



**International Chamber of Commerce**

*The world business organization*

**Department of Policy and Business Practices**

## **Commission on Marketing and Advertising**

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### **Task Force on Postal Services**

# **Policy Statement to the Bucharest Congress of the Universal Postal Union\***

**Prepared by the Task Force on Postal Services**

#### **Introduction**

The International Chamber of Commerce (ICC) represents international business at the global level. ICC speaks on behalf of thousands of businesses and associations, in over 130 countries, all of which use postal services every day.

ICC is a member of the Universal Postal Union (UPU) Advisory Group, soon to become the UPU Consultative Committee. ICC has first category consultative status with the United Nations (UN), and long standing working relationships with the World Trade Organization (WTO), the Organization for Economic Cooperation and Development (OECD), the World Bank, the International Monetary Fund (IMF) and other multilateral intergovernmental organizations.

ICC views international post as a fundamental part of the infrastructure of business. It is an essential communication medium for business to business, business to consumer and consumer to business.

The UPU has made great strides with the adoption of the UPU Beijing strategy and the creation of the UPU Advisory Group. This Group has facilitated meaningful dialogue and debate between key stakeholders.

Although there is still much to be achieved to ensure the international postal system meets and reflects the needs of business, the international postal system must continue to change and evolve to ensure it can compete, and integrate, with global communications. The UPU must continue to provide a forum where business may encourage postal reform and development. ICC, in order to promote change and reform, is pleased to put forward the following views to the member countries of the UPU for consideration at the UPU Bucharest Congress.

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\* Subject to adoption by ICC's Executive Board on June 2004



### **Universal service**

ICC supports the principle of a universal postal service (UPS), but believes the determination of scope of the service should be made at the national level. The UPU could help member states by focusing on the definition and financing issues around the concept of a universal service.

As for definition, member states should concentrate on a minimum requirement, with a series of economic and social tests to determine if a product or service is in the universal service. A legal universal service obligation may be imposed if there is no adequate and competent competition that can deliver the same services at the same standard.

The financing issue should be addressed to provide guidance to member states about appropriate UPS financing options. A reserved area is the financing instrument with the highest impact in terms of market distortion. Depending on several circumstances, the cost of the UPS can diverge considerably.

### **Regulation and regulatory structures**

The area of regulation is a fundamental one in embracing postal reform. Many member states have employed the licensing of postal operators as a market-opening strategy. Others seek to license private operators outside the reserved area.

Postal licensing, from a regulatory perspective, could be an effective means of controlling new entrants into the newly opened competitive area, and for controlling operators within the reserved area. Licensing, or demanding licence payments for private operators in existing competitive areas, is counterproductive and purely adds to the cost base of the operators so, potentially, adversely impacting their end customer. Outside the reserved area, a simple regulation, as for any other business, is sufficient.

Licences should be issued and controlled by an independent regulator. Licensing should only be used for standard postal services within the universal service. The cost of the licence must be proportionate to its purpose. For example, licence costs should cover the incremental cost of issuing and administering the licence and enforcing the licence conditions.

As member states continue to embrace reform and adopt existing or new models, such as the European Union (EU) model, the independence of the national postal regulator (directly appointed by Parliament) is absolutely critical. By ensuring independence, confidence and transparency can be generated in the postal system.

Competitive services should remain as such and not be re-regulated.

### **Liberalization**

Liberalization of postal services is the main instrument for the necessary postal reform. Competition will create the incentives to become customer-oriented, efficient and innovative. At the same time customers will have more choice, especially when more distribution infrastructures develop.



There are several market-opening models available to member states, such as abolishing the monopoly, licensing within the universal service area, or regulated access through downstream or upstream access to the infrastructure of the incumbent. New entrants not in a position to offer from the outset a countrywide service, and wishing to do so, should be able to use the incumbents' services at cost-based prices and under similar non-discriminatory conditions as other (big) users. Preference should be given to models that stimulate the market.

### **Access models**

There should be a role for UPU in monitoring the development of access model arrangements in different countries. Strengths, weaknesses and best practice should be examined and recommendations made in order to seek to influence national regulators to achieve similar access models. Similar access models would thus offer a level playing field for national operators moving into each other's domestic markets.

Of the available market-opening models available to member states, access, through downstream or upstream access, presents a model, which can quickly generate competitive activity. Due to the nature of access and its huge dependency on the incumbent postal monopoly, it is essential that the national postal regulator sets the access conditions (on what basis operators access the network) and how the access price is set. We believe that it is important that all potential competitors are provided access to the incumbent's network under the same conditions.

### **Role of government within postal services**

Although postal reform continues, and increasingly we have independent national regulators, we cannot avoid the continued role of government within postal services. There is a risk that the post can become political due to the social role and responsibility and the high number of employees. It is essential that governments are explicit about their roles, on the one hand, to enhance jobs and, on the other hand, to guarantee universal service. Postal policy should not only consider the status of the national postal operator, whether government owned or partly privatized, but should also be consistent with market-opening strategies. In developed economies the role of government should be to fulfill social roles, while licensing and regulation should be able to deal with universal service and access.

ICC recognizes that government has a responsibility to ensure the social and societal role of postal services is not compromised.

### **Customs**

ICC considers that the UPU Acts, originally conceived long before there was any competition to international movements by public postal services, confer significant advantages on such services in respect of customs treatment, e.g., expedited customs clearance on the basis of simplified declarations and procedures, and non-liability for customs declarations. As postal services become more and more competitive and/or provide new services in competition with other operators, fairness and administrative efficiency dictate that similar customs treatment should be provided for similar items, irrespective of the identity of the operator. Information technology can help to cross the gap between the two systems.



ICC also believes that, while recognizing the need for parity of customs treatment, the Council of Administration of the UPU should cooperate closely with the World Customs Organization and other concerned international bodies in the further development of modern methods aimed at simplifying the customs formalities applicable to all consignments for which immediate release or clearance is requested, regardless of weight, value, size or type of operator or carrier.

### **Terminal dues**

Terminal dues arrangements should reflect costs. ICC proposes that terminal dues should be revised to provide equal access to terminal dues agreements for all users and operators, providing costs for handling and delivery are equal. ICC recognizes that some transitional arrangement would have to be put in place for developing nations. At the same time, immediate and major increases in postal rates for users are undesirable. Any increases should be introduced gradually and should be directly related to quality requirements, and be subject to a strict timetable.

Extraterritorial offices of exchange (ETOEs) provide users with an additional means of accessing international postal services, which could lead to lower prices. ICC recognizes, however, that there are concerns about the operation of ETOEs that need to be addressed as promptly as possible.

### **Role of competition in developing nations**

It is essential that developing nations improve and increase their overall competitiveness, so facilitating, or preparing for, competition.

Developing nations are presented with a dilemma. Organizing their postal infrastructure improves their cost base and can provide improved levels of service. But their users demand reform and competition, which may adversely impact on the ability to invest in new infrastructure and quality improvement. The way forward is probably between these two extremes. Competition is very beneficial to developing economies, stimulating growth, economic activity and employment. Postal services can provide a key role in the developments of on-line media, which are equally embraced by developing nations as a means of interacting and fulfilling customer activity. Some protection of the developing entity is probably necessary until a reasonable stage of development has been achieved and UPU should have a role in defining “a reasonable stage of development”.

ICC is ready to work with developing nations to develop their postal infrastructure and embrace reform.



## Quality of service

Public postal operators (PPOs) should continue to develop their networks to increase quality of service. International cross-border quality of service is still one of the major problems for users. Reform of the terminal dues system should relate quality of service targeting to terminal dues payments (similar to the EU model), bearing in mind volume constraints.

The UPU quality-of-service fund is an excellent initiative, which ICC supports.

## Post services and electronic interfaces

Post is not developing in isolation: electronic and on-line media continue to grow. Yet, at the same time, post continues to integrate with these new media. Users are users of email, web and on-line services. ICC proposes that PPOs should, working with private operators, develop efficient interfaces between postal and electronic services, while maintaining effective competition with other service providers.

## Standards

The UPU has an extensive plan of standards development at an operational and technical level. These developments primarily increase the efficiency of activity by PPOs and interaction between operators. Standards that affect users should reflect users' needs and be developed with their input and advice in order to benefit them and meet their requirements. Standards, which do not affect users, must be formulated in a transparent process that is accessible to all stakeholders especially where such standards may impact competitors who are not authorized to participate in the setting of those standards.

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## About ICC

ICC is the world business organization, the only representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world. ICC promotes an open international trade and investment system and the market economy. ICC was founded in 1919 and today it groups thousands of member companies and associations from over 130 countries. Since 1935, ICC has been instrumental in promoting high standards of marketing ethics notably by encouraging responsible conduct of business through self-regulation.