

Competition Isn't the Be-All and End-All

Israel Post's Privatization Hurts Kibbutz Beeri and Gaza Envelope's Reconstruction

On 2 April 2024, the Knesset Finance Committee approved the plan for the privatization of Israel Post Co., following the decision of the Ministerial Privatization Committee to exclude Beeri Print from the bidding process at the recommendation of the Israel Competition Authority (ICA).

The decision to disqualify Beeri Print is based on the misconception that competition is the only pertinent factor to improving national postal services, and is therefore unjustified. The question of competition is totally irrelevant to the matter, because there is not and cannot be real competition where postal services are concerned. Today, over 60% of postal services are provided monopolistically, and this will presumably not change. The question that needs to be asked is what type of corporation can provide such services and at the same time ensure non-predatory prices, fair employment conditions for workers, and the continued operation of the Postal Bank, which caters to the weakest segment of the population in the Israeli economy. The plan presented to the committee does not even begin to answer the fundamental interrogations required for such a discussion.

Zulat's position is that this move utterly harms a basic service to the Israeli public and that the shameful exclusion of Beeri Print, a venture rooted in the community and in Israeli society that is qualified to provide the required service and is a fair and benevolent workplace in an outlying region of the country, must be walked back. This document brings Zulat's full standpoint on the subject.

Background: Decisions to Privatize Israel Post Co.

1. In July 2018, the Ministerial Privatization Committee passed Resolution No. MH/7 to gradually sell up to 40% of the state's holdings in Israel Post Co., with up to 20% in the initial phase, and create mechanisms to ensure the state's control over the quality of the service. The resolution barred the sale of the holdings to a third party for years to come.¹

* English-language reference. All other references in this report are in Hebrew.

2. In April 2022, contrary to the decision about a phased course of action, the ministerial committee embraced Kohelet Forum's recommendation to sell all the state's holdings immediately.² The new government installed several months later, in December 2022, did not reinstate the phased process set to protect this essential service and the full privatization went ahead.
3. Beeri Print, which has for decades provided printing services to the state, was a natural competitor for the purchase of Israel Post Co.'s holdings under the partial acquisition model, as well as under the full acquisition model eventually adopted by the government.

Beeri Print's Endeavor to Acquire Israel Post Co.: Obstacles Posed by ICA

4. We should like to point out that the ICA has no authority to exclude bidders, is only an advisory body whose role is to promote competition, and is not responsible for reflecting other interests where the privatization of essential services is concerned. As will be elaborated below, even after privatization, the postal service will by necessity be monopolistic, which is why the ICA's stance should be relatively secondary to other public interests.
5. ICA Director Ms. Michal Cohen submitted her opinion on Beeri Print's bid in two subsequent letters.³ On 26 October 2023, she wrote that the post is defined an essential public service and that Israel Post Co. is obligated to provide it nationwide at a uniform price, both in normal times and in times of crisis. She further admitted that although structural regulatory changes to increase competition in mail distribution had been introduced the previous year, Israel Post Co. continued to hold the bulk of the postal service market, both in terms of quantity and revenue.
6. The ICA thus acknowledges that the regulatory changes did not result in a competitive market. A Universal Postal Union report on the situation worldwide shows

¹ [Resolution No. MH/7 of Ministerial Privatization Committee: Israel Post Co.](#), Prime Minister's Office, 2 July 2018.

² [Resolution No. MH/1 of Ministerial Privatization Committee: Privatization of Israel Post Co.](#), Prime Minister's Office, 12 April 2022.

³ [Sectoral Competition Considerations in Privatization of Israel Post Co.](#), Israel Competition Authority, 26 October 2023; [Promotion of Sectoral Competition in Privatization of Israel Post Co.: Beeri Print](#), Israel Competition Authority, 26 December 2023.

that basic postal services are monopolistic in all countries, and that many of them provide additional services where there is competition, such as package deliveries and other amenities. Switzerland boasts the best postal service in the world, which is fully owned by a government company and is the country's second largest public sector employer. Of the six best postal services in the world, only two are fully privately owned (Austria and Germany), France's is owned by two government companies, Japan's is under joint private-public ownership, and a federal authority provides the service in the USA.⁴

7. Referring to Beeri Print, the ICA states that competition is impaired by its partial shareholding in Messer (a subsidiary dealing with bulk mail delivery) and by its "bulk printing" business.
8. Messer provides its service to "large companies and public bodies that send thousands of mail items per month, such as telecom firms, insurance companies, government ministries, local authorities, water corporations, and more," and is used as an alternative to (the poorly functioning) Israel Post Co., primarily by commercial bodies in central Israel.⁵
9. According to the ICA, Beeri Print's participation in the bidding raises a horizontal concern that it might come to control almost 100% of the bulk mail distribution market. Were Beeri Print to sell Messer before acquiring Israel Post Co.'s shares, this concern would disappear.
10. Given that Beeri Print expressed its willingness to sell its shares in Messer, this concern is irrelevant to its eligibility to compete for the acquisition of Israel Post Co.'s shares.
11. The ICA director goes on to raise fears about vertical segmentation, given that its leading position in the printing-packaging-mailing business and expertise in planning, design, production, and manufacturing services would turn Beeri Print into a cartel.

⁴ Universal Postal Union publishes a report ranking postal services worldwide every few years. Its assessment is based on four criteria: reliability, accessibility, relevance, and resilience. See: [*State of the Postal Sector 2023](#), Universal Postal Union, 4 October 2023.

⁵ Messer's letter to Israel Competition Authority dated 29 November 2023.

12. Being a cartel, in combination with its holdings in Messer, Beeri Print would allegedly come to control the bulk of the market if it acquired Israel Post Co. The ICA affirms that this concern is not entirely allayed even if, as a condition for its participation in the bidding, Beeri Print parted with its shares in Messer and in Bar Hafatza (which also owns shares in Messer), since Israel Post Co. owns 60% of the bulk mail distribution business and is the sole supplier in many locations.
13. In this context, it should be noted that the fact that Beeri Print is a monopoly has not resulted in higher prices for its services. Given its fair prices and professionalism, it is no coincidence that the government and almost all state institutions contracted its services, becoming their main supplier of printed products (checkbooks, credit cards, brochures). Beeri Print's conduct shows that its monopolistic services are designed not to maximize profits but to provide equal service to all. Among other things, Beeri Print invented the "Ma'atafit" ("Envelopit"), a letter that folds into an envelope in one piece, which saves money and paper, thereby saving the state expenses and lessening environmental damage. These facts deserve to be held to its credit rather than exclude it from the bidding.
14. Fully owned by Kibbutz Beeri, the company employs 400 people, including 250 residents of Sderot, Ofakim, and Netivot. Given that the Israeli government intends to invest a fortune to rebuild the economy in the Gaza Envelope communities and knowing that the workers will enjoy fair and respectable employment conditions and that no dividends will be distributed to shareholders (which is what all the other bidders will do if they win), transforming Beeri Print into the provider of such an essential service like the mail will perforce contribute to this end.
15. It transpires from the ICA director's letter that she fears Beeri Print might favor specific contracts, which would be against the law, and that the emerging regulation does not provide proper oversight. Thus, she writes in paragraph 20: *"In the absence of effective oversight over Beeri Print's influence on Israel Post Co., there is no way to allay my aforementioned concerns."*
16. The lack of proper oversight over essential services is indeed highly worrisome. When it comes to a service whose chief components will be monopolistic in any case, enabling profit-maximization companies traded on the stock exchange to acquire Israel Post Co.'s shares is manifold more worrisome than its acquisition by Beeri Print,

a venture rooted in the community and in Israeli society that is not committed to stockholders and has a proven track record of operating in monopolistic conditions.

17. According to the ICA, the reason for its exclusion from the bidding is that Beeri Print provides a unique service (which it invented itself) at reduced cost to government and state institutions due to what it terms "horizontal" damage to competition or, in other words, the supply of additional services.
18. The exact opposite would seem to apply here: since Beeri Print has proven its ability to provide monopolistic services under fair conditions, it should be given preference in contracting with the state to provide such a service.
19. The ICA points to its role to "protect competition," but the ICA director's letter also shows that at stake is the sale of an entity whose services, all of them essential, are for the most part not competitive at all. No other suppliers have stepped in to provide services no longer subject to regulation, and even in services where there is competition, it is limited to two players (as with supermarket chains and banks, both in Israel and worldwide, even five groups do not represent real competition, certainly not when they all operate according to the same economic logic of maximizing profits).
20. It bears noting at this point that all the other bidders approved by the ICA are for-profit companies. The ICA's letter does not mention the question of stock exchange marketability or to the fact that companies traded on the stock exchange must maximize profits for their shareholders at the expense of their clients.

Zulat's Position: Competition Isn't the Be-All and End-All

21. Competition is important in business but it is not the be-all and end-all, especially when dealing with services that must cater to the entire population, outlying regions of the country, border communities, and low-income citizens.
22. While Israel still adheres to the notion that privatization and competition are the cure-all, a more progressive stance has gained traction in international bodies. On the heels of previous resolutions by the UN Economic Commission, the International Labor Organization, and the European Union, the United Nations adopted a resolution in April 2023 that urges countries around the world to encourage a social and solidarity

economy for sustainable development.⁶ It asserts that the advancement of disadvantaged populations, gender equality, climate action, and eradication of poverty should find a response not only in social policy but also in economic policy, where the encouragement of economic actions through social-solidarity corporations is a key component.

23. The UN resolution further calls for developing specific legal frameworks for the social and solidarity economy, providing fiscal and public procurement incentives, acknowledging the social and solidarity economy in education curricula, capacity-building, and research initiatives, and reinforcing entrepreneurship and business support, including by facilitating access for social and solidarity economy entities to financial services and funding, and encourages the participation of social and solidarity economy actors in the policymaking process.
24. It should be emphasized that competition is always limited when all players equally strive to maximize profits. The conventional wisdom in the international arena is that in light of the need to increase corporate diversity and due to the direct connection between economic conduct and the promotion of social-environmental interests, priority should be given to not-for-profit entities.
25. Beeri Print is a **unique business located in an outlying region of the country**, fully owned by Kibbutz Beeri. Workers and managers who are kibbutz members receive identical salaries, and there are no CEOs with sky-high paychecks or shareholders to maximize profits for. It is a **distinct socioeconomic lifestyle**, which provides jobs to residents of outlying regions (150 members of Kibbutz Beeri and 250 employees from the nearby towns of Sderot, Ofakim, and Netivot), advocates profit-sharing with workers, and pays non-kibbutz members higher-than-average wages for similar jobs in the Israeli economy. In addition to being an economic anchor, Beeri Print annually donates 0.5% of its profits to the community and to volunteer organizations.

Conclusion

26. Zulat's position is that when discussing the privatization of an essential service that will operate as a monopoly, it is necessary to examine not only competition

⁶ [New UN Resolution on Social and Solidarity Economy](#), *United Nations Department of Economic and Social Affairs*, 18 April 2023.

but all other relevant aspects. The postal service is monopolistic today and will remain so in the foreseeable future, in Israel and worldwide. Therefore, the question is not whether it is a monopoly but how it will operate.

27. One way to go about it is to propose regulation, an issue that the ICA admits is not satisfactorily addressed by the bidding process. The claim that Beeri Print might offer different prices to different suppliers raises big reservations about the scope of the proposed oversight over the postal service. On the face of it, the ICA director warns against illegal discrimination, which she believes the state will be unable to monitor adequately. If that is the case, the whole question of privatization of such an essential service should probably be revisited.
28. In any case, since most of the services will be monopolistic, the need to consult the ICA largely loses its importance.
29. Biddings for the supply of an essential service, certainly a monopolistic one, should factor in such considerations as gender equality, closure of gaps, the climate crisis, etc., and give priority to corporations that embody a commitment to the aforementioned principles.
30. Beeri Print is a business with technological capabilities and a socio-economic vision, which has carved out for itself a place of honor in the Israeli economy. Its facilities sustained terrible damage in the Hamas attack on October 7, several top managers were killed, and all its employees lost relatives and friends, as well as their beloved home.
31. The State of Israel is about to invest billions of shekels to reconstruct the Gaza Envelope communities and rebuild the local economy.
32. The Ministerial Privatization Committee should have categorically rejected the ICA's recommendations. It should not only have nixed its exclusion, **but should have ruled that favoring Beeri Print in the bidding process for the privatization of the postal service is a national interest**, given that it has proved to be an economic anchor for residents of the area and that the expansion of its operations would surely boost the local economy.
33. Instead of allocating funds to companies whose success is uncertain, priority should have been given to Beeri Print, a body with a demonstrated track record as a technological innovator that helps reduce prices and lessen environmental damage,

shares profits with its employees and pays them fair wages, and constantly contributes to the community.

34. The Knesset Finance Committee must rectify the decision of the Ministerial Privatization Committee, which limited its economic evaluation to the question of competition. It should discuss the issues that led to the exclusion of Beeri Print before proceeding with the privatization process.

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