

PUBLIC CONSULTATION ON FURTHER LIBERALISATION OF THE POSTAL SERVICES SECTOR IN SINGAPORE

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Outline of Presentation

- Objectives of Consultation & Legal Structure
- Overview of the Postal Services Sector
- Overview of Postal Liberalisation Trends
- Policy Objectives & Assessment
- Proposed Liberalisation Approach & Licensing Scope
- Regulatory Frameworks & Issues
- Postage Stamps
- Remailing in International Mail Market
- Q&A

1 / Objectives of the Consultation & Legal Structure

Objectives of the Consultation

- SingPost's exclusive right to collect and deliver ordinary letters and postcards within, into and out of Singapore ("**Basic Mail Services**") for 15 years, expires on 31 March 2007.
- IDA is reviewing whether to extend SingPost's exclusive right or to further liberalise the postal services sector - the BMS market.
- The objective of consultation is to seek views from the industry and members of the public on :
 - whether the BMS market should be liberalised;
 - what are the potential benefits to consumers and businesses in liberalising the BMS market; and
 - if the BMS market is to be liberalised what should be the licensing and regulatory frameworks to be adopted.

Legal Structure

- Postal services in Singapore are governed by the Postal Services Act, the Postal Services Regulations and Class Licence Regulations.
- The Act confers upon the Authority (IDA) the exclusive privilege of conveying from one place to another letters & postcards & performing all incidental services of receiving, collecting, sending, despatching and delivering letters & postcards.
- **“letter”** is defined to include “any communication in the nature of current and personal correspondence” and **“postcard”** is defined to mean “a card recognised as a postcard in accordance with the terms of the UPU”.

Legal Structure

- The Postal Authority is responsible for the administration of the Act with various powers, such as to:
 - grant, modify, suspend and cancel licences
 - give directions
 - issue or approve codes of practice and standards of performance

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Overview of the Postal Services Sector in Singapore



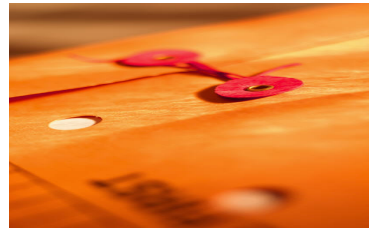
Segments of the Postal Services Sector

- Basic Mail Services
 - 15 years exclusive right given to SingPost
 - Comply with price control arrangements and QoS
 - Provision of BMS to any person in Singapore
 - Provide & maintain posting boxes & post offices
 - Formulate & maintain Postal Code System
 - Provide Postage Stamps



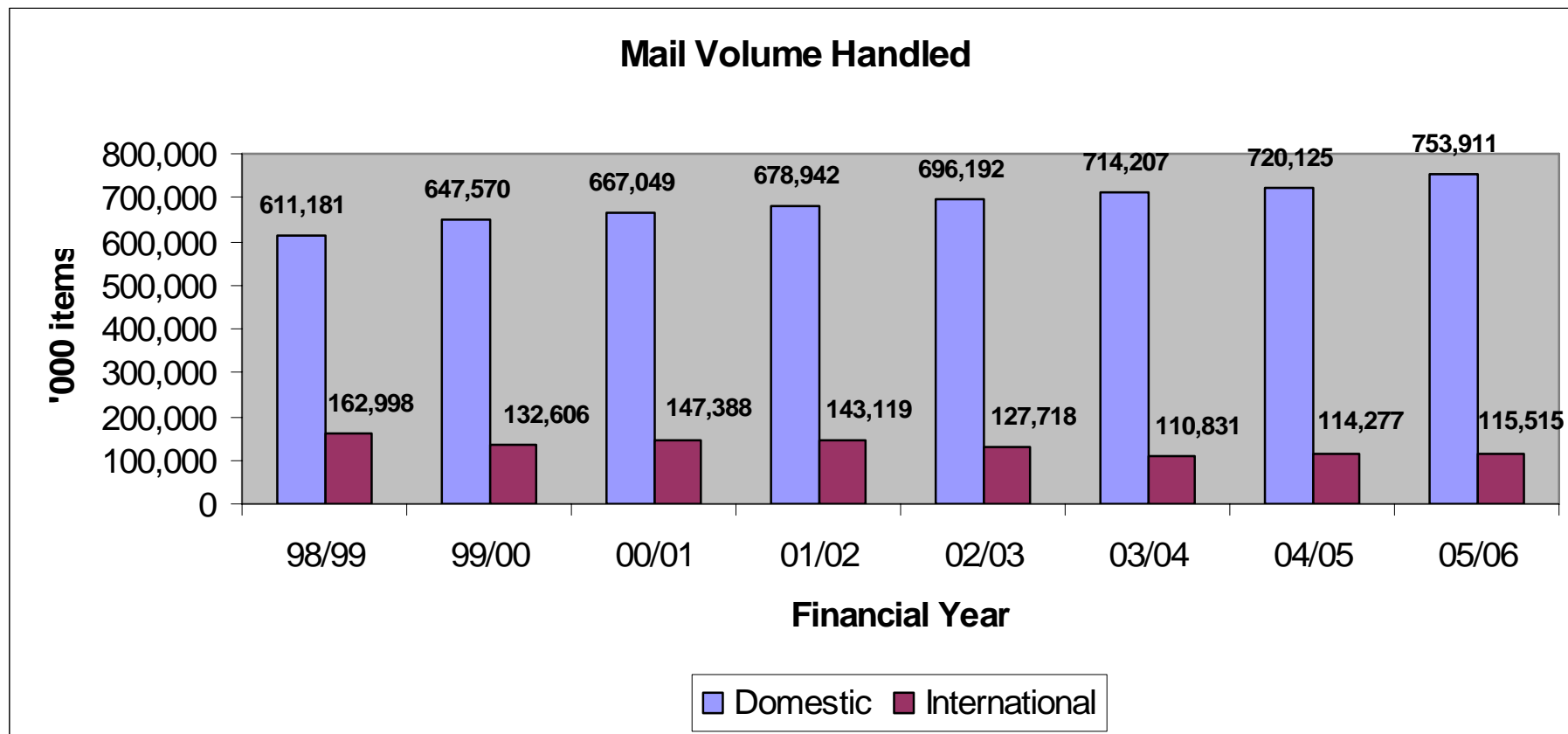
Segments of the Postal Services Sector

- Express Letter Conveyance Services
 - Class licensed since April 1995
 - Both domestic & / or International
 - Delivered within the same working day & a charge not lower than S\$1 or 3X charged by SingPost
 - More than 100 licensees
- Printed Paper and Parcel Conveyance Services
 - Do not require a licence from IDA

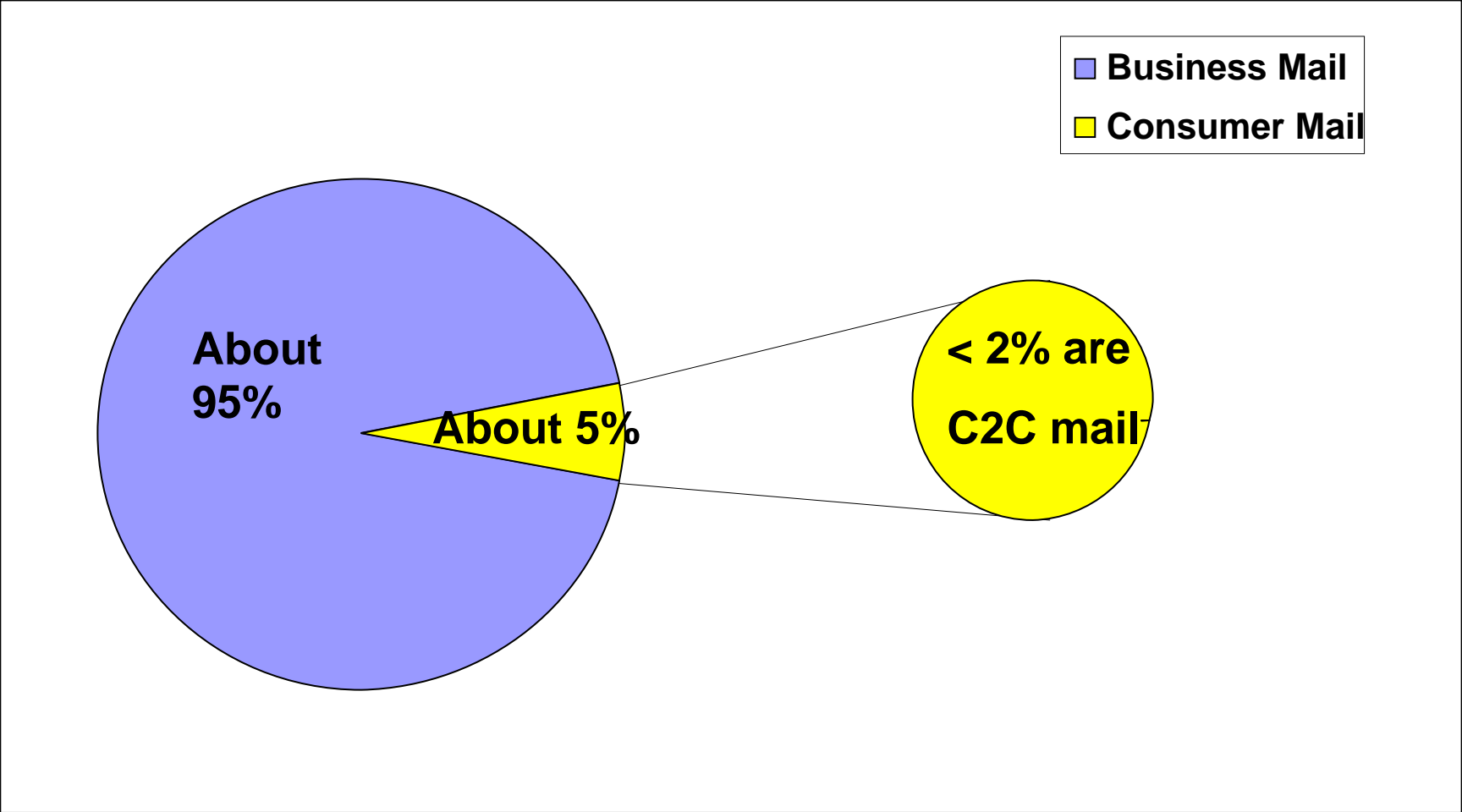


Size & Profile of the Postal Services Market

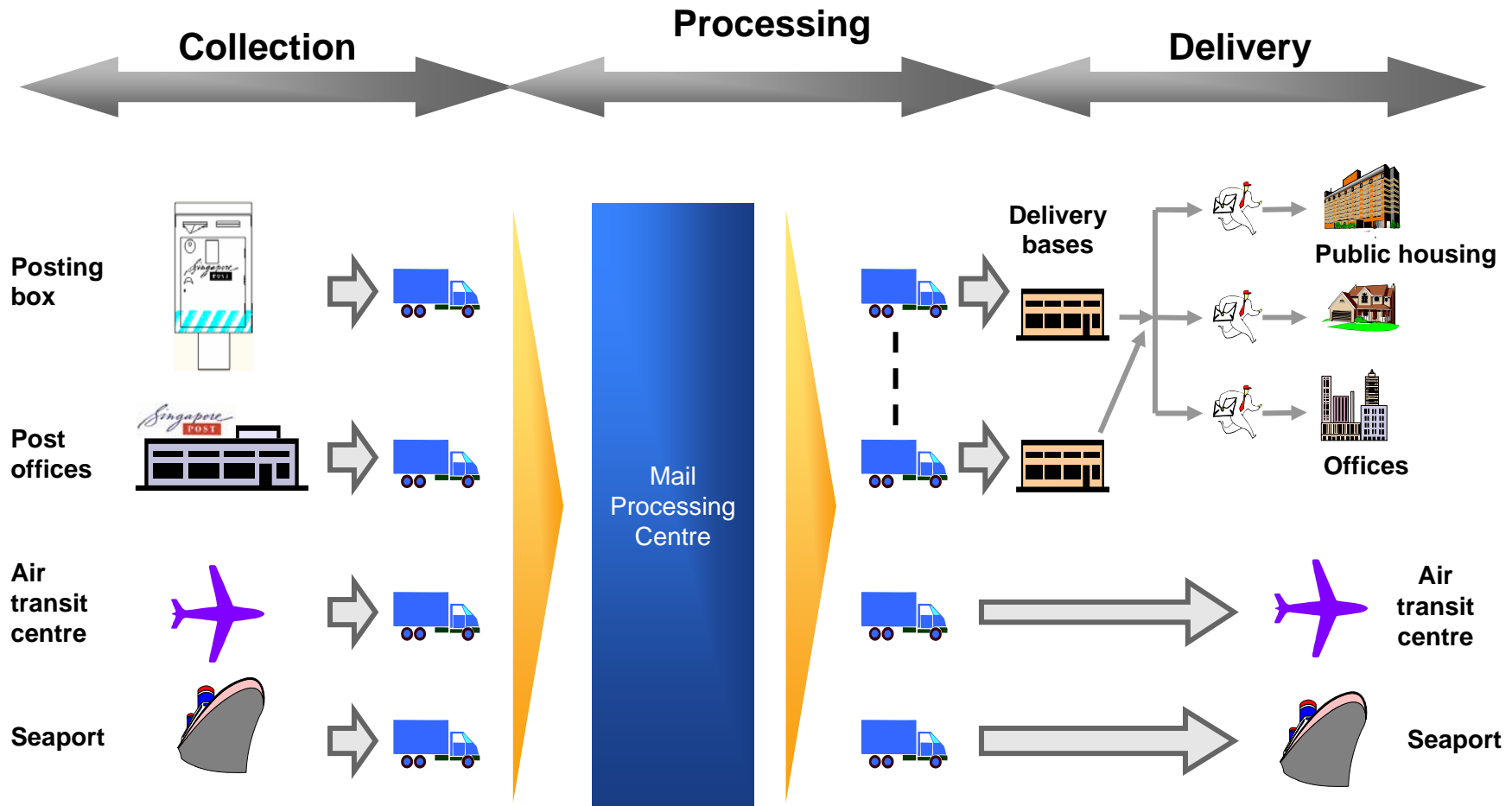
- Total revenue: \$1 billion (“Post & Courier Activities”)



Composition of the Total Domestic Mail

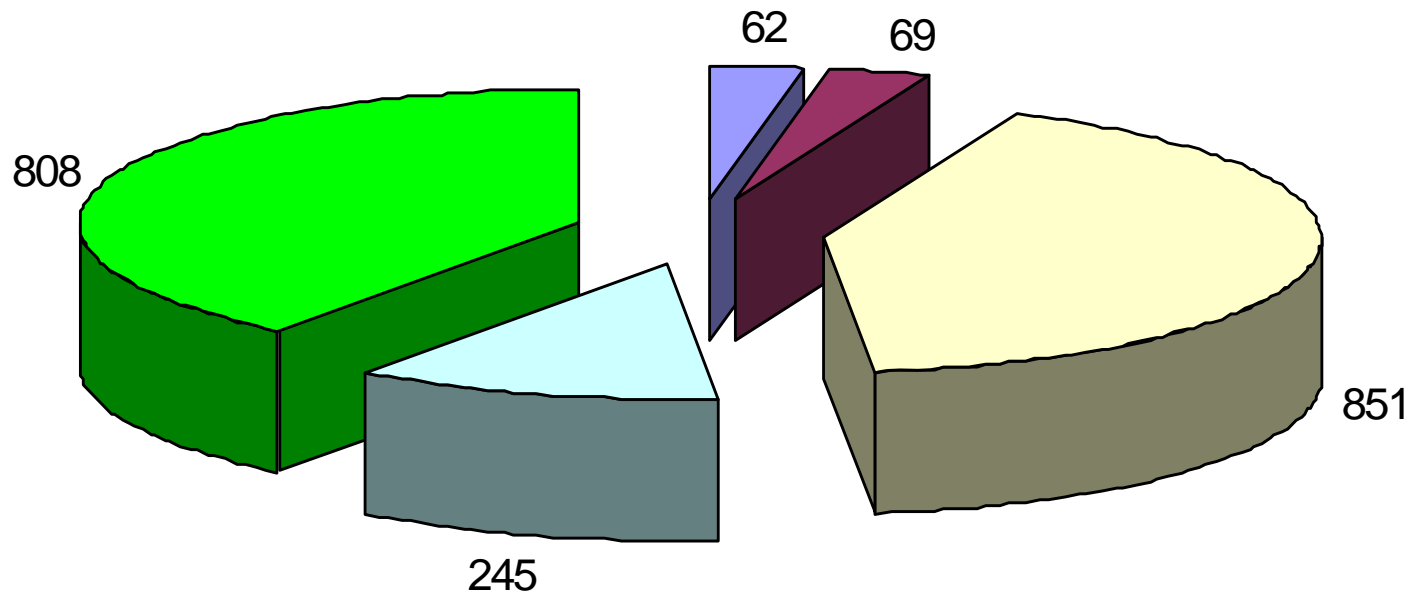


SingPost's Postal Infrastructure



SingPost's Collection Network

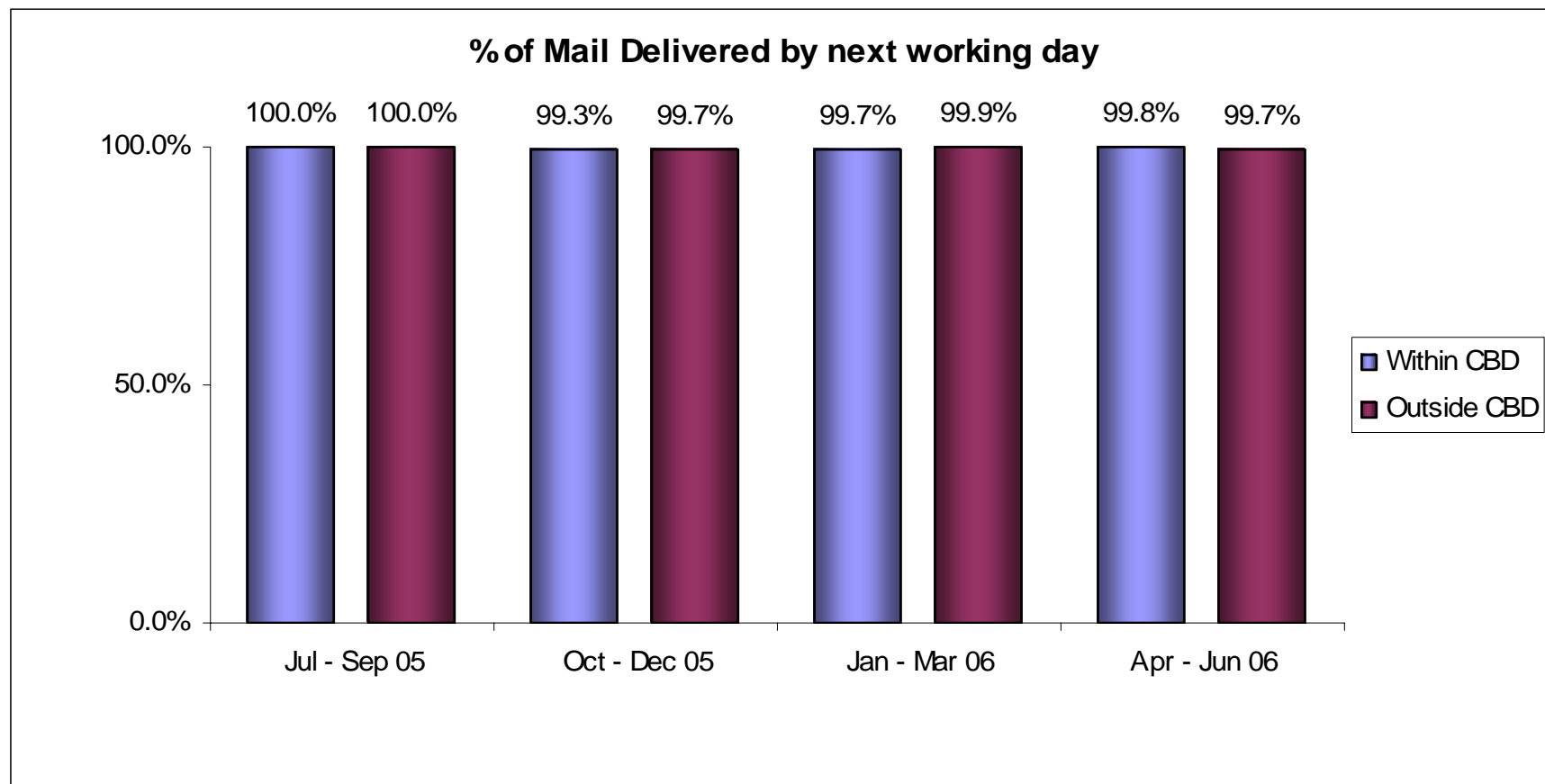
Postal Network (As of Jun 2006)



■ Main Branches ■ Smaller Branches ■ Stamp Vendors ■ SAMs ■ Postboxes

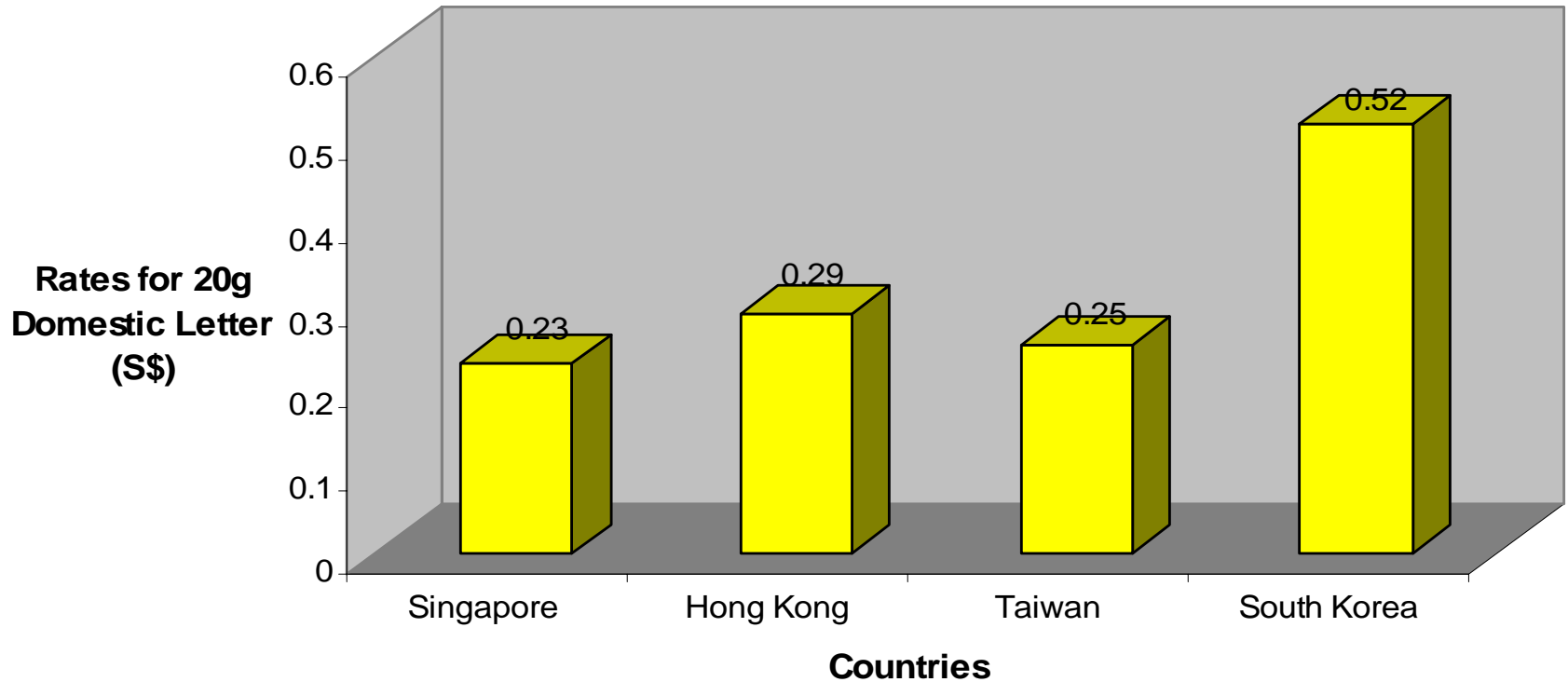
Performance in the BMS Segment

■ Service Quality Standards



Pricing of BMS

Domestic Letter Rates (As of 15 Jun 2006)



Survey: Consumer Usage Pattern & Satisfaction

- Better understand end-users' postal services needs, usage patterns, satisfaction level, and needs that could be better met, perhaps through liberalisation.
- Postal Services Survey in 2005 with consumers and business users.
- Focused on services provided in the monopoly mail segment.
- Feedback on services in the competitive market segments.

Consumers

- 1,500 consumers (individual mail users) aged between 15 to 69 years old were interviewed (telephone).

Business Users

- 89 firms from the publishing, financial and services sector as well as government agencies.

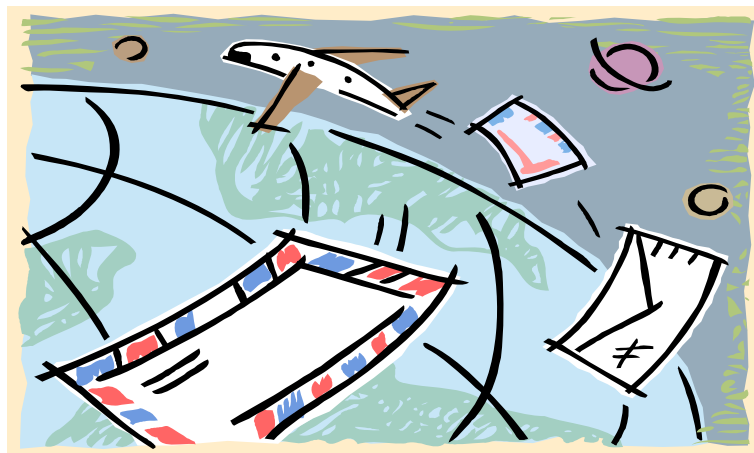


Survey Results: Summary

- A high level of satisfaction, with the price and quality of the postal services in the monopoly mail segment.
- Most consumers do not have unmet needs.
- However, there are areas identified by business users where they feel could be better served, if there are alternative providers.
- Such as better mail tracking services, more competitive and flexible pricing structures and more personalised services.

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Overview of Liberalisation Trends in Other Postal Services Markets

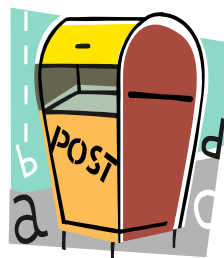


Overview of Liberalisation Trends in other Postal Services Markets

- Postal liberalisation is not pervasive.
- EU member countries are taking a phased approach. The 2002 Directive specified deadline for full liberalisation.
- Largely driven by Governments' desire to improve the quality of postal services.
- The need to ensure the continuity of the universal postal services provided by the incumbents.
- Overseas experience showed that competition has benefited users, particularly business users, through service innovation, improved service standards, falling prices and greater efficiency.

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Policy Objectives & Assessment of Prospects for Further Liberalisation of the Postal Services Sector



IDA's Policy Objectives & Regulatory Philosophy

Policy Objectives:

- (a) competitively priced, high-quality & reliable BMS to maximise consumer welfare; and
- (b) postal services sector will contribute to the overall growth & development of the Singapore economy.

Regulatory Philosophy:

- Competition is more effective than regulation in promoting consumer welfare and competitive markets provide consumers with a wide choice of services at reasonable prices.

Assessment: Potential Benefits to Further Liberalisation

- More innovative service offerings & price competition.
- From Survey & overseas experience, business users (>90%) will stand to benefit given their more varied needs, and preference for customised solutions and personalised services.
- However, users of stamped & franked mail may not benefit significantly.
- IDA estimated a net crude benefit of S\$13 m to S\$31 m a year for end-users.

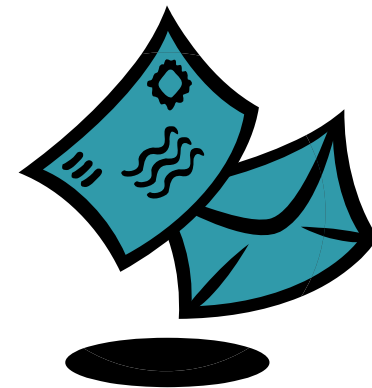
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Proposed Liberalisation Approach & Licensing Scope



Proposed Liberalisation Approach

- IDA has not been able to identify compelling reasons for extending the full set of monopoly rights given to SingPost beyond 31 March 2007.
- Hence, IDA proposes to liberalise the BMS market and to carry out the liberalisation process in one single step instead of in phases, unless compelling reasons have been identified to withhold competition in specific market segments.



Licensing Objectives & Scope

- Licensing objectives:
 - Provide adequate safeguards to ensure continuance of BMS
 - Maintain public confidence in the reliability and availability of BMS
- Licensing scope:
 - Currently – based on nature and types of mail
 - In this review IDA considered the need for (a) certainty on what needs to be licensed (b) minimal impact on traditionally unlicensed areas and (c) clarity of scope for regulation and competition management.
- IDA identified 3 possible options.

Licensing Scope: Option 1

Licensed	Not Licensed
<ul style="list-style-type: none">▪ Letters & Postcards▪ Express Letters	<ul style="list-style-type: none">▪ Printed Papers▪ Parcels▪ Self delivery/employees

- Continue with existing licensing scope
- Base on nature of mail regardless of weight
- Printed papers and parcels continue to be unlicensed
- Express letter delivery continue to require a Class Licence
- This structure is familiar to existing industry players
- But it is not practical in a multi-operator environment as it is difficult to tell what types of mail constitutes “personal & current”

Licensing Scope – Option 2

Licensed	Not Licensed
<ul style="list-style-type: none">▪ Addressed Letters 500g and below (with and without Letterbox access)▪ Express Letters	<ul style="list-style-type: none">▪ Addressed mails 501g and above▪ Unaddressed mails▪ Parcels▪ Self-delivery/employees

- Redefined based on the weight of mail rather than the nature of mail
- Redefine BMS as services to convey addressed letters weighing 500g and below
- Practical and sustainable in a multi-operator environment as it removes the difficulty of differentiating between letters and printed papers.
- Weight threshold of 500g is proposed because such articles are likely to be bulky and parcel-like.
- A weight threshold below 500g may exclude more letter-like articles from the licensing regime and may inadvertently prevent new entrants from gaining access to important infrastructures.

Licensing Scope – Option 3

Licensed

- **Addressed Letters 500g and below (with and without Letterbox access)**

Not Licensed

- Addressed mails 500g and above
- Unaddressed mails
- Parcels
- Self delivery/employees

- Same as Option 2 except that there will no longer be a separate Class Licence category for Express Letters.

Proposed Licensing Scope

Propose to adopt Option 2

- Express Letter licensees (more than 100) are subject to minimal regulations and can begin service provisioning after registering with IDA and upon payment of a minimal one-time fee of \$200.
- Nature of delivery is different from ordinary mail requiring higher value-add (face-to-face delivery, mail tracking and quality guarantees).
- No good reasons to subject Express Letter licensees to more regulations as this will increase business costs.
- Most countries also keep Express Letter as a separate category.
- IDA proposed to removed the existing “price floors”.
- Conveyance of printed papers weighing 500g and below will now be subject to licensing and regulation in a liberalised environment if they fall within the definition of Addressed Letters.

Proposed Definitions

IDA will redefine:

- “Letter” as “Addressed Letter” as “any communication in written (including printed) form on any kind of physical medium to be conveyed and delivered otherwise than electronically to the person or address indicated by the sender on the item itself or on its wrapping (excluding any book, catalogue, newspaper or periodical)”

and

- “Express Letters” as those addressed letters weighing 500g and below and delivered within the same working day.

Proposed Licensing Scope : Exclusions in the Definition of “Letter”

▪ **BOOK**

- *a written or printed work with pages bound along one side including (but not limited to) a work intended for publication and a bound set of blank sheets for writing or drawing in*

▪ **CATALOGUE**

- *a catalogue of goods, services or other items*

▪ **NEWSPAPER**

- *as defined in the Newspaper and Printing Presses Act:*

“any publication containing news, intelligence, reports of occurrences, or any remarks, observations or comments, in relation to such news, intelligence, reports of occurrences, or to any other matter of public interest, printed in any language and published for sale or free distribution at regular intervals or otherwise, but does not include any publication published by or for the Government”

▪ **PERIODICAL**

- *a magazine or similar periodical published at regular intervals*

Licensing Scope

- If Option 2 is adopted, the scope for licensing will be revised to “conveying, from one place to another, any Letters and not exceeding 500g and performing all incidental services of receiving, collecting, sending, despatching and delivering of such addressed mail, within, from and to Singapore”.
- This includes the setting up of mail sorting centres, delivery bases, installation of posting boxes and post offices, and provision of mailroom services.
- Any person intending to provide any part of this service chain in Singapore, including any incidental services, must obtain a postal licence from IDA.

Licence Categories

Category 1: Postal Services Operator (“PSO”)

Option 1: 2 types of PSO

- PSO **with** island-wide delivery obligation
- PSO with USO obligation – **PPL**

Option 2 : 3 types of PSO

- PSO **with** island-wide delivery obligation
- PSO with USO obligation – **PPL**
- PSO **without** island-wide delivery obligation

Category 2: Express Letter Service Operator (“ELSO”)

PSOs with Island-Wide Delivery Obligations

- PSO commit to and have demonstrated the ability to provide island-wide delivery for BMS will qualify for IDA's consideration for obtaining masterdoor keys to letterboxes.



PSOs' Access to SingPost's Delivery Network

PSO with island-wide delivery obligation

- IDA will facilitate access to all letterboxes
- No access to SingPost's infrastructure via regulatory assistance

PSOs with no island-wide delivery obligation

- No keys to letterboxes
- IDA will facilitate access to SingPost's delivery network
 - Single point of access at SingPost's Sorting Centre
 - Access price: No worse-off than retail bulk mail customers (retail minus or cost-based)
- No mandatory sharing of collection infrastructure (e.g. post office & posting boxes).

PSO Licensee designated as PPL

- Required to provide an identified set of universal services comprising these 3 main service features:
 - ***reasonable accessibility*** – to comply with minimum distribution of posting boxes and post offices in Singapore as determined by IDA;
 - ***reasonable quality*** – to comply with minimum QoS standards set by IDA for collection & delivery of letter; and
 - ***reasonable pricing*** – to comply with IDA's price control framework.

Licence Fee & Licence Duration & Banker's Guarantee

Licence Types	Licence Fees and Licence Duration	Banker's Guarantee
PSO Licence (island-wide delivery)	Annual fee of 0.4% of AGTO subj. to a min. annual fee of S\$150,000. Licence Duration: 10 years.	\$250,000
PSO Licence for PPL designates	Annual fee of 0.4% of AGTO subj. to a min. annual fee of S\$150,000. Licence Duration: 15 years.	N.A
PSO Licence	Annual fee of 0.4% of AGTO; or Annual fee of S\$3,000 if AGTO is S\$1 million or less. Licence Duration: 10 years.	S\$100,000
ELSO Licence	One-time registration fee of S\$200. Licence Duration: "Life-time" of business.	N.A

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Regulatory Frameworks & Issues

Objectives of the Regulatory Framework

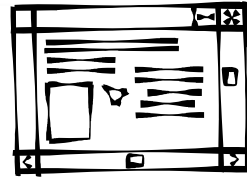
Objectives:

- Provide adequate safeguards to ensure continuance of BMS
- Maintain public confidence in the reliability and availability of BMS in Singapore

Regulatory frameworks also seek to:

- Minimise any confusion for mail senders when choosing services provided by different providers
- Ensure a seamless and transparent experience for mail recipients
- Ensure fair competition

Regulatory Frameworks & Issues



- **POSTAL IDENTIFIERS:** name, logo, number, mark or design
 - Uniquely identifies PSO
 - Required on all BM items
 - PSOs are required to register PI with IDA and publish for public information.

- **Access to Letterboxes**
 - IDA recognises mail security & integrity problems if many parties are given access
 - Hence, given to those willing to commit & are able to demonstrate ability to provide island-wide delivery services
 - Property developers & owners (including HDB/Town Councils) must give PSO approved by IDA keys to locked letterboxes
 - IDA will set up regulations to govern access to letterboxes by PSO: such as the use of the masterdoor keys, unauthorised duplication of keys, etc

Regulatory Frameworks & Issues :

Other Access

- Facilitate access to other facilities to ensure seamless experience for end-users:
 - P.O. Boxes / Mailboxes
 - Mail Redirection information
 - Postal Code System
- Mail Integrity & Common Operational Procedures
 - Provisions under Postal Services Act & Regulations
 - E.g. An offence for employees of PPL to destroy or throw away postal article in the course of conveyance
 - These prohibitions will be extended to all PSOs and ELSOs if the market is liberalised

Regulatory Frameworks & Issues :

Other Access

- Letter may get into the wrong network e.g. mis-delivered or undelivered
- If not addressed, may create operational processing confusion, increase costs, cause delay to the delivery and /or return of the mail, reduce the effectiveness of competition and cause customer dissatisfaction
- Set up Codes of Practice to ensure mail integrity and facilitate cooperation amongst operators
- Set up sectoral competition framework along similar lines as that adopted in telecom sector
 - To facilitate transition from monopoly
 - To ensure fair competition
 - Cover both ordinary and express letters of 500g and below

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Postage Stamps



Postage Stamps



- Pre-payment identification for postage
- Today, SingPost subject to Minister's direction, issues postage stamps.
- Propose to allow only the PPL, the privilege to produce and issue national stamps bearing our country's name or any national symbol (e.g. lion head)
- PSOs can produce their own pre-payment impressions or stamp imprints (will not be referred to as "postage stamps") but:
 - No indication of the name of the country or national symbol
 - Not used for international postal article within the framework of the UPU regulations unless authorised by IDA
 - Must obtain approval from IDA
- No further design guidelines for the others, but IDA reserves the right to issue directions against objectionable stamps imprints
- All bound by Undesirable Publication Act

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Remailing in International Mail Market Segment

International Settlement or “Terminal Dues” System

- TDs are payable by a postal administration in a country to other countries for delivering of international mail items.
- TD rates are determined by international agreement under the Universal Postal Union.
- The UPU settlement regimes classifies member countries based on their level of economic development.
- Target Countries – Industrialised Countries (“ICs”)
- Transitional Countries - Developing Countries (“DCs”)

Terminal Dues

	IC	DC
IC	<i>Country-specific rates with pre-defined rate ceiling & rate floor.</i>	Specific rates lower than that of IC-to-IC rate.
DC	Specific rates lower than that of IC-to-IC rate.	Specific rates lower than that of IC-to-IC rate.

- Singapore is classified as a DC.

Remail

- Potential for significant growth in remail through Singapore.
 - Low domestic postage rates vs inbound terminal due rates
 - Only DC in this region to fully liberalise its postal market
- Arbitrage for delivering mail between ICs through DCs.
- To discourage such remail activities:
 - System Harmonisation Mechanism (“SHM”)
 - Revision Mechanism (“RM”)

Two Main Types of Remail

- ABB Remail
- ABC Remail
- Options to Prevent ABB & ABC Remail
 - (A) Commercial negotiations to bypass the UPU TD System
 - No incentive
 - (B) Increase domestic postage to stop ABB remailing
 - Not defensible on public interest grounds

Proposed Approach Forward

Liberalise ***domestic & international outbound*** mails but do not liberalise international inbound mails.

- Consider liberalising the international inbound mail segment when there are satisfactory solutions

10/ Comments



Comments

- IDA has released the public consultation on 18 August 2006
- For 6 weeks ending 29 September 2006
- **IDA website (www.ida.gov.sg)** under Policy and Regulation, IDA Consultation Papers.
- Details on how your views and comments could be submitted to IDA can be found in the public consultation paper.

Thank you
www.ida.gov.sg

Q&As

Please give your name & your company name.

Thank you.