



**International Chamber of Commerce**

*The world business organization*

## **Policy statement**

### **22nd Congress of the Universal Postal Union**

Commission on Marketing, Advertising and Distribution, April 1999

#### **1. Introduction**

1. The International Chamber of Commerce (ICC) represents international business at the global level. ICC speaks on behalf of some 7000 business enterprises and associations in over 130 countries, all of which make use of postal services every working day.
2. ICC has Class 1 consultative status with the United Nations and long-standing working relationships with the WTO, the World Bank, the International Monetary Fund, and other multilateral intergovernmental organizations.
3. The ICC views the international post as an essential communications means, for business to business interaction, as well as for business to consumer contacts (e.g. correspondence on products, after-sales service, contractual interchange, invoicing and direct mail) and consumer to business communications.
4. The present state of the international postal system does not always meet the requirements of the business community. The international postal system has the opportunity to ensure it can compete with global communications. To achieve this, the UPU must act and encourage postal reform and development. The UPU in this regard is helped by developments in the EU. However, the pace of change is still slow. To this end, ICC is pleased to submit the following views to the member countries of the UPU, for consideration at the Beijing Congress.

#### **2. Administrative and operations council**

5. The reorganization of the UPU into the Council of Administration (CA) and the Postal Operations Council (POC) appears to have been successful. Nonetheless, ICC would like to see the role of CA clarified so that it focuses on regulatory issues only. We would like to see a clear division of the roles and responsibilities among the CA and POC. The POC should be limited to operational measures (e.g. such as the development of postal markets and products.) The development of postal markets and products should be handled by the POC, not by the CA. ICC seeks assurance that the POC does not have a legislative role.
6. It is worth noting the principles and articles established in the EU Postal Services Directive (EC Directive 97/67/EC) such as:
  - a) Independent regulator
  - b) Separation and transparency of accounts
  - c) Cost-based pricing
  - d) Limitation of the reserved areaThis EC Directive is being used by Central and Eastern European and non-EU countries as a role model for postal reform.
7. ICC welcomes the proposal of the creation of consultative status as a means of ensuring that the views of users and private operators are reflected in the work of the UPU. As such ICC supports this proposal.

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### **3. International postage rates**

8. ICC strongly recommends that the UPU consider formal support for the liberalization of cross border mail, similar to the planned liberalization in the EU by 2003. As such all prices should be geared to costs and be transparent to users and the independent regulator. This hinges on the requirement of reservation of certain postal services to the extent necessary to ensure the universal service obligation. To the extent that the reservation is not proven necessary, it should be removed.

### **4. Universal postal service (objective 1 UPU strategic plan)**

9. ICC supports the principle of universal postal service but believes that universal service at national level should be the responsibility of national governments. While the UPU may be able to offer technical advice to developing countries on the best means of achieving universal service at national level, as a legal principle, ICC believes that UPU should concentrate on assuring the provision of the best possible system of postal services at international level.

### **5. Quality of service (objective 2)**

10. ICC welcomes references in objective 2 to quality of service particularly with regard to international mail, but this should be augmented with quality of service targets for reserved areas and independent continuous end-to-end measurement and publication systems. Speed is only one aspect of quality of service and all other aspects should be developed (value for money, predictability, reliability and accessibility). Such publication should cover targets achievement, lost or damaged items and be in the public arena.
11. ICC also believes that the UPU should adopt the EU approach of developing compensation systems for below target performance and service failure in international mail.
12. Provisions to protect the rights of mailers and the concept of open access to postal services and to postal networks, as well as the free flow of information between countries are generally absent from the acts of the UPU. The ICC urges the UPU to consider and address this deficiency.

### **6. Pricing (objective 3)**

13. ICC welcomes objective 3 within the UPU Strategic Plan, but believes it does not go far enough. Prices charged for each postal service should cover costs. This principle should not be used to underpin inefficient operation.

### **7. Terminal dues**

14. ICC believes that terminal dues can only work and be seen as transparent and equitable if they are cost-based and non-discriminatory. This would require a clear and transparent accounting system.
15. Some current terminal dues systems set priorities for mail with minimal quality of standards. ICC proposes that quality of standard targets and penalties should be introduced for all business international mail streams.

16. ICC believes that Article 25 is anti-competitive and conflicts with the needs of international business, and thus should be repealed. ICC believes that the ability of developing countries to finance their postal services should be supported.

## **8. Postal market and product development (objective 4)**

17. The ICC would encourage all postal operators to meet customers demands and expectations by developing new markets and products.
18. However, the ICC cannot support product and market development within the auspices of the UPU. This is a commercial activity and as such must be outside the UPU.

## **9. Postal reform (objective 5)**

19. The ICC urges the UPU to accelerate postal reform utilizing the models that exist across the globe and encourages the UPU to set up the framework for a competitive environment.

## **10. Competition and the reserved area**

20. ICC believes that the introduction of competition is the essential tool in improving postal services both internationally and domestically. There is now a substantial body of evidence that supports this belief: for example, the most recent studies on liberalization carried out by independent consultants on behalf of DGXIII of the European Commission.
21. ICC believes that reservation of postal services should be maintained only to the extent necessary to ensure the domestic universal service obligation. If reservation is not proven necessary it should be removed and postal services opened to competition. In order to evaluate the need for a postal monopoly, an economic analysis needs to be carried out on the cost and benefits of universal service. This analysis should be reviewed on a regular (annual) basis.
22. The evidence so far is that for many countries the universal service obligation is not a great financial burden. Rather, in many respects, where competition is in place, it may be considered a competitive advantage.
23. Given that international cross-border mail for most countries represents only a very small percentage of total mail, any reservation of cross-border mail is not required for such countries.
24. ICC urges the UPU to accept that many private operators participate in international mail movement and delivery. Such competition improves quality of service and encourages innovation in international postal services.

## **11. Human resource development ( objective 6)**

25. ICC believes that this is a domestic issue, which is outside UPU's remit. As such the UPU should not pursue objective 6 of the UPU Strategic Plan. ICC opposed this as a UPU objective.

## **12. Co-operation with stakeholders (objective 7)**

26. Experiences in many industries have shown that cooperation can lead to anti-competitive arrangement. ICC believes that a more inclusive approach by the UPU would lead to greater understanding and development of postal services. Only by working with users and private operators will postal services develop and be competitive in the global communications market. ICC supports this UPU objective.

### **13. Regulatory measures**

27. Regulatory measures applied in UPU member countries such as customs laws and VAT should apply equally to all non-reserved postal services so that all operators, public and private, are placed on an equal footing. Special treatment of reserved services should only be permitted when necessary.

There are other areas of custom and practice which provide postal services operators with special privileges which should be reviewed and where possible removed or made available to all other operators.

### **14. UPU terms of reference**

28. ICC seeks clarification of how the UPU terms of reference are to be changed to accommodate the growing independence and private ownership of postal service providers. It also needs to be recognized that there may be more than one operator providing universal service within a member state of the UPU.

### **15. Conclusion**

29. It is essential that the UPU at this Congress addresses postal reform and ensures fair and transparent postal systems that meet the requirements and needs of users and consumers. ICC as the world business organization stands ready to work with the UPU in achieving these mutually beneficial goals.