

Universal Postal Service & Access Guidelines

I. Preface

One of the notable results of the global Covid 19 pandemic was the revelation of the gap in access to Information and Communication Technologies (ICTs) particularly in developing countries. As an integral part of the wider communications sector, the role of postal services in bridging the access gap was also greatly emphasised by the pandemic as posts were called upon to deliver essential services to many communities during the pandemic induced lockdowns.

Such services were, however, only possible where the affected populations had access to the postal network to start with, either through the availability of physical addresses or proximity to postal facilities. The concept of universality in the postal sector was therefore brought to the fore once more and has become increasingly topical in the post-pandemic era. It is against this background that the Communications Regulators' Association of Southern Africa (CRASA) seeks to update the existing Universal Access and Service Guidelines for the Postal Sector in the Southern African Development Community (SADC) to bring them up to date with the evolving concept of universality in the postal sector and the specificities of the SADC region in this regard.

II. Acronyms & Abbreviations

SMEs	Small and Medium Sized Enterprises
PPPs	Public Private Partnerships
NRA	National Regulatory Authority
USP	Universal Service Provider
DPO	Designated Postal Operator
USO	Universal Service Obligation
QoS	Quality of Service
SADC	Southern African Development Community
UPU	Universal Postal Union
UPC	Universal Postal Convention

III. Definitions

Acts of the Universal Postal Union (UPU)	The constitution is the basic Act of the union which contains the organic rules of the union.
Basic Postal Services	A postal service is a system used to send mail (letters and packages) from one place to another.
Displaced Persons	A person who is forced to leave their home country because of war, persecution, or natural disaster; a refugee.
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.
Underserved	Regions with little to no postal services provided within the accessible area.

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.
Target Population	A selected group that is identified as the intended recipient of something.

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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 to ensure that all postal consumers 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. 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. It is also recommended that said mix of products and services is reflective of the evolution of the sector and the changing needs of consumers. 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[1]. 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] Guaranteeing the sustainability of the USO entails Governments making a formal commitment to finance the USO through appropriate mechanisms that reflect the situation in the individual Member State.

1.2 Objectives of the Guidelines

The guidelines are in no way prescriptive or binding on the member states. They are to guide CRASA Members in exercising 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 within the postal sector;

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 DPOs[2] against these targets;

1.3 Applicability

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

- Policymakers
- Postal Regulators
- Postal Operators
- Wider postal sector stakeholders including but not limited to private courier service providers

[2] It is understood, in this context, the multiple operators may be "designated" as DPOs in a jurisdiction depending on the circumstances and applicable legislation and that even private entities may be so designated

2. Context

2.1 International Context

The rapid increase in competition and the general movement towards liberalisation and globalisation have steadily introduced competition into the postal market. To remain competitive in this new environment, many Postal Operators continue to operate as commercial companies subject to the demands for profitability, 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 in individual states may differ significantly the minimum requirements stated in the 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.

3. SADC Protocol on Transport & Communications

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.

4. Overview of Universal Postal Service and Access

The purpose of this section is to ensure that all stakeholders in the provision and consumption of Universal Postal Service and Access have a common understanding of the subject in terms of:

4.1 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 [3]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".

4.2 Guiding Principles

4.2.1 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[4] 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, displaced persons or those who lack internet access. For businesses, this comprises small and medium businesses for which postal services are a critical input. Other users in this category may include public health centres, public schools and certain non-profit organisations pursuing various public service objectives.

4.2.2 Uniformity

The Concept of uniformity has been applied principally to tariffs for universal postal services but may also include quality of service and the range of services available to consumers. 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 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.

4.2.3 Accessibility

Universal postal service accessibility - Universal postal service accessibility aims at identifying and minimizing 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).

[3] Refers to Basic Postal Services as defined under Article 3 of the UPU Convention.

[4] Micro Small and Medium Enterprises (MSMEs) that have accessibility challenges insofar as communication and logistics services to support their businesses are also considered to be USO beneficiaries in this regard.

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

5. Recommended Approaches to Universal Postal Service and Access Regulation

5.1 Defining the USO

5.1.1 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, SADC Postal Strategy 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. It is recommended that a common fund for the communications sector (Telecommunications, Broadcasting and Postal) be considered in this regard, as opposed to a sector specific fund. The Fund may finance projects aimed at improving the quality of inbound letter-mail flows, or extending other services (financial, government or even courier services) to underserved areas, thereby making national postal services accessible to throughout the jurisdiction.
e. **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.
f. **Target population** - is a selected group that is identified as the intended recipient of something.

g. **Value Added Services** - enhancements given to the postal services.
h. **Inclusivity** – Ensuring that postal services are accessible to all population groups including women, youth, the elderly, displaced persons and people with disabilities.

5.1.2 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:

a) defining the scope of the USO,
b) defining the USO Financing Mechanisms,
c) setting USO Targets and monitoring adherence.
d) The Licensing or designation process for the Postal Universal Service Provider
e) Interconnection requirements
f) Re-mailing services

5.1.3 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 same addressee at the same address called “M bags” up to 30kg; and
e) 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:

a) Financial Services such as Pension Payments and Money Orders;
b) Specific Government Services; and
c) 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.

5.1.4 License 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:

a) Quality of Service Targets;
b) Accessibility Targets; and
c) Network expansion Targets

5.2 Setting USO Targets and Parameters

5.2.1 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, the elderly, displaced persons and other vulnerable groups

5.2.2 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:

a) Urban Areas
b) Rural Areas
c) Deep Rural Areas

5.2.3 Quality of Service

a) 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.
b) Quality standards should focus on routing times and the regularity and reliability of services.
c) 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.

5.2.4 Tariffs

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

5.3 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.

5.3.1 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 consider 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.

Below are three () costing models that are suggested for Member States to consider when determining the costs associated with the provision Universal Postal Services. Member States are encouraged to engage all relevant stakeholders (Government, Regulator and DPO) when deciding on the appropriate costing model(s) to use in their countries.

The Models are follows:

a) Commercial Network Model

This is a costing model based on the principle that the DPO only operating commercially viable post offices, therefore, the cost of universal service is the cost of post offices outside the commercial network. This model would require the DPO not to have the Universal Service Obligation. In applying this model, the same principles employed in the model used in other networks such as banks, filling stations, health networks etc would have to be considered. Equation used in the model:

b) Cost of Current Network Model

This costing model is based determining what is the cost of the current network based on loss making post offices and considering the profitability of all post offices in the current network. Therefore, the cost of universal service is the cost of loss-making post offices.

c) Ideal Network Model

This costing model is based premise of no postal network, thus, what would be the extent of the universal service network? There would be need to use an agency model based on low retainer fees and revenue sharing. Therefore, the cost of universal service is where revenues of providing service do not cover costs.

5.3.2 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.

5.3.2.1 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

5.3.2.2 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

5.3.2.3 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

5.3.2.4 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.

5.3.2.5 Cost Based Pricing

Cost based pricing would allow the Universal Service Provider to charge non-uniform prices. The prices could be based on collection point, distance travelled and distribution point.

Advantages:

- Customer pays true costs
- Allows for more competition

Disadvantages:

- Against principles of uniformity
- Difficult to identify true costs
- Risk of price spiral

5.3.2.6 Concession

This funding mechanism is based on a concessionaire being given long-term concession to operate the national postal operator. The Concessionaire is free to develop the operator in any way but must meet the conditions of the concession.

Advantages:

- Leads to investment and a more focused USP
- Guaranteed income for government

Disadvantages:

- Concession needs to be a win-win
- Leads to big reduction in staff levels

5.3.2.7 Franchising or Agency

Post office services are provided through private sector. There needs to be agreements in place with small retail businesses, supermarkets, fuel stations etc. Payments to these private entities is through salaries or commission on sales.

Advantages:

- Reduced cost, improved hours
- Extended network
- Rural business opportunities

Disadvantages:

- Loss of ownership
- Perceived loss of control

5.3.2.8 Universal Service for all Operators

All postal operators provide universal service. This is a funding mechanism against principles of economic good sense.

Advantages:

- Equal conditions for all competitors in the market

Disadvantages:

- Duplication of losses
- Discourages competition

5.3.2.9 Streamline National Operator

This will require making the national operator more efficient by reducing the number of 'brick and motor' post offices, and considering how to provide universal service in an alternative way to increase access. Also, the reviewing of staffing and delivering standards would need to be done.

Advantages:

- Universal service can be increased
- A more focused operator

Disadvantages:

- Reducing staff is difficult
- Politics of streamlining difficult to overcome

5.3.2.10 Revenue Growth

This funding mechanism will mean targeting posts to increase revenues and making more efficient use of infrastructure. It will further require reviewing current products and services, and changing the product offer and also focusing on activities in commercial centres.

Advantages:

- Revenue growth makes all post offices more viable
- Raises profile of USP

Disadvantages:

- Human capacity in USP
- Lack of investment

5.4. Implementation

It is recommended that CRASA Members implement the applicable provisions of these guidelines, or revisions thereof, within two years of approval by the CRASA AGM.

6. References

1. 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