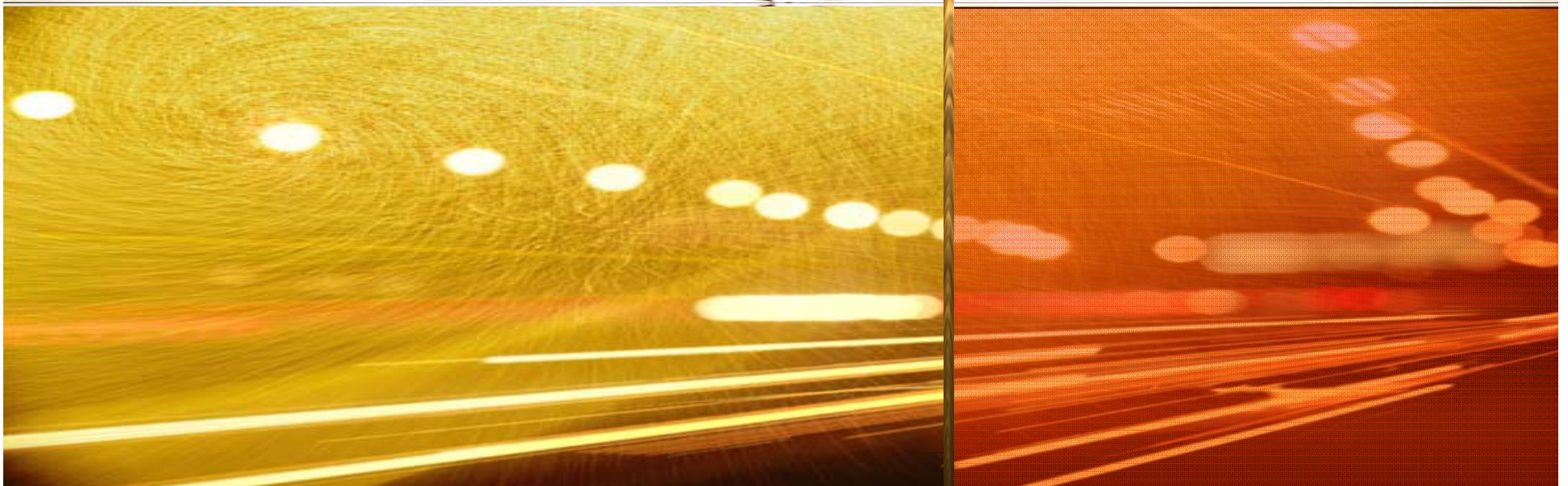


Best Practices in Postal Legislation & Regulation

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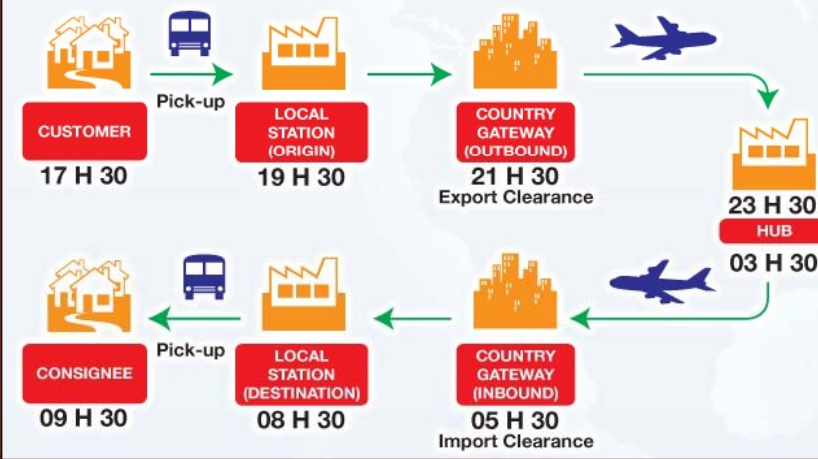


Express Delivery Services

Core business is the provision of value-added, door-to-door transport and delivery of next-day or expedited time-definite shipments, including documents, parcels and merchandise goods.

“Express delivery services means the expedited collection, transport and delivery of documents, printed matter, parcels and/or other goods, while tracking the location of, and maintaining control over, such items throughout the supply of the services.” (US-SG FTA)

Key Stages of a Typical EDS Shipment



More than a Courier Service:

- **Global Network**
over 30 million shipments daily, 1.3 million employees, 1700 aircraft and 170 thousand vehicles
- **Speed and Reliability**
guaranteed, time-definite delivery and high degree of custodial control throughout the supply chain
- **Fully Integrated**
door-to-door delivery provided through one contractual arrangement
- **Advanced Technology**
track-and-trace and release of document upon signature
- **Value-added Services**
customs facilitation and logistics management



Policy Trends in the Asia Pacific

Greater Liberalization and Fewer Restrictions

APEC

- Focus on improving supply-chain connectivity
- Proposed APEC Leaders' statement in November acknowledging the importance of efficient air connectivity to supply chains and harnessing economic gains
- Specific measures to improve market access (including investment), streamlining licensing requirements, customs facilitation, etc.

ASEAN

- **ASEAN Logistics Roadmap recognizes express delivery services to be distinct and separate from postal services**, and included in the Roadmap for "substantial liberalization" by 2013

"Supply Chain Connectivity Across APEC" (2009):

Supply chain an integrated and interconnected process

➔ Needs to be looked at as a whole

Improving trade logistics involves:

- ➔ Improving efficiency through lowering costs or timeliness of delivery
- ➔ Improving the reliability of delivery ... to some, this is more important than lowering costs
- ➔ Improving the safety or security of the supply chain

Basic Principles of Best Practice Postal Legislation



1. Post and express delivery services are separate industries that complement each other to serve the different market segments and demands

Public Postal Services

- Universal Service Obligation (USO) to ensure that all people can send mail to all parts of the country at a low, affordable price

Express Delivery Services

- Serve customers who are willing to pay a premium for high speed, high security and other value-added services

• Delineation of Postal Monopoly using a Price-Weight Multiple

- Set the delivery price or “stamp” of a basic letter at a rate that is sufficient to cover the cost of running the entire network
- Delineate Postal Monopoly using a price-weight multiple to protect volume of basic mail in order to fulfill its USO

- Allow other operators providing a qualitatively different service to deliver shipments below that limit if they charge an agreed multiple of the delivery cost of a basic letter





Basic Principles of Best Practice Postal Legislation

2. Level and Competitive Playing Field (continued)

- **Express mail services (EMS) provided by the public postal operator should compete with private-sector EDS on a level playing field**
 - EMS should not enjoy any special benefits that are not extended to the EDS industry at large
 - Includes Customs procedures, taxes and charges, airport and other infrastructure access, vehicle parking and the like
- **Independence of the Regulator**
 - Any regulator of any industry must be independent from the industry players
 - The express delivery services (EDS) industry should not be regulated by the Postal Regulator
- **Financial Transparency**
 - The public postal operator should be set up with the same requirements for financial disclosure that apply to private or publicly-listed EDS firms
 - Should comply with normal accounting conventions so that the cost of the Universal Service Obligation and any government subsidy can be readily seen

Clear Delineation of Public Postal Services



Clear delineation of public postal services under the universal service obligation (USO):

- State funding/subsidy to provision of public postal services to be gradually reduced
- Delineation of postal monopoly with use of price-weight multiple:
 - Postal monopoly of < 2kg per single unit weight, but delivery businesses (both local and foreign) allowed if fees > VND8,000 (US\$0.45) for domestic delivery services and > VND150,000 (US\$8.40) for outbound international delivery services from Vietnam



Level and Competitive Playing Field

- Express mail services (EMS) would be considered:
 - outside the USO; and
 - to be a competitive service to express delivery services (EDS) → EMS would be governed by the same regulations as EDS
- Market Access Liberalization:
 - Currently 51% majority foreign ownership in EDS permitted, progressing to 100% by 2012
- Independence of the Regulator:
 - Plans for two separate groups of officials under the Department of Posts that would respectively oversee: (i) public postal services; and (ii) investment, competition and other related issues concerning the non-public postal services, including EMS/EDS

Transparency



- Financial Transparency:
 - Separate accounting activities for public operations and business operations in the postal sector
- Public-Private Partnership in Policy Process:
 - Ongoing consultation and dialogue with businesses and industry.

US-Singapore FTA First to Recognize EDS as Own Sector; Others Followed



Only Singapore Post Pte. Ltd. is allowed to convey letters and postcards and perform all incidental services of receiving, collecting, sending, dispatching, and delivering of letters and postcards....

(b) Paragraph (a) of this reservation does not apply to express letter services, which is defined as a local or an international express letter service or both....

Case Study: Vietnam's Draft Postal Law (March 2009)



Postal Law

1. Clear delineation of public postal services under the universal service obligation (USO)
2. Level and Competitive Playing Field
3. Financial Transparency

Investment Law

Market Access
Liberalization

Policy

Independence of Regulator

Consultations

Public-Private Partnership
in Policy Process

China – New Postal Law Passed



On April 24, 2009, China's National People's Congress passed a new postal law.

The new law recognizes the value of express delivery to, from and within China:

- Express delivery firms may be wholly-owned by foreign entities for both international parcel and letter services and domestic parcel services.
- The international pick-up and delivery of letters is permitted.
- An independent regulator, the State Postal Bureau, has been established.
- The postal enterprises' universal postal service and competitive business shall be operated separately to ensure competition on a level-playing ground.

Still, there are concerns which are not international best practices:

- "[Foreign businesses are forbidden to invest or operate domestic express delivery of letter articles.]"
- A vague definition of the postal monopoly of which the specific parameters are to be later defined, instead of a weight-price multiple
- The law permits the future establishment of a universal Postal Fund.



Conclusions (I)

Postal reform is necessitated by fundamental changes in postal market comparable those of Industrial Revolution, and has been ongoing among industrialized countries for about 20 years.

There is broad consensus among industrialized countries on the main elements of reform:

- Ultimate repeal of postal monopoly
- Grant commercial flexibility to transform business model
- Separate policy making, regulation, and commercial operation.
- Ensure basic universal service
- Ensure fair competition and legal equality in competitive markets



Conclusions (II)

Successful postal reform depends upon resolution of many complex legal, economic, and political issues.

While no country has solved all problems and not all reform issues have been addressed completely, there are many “best” and “good” practices to draw upon.

Principles of “Best Practice”



Regulation should generally be clear, objective, non-discriminatory, transparent, and proportional.

A basic, efficient universal postal service should be ensured that meets the objective needs of society.

Where there is effective competition the PPO and private companies, the law should “ensure equal conditions for competition”.

Abuse of dominant position should be prevented.

Postal Operator should have fair opportunity to transform the organization into a competitive entity.

Thank you.



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