

## **Assessment by the International Transport Workers' Federation (ITF) on the TISA Annex on Competitive Delivery Services**

### **Background comments on Competitive Delivery Services**

The proposals seem to be generally directed at the progressive break-up of effective or formal postal monopolies – largely by restricting the terms of their operation, or creating legal and commercial beachheads that can be exploited by competitors with deep reserves, or both. The proposals are, then, more explicitly oriented towards protecting the position of the major, private global courier companies against the growth of those national or regional operators that are secured through historical or current monopolies in national postal services.

Predictably, as with maritime services, the charade of moving to more open competition offers various avenues that will serve to consolidate the power of the global majors (for example, FedEx, UPS and DHL) over newer global entrants with direct or arms-length state backing.

- Obvious large-scale examples here would be the French La Poste, which is an SOE (state-owned enterprise), and which is thought to provide a secure financial base for funding the expansion of their international courier operations (for example, DPD and Geopost). Similarly, SOE Japan Post exercises an effective monopoly over regular post in Japan and is now involved in a major expansion via a buyout of Toll Logistics. Likewise, Austria Post is expanding into a European-wide service provider.
- Smaller-scale examples would include national contexts where regulation or state-backed monopolies protect national operators from significant competition from the global players – be they private global operators or the above expansionist SOEs.

By severely limiting the capacity of national post or SOE operations to cross-subsidise expansion, private couriers such as DHL, FedEx and UPS stand to consolidate their existing market dominance and exploit their substantial capital reserves. In short, the established global players will be protected from state-backed firms who are now trying to move into the growing (eCommerce-driven) Express business (domestic and international) in the face of declining traditional postal revenue.

Furthermore, the history of DHL and FedEx and their fight with the US Postal Service monopoly seems very present in the document:

- The demand to define the limits of the postal monopoly is an attempt to define where privatised competition begins and where the commercial and legal beachheads into domestic postal operations exist. (DHL and FedEx had long battles with the US Postal Service in this arena and it was an early contest in the American deregulation battles of the late 1970s.) So defined, the lawyers can be deployed to chip away at the regulatory protections. This links to the next point.
- The demand that the oversight responsibility is separated from the monopoly operator seems likely linked to the way in which, historically, the US Postal Service head was a government official with considerable power, and was capable of protecting the US Postal Service from private competition by deploying that power, for example by ordering inspections of Express freight, seizing freight through customs, and so on. For our purposes, this is an attempt to move responsibility for postal delivery out of political/democratic hands and into the more easily fought legal territory of international trade treaties.

On cross-subsidisation – it is possible that the exclusion from the definition of “competitive delivery services” of air transport and maritime transport could favour the private sector’s capital-intensive investments in these areas, and preserve an area of opacity in transfer-pricing arrangements that favour such companies. For companies like DHL, FedEx and UPS, the air fleets and the global brand serve as the mechanism in which “royalties” can be moved around the world and effectively deployed for more sophisticated forms of “cross-subsidised” expansion. It is possible that the exclusion of maritime transport here could similarly protect large-scale freight arrangements between operators from too much financial scrutiny. As the state-backed operators are not yet a significant force on international trade lanes this may be a comfortable area for the majors to leave opaque in the near- to mid-term.

**The overall long-term game would appear to be to break the relationships between the state, post delivery and the unions that can hold the state to its greater social responsibilities within and through this sector. The market expansion of the major private operators depends entirely on breaking open this relationship in the developing world, as the mature, developed world markets do not offer significant longer-term growth opportunities. It goes without saying that it also depends on breaking the unions that exercise power in the sector and maintain the social and economic floor.**