

Agenda

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- **Opening Remarks**
- **Postal Competition Code Presentation**
- **Postal Services Operations Code Presentation**
- **Question & Answer Session**

Background



Background

- **Basic Letter Services market was liberalised on 1 April 2007, creating potential for competition**
 - More innovative service offerings and price competition
 - Business users (>90% total domestic mail) will stand to benefit given their varied needs & preference for customised solutions
- **The amended Postal Services Act came into effect on 24 August 2007**
- **Interested parties can now apply for Postal Services Operator (“PSO”) Licence from IDA**

Background

- **To develop a competitive market, suitable regulatory frameworks are needed to**
 - Set out rules to facilitate entry and competition
 - Ensure minimal inter-operator mail handling errors in multi-operator environment
- **This consultation aims to seek views on these frameworks, specifically**
 - Proposed Postal Competition Code 2007
 - Postal Services (Control of Designated Licensees) Regulations 2007
 - Proposed Operations Code 2007

Proposed Postal Competition Code



Overview

- **Based on international best practices, including Europe and the US**
- **Builds on IDA's experience in facilitating competition in the telecom sector**
- **Aligned with competition principles adopted in Singapore's Competition Act**

Overview

- **Code will apply to all Licensees providing a Basic Letter Service**
 - Code will not apply to Express Letter Licensees, who are already subject to the Competition Act today
- **Code is organised into 9 sections**
 - 1-2: Goals & Licensee Classification
 - 3-5: Licensee Obligations
 - 6-7: Competition rules
 - 8: Acquisitions & Consolidations
 - 9: Enforcement

Goals

- **Code aims to**
 - **Ensure Basic Letter Services are accessible to all people**
 - **Promote competitiveness of postal industry & maintain fair market conduct between industry players**
 - **Encourage industry self-regulation**

Licensee Classification

- **Licensee Classification Framework**
 - Reflects different “bargaining positions” of different Licensees
- **Three main classifications:**
 - **Non-dominant Licensee**
 - Most Licensees, subject to minimal regulation
 - **Dominant Licensee**
 - Licensees with Significant Market Power and not constrained by competition, subject to more stringent regulation
 - IDA proposes that SingPost be classified as Dominant Licensee in all Basic Letter Services markets

Licensee Classification

▪ Mandated Licensee

- Licensees that control facilities that competing Licensees cannot replicate but require access to, in order to provide Basic Letter and Direct Mail Services
- Required to provide a list of “Mandated Services”, specified upfront by IDA, that will allow such access
- IDA proposes that SingPost be classified a Mandated Licensee

Licensee Classification

- **What is the difference between a Dominant Licensee and Mandated Licensee?**
 - **Dominant Licensee** has ability to abuse its market power to force competitors to exit the market
 - Subject to more stringent regulation
 - **Mandated Licensee** has control of facilities that competing Licensees need access to, and yet cannot replicate for themselves, in order to provide Basic Letter and Direct Mail Services
 - Required to provide Mandated Services to competing Licensees

Licensee Obligations

- **All Licensees must**
 - Fulfil consumer protection duties to their Customers
 - e.g. advance disclosure of prices, terms & conditions
- **Dominant Licensee must**
 - Provide Basic Letter Service to all Customers (including competing Licensees) on *non-discriminatory* basis
 - e.g. prices, terms & conditions of services must be submitted to IDA for prior approval
 - Approved prices, terms & conditions of services must be published on website

Licensee Obligations

- **Mandated Licensee must**
 - Provide “Mandated Services” to competing Licensees for conveyance of Basic Letters and Direct Mail (weighing 500 grams and below)
 - Via a “Reference Access Offer” (prices, terms & conditions)
 - Developed by Mandated Licensee, subject to IDA’s approval
 - IDA proposes that the Mandated Services to be downstream delivery services at Mandated Licensee’s
 - Central mail sorting centre, and
 - Premises where its post office/ mail boxes are located

Competition Rules

- **Competition rules are based on competition law principles adopted internationally and in the Competition Act**
- **Licensees are generally prohibited from**
 - **Abusing a dominant position**
 - *e.g. predatory pricing, price squeezing, etc.*
 - **Entering into anti-competitive agreements**
 - *e.g. price fixing, bid rigging etc.*

Acquisitions & Consolidations

- In general, mergers, acquisitions & consolidations can lead to efficient outcomes
- But some can substantively reduce competition
 - e.g. Consolidation between 2 largest competing operators can entrench the consolidated entity's market power and substantially reduce competition
- To prevent this, IDA's approval must be sought before parties can enter into transactions with designated licensees

Acquisitions & Consolidations

- **Postal Services (Control of Designated Postal Licensees) Regulations**
 - Sets out over-arching legal framework for IDA to regulate parties who acquire control over “designated licensees”
 - IDA proposes that “designated licensees” include Public Postal Licensees and all Postal Services Operators
- **Section 8 of the Code “implements” the Regulations and Act**
 - Sets out the procedures for seeking IDA’s approval

Enforcement

- **Enforcement against non-compliance with the Code can be**
 - Initiated by IDA or
 - In response to a request of a private party
- **Enforcement actions**
 - Will be proportionate to severity of contravention
 - Include warnings, cease & desist orders, financial penalties of up to S\$1 million

Public Consultation

- **Further details on the Code and Regulations can be found in public consultation documents**
- **The consultation documents can be found at IDA website, www.ida.gov.sg, under Policies & Regulation, Consultation Papers & Decisions**

Thank you

These slides are provided for information solely for the purpose of IDA's public consultation on its proposed competition and inter-operator frameworks for the postal industry. IDA shall in due course issue its finalised codes of practice and regulations and reserves the right to depart from anything stated herein