

Universal Postal Service & Access Guidelines

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1. Introduction

1.1 Background

The concept of a single global postal territory and the human right to communication place an obligation on governments to offer basic postal services to all citizens. Article 3 of the Universal Postal Convention obliges all Members of the Universal Postal Union (UPU) to ensure that all postal consumers enjoy the right to a Universal Postal Service (UPS) involving the permanent provision of quality basic postal services at all points in their territory, at affordable prices. With this aim in view, Member Countries are required to set forth, within the framework of their national postal legislation or by other customary means, the scope of the postal services offered and the requirement for quality and affordable prices, taking into account both the needs of the population and their national conditions.

As signatories to the Acts of the Universal Postal Union (UPU) and the inherent treaty obligations, governments are obliged to place the fulfilment of the Universal Service Obligation (USO) at the core of their national postal sector policies and strategies.

What this entails, in practice is that governments must guarantee that a certain mix of postal products and services are provided to all their citizens regardless of their geographic location and socio-economic status. As is the case with many developing regions, the use of a Designated Postal Operator (DPO) to fulfil this government obligation has been the preferred model in the SADC region. By its very nature, however, the USO requires adherence to the principles of uniformity, affordability, accessibility and a defined service quality which may not always be financially viable to deliver to all segments of the population especially when the pricing of such services is not appropriately reflective of the costs.

It is therefore necessary for SADC governments to thoroughly examine how responsibilities can be effectively delegated to their designated postal operators to ensure that the USO can be provided on a sustainable basis. This means that the whole concept of the USO needs to be adapted to the evolving postal market dynamics of each country while pursuing a harmonised regional approach to the key components such as its definitions and composition, policy and regulatory framework, as well as the costing and funding mechanisms.

It is this pursuit of harmonisation that motivates the development of the Regional Guidelines outlined herein as follows:

1.2 Objectives of the Guidelines

The guidelines are in no way prescriptive or binding on the member states. They are offered as a reference source to guide CRASA Members in exercising this aspect of their Postal Regulatory Mandates while promoting a harmonised approach in line with the ideals of the SADC.

In this regard, the specific objectives of the Guidelines include the following;

a) To promote a common Regional Understanding of the USO concept,
b) To provide guidance to Member States on the elements and recommended methodologies for conducting market reviews specifically in fulfilment of the USO objectives,
c) To identify, analyse and recommend common approaches to defining the USO among SADC Member States,
d) To analyse and recommend the appropriate policy and regulatory framework that can support the effective delivery of the USO bearing in mind the specific national conditions of Member States,
e) To recommend appropriate funding mechanisms for the sustainable provision of Universal Postal Services in SADC, yet again bearing in mind the specific national conditions of Member States.
f) To enhance the ability of CRASA Member NRAs effectively regulate the provision of the USO including the setting of targets for access and quality of service and measures for monitoring the performance of DOs against these targets,

1.3 Applicability

These guidelines, although not exclusive, are intended to apply the following:

- Policymakers

- Postal Regulators

- Postal Operators

- Wider postal sector stakeholders/relevant

2. Context

2.1 International Context

The rapid increase in competition and the general movement towards liberalisation and globalisation have steadily introduced the logic of the market into the postal sector. To remain competitive in this new environment, many Postal Operators have been converted into commercial companies; subject to the demands of profitability and profit. Although the postal services are commercial services, in most countries they also play a social and cultural role. The local post office is often the only access to communication in isolated areas, abandoned by other commercial activities or not yet reached by 21st century communication technologies, particularly because of their cost.

It is against this background that the Universal Postal Union seeks to ensure, through the combined efforts of each individual Member State, to ensure the provision and accessibility of postal services, at affordable prices, in areas which strict commercial logic would not consider as viable.

While the range and structure of Universal Postal Services the in individual states is may differ significantly the minimum requirements for stated in Universal Postal Convention are accepted throughout UPU membership and are expected to remain valid for the foreseeable future. The general approach adopted in these guidelines is therefore consistent with the understanding that all Member states are to maintain Universal Postal Services that meet the requirements of the Convention as a minimum, on top of which additional services may be included depending on national conditions and consumer needs.

2.1 SADC Protocol

Article 11.1 of the Protocol provides further impetus for the development of regional guidelines on Universal Postal Service by encouraging SADC Member States to make available efficient, market related postal services that are not only affordable but also of a good quality and commensurate and responsive to the needs of consumers. The Protocol also emphasises the public service perspective of postal services and the role that they play in supporting and facilitating regional economic development.

For the specific purpose of these guidelines however, the mandate is drawn from Article 11.4 which encourages SADC Member States to establish policy and legislation based on a regionally harmonised understanding and approach to the scope of universal services required and the means to achieve this requirement.

3. Overview of Universal Postal Service and Access

The purpose of this section is to ensure that everyone involved in the Regulation of Universal Postal Service and Access has a common understanding of the subject in terms of:

3.1 Rationale

At community level, the universal postal service is conceived as a right of access to a certain range of services (products) of a certain quality to be provided throughout the territory of a Member State at affordable prices.

A universal postal service is important as it ensures that citizens and businesses, and in particular individual customers and small and medium sized enterprises (SMEs), that have a limited or no choice of postal provider, have an easy access to basic postal services at affordable prices.

In other words, the Universal Postal Convention obliges UPU member countries to ensure that "all users enjoy the right to a universal postal service involving the permanent provision of quality basic postal services at all points in their territory, at affordable prices".

3.2 Guiding Principles

3.2.1 Affordability

The concept of affordability shall take into account the actual cost of the services being offered balanced with the legitimate aspiration to a level of profit that will enable infrastructure and service development. Furthermore, in considering the question of affordability, Member States Shall take into account the interests of individual and small business consumers that are most likely to be at risk of not being able to afford postal services.

For individual consumers this may include consumers who have low income, and consumers who may be particularly reliant on postal services including, for example the elderly and disabled, or those who lack internet access. For businesses, this comprises small and medium businesses for which postal services are a critical input.

3.2.2 Uniformity

The Concept of uniformity has been applied principally to tariffs for universal postal services. Due to the increase in competition and substitution of letter mail by electronic media like e-mails, the introduction of price differentiation may allow designated operators to better navigate the competitive landscape.

The decision of whether or not to apply, for reasons relating to the public interest, a uniform tariff for specific universal postal services throughout the national territory

and/or cross-border shall be left to individual Member States without preventing operators from offering discounts negotiated contracts specifically to bulk-mailers.

3.2.3 Accessibility

Universal postal service accessibility aims at identifying and minimising the distance between the consumers and "points of access" (i.e. post offices and mailboxes) or by the presence of a retail point in a geographical zone (defined by its area or by the local administrative unit).

The concept shall also include the physical needs of vulnerable consumers such as the elderly and disabled, the possibility of unmanned postal access points and the operating hours of post offices.

4. Recommended Approaches to Universal Postal Services and Access Regulation

4.1 Defining the Universal Service Obligation (USO)

4.1.1 Policy Considerations

In light of the obligatory nature of the Universal Postal Convention on signatory Member States, it shall be incumbent upon SADC Member States to provide clear policy guidance in a sector specific National Postal Policy or a wider National Universal Service and Access Policy.

The National Policy may draw reference from the UPU Convention, the SADC Protocol on Transport Communications and Meteorology and more importantly, establish linkages with cross-sectoral National Developmental Strategies.

The Policy may also point to the institutional relationships around which the Universal Service Obligation (USO) will be built including the concept of a Designated Postal Operator, the socio-economic objectives of the USO, the broad accessibility aspirations, Financing of the USO and the arrangement of the market to cater for both the competitive and non- competitive elements.

Ultimately, though, it is the Government's Commitment towards guaranteeing the permanent provision of basic postal service throughout the country at affordable prices that must be enshrined as the cornerstone of the National Postal Sector Policy by defining specific terms and parameters including:

a) **Underserved** - regions with little to no postal services provided within the accessible area.
b) **Unserved (Sub-serviced**) - regions where there is no postal service provided.
c) **Universal Service Obligation (USO)** - is a collection of requirements that ensure all consumers to receive postal services with required quality at a reasonable price.

d) **Universal Postal Service Fund** - A fund that will help finance the costs of distributing services to (population with low income) to the regions that don't produce high returns.
e) The Fund may finance projects aimed at improving the quality of inbound letter-mail flows, making national postal services accessible to the least favoured through mandatory contributions by postal sector organizations within the region.
f) **Universal Postal Service** - Provision of postal services with quality at all points of the national territory by the designated operator, aiming to satisfy the communication needs of the population and public and private entities in the development of economic and social activities.
g) **Target population** - is a selected group that is identified as the intended recipient of something.
h) **Value Added Services** - enhancements given to the postal services.

4.1.2 Primary Legislation

Following the establishment of broad policy objectives on Universal Postal Service in the National Postal Policy as described above, Member states shall ensure that the stable elements of the concept are clearly provided for within the Primary Postal Legislation.

These may include:

- The responsibility for defining the scope of the USO,
- The responsibility for defining the USO Financing Mechanisms,
- The Responsibility for setting USO Targets and monitoring adherence,
- The Licensing or designation process for the Universal Service Provider.

4.1.3 Secondary Legislation

While the specific elements of the USO listed above may be relatively stable enough to be placed in the Postal Law, Member States shall ensure that sufficient flexibility is still provided within the legal framework to accommodate national conditions and the evolution of the USO with both technology and changing consumer needs.

These detailed elements shall be defined in Secondary Legislation including Regulations, Rules, Guidelines and similar instruments through which the detailed description of the USO may be established.

The Secondary Legislation may set out the USO definitions to include the following components:

Basic Postal Services:

All Member States shall maintain this as the minimum standard which ensures compliance with the UPU Convention:

a. priority items and non-priority items up to 2 kg,

b. letters, postcards, printed papers and small packets up to 2 kg,

c. literature for the blind up to 7 kg,

d. special bags containing newspapers, periodicals, books and similar printed documentation for the

e. same addressee at the same address called "M bags" up to 30kg, and

f. Postal parcels up to 20 kg.

Additional Services – National Discretion

Member states shall be at liberty to include additional services based on National needs and conditions to ensure that the USO meets the evolving Policy Objectives.

Additional services, in this regard, may include:

- Financial Services such as Pension Payments and Money Orders
- Specific Government Services
- Courier Services

Ultimately, Member States will be required to determine the best composition of services to fulfil the USO bearing in mind the scope of the postal services already being offered.

4.1.4 Licence Conditions

In order to introduce even further flexibility for the regulation of the USO, Member States shall consider incorporating the USO elements that are most susceptible to change in the Licence Regime for the Universal Service Provider.

These elements may include:

- Quality of Service Targets,
- Accessibility Targets,
- Network expansion Targets.

4.2 Setting USO Targets and Parameters

4.2.1 Accessibility

In establishing Accessibility Targets for the USO, the primary consideration for Member States shall be the following:

a. Access to postal facilities within a set geographic Radius

b. Postal Density

c. Number of sq. kilometres covered by postal service points

d. Number of inhabitants per postal service point

e. Distance of population concentrations to postal service points

f. Home delivery versus P.O Box Delivery Ratios

g. Operating Hours

h. Physical access for persons with disabilities

4.2.2 Delivery Obligations

Member States may also establish targets for the number of deliveries and collections that should be undertaken within the working week in specific regions of the country.

In so doing, Member States should seek to guarantee the availability of the Universal Service by stipulating the minimum number of collections and deliveries to be made by the Universal Service Provider in:

- Urban Areas,
- Rural Areas,
- Deep Rural Areas.

4.2.3 Quality of Service

Member States shall ensure that quality of service standards are set in relation to USO in order to guarantee a postal service of good quality.

- Quality standards should focus on routing times and the regularity and reliability of services.
- Delivery standards should be set clearly at a minimum of J+5, 80% for all expected deliveries to provide sufficient latitude for the achievement of the Global Standard even in the most remote part of the country.

4.2.4 Tariffs

Member states shall make reference to Section 4 of the Approved SADC Postal costs and Tariff Regulation Guidelines which outline specific considerations for the regulation USO Tariffs.

4.3 USO Funding

UPS maintenance will represent for its providers in the SADC Member States different costs. Each state in fact has various demographical, geographical and economic factors that are likely to influence this important element.

4.3.1 USO Cost Calculations

Further to the provision of the SADC Postal Costs and Tariff Regulation Guidelines, Member states may consider calculating the net cost of the USO as the difference between the net cost for a designated universal service provider of operating with the universal service obligations and the same postal service provider operating without the universal service obligations.

In this regard, the calculation shall take into account all other relevant elements, including any intangible and market benefits which accrue to a postal service provider designated to provide universal service, the entitlement to a reasonable profit and incentives for cost efficiency.

4.3.2 Multiple USO Funding Options

The legal framework in the various member states should provide a variety of financial mechanisms to support provision of universal service including incentives and subsidies, public-private partnerships (PPPs), government funding, and the establishment of a Universal Service Fund among others.

Rate setting above cost on some services to provide "support" for UPS should be considered, provided that such subsidies are competitively neutral, and the services or infrastructure receiving the support are clearly specified.

The application of preferential or discounted tariffs for achieving good quality access in respect of schools, clinics, and establishment of rural post offices may also be considered.

4.3.2.1 Universal Access Fund

Member states may also consider a charge to be levied on licensed operators to compensate the Universal Service Provider for providing universal Service.

Contributions from licensed operators could be collected through an annual license fee, a percentage of annual turnover or a rate per item (fixed or variable).

Advantages:

- A liberalised market would lead to competition and market innovation

Disadvantages:

- Collection of monies may tend to be difficult and requires diligent regulation
- Collection volume/transactional information from the market is challenging at best
- Setting pricing principles is also difficult

4.3.2.2 Reserved Services

Reservation of a specific portion of the mail market may be considered by Member states as a means of guaranteeing a certain amount of revenue for the universal Service Provider especially where uniform tariffs are a requirement of the Universal Service Obligation.

Depending on country circumstances, consideration should be made for separation of accounts between reserved and unserved services to facilitate easy computation of funds to be dedicated towards Universal Postal Services as well as treatment of monies drawn from value added services.

In utilising this method, the key considerations for Member States may include the following:

- The weight threshold for reserved letter mail
- The compulsory value-added features that courier operators must include to carry letter items below the reserved limit
- Whether to utilise a price factor in deterring other operators from infringing on the reserved area
- Monitoring and enforcement techniques

Advantages:

- Allows for uniform pricing
- Provides basis for a strong Universal Service Provision

Disadvantages:

- Prevents Consumer Choice
- Does not incentivise the Universal Service Provider to improve service delivery

4.3.2.3 Bankroll State Subsidies

There are two basic forms of state subsidies for postal operators that Member states may consider. The first is where Governments bankroll loss-making state owned postal operators.

Advantages:

- Ensures continued provision of postal services to all,
- Requires no information on performance.

Disadvantages:

- No incentive for management to perform well,
- Discourages customer service and innovation.

4.3.2.4 Explicit State Subsidies

The second option is an explicit subsidy to pay for unprofitable elements of the network. This is particularly valid for the provision of a fixed retail network, in place for social rather than economic reasons.

Advantages:

- Identifies universal service costs and compensates USP for loss making elements,
- Frees USP from cross subsidising loss making services.

Disadvantages:

- Identification of costs for loss-making services is a challenge

Where funding is given to operators or projects to extend postal service infrastructure and increase access to services, this should be done on a 'smart subsidy' basis to encourage market entry and facilitate the initial rollout of infrastructure and services, rather than to create long-term dependency on such funding.

5. References

- Universal Postal Union – Constitution General Regulations 2014
- 2. SADC Postal Reform Project Final Report – Hans Kok – 2015
- 3. EU Postal Directive - Directive 97/67/EC
- 4. SADC Protocol on Transport Communications & Meteorology