



**International Chamber of Commerce**

*The world business organization*

## **Policy statement**

### **The liberalization of postal services**

ICC Working Party on Postal Services, October 2001

## **Introduction**

Postal reform is a major opportunity for both industrialized and developing countries. In many instances, postal services are the last of the utility monopolies. This position paper is intended to present the case "for" liberalization, but in both a commercial and social context.

## **Universal service**

- There is widespread acknowledgement that access to basic postal services is a universal right. This was endorsed at the Universal Postal Union (UPU) Congress in Beijing in 1999.
- Universal service is essential for the effective functioning of business and commerce.
- The universal service should not be a financial burden to the postal operator.  
If the universal service obligation (USO) is a financial burden, financing of the USO can be considered on the following basis:
  - a reservation of certain services in order to protect the USO;
  - a "compensation" fund with all operators in the universal service area contributing.

The compensation fund should reflect the true transparent costs of the USO.

- ICC's preferred option is the second since it necessitates no reserved area. Yet each option does nothing to encourage the operator to improve its efficiency.
- The independent regulator - independent of both government and the postal operator - must give the universal service provider (USP) efficiency targets (and penalties) to ensure minimizing the cost of the USO.

## **The case for liberalization**

- Experience from other utility markets shows that liberalization stimulates competition, increases the overall market or sector and creates additional "new" employment opportunities.
- The most effective means of improving quality and service is through competition. Without competition the only pressure comes from artificial regulatory instruments.
- Competition will be a key element in the development of better, more reliable and cost-effective services, which reflect users' needs.
- With the continued growth of global communications and the exponential rise of e-commerce, it is essential that postal services react to the challenge both as a competing and complementary medium. This challenge can only be met by postal liberalization.
- The continued presence of national monopolies creates artificial barriers.
- The successful development of e-commerce requires efficient, reliable, competitive postal delivery networks.

## **Cross-border mail (outbound/ inbound)**

- In a century that has a truly global communication network, reservation of cross-border mail - whether inbound or outbound - is anachronistic. Fair, effective cross-border trade, competition

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and advertising and marketing campaigns can only be enacted through liberalization of both mail streams.

- Historically, inbound cross-border mail has been reserved as a deterrent to ABA<sup>(1)</sup> re-mails (as defined by UPU) of bulk mail. "Terminal dues" are no longer needed as a deterrent and therefore should be removed.

### **Direct mail**

- Direct mail, although the oldest direct marketing medium, is probably the most ubiquitous, interacting with all new media.
- It is a key element in generating heightened economic activity.
- The future of e-commerce depends very much on the fulfilment of direct mail.
- Obviously, direct mail depends on the postal network for the final part of the chain. This is the Achilles heel of direct mail. Without liberalization, which brings competition and change, users may shift their marketing budgets to other media if their needs cannot be met by a monopolistic final part of the supply chain.

### **Letters/items of correspondence**

- Liberalization of letter services, especially from consumer to consumer, is politically sensitive.
- There is a universal truth that consumers' trust and confidence are vital for the success of a business. This must apply to postal services. Without pressure to change, develop and improve, postal services will stagnate and therefore consumers' trust will be eroded.
- Complete liberalization can only be considered once the cost of the USO is determined. Such cost should only be used to fund the expenses involved in the efficient fulfilment of the USO. Then it must be used with a funding model, if necessary, such as a compensation fund (subject to regular review).

### **Small-and medium-sized enterprises (SMEs)**

- The majority of nations depend on SMEs as the "engine of growth" within their economies.
- Extensive research has shown, repeatedly, that the majority of SME business needs and commercial objectives can be met via direct marketing.
- A significant component within direct marketing is direct mail. A restricted direct mail service with no pressure on improvement and price will remain a barrier to entry for SMEs.

### **Postal operators acquisition strategy**

- Currently we are witnessing a ravenous acquisition strategy by some key postal operators. Their desire to create global or international postal networks is to be applauded as it should benefit users and international marketing and advertising campaigns. But such strategies are indefensible against a backdrop of postal operators protecting their own domestic monopolies, and using monopoly profits from the reserved services to finance acquisitions in the competitive sector.

### **Universal Postal Union (UPU)**

- ICC seeks to help UPU in embracing postal reform. To this end, ICC is an active member of the UPU Advisory Group.

- A gradual realisation of the substantial problems facing UPU, embracing reform, have led to the call for a new reform group made up of all key stakeholders.
- ICC urgently requests the creation of such a group to work with all stakeholders to create an environment where postal services competition flourishes for the benefit of all stakeholders.

### **Terminal dues**

- In the industrialised world, the operation of a "terminal dues" remuneration system must be considered as a price cartel.
- In an increasingly liberal environment, a system of terminal dues is an anachronism and must be removed and replaced by competitive pricing.

### **Conclusion**

- Increased international trade and commerce come from liberalized markets. Postal services are no exception. This would lead to the disappearance of postal monopolies.
- The creation of single markets within trade areas (such as the EU and European Economic Area) facilitates cross-border trade.
- The development of on-line services generates more cross-border mail and parcel streams.
- Liberalization of postal services, in particular direct mail, will stimulate mail flows between countries.
- Postal services are a major channel for information, generating sales and providing fulfilment services. In order for postal services to evolve and meet the requirements and challenges of users, they need a key stimulus to offer choice, quality and predictability. This can only be offered through the introduction of competition through liberalization.
- Without the introduction of competition, which heralds choice, users will move to alternative media, both traditional and new digital media, by adapting their existing marketing strategies. Few, if any, businesses can be forced to use non-competitive mail providers in the 21st century.

### **Document n° 240-42/3**

12 October 2001

#### **Footnote:**

(1) CountryA/CountryB/CountryA