



Muriel Le Roux (ed.)

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# *Post Offices of Europe*

*18th-21st Century*

A Comparative History

*Pl.E. Peter Lang*

## INTRODUCTION

# **The Post Office: From Past to Future\***

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Since its inception, the mission of the Post Office has always been to connect people regardless of the distance that separates them and to fulfill the basic human need to communicate. This need called for the creation of a broad-based undertaking that joined the forces of a central administration, in charge of organizing and managing the dispatch of correspondence and parcels, with a postal network that gradually expanded over time by relying on other major transportation networks (roads, railways, and later air traffic). Collectively these networks were among the elements that allowed for the restructuring of space on the local, regional, national and continental levels. Serving all communities equally, the Post Office soon expanded its services, to the benefit of financial services that are now becoming one of the most important economic sectors, after having been marginalized for many years. Finally, since the 1990s, the Post Office has been subject to significant judicial changes, compelled by guidelines issued by the European Commission in Brussels.

The purpose of this brief introduction is not only to recall some of the main events in postal history but also to suggest some topic for further reflection on recent transformations and concerns about the future of the postal sector in the context of a European continent that is constantly striving toward further integration.

### **The Emergence of Immediate and Diversified Service at the Crossroads of National and International Synergies**

The dispatch of letters and correspondence has always been regarded with considerable importance from a political, diplomatic, and economic point of view. Faced with the growing needs of a world that was about to witness an industrial transformation, the organization of the postal service was consolidated in the early decades of the 19th century. This evolution took place in relation to three basic principles that have al-

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\* Translated from French by Kenneth Berri.

ways characterized the postal service: equal access for all customers, reliability, and continuity. Significant measures were taken to ensure that these three requirements were met. By the end of the 1820s in France, 35,000 communities that represented 75% of the total population had no postal service. In order to put an end to this situation, a decision was made in 1828 to connect post offices in these localities at least once a day; one year later it was decided that mail would be delivered to homes every two days, before daily delivery was provided. This decision was ratified by the law of 10 June 1829, marking the beginning of an unprecedented expansion of the postal service: by 1829 there were more than 1,800 post offices in France, more than 4,000 in 1845 and 5,500 in 1877.

Similar policies were adopted in all European countries. In the Sardinian Kingdom daily service that had been restricted to the royal roads until 1835 was extended to the coach-mail that used the provincial roads; one year later it was established on secondary roads. New post offices were opened in the chief towns that were equivalent to the main district towns: in 1835-1836, 260 such offices were registered in the kingdom versus 100 in the period 1828-1829. In Belgium daily delivery became a reality in all municipalities from 1841 onward. Some studies in this collection clearly indicate the key importance of horses and roads for traffic strategies and the mutual relationship of trade and industry. The articles on the organization of postal services convincingly demonstrate that until the middle of the 19th century, the main arteries of long distance postal service overlapped with the major commercial axes of roads. A cycle of activities related to care of the horses, providing hay and repairing vehicles took place at the relay stations where teams were changed.

Improvements in postal service resulting from the development of the railway system continued to be made in the second half of the 19th century. The new means of transportation was faster and more regular and corresponded better to service demands: it could route mail more efficiently at a lower cost of transportation. In France the first mail cars appeared on the Paris-Rouen train line in 1844-1845, and the last mail coaches disappeared between 1870-1873. Many small post offices were established in train stations or in the vicinity. In countries like Spain, the railroad brought an even more impressive modernization of the postal service that had been blocked by an incomplete road network that was insufficient for people's needs. The postal and rail services shared common goals because they both promised their users continuity, safety, and speed. Among numerous contemporary descriptions of the benefits of this synergy of postal and rail services, we cite this excerpt from a Sardinian parliamentary commission written in 1854:

The railroad has brought about extraordinary progress for the benefit of society. One aspect of this progress is broader and faster postal communication. Only a few years ago, it was commonly believed that the establishment of regular postal dispatches to neighboring countries as well as between the major cities of the realm represented enormous progress [...] From now on, however, this same dispatch can be made several times a day thanks to the railroad.<sup>1</sup>

The need for faster and faster information also explains the development of the pneumatic post in many European capitals – London (1853), Berlin (1865), Paris (1866), and Vienna (1875) – thanks to the establishment of a system based on the installation of tubes using compressed air and a vacuum as a dynamic force for distributing urban correspondence more rapidly. The development of these networks was also linked to the presence of telegraph offices.

Other articles in this collection present other synergies between the postal network and means of transportation. The advent of steamship navigation allowed the largest sea-going shipping companies to service major postal lines around the Mediterranean, as well as in the Atlantic and Indian Oceans. Airmail, begun in the aftermath of the First World War, suited the demands of the modern postal system better than any other means of transportation: defying natural obstacles, it led the way to developing airmail transportation shortly after 1945. Aviation itself was forced to improve its take off and landing techniques because of the demands of the airmail postal service, because air passengers could not be subjected to the same risks taken by pilots when they were carrying only mail.

Another synergy appeared on the international level: during the 1840s, many international agreements, usually bilateral, that favored the routing of mail both domestically and beyond the borders of the European continent were signed. Under the influence of smaller countries, the General Postal Union was founded in Bern in 1874, before becoming the Universal Postal Union four years later. Another factor that contributed to enhancing the quality of the postal system joined these initiatives: international trains were put into service that enables the postal services to organize the routing of mail from one country to another more efficiently. Airmail service was also the subject of numerous

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<sup>1</sup> Parliamentary Acts: Chamber of Deputies, Fifth Legislature, Session entitled *Relazione della Commissione presentata dal deputato Daziani nella seduta del 1° marzo corrente (1854) sul progetto di legge del ministero dell'Estero per lo stabilimento di uffizi postali ambulanti sulla ferrovia da Torino a Genova.* (Report from the Commission presented by deputy Daziani at the March 1 session (1854) on the law proposed by the foreign minister establishing itinerant post offices on the railway between Turin and Genoa).

bilateral and then multilateral conferences, where participants (administrations, countries, airline companies) were able to move beyond their own conflicts of interests.

The entry of postal networks on the international scale was the result of the complementary logistics of postal flow and cost strategies. Since the 19th century postal service was increasingly expected to move large volumes of mail rapidly. By 1840 the United Kingdom was routing 170 million letters; only twenty years later, the volume of mail distributed was over 620 million pieces of mail. In the long term, this sort of progression has led to the dispatch of trillions of letters. As a mode of exchange that allows the general population to communicate with each other six out of seven days a week, the post office has become a public service that has continuously grown and diversified its services, despite the advent of the internet and electronic mail, in particular, in 1969. In major industrialized countries today, mail such as billing, bank statements, and personal or public news account for half of all mail circulation.

The origin of the rapid increase in the quantity of mail goes back to the end of the 1830s when the principle of a single standardized rate was adopted geographically. Introduced by the Englishman Rowland Hill, standardized rates were used in England for the first time in 1839 and marked the end of incremental rates based on distance that were paid by the receiver. But the measure only focused on the availability of letters at the post office. Many other countries like France (1848), the Swiss Confederation (1843-1845), and Piedmont (1850) adopted standardized rates that put solidarity and equity (EQUITE) on the winning side of the debate. The standardization was extended to home delivery and was never questioned until the end of the 20th century when diversification led to different types of delivery service in most countries based on how quickly or slowly the mail was delivered. These types of delivery service vary according to customers' needs and require postage amounts of variable rates.

Postal service is not limited to sending mail, since it also provides financial services that funnel individual savings through postal accounts. These financial operations were increasingly developed in the aftermath of the First World War and seemed to consolidate the role of the post office as the provider of a public service that responded to the needs of the general population.

## **From Monopoly to Liberalization: From Public to Universal Service**

Administrations that seek to observe good business practices and eventually contribute to financing the national budget have traditionally provided postal service as a public service. Its most recognizable symbols are the post office and the mail deliverer. This type of organization remained unchanged in all European countries through the 1980s but was re-examined in the 1990s, under the influence of ministers who were responsible for the postal service in countries that were members of the European Community.

Directives from Brussels have recommended a politics of liberalization that strives to create an economic entity based on business logic and the unrestricted availability of products and services. As such, this economic entity gives free rein to market forces and open competition. The politics of the European Commission have tended to inscribe public service companies in a competitive context. This approach has led not only to a re-examination of the status of postal organization and the notion of public service<sup>2</sup> but also to the elaboration of new concepts and an effort to clarify issues that have progressively modified the laws of the Community. The concept of universal service defined by a European directive in 1996 on telecommunications and the post office followed the notion of service in the general economic interest, recognizing the existence of specific activities that were not affected by the tenets of competition and the laws of the market. The new concept somewhat tempered the early stages of competition by imposing mandatory principles on participants that were taken to be unavoidable and a set of “responsibilities that were intended to provide universal access to certain fundamental qualitative benefits at reasonable prices.” Universal service is conceived differently from public service<sup>3</sup> and constitutes a basic service: it represents a ground-level service, and in relation to the collective needs of each member of the European Union, it can be enlarged by the addition of complementary services. Its operative prin-

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<sup>2</sup> The Livre Vert (Green Book) on postal services published in 1992 recommended a gradual liberalization of the sector and the elimination of postal administrations that were directly under the guidance of the state and benefited from a monopoly.

<sup>3</sup> According to French administrative law, the concept of public service is the historic product of a legal evolution and refers to any service that is provided, regulated and controlled by the State or its government, regardless of the laws of the market. It corresponds to a set of values and guarantees: the continuity and regularity of public services are necessary for the satisfaction basic collective needs and the organization of these services, especially those that are structured as networks and enjoy the status of a monopoly, such as the Post Office, and grant special status to their employees who perform its functions.

ciples – equality, universality, and continuity – and behavioral guidelines – a transparent management style, rate system and financing – are comparable to the principles and guidelines for public service.

The constitution of these monolithic postal administrations has evolved over time, but the interpretation of the statements from Brussels and the legal heritage of each member of the Union (15 total before 1 May 2004) have led to different solutions, without the emergence of a dominant model. Some administrations have become public organizations, like La Poste in France and the Royal Mail in the UK; others are now commercial law corporations with limited liability. Two of these, the T Post Group in the Netherlands and the Deutsche Post Ag have been partially privatized. The Netherlands were the first European country to privatize their postal administration in 1989: the company has traded on the stock exchange since 1994, and only 18% of the Post Group's capital is currently owned by the Dutch government. The Deutsche Post Ag is still financially controlled by the state and the Länders, which hold just over 55% of its capital; Deutsche Post Ag offered 19% of its stock on the Frankfurt Stock Exchange in November 2000. Other postal administration have become stock-issuing companies whose only stockholder is the national government: Sweden created the Posten AB in 1994, and Italy formed the Poste Italiane in 1998;<sup>4</sup> France saw the creation of La Poste in 2000.

These statutory changes were accompanied by a new organization that was supposed to reduce service costs and further diversify activities. The goal of the postal groups' strategies was not only to respond to Brussels' expectations regarding liberalization<sup>5</sup> but also to expand their impact abroad. All these enterprises were required to separate their mail and financial services. There were three main types of mail service:

- 1) regular domestic mail (correspondence),
- 2) advertizing as national mail; bulk mailings of increasing size; beyond the concentrations that are characterized by the clear distinction between parcel service and mail service, and between these two services and financial services, and
- 3) international mail.

The reorganization of services meant that alliances with other operators had to be formed; this naturally led to more diversified activities, both at home and abroad. In the Netherlands, the Post Group, directed

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<sup>4</sup> The Ministry of the Economy owns 65% of the capital; the rest is controlled by the Italian government and held by the Cassa depositi e prestiti (Savings and Loan Bank).

<sup>5</sup> In accordance with the European ministries' decision on 15 October 2001, the liberalization has been expanded and will be completed in 2009.

by Peter Bakker with a current staff of 160,000 employees, not only bought TNT, the Australian service provider in 1996 (TNT had become its logistics pole that specialized in parcel delivery), but also Jet Services, a French company in 1998, as well as Technologista, the Italian logistics server that also operated in Germany and France. The Dutch company also made other acquisitions in Belgium, Luxembourg, Germany, and Denmark; it concluded agreements and created branches with other European postal administrations (in Switzerland and Italy), in Asia (China and Singapore), and in Australia. Thanks to this strategy, the Post Group now has a presence in over sixty countries and serves nearly two hundred countries. In Germany, Deutsche Post, with a staff of 348,000, has seen a similar evolution under the direction of Klaus Zumwinkel. Thanks to an increase in capital, it was able to purchase other companies and develop some of its services. The agreement with DHL, which absorbed its competitor of Alsatian origin, Danzas, at the end of 2000 (DHL is now part of the Deutsche Post World Net group) gave Deutsche Post entry into other European countries as well as India and Pakistan. The group is either directly or indirectly associated with 88 national companies and over 300 international companies; it is divided into four divisions: Mail, Express, Logistics, and Financial Services.

Financial Services have been developed in all countries thanks to the creation of banking products (credit cards, rechargeable payment cards, mutual funds) and new services (purchase credits; real estate credit as a back-up to housing savings plans; damage insurance products for automobiles or homes), besides traditional services (checking accounts and passbooks). Postbank in Germany, and the Italian Bancoposta, launched in 2003, are showing impressive business figures. France will be able to follow its neighbors' lead first by expanding the financial services of La Poste: thanks to the plan contract that was approved in 2003 linking the company to the State until 2007. The first financial evaluation will be done in 2006 when the possibility of further expansion of its financial operations will be re-examined.

With a broader range of services than banks and an additional business day (most Saturdays), the post office system has been able to draw many new clients who have been enticed by lower costs on almost all services offered: Postbank has captured over 11 million Germans and Bancoposta has lured over 3.5 million Italians. The aggregate of financial services is on its way to becoming their predominant activity, representing approximately 45% of postal revenue, only slightly less than "traditional" postal services.

Significant effort has been made across the board to improve the quality of services and increase productivity. The Italian example alone



is indicative of this change. Under the management of Corrado Passera, a former director of Olivetti who was nominated to lead the group in 1998 (Passera was succeeded by Massimo Sardi in April 2002), the Poste Italiane were successful in attaining the European standards for mail distribution: in 2003, 87% of all priority mail arrived the day after it was sent, while over 92% of all regular and certified mail arrived on the third day after it was sent. The Poste Italiane have also modernized their offices for their customers' use and computerized their traditional operations. Customers may now pay their gas and electric bills online and use the Internet to send telegrams and letters that will later be delivered to the receiver by hand. Moreover, the company manages and supervises all correspondence sent by the police force, as well as the national and municipal police to citizens. It has also diversified its services by developing logistical services along with banking activities in approximately thirty post offices in Rome, where residents may apply for or renew a passport.

The reforms also addressed the interrelationship of post offices and sorting centers. The latter are often still set up in places that are no longer convenient or suitable to people's needs or new techniques in postal circulation, because of changes in work or leisure time habits. At the end of the 1990s in France, more than one-third of the mail sorting centers throughout the country was not in the vicinity of a major artery of traffic. This was true especially for the centers at train stations, since the train has been neglected more and more by the postal system in favor of transporting mail by plane. According to the plan contract signed in 2003, the *La Poste* Group is planning to install mail preparation centers up the line from the main sorting centers and reorganize mail sorting according to three different platforms:

1) national platforms near borders with international demand; 2) regional platforms (about forty); and 3) local and contiguous platforms. The post office network (approximately 17,000 in 1992), reflecting its historical development, is inadequately developed in the suburban areas and the Paris suburbs.<sup>6</sup> *La Poste* was called upon either to set up or relocate post offices, some of which had been established in shopping malls or even in supermarkets. This willingness to change the face of the network is not only specific to France. The Deutsche Post in Germany made arrangements with business partners (pubs, or service stations or nearby businesses such as bakeries, grocery stores, tobacconists, or stationery stores) in order to de-isolate rural post offices for the benefit of urban areas and develop a new kind of network, the point of

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<sup>6</sup> In 1998 one-half of the French population living in towns with populations of fewer than 10,000 inhabitants represented over 80% of all postal points of service.

service of which there were already 7,000 in 2004. France has begun to develop this solution that has also been adopted by Sweden, on an experimental basis, by collaborating with merchants (about 100 postal points of service were opened in 2004) or municipal networks (1,200 in 2004) for basic services. However, there has been a strong critical reaction from the rural population, local officials and defenders of public service who feel that the closing of the “real” post office, along with the discontinuation of its various postal operations follows closely on the heels of the closing of schools and marks the end of the state’s presence in the countryside.

The results of the endeavors by the T. Post Group, Deutsche Post, and the Poste Italiane are not enough to demonstrate the recent changes in postal services on their own, especially since the Swedish example does not appear to justify the merits of the deregulation hoped for by the European Community. As of 1 January 1993 the Swedish postal monopoly on the routing of mail was the first to be abolished in Europe. One year later the postal administration was transformed into a public company, Posten AB, that was confronted with two main types of responsibilities: picking up and distributing mail on work days at standard and affordable costs (it was understood that uniform rates on distributed mail would be preserved); the company also expected to provide basic daily banking services, issuing and paying money orders and postal checks. The disappearance of the monopoly allowed about one hundred companies to become authorized to provide postal services along with the largest such company, City Mail that had targeted businesses since the beginning of the 1990s as a way of attacking Posten’s monopoly. Ten years later all observers agree that the company’s rating is far from satisfactory. Under the leadership of Ulf Dahlsten and renamed by many Swedes as Post Pot, Posten AB has tried to diversify itself in order to remain competitive when faced with new information technologies. In particular, it opened a gateway site that was supposed to stimulate the circulation of parcels, but the site was closed when it became prohibitively expensive.<sup>7</sup> The business has seen enormous financial losses (more than 80 million euros in 2002), and most of its assets have been sold. Moreover, the number of traditional post offices (2,000 approaching 1990) has been divided by five and over 30% of operations have been downsized, without showing any significant increase in productivity. The cost of stamps has doubled. Begun in the

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<sup>7</sup> According to J. Roucourel, over 100 million euros were spent on this site. See his article, “Le service public n’est plus ce qu’il était,” published in *La Tribune*, 19 March 2003.

“pervasive deregulation euphoria”<sup>8</sup> of the 1990s, the Swedish experience soon became and “edifying example”<sup>9</sup> in the context of union discussions that proves that the liberalization of the postal sector should be rejected. For many observers the Swedish example is not one to be followed, but it does not undermine the validity of the reforms undertaken in Europe in the past fifteen years or so.

## **Final remarks**

Above and beyond these varying opinions, the historian should speculate on the future of the postal sector based on the results shown by different countries. The lack of any critical distance from a contemporary historical approach limits the validity of any such analysis and prevents us from passing any definitive judgment on current experiences. Nonetheless, certain observations are possible. The first concerns the postal sector’s need to effect quantitative and qualitative changes. The demographic and socio-economic changes that have taken place in Europe on the whole called for a new configuration of post office networks and mail sorting centers. The weight of the past deserved to be surpassed by a “transformation of the postal presence”<sup>10</sup> and by improving the way mail is handled. The second observation has to do with the concept of universal service.

One must realize that the different countries that compose the European Union all share its definition, but there is no reason why exactly same modes that guarantee this definition should be used within all borders. The choices that have been made justifiably recognize different realities and national heritages and explain why no one single model has imposed itself.

The third observation concerns the questions raised by postal deregulation about the future of postal rates and the status of the post office. The uniform geographic rate has been a standard of the postal sector for many decades, but it is not an aspect of universal service. On the contrary, Brussels prefers to see it as an exception: liberalization leads one to believe that rates should be set as a function of costs and the quality of service. It is difficult to see today what rate changes will take place in the future, but it is a crucial aspect of the establishment of universal

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<sup>8</sup> See “Faillite de la libéralisation postale à la suédoise,” an article by M.-L. Le Foulon in *Le Figaro Économie*, 27 November 2003.

<sup>9</sup> See “Déréglementation postale,” in *Fédération des salariés du secteur des activités postales et de télécommunications CGT*, supplement to issue 450, May 2004, p. 7.

<sup>10</sup> From a speech by J.-P. Bailly, President of the *La Poste* Group, to the business administration council, 27 November 2003. See *Le Figaro Économie*, 28 November 2003.

service, and many are apprehensive about the issue. The questionable future of the post office network is a thorny issue as well: the post office holds a cherished place in collective memory and has an important symbolic dimension. In a few years' time we will know whether or not the European postal services have succeeded in making the transition from "a culture of infrastructures to a service culture"<sup>11</sup> in a constantly changing world that permanently demands greater flexibility in adapting to new situations.

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<sup>11</sup> See J.-M. Offner, "Les bureaux de poste en France", in *Flux*, October-November 1999, No. 38, p. 82.