51 = 1.00 DM; price as of 1 April 1989.
4. Excluding financial services and logistics.

Sources: Deutsche Bundespost, Annual Report 1989; DPWN, Annual Report 2005.

postal services, postal banking, and telecommunications. The new Board of Directors of the postal agency, Deutsche Bundespost Postdienst (German Federal Postal Service), introduced a greater degree of private sector management and accounting practices. Further legislative and operational reforms followed, culminating in the sale of around a third of the equity in 2000 in an IPO. At the beginning of 2008, private investors own 69 percent of what is now called Deutsche Post World Net (DPWN). In consort with these changes, the reserved area was completely eliminated as of 1 January 2008.

DPWN has become a force of change in the postal market worldwide; privatization has transformed a once sleepy bureaucracy into a major multinational corporation. Maschke (2002) describes the transformation process of the German Post Office into the corporate giant DPWN over the course of the 1990s and early 2000s. The compensation structure was transformed and managers imported from other industries, the mail and parcels network were modernized within Germany, and new products (such as hybrid mail and e-commerce) were developed. DPWN now has interests not only in the traditional mail and parcels businesses, but also in express mail, logistics, banking, and more. Indeed, DPWN has grown to a company with sales of €44.6 billion in 2005 and total employment of nearly 350,000, making it one of the world's largest corporations.

The extent of the transformation is highlighted by comparing Deutsche Bundespost in 1989 and DPWN in 2005 as illustrated in Table 1.2. Total employment in postal operations was more than halved, and the 1989 figures in Table 1.2 do not even reflect the additional 86,000 employees absorbed in 1990 from the former East German Post Office. Notwithstanding the employment reductions in postal operations, total employment in

the firm rose by around 25 percent over the 1989–2005 period. As traditional employment opportunities declined, new opportunities were opened up in other growing businesses in the overall enterprise. In addition, service quality improved, alleviating the concern that a profit-oriented business might skimp on quality relative to a public enterprise. The price of a single-piece stamp also fell significantly in real terms, reflecting internal restructuring and improvements in operating efficiency.

2.3 The United States: Separating Market Dominant and Competitive Products

The 2006 Postal Accountability and Enhancement Act (PAEA) enacted a number of significant changes to the Postal Reorganization Act (PRA) of 1970. Many of these changes relate to the modernization of the operational, financial, and management structures of the USPS in the light of increased competition and USPS's continuing requirement to meet its USO. In addition, the PAEA includes a number of provisions that require separate accounts and reports for USPS's competitive products, that is, those products that compete with similar products offered by commercial entities. Given the size and importance of USPS for the postal industry, the history and structure of the postal reform movement in the United States is described in several chapters in this volume, as we note in greater detail in the next section. These chapters contrast the approach taken in the US to that of the four countries above, which are clearly further along the postal reform path than the US. While the developments envisaged in the US under the PAEA do not go as far, they must still be seen in the context of major secular trends affecting postal service, particularly competition from electronic media, postal regulatory reform, and the opening up of postal markets worldwide to increased competition. USPS is clearly part of major changes that are affecting the postal sector worldwide and the PAEA is a partial reflection of this.

2.4 Commercialization as the Central Objective of International Postal Reform

Nations across the world are opening up their postal systems to commercialization and in a growing number of cases to privatization. They often had a unionized workforce before and after reform. In addition, workers in some countries enjoyed civil servant status. The combination of these two factors gave rise to wage and benefit terms that were often in excess of competitive levels, often exacerbated by the legacy costs of pensions or healthcare commitments made to earlier generations of postal workers now or soon-to-be retired. Anyone designing and implementing changes in governance and regulation for POs thus faces a number of major problems, in addition to the environmental changes encompassing electronic substitution. It is no surprise, therefore, that postal reform and commercialization of POs remains a work in progress in many countries. Nonetheless, the direction of change is clear, and there is growing evidence of the benefits from change. What is emerging from international efforts to date is that, when coupled with appropriate changes in regulation and commercial restructuring of the national PO, allowing greater competition into the market for postal services can provide an important spur to efficiency and innovation for both corporatized and privatized post offices. This spur is needed to allow POs and other stakeholders to adapt efficiently to the fundamental changes that continue to transform broader communications markets.

3. THE WAY AHEAD

The book addresses three principal topics: Economic Analysis of Reform (Part I), Transformation and Innovation (Part II), and Regional and Country Studies (Part III). The first provides some of the analytical foundations for the postal reform movement; the second examines how the postal sector is reinventing or transforming itself through organizational change and technological innovation; and the third examines some of the significant developments taking place across specific countries and regions. The coverage is intended to be illustrative rather than provide comprehensive global coverage.

The analytical foundations of the postal reform movement rest on the deregulation movement that began in the 1970s and is outlined in the survey of regulatory economics by Crew and Kleindorfer (2002). A landmark event, if not *the* landmark event in the deregulation movement, was the divestiture by AT&T of its operating companies in 1984.³ John Panzar recognizes the importance of the AT&T case as a principal motivator of his chapter on antitrust policy and regulation (Chapter 2). The AT&T case broke new ground by reducing the considerable immunity offered by regulation to prosecution under antitrust law, or competition law as it is usually known outside the US. Panzar argues, *inter alia*, that with an increasingly commercial orientation, POs are facing challenges under antitrust law as well as under regulation. In addition, he indicates some areas where regulation and antitrust may be rivals. Indeed, as Richard Eccles notes in his chapter on legal developments in the EU, there may be instances where regulation takes on the role normally taken by antitrust. From reading Eccles and Panzar there should be little doubt that antitrust will be a powerful force in the future of POs under full market opening (FMO).

In Chapter 3, Crew and Kleindorfer address access, an area that is of serious concern to regulators and could concern competition authorities. Given the scale economies in delivery and the ubiquitous coverage by POs, specifying the terms under which the PO should provide access to its network by its competitors is currently an important issue and likely to become more so. Access continues to be a major issue in other network industries, notably, telecommunications. While Crew and Kleindorfer note the experience of other industries, their chapter primarily surveys the issues of access in the postal sector, drawing on the developing literature on the topic. In Chapter 4, Michael Bradley, Jeff Colvin, and Mary K. Perkins examine a topic that figures prominently in Crew and Kleindorfer's chapter on access, namely, the role of price-cap regulation (PCR). In postal regulation, PCR has become the dominant form of regulation. One of the major changes in US postal law introduced by the PAEA is the adoption of PCR. Bradley et al. examine the impact that PCR is likely to have on the future of USPS.

The USO has played a very prominent role in the postal reform debate. Funding and costing of the USO are addressed by John Panzar (Chapter 6) and by Kristin Bergum (Chapter 7). Panzar provides some general background to the cost of the USO and an approach to costing it. Bergum provides an interesting case study of how one country, Norway, has addressed in an innovative manner the issue of costing and funding the USO. Norway's case describes the method that is used there to determine compensation from the government for Posten Norge based upon estimates of the cost of the USO. In Chapter 5, Martin Buser, Christian Jaag and Urs Trinkner address another important aspect of the USO, namely, the effect of density of post offices on mail demand. Their chapter contains

a number of new wrinkles. Of especial interest is their comparison of the impact on financial viability and the extent of the network if banking and similar services are provided at post offices. Their chapter throws new light on issues of economies of scope.

As transformation and innovation have figured prominently in the postal reform movement, it is fitting that the topic should be covered in this book. As a result of postal reform, POs have been required to reinvent or transform themselves. In addition, they have not been able to ignore the revolution that has taken place in microelectronics and fiber optics. The Internet continues to transform the way in which almost everyone does business, and POs are not immune from its impact. Chapter 8 by Crew and Kleindorfer, and Chapter 9 by Robert Reisner, examine how USPS is transforming itself. They evaluate progress and indicate where further change is needed. Crew and Kleindorfer criticize the PAEA for providing little real reform. They argue that it may have provided too little too late for USPS to avoid much more serious disruption down the road. They examine not only shortcomings in the PAEA but also the possible role of privatization in the future of USPS. On the other hand Reisner, a former Vice President for Strategic Planning at USPS, argues that USPS has achieved a considerable degree of transformation within the constraints it faces. The question is whether the transformation has been sufficient. Crew and Kleindorfer argue that it has not. Reisner leaves the question open.

The role of technological innovation in the postal industry is examined in Chapter 10 by Jean-Philippe Ducasse, Luis Jimenez and Marc Morelli and in Chapter 11 by Leon A. Pinstov and Andrei Obrea. Given their common employer, Pitney Bowes, it is not surprising that they all have a deep interest in the future of mail. Ducasse et al. examine the impact of the microelectronic revolution and the Internet on the future of mail. They see important consequences of the empowerment of mailers arising out of the technological revolution. They examine ways to sustain the demand for mail, for example, through the use of advances in database management. Pinstov and Obrea take the summary of possible innovations in mail a step further and show how the electronic and the physical can be brought together to provide many enhancements not present in traditional mail. They examine the details of what customer empowerment means. They envisage a postal world where customers themselves play a role in product design. For POs what they are proposing may be revolutionary, as it involves an entirely more proactive role by POs in working with their customers. The challenge they throw down is ostensibly daunting. However, capabilities that the electronic and Internet revolutions offer to meet the challenge appear very promising. Not only must POs reinvent themselves, but the technology is here for them to do so, in particular in the areas of improved marketing and innovative products.

While Part III, Regional and Country Studies, is inevitably the longest of the three parts, it still has, of necessity, a number of omissions. An overview of regulatory and other developments of selected POs in Asia is provided by Shoji Maruyama and Shinichi Sano (Chapter 20). Jim Campbell and Amelia Porges (Chapter 21) analyze in more detail the new postal privatization law in Japan. Chris Paterson (Chapter 22) contributes a study of Australia Post. Australia is a case where reform has been limited. Australia Post continues to benefit from a reserved area, and there appear to be no plans for radical change along the lines of the FMO in Europe. In some ways the Australian story makes a powerful case for gradual reform as opposed to radical reform. It is also a case for light-handed regulation. Australia Post is not regulated by a sector regulator but by the Australia Competition and Consumer Commission.

Postal reform in developing countries generally is the topic of Chapter 23, by Juan B. Ianni. Drawing on his experience as a postal policy analyst for the World Bank, Ianni questions the benefits of the USO for emerging economies and looks to competition to provide postal and delivery services where volumes are so low that scale and scope economies are non-existent. This view should be weighed against the approach put forth by Ansón et al. (2006), whose studies have been influential at the Universal Postal Union. India, one of the most important developing countries, is examined by V. Ranganathan (Chapter 24). India Post faces major problems driven by a stifling bureaucracy, lost opportunities, and significant subsidization. Potential for reform in India is significant, but changes to date have barely scratched the surface. Israel provides another interesting case study in a study by Avi Azuz, Udi Nisan and Eli Sagi (Chapter 25). The authors had the opportunity to influence the process of reform in Israel as all three served on the committee that recommended the reforms.

In any treatise on postal reform the star has to be the European Union, which has made the most significant changes in postal markets, including its plans for full market opening of all EU member states by 2013. The impact of the reforms in the EU has been considerable. Deutsche Post and TNT have transformed themselves from bureaucracies into major international corporations. Klaus Zumwinkel led the dramatic transformation of Deutsche Post into a world leader in courier, logistics and parcel service, comparable in many ways with the two leaders worldwide, UPS and FedEx. The transformation of the Dutch PO into a leader in the sector tells a similar story, the main difference being the size of the two companies (so far). Reflecting the important place occupied by Germany in the postal reform movement, Alex Kalevi Dieke and Ralf Wojtek (Chapter 16) provide a discussion of the government's recent adoption of a minimum wage law which applies to the postal sector only. While the relation between wages in the postal sector and those in the general economy has been debated for many years (see, for example, Wachter and Perloff, 1991), this chapter adds to this debate by examining the legal, political and economic considerations underlying the change in the German law.

Michael Crew, Gonzales d'Alcantara, Paul R. Kleindorfer, Philippe Claeys and Bert Kuypers (Chapter 13) review the likely economic impact of FMO across member states in the EU. Some are better prepared than others. Yet the legal and regulatory changes that have already taken place are considerable, as shown in Chapter 12 by Jim Campbell, Alex Dieke and Antonia Niederprüm in their review of the legal and regulatory landscape on the eve of the Third Postal Directive. In Chapter 14, Richard Eccles examines the implications of the Third Postal Directive and some of the legal principles underlying the postal policy at the EU level. Jim Campbell (Chapter 15) also provides a brief historical overview of the United States postal monopoly law; his account suggests that the need to fund the USO was not the primary driver of the monopoly law in the United States.

No discussion of postal reform would be complete without some discussion of Sweden, France, and the UK. Sweden and the UK were both early adopters of FMO. Sweden was well ahead of the rest of Europe with its repeal of postal monopoly in 1993. Peter Andersson (Chapter 17) reviews the results of the opening up of the Swedish market, including its effects on competition and consumers. France is notable in that it was initially opposed to FMO but was the leading protagonist among European POs of worksharing and access. Major changes are in store for France with FMO. Significant developments are already underway, as described in Chapter 18 by Catherine

Gallet-Rybak, Cécile Moreno, Daniel Nadal and Joëlle Toledano in their analysis of the French postal market in the wake of the Postal Law of 2005. Finally, there is the UK, where regulatory change has been considerable. The postal regulator, Postcomm, is regarded by many as the most active in the world. It brought about FMO in 2006, well ahead of the rest of Europe. In Chapter 19, Richard Eccles reviews the regulations and policies of Postcomm and their impact on the postal market.

Postal reform is a continuing story, so this book cannot hope to offer the final word. For many, the 'proof of the pudding' will be revealed by the outcome and aftermath of the liberalization in Europe, which begins for most of the EU on January 1, 2011. Others will have to wait longer, perhaps much longer, before they will be able to evaluate the benefits and costs of postal reform. This book is at least intended to prepare the reader for some of the possible outcomes that might unfold.

NOTES

1. Throughout the book the abbreviation, PO, will be used to mean national post office or postal operator. Where the term 'post office' is used, it will be to describe a postal retail outlet.
2. Full market opening is delayed for some EU countries until January 1, 2013.
3. William Kovacic, who is now Chairman of the United States Federal Trade Commission, evaluated this case, *United States v. AT&T Co.*, as 'probably the most important judicial decision in the field of economic regulation in the past 20 years' (Kovacic, 2002, p. 25).

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