



**INFO-COMMUNICATIONS DEVELOPMENT AUTHORITY OF
SINGAPORE**

**IDA'S DECISION AND EXPLANATORY MEMORANDUM ON
THE FRAMEWORK FOR FURTHER LIBERALISATION OF THE
POSTAL SERVICES SECTOR
IN SINGAPORE**

ISSUED ON 5 FEBRUARY 2007

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IDA'S DECISION AND EXPLANATORY MEMORANDUM ON THE FRAMEWORK FOR FURTHER LIBERALISATION OF THE POSTAL SERVICES SECTOR IN SINGAPORE

PART 1

EXECUTIVE SUMMARY

- 1 On 1 April 1992, Singapore Post Ltd ("**SingPost**") was granted an exclusive right to collect and deliver ordinary letters and postcards within, into and out of Singapore ("**Basic Mail Services**") for 15 years, from 1 April 1992 until 31 March 2007. With the impending expiry of SingPost's monopoly to provide Basic Mail Services on 31 March 2007, IDA reviewed the issue of whether SingPost's monopoly should be extended or whether the Basic Mail Services market should be liberalised from 1 April 2007. On 18 August 2006, IDA issued a public consultation paper on "Further Liberalisation of the Postal Services Sector in Singapore" ("**Consultation**") to invite views and comments from the industry and members of the public on a spectrum of proposals and issues surfaced during IDA's review.
- 2 The Consultation closed on 29 September 2006 with 8 respondents. Although diverging views and comments were received on the proposals and issues raised, most respondents were in favour of full liberalisation after 31 March 2007.
- 3 IDA gave extensive consideration to the views and responses submitted. IDA is of the view that there is no strong economic justification for extending SingPost's monopoly in the Basic Mail Services market. Although the Basic Mail Services market has been shrinking due to e-substitution, overall mail volume has been growing, albeit slowly. In addition, while the Basic Mail Services market may be small, it does not mean that the market can support only one player in the whole vertical value chain of supply. IDA believes that should there be any risks to national security and emergency preparedness arising from liberalisation, these risks can be mitigated with close co-ordination and co-operation with public safety and security agencies. IDA also believes that with careful framework design, concerns of ensuring mail integrity and service reliability can be addressed.

- 4 Therefore, IDA believes that SingPost's monopoly in the provision of Basic Mail Services need not be extended after 31 March 2007 and the Basic Mail Services market can be liberalised on 1 April 2007. Deferring liberalisation or adopting a phased liberalisation approach is not meaningful. IDA believes that this policy stance is consistent with the Singapore Government's commitment towards building an open economy and is also in-line with Singapore's position as a regional business hub.
- 5 On 5 February 2007, Dr Lee Boon Yang, the Minister for Information, Communications and the Arts, announced the Government's decision to end SingPost's monopoly in the Basic Mail Services market on 31 March 2007 and to liberalise the market on 1 April 2007.
- 6 This explanatory memorandum thus sets out the liberalisation and regulatory frameworks that IDA will adopt in liberalising the Basic Mail Services market. In developing the frameworks, IDA remains guided by the policy objectives of ensuring that:
 - (i) competitively priced, high-quality and reliable Basic Mail Services are provided to consumers and businesses to maximise consumer welfare; and
 - (ii) the postal services sector will continue to contribute to the overall growth and development of the Singapore economy.
- 7 IDA also maintains its regulatory philosophy that competition is more effective than regulation in promoting consumer welfare. IDA has adopted a set of regulatory principles in guiding its review and determination, in particular, the need to ensure continuity in the provision of Basic Mail Services in Singapore; to safeguard mail integrity so as to maintain public confidence in the public postal systems and ensure reliability of the postal services provided in Singapore; and to protect consumers' interests.
- 8 IDA recognises that mail integrity and security are of utmost importance in the mail conveyance business because it involves human handling of personal and corporate mail items, throughout the entire value chain from collection to delivery. The current high level of user confidence in the public postal system is one of the critical success factors of the postal services provided in Singapore today. Hence, liberalisation of the

Basic Mail Services market must not be made at the expense of mail integrity and security.

- 9 IDA notes the serious concerns of the industry over the issue of mail integrity and security with the proposal to give letterbox masterdoor keys to multiple operators, in particular operators providing island-wide delivery. IDA also notes that the current letterbox design with lockable apertures is a preferred design by public and private housing residents and is a feature unique to Singapore.
- 10 After much deliberation, IDA has determined that in the interest of protecting mail integrity in the public postal system and safeguarding consumers' interests, IDA will not allow access by multiple operators to letterbox masterdoor keys. The letterbox masterdoor keys will be given to only a Postal Services Operator ("**PSO**") designated as Public Postal Licensee ("**PPL**").
- 11 As a result, IDA has revised its licensing framework to grant 2 types of Postal Services licences: (a) PSOs designated as PPLs with Universal Service Obligations ("**USO**"); and (ii) all other PSOs regardless of their service scope. Provision of express letter services will remain a separate Class licence category.
- 12 IDA will continue to designate SingPost as the PPL and SingPost will be required to perform a set of USO determined by IDA. From the outset, SingPost as the designated PPL will be given the full set of letterbox masterdoor keys to facilitate the performance of its USO. IDA will not require letterbox masterdoor keys to be given to all other PSOs. Instead, IDA will facilitate their access to SingPost's delivery network at regulated prices, terms and conditions. Competing PSOs could also deliver mail by themselves to letterboxes with no locked apertures. Going forward, however, if there are other PPLs who would like to hold masterdoor keys to letterboxes and can propose arrangements that can address security concerns, IDA will be open to consider providing letterbox masterdoor keys to such PPLs.
- 13 IDA has also determined, based on the comments given by the industry, that the international mail market segment (both international inbound and outbound mail) shall be fully liberalised. Full liberalisation of the international mail market segment will further develop Singapore as a regional printing hub and enhance e-commerce activities. IDA will address the concerns on remail activities in the international mail market

- by putting in place safeguards to mitigate the impact on public postage rates for international mail users in Singapore.
- 14 With the revised liberalisation framework, IDA believes that competition is likely to take place in “upstream” collection related activities in the business mail market segment while competition in “downstream” delivery related activities is likely to be limited. Nonetheless, IDA believes that the market outcome and economic impact resulting from the letterbox access constraint may not be significantly different if such a restriction had not existed. This is because of the fundamental economics of the Basic Mail Services market, which suggests that a full replication of SingPost’s delivery network by new entrants is likely to be difficult even without the letterbox access constraint. Greater competition will naturally occur in “upstream” collection for the business mail market segment.
 - 15 IDA estimates that the net benefits arising from price competition in a liberalised environment will be crudely in the region of S\$8 million to S\$25 million a year, for the next 2 to 3 years.
 - 16 IDA will redefine the licensing scope for providing Basic Mail Services to cover the conveyance of addressed letters weighing 500g and below. With this redefinition, addressed letters will exclude books, catalogues, newspapers, and periodicals. The conveyance of addressed direct mail will also be exempted from licensing.
 - 17 IDA has also revised the licensing structure and will set up regulatory frameworks to address the following issues in a liberalised environment:
 - (i) placing Identifier Marks by all PSOs;
 - (ii) ensuring seamless access to P.O. boxes and mailboxes;
 - (iii) ensuring access to the Postal Codes;
 - (iv) sharing of customer information by all PSOs offering Mail Redirection Service;
 - (v) ensuring fair and reasonable access to the incumbent operator’s delivery infrastructure, which will be costly and difficult to replicate by new entrants;

- (vi) establishing Quality of Service (“**QoS**”) standards and price regulation;
- (vii) issuing of Postage Stamps; and
- (viii) introducing Codes of Practice and guidelines to address competition and inter-operator issues.

IDA will be releasing details on the proposed regulatory frameworks to address the above issues for further public consultation before finalising them.

- 18 Arising from IDA’s decision to fully liberalise the Basic Mail Services market, IDA will be proposing corresponding changes to the Postal Services Act (Cap. 237A) (the “**Act**”), the Postal Services Regulations (Cap 237A, Rg 1) (the “**Postal Regulations**”), and the Postal Services (Class Licence) Regulations 2005 (S 481/2005) (the “**Class Licence Regulations**”) to effect the revised liberalisation and regulatory framework set out in this paper.

PART 2

INTRODUCTION

- 19 On 1 April 1992, Singapore Post Limited (“**SingPost**”) was granted an exclusive right to collect and deliver ordinary letters and postcards within, into and out of Singapore (“**Basic Mail Services**”) for 15 years, from 1 April 1992 until 31 March 2007. With the impending expiry of SingPost’s monopoly to provide Basic Mail Services on 31 March 2007, IDA reviewed the issue of whether SingPost’s monopoly should be extended or whether the Basic Mail Services market should be liberalised from 1 April 2007. On 18 August 2006, IDA issued a public consultation paper on “Further Liberalisation of the Postal Services Sector in Singapore” (“**Consultation**”) to invite views and comments from the industry and members of the public on the following issues:
- (i) whether the Basic Mail Services market should be liberalised;
 - (ii) what are the potential benefits to consumers and businesses in liberalising the Basic Mail Services market; and

- (iii) if the Basic Mail Services market is to be liberalised what should be the licensing and regulatory frameworks to be adopted.
- 20 The Consultation closed on 29 September 2006 with comments from the following 8 respondents:
- (i) AJ Couriers Pte Ltd
 - (ii) Asian Mailing Association
 - (iii) Consumer Association of Singapore
 - (iv) G3 Worldwide Mail
 - (v) Lee Song Kiat
 - (vi) Singapore Post Limited
 - (vii) Swiss Post International Singapore Pte Ltd
 - (viii) Terence Yang

Submissions from the respondents are available on the IDA website at www.ida.gov.sg, under “Policies and Regulation” and under “Consultation Papers and Decisions”.

- 21 IDA would like to thank the respondents for their views and comments, which have contributed to IDA’s review of the issue of the liberalisation of the Basic Mail Services market, including the formulation of the liberalisation and regulatory frameworks. This paper discusses the key issues raised during the Consultation and sets out IDA’s decision on the liberalisation approach and regulatory frameworks to be adopted.

PART 3

LIBERALISATION OF THE BASIC MAIL SERVICES MARKET

IDA’s Proposal in the Consultation

- 22 In the Consultation, IDA noted that the postal services sector is not a large sector of the Singapore economy. While total mail¹ volume in Singapore has enjoyed healthy growth in the 1990s, the average growth

¹ Includes domestic letters, postcards and printed papers sent and received within Singapore, and similar categories of international mail sent to overseas from Singapore and sent to Singapore from overseas. It excludes Express Letters and parcels.

rate in the recent years has slowed to about 2% a year. IDA's assessment showed that business users – who are the largest group of users of postal services and who account for more than 90% of the total domestic mail sent (Business-to-Business and Business-to-Consumer mail) – will stand to benefit from a competitive environment with price reductions (especially for bulk mail), better service quality, and greater choices of services. International mail users are likely to similarly benefit from competition. Competition will also promote further innovations in the local postal industry and will increase the incumbent's incentive to improve its service quality and efficiencies. Liberalisation of the Basic Mail Services market will also see spill-over benefits into the growing printed paper segment, and other segments of the economy such as enhancing Singapore's position as a regional printing hub.

- 23 In the Consultation, IDA also noted that users of stamped and franked mail (largely individuals and Small and Medium Enterprises) may not benefit significantly from liberalisation of the Basic Mail Services market. Consumer mail volume (Consumer-to-Business and Consumer-to-Consumer) is thin and consumer mail forms a very small segment of total domestic mail. This market segment is not likely to be attractive to new players.
- 24 IDA further noted that unlike other jurisdictions, Singapore is a city state with no rural population and SingPost does not provide any critical "social" services that need to be preserved. Hence, IDA proposed to fully liberalise the Basic Mail Services market from 1 April 2007, unless compelling reasons have been identified for extending the existing suite of monopoly rights given to SingPost beyond 31 March 2007.

Key Responses to Consultation

- 25 Respondents to the Consultation did not dispute the observations made by IDA about the size of and growth trends in the Basic Mail Services market. All respondents agreed with IDA's observation that business users will stand to benefit with more competitive pricing, greater choices and more innovation. The respondents also agreed that liberalisation will contribute to the economic growth of Singapore and will encourage investments. Liberalisation will also enhance e-commerce activities and develop Singapore as a regional printing hub. Hence, most respondents agreed with IDA that the Basic Mail Services market should be liberalised, with some arguing strongly in favour of full liberalisation.

- 26 However, one respondent argued that the Basic Mail Services market should not be liberalised. It argued that the benefits of liberalisation will be small considering the high service quality, high consumer satisfaction and the internationally competitive pricing in the Basic Mail Services market today. Moreover, the incumbent is already efficient and innovative in serving the market. The respondent also pointed out that the Basic Mail Services market is small and shrinking because of e-substitution. The growth segment has been in direct mail and publications, which is already open to competition. The sluggish or negative growth trend in the Basic Mail Services market is a worldwide trend and is likely to continue. Coupled with high fixed-cost for service provisioning, the respondent argued that the Basic Mail Services market will not be able to support more than one full-fledge service provider in the long-run. It will result in wasteful duplication of resources and will dilute the critical mass in the mail volume needed to support the Universal Service Obligations (“USO”). Liberalisation will lead to unhealthy and unsustainable price competition and will create an adverse environment for capital investments in innovative technologies.
- 27 The respondent further argued that a multi-operator environment will pose significant downside risks to mail integrity and service reliability, and weaken the preparedness of the national postal system in times of national emergency and security threats. Another respondent also commented that the mail delivery is a low wage and labour intensive business. Given Singapore’s small labour market, it would seem incongruent and a waste of resources to replicate the existing island-wide delivery network.

IDA’s Assessment and Determination

- 28 IDA has reviewed all the comments made and is of the view that there is no strong economic justification for extending SingPost’s monopoly in the Basic Mail Services market. Although the Basic Mail Services market has been shrinking due to e-substitution, the overall mail volume has been growing, albeit slowly at about 2% a year. In addition, while the Basic Mail Services market may be small, it does not mean that the market can support only one player in the whole vertical value chain of supply. The arguments that benefits will be small or that the incumbent is already efficient and innovative in serving the market today are also not compelling reasons for extending SingPost’s monopoly. IDA believes that in general, market forces are more effective than regulation in promoting consumer welfare, which may spur SingPost to greater

efficiency and innovation and bring about greater consumer benefits. As to the issue of duplication of mail delivery resources, IDA believes that it should be left to the business decision of new entrants to determine the scope of services to be provided. IDA notes that, other than the Basic Mail Services market, all other segments of the postal services sector have long been operating in a liberalised and competitive environment, and there is little evidence of unhealthy and unsustainable price competition, or reluctance to adopt innovative technologies.

- 29 However, IDA recognises the possible downside risks to mail integrity and service reliability in a multi-operator environment, and the importance of not compromising on national security and emergency preparedness of the postal system. IDA also recognises the need to ensure continuity in the provision of USO in a fully liberalised market. IDA believes that safeguards can be set up to ensure continuity in the provision of good quality basic postal services at internationally competitive prices currently provided to consumers. IDA also believes that any national security and emergency preparedness risk can be mitigated with close co-ordination and co-operation with public safety and security agencies. With careful framework design, concerns of ensuring mail integrity and service reliability can be also addressed.
- 30 Therefore, IDA believes that SingPost's monopoly in the provision of Basic Mail Services need not be extended after 31 March 2007 and the Basic Mail Services market can be liberalised. IDA believes that this policy stance is consistent with the Singapore Government's commitment towards building an open economy and is also in-line with Singapore's position as a regional business hub.
- 31 On 5 February 2007, Dr Lee Boon Yang, the Minister for Information, Communications and the Arts announced the Government's decision to end SingPost's monopoly in the Basic Mail Services market on 31 March 2007 and to liberalise the market from 1 April 2007.
- 32 This paper thus sets out the liberalisation and regulatory frameworks IDA will adopt in liberalising the Basic Mail Services market.

PART 4

IDA'S POLICY OBJECTIVES AND REGULATORY PRINCIPLES

- 33 In developing the liberalisation and regulatory frameworks, IDA is guided by the policy objectives of ensuring that:
- (i) competitively priced, high-quality and reliable Basic Mail Services are provided to consumers and businesses to maximise consumer welfare; and
 - (ii) the postal services sector will continue to contribute to the overall growth and development of the Singapore economy.
- 34 IDA also adopts the regulatory philosophy that competition is more effective than regulation in promoting consumer welfare. Competitive markets are most likely to provide consumers with a wide choice of services at reasonable prices.
- 35 In reviewing the liberalisation approaches and frameworks, IDA also adopts the following regulatory principles:
- (i) to provide adequate safeguards to ensure continuity in the provision of Basic Mail Services in Singapore;
 - (ii) to safeguard mail integrity so as to maintain public confidence in the public postal systems and ensure reliability of the postal services provided in Singapore;
 - (iii) to minimise confusion for mail senders when choosing services provided by different service providers;
 - (iv) to ensure a seamless and transparent experience for mail recipients;
 - (v) to provide certainty to industry and end-users on what needs to be licensed;
 - (vi) to minimise impact on traditionally unlicensed areas; and
 - (vii) to ensure fair competition in the liberalised markets.

PART 5

LIBERALISATION FRAMEWORK FOR THE BASIC MAIL SERVICES MARKET

IDA's Proposal in the Consultation

36 In the Consultation, IDA had proposed to liberalise the Basic Mail Services market in one single step instead of in phases. IDA also proposed 2 licensing options for providing Basic Mail Services:

Option (1) – IDA issues two types of licence – (i) for applicants who provide island-wide delivery; and (ii) for applicants designated as PPLs who will fulfil a set of USO; or

Option (2) – IDA issues three types of licence – (i) for applicants who provide island-wide delivery; (ii) for PPLs who will fulfil a set of USO; and (iii) for applicants who select service coverage areas.

37 IDA further proposed that licensees with USO, and licence applicants who commit to and have demonstrated their ability to provide island-wide delivery of Basic Mail Services, will be given letterbox masterdoor keys² to facilitate mail delivery. The keys provide access to letterboxes provided by property owners and developers (including housing flats provided by the Housing Development Board (“HDB”)). These licensees will be subject to greater regulatory requirements, particularly in the handling of the masterdoor keys, to ensure mail integrity and security. Under Option 2, for Postal Services Operators (“PSOs”) who do not wish to provide island-wide delivery of Basic Mail and also do not wish to obtain masterdoor keys to letterboxes, IDA will consider facilitating their access to SingPost’s delivery network.

Key Responses to Consultation

38 Most respondents agreed that there is little benefit in taking a phased liberalisation approach. One respondent cited the liberalisation experience in the telecommunications sector where competition was initially introduced in phases in certain markets. Price competitiveness

² Masterdoor keys in this paper refers to keys to masterdoors installed in a nest of letterboxes that, when opened, reveal all the pigeonholes in the nest of letterboxes. The masterdoor keys are meant to facilitate mail delivery. They do not refer to keys to individual letterboxes held by each household or business unit.

improved marginally each time a new competitor has been introduced. The respondent believed that consumers would be better served with full competition from day one.

- 39 However, one respondent argued that if the market has to be liberalised, then it should be either deferred or phased. The respondent proposed deferring liberalisation until 2010 to wait for the postal market liberalisation decision of the European Union (“EU”) in 2009 and to wait for the 2008 Universal Postal Union (“UPU”) Congress that may revamp the Terminal Dues (“TD”) system. This is to allow Singapore to build on a broader set of experiences internationally, which will help in the development of frameworks that will mitigate the risks of liberalisation in Singapore. Alternatively, if liberalisation could not be deferred, the respondent proposed restricting “last mile” delivery while introducing “up-stream”³ competition progressively in phases based on at least two weight-classes (below 50g and above 50g).
- 40 The respondent further argued that “last mile” delivery must be restricted to safeguard national security, mail security and mail integrity. It would also help maximise mail capacity for the incumbent’s sorting facilities. The respondent noted the high degree of user confidence and trust in the public postal services provided in Singapore with important and sensitive items such as credit cards and cheque books being sent as ordinary mail through the public postal system. It expressed serious concerns that if letterbox masterdoor keys are given to more than one operator, accountability and traceability will be seriously compromised, thus encouraging tampering and theft of delivered items at letterboxes. The respondent further argued that legislation and regulations are not effective in safe-guarding mail integrity. All stringent restrictions and requirements put in place by any one operator will be rendered ineffective if more than one operator has access to the keys that will open the masterdoors of letterboxes nation-wide. The proposed set of regulations to be imposed by IDA on operators given letterbox masterdoor keys will also place significant operational and administrative burden on affected players and the IDA.
- 41 Another respondent similarly commented that while letterbox access is critical to new entrants, the current configuration, where masterdoors can be opened to reveal the whole letterbox, must be disallowed because of mail integrity concerns. The respondent pointed out that it is

³ This includes collection, basic sorting and bringing mail to the incumbent for downstream delivery.

impossible to effectively police and enforce against mail tampering and pilfering activities given the sheer number of letterboxes and mail items. No PSO will be comfortable delivering mail into letterboxes knowing that their competitors will have access to the delivered items. The respondent proposed that such full access arrangement should be removed as soon as possible. Some other respondents also commented that the current letterbox design requiring a masterdoor for access is not compelling as it is not adopted in other countries. Licensed operators should have access to the letterboxes without the need for a key. Issuing increasing number of keys will become difficult to manage. There are, however, some respondents who indicated that new entrants should be given the same access to letterboxes as the incumbent operator, although they also acknowledged the difficulty in replicating the existing postal network in full and thus emphasised the need for new entrants to access the incumbent's delivery network.

- 42 On the other hand, one respondent expressed the need to retain the existing letterbox design as a measure to help mail recipients control unwanted or "junk" mail, especially in a liberalised environment where operators compete to increase their mail delivery volume.

IDA's Assessment and Determination

- 43 IDA has given extensive consideration to all the comments made. On the issue of whether liberalisation should be made in a single step or in phases, IDA maintains its view that the latter approach is not meaningful. IDA believes that there is little value in deferring the liberalisation date to wait for EU's liberalisation decision because it may not provide many more learning points than those obtained from countries that have already liberalised their markets today. Moreover, IDA understands that the EU's proposed 1 January 2009 deadline is still not firm, i.e., it needs to be confirmed by the European Parliament and Council for adoption. Deferring the liberalisation of the entire Basic Mail Services market to wait for a probable UPU TD revamp in 2008, which affects the international mail segment only, also appears unjustified. The phased liberalisation proposal using the 50g weight-step as a threshold will create an artificial market delineation within the sector for no good reason other than to wait for more liberalisation activities overseas, which IDA believes is not necessary. Hence, IDA determines that the Basic Mail Services market shall be liberalised in one single step on 1 April 2007.

- 44 In reviewing the issue of allowing multi-operator access to letterbox masterdoor keys, IDA recognises that in the mail conveyance business, which involves human handling of personal and corporate mail items, integrity and security of the system is of utmost importance. The current high level of user confidence in the public postal system is one of the critical success factors of the postal services provided in Singapore today. Hence, the liberalisation of the Basic Mail Services market must not be at the expense of mail integrity and security. IDA had initially proposed to grant access to letterbox masterdoor keys to those operators providing island-wide mail delivery service, based on observations in other countries where some new entrants prefer to deliver the mail themselves to offer differentiated services. However, IDA notes the serious concerns on mail integrity and security raised by industry players and consumers to this proposal. IDA also notes the industry's comments that however detailed and stringent the regulations, they will never completely address the issues of accountability and traceability once multiple operators have access to the masterdoor keys. So far, none of the respondents has provided alternatives to effectively address the issue of accountability and traceability with multiple masterdoor key access.
- 45 IDA notes that the current letterbox design with lockable apertures is a feature unique to Singapore. It was introduced in many public and private housing estates in Singapore to help residents keep out unwanted mail and to cut down the problem of littering around the letterboxes created by such mail. IDA understands that most residents welcome the current design that provides them with the option of locking the apertures and they may not welcome reverting to the old open aperture design. IDA explored the possibility of retrofitting all existing letterboxes with 3-way masterdoors, where an additional panel is installed to the nest of letterboxes that, when opened, reveals only the apertures and not the pigeonholes. However, retrofitting just the letterboxes situated at HDB flats, not including those in private housing and commercial buildings, is estimated to cost at least S\$20 million⁴. The estimated outlay may not commensurate with the estimated benefit of liberalisation.
- 46 Therefore, after much deliberation, IDA has determined that in the interest of ensuring mail security and integrity in the public postal system and safeguarding consumers' interests, IDA will not allow every operator

⁴ Cost is estimated for about a third of the letterboxes at HDB flats that are fitted with 2-way masterdoors today.

- to have access to the letterbox masterdoor keys. Instead, IDA will only allow designated PPLs to have access to the letterbox masterdoor keys in the first instance. Going forward, however, if there are other PPLs who would like to hold letterbox masterdoor keys and can propose arrangements that can address security concerns, IDA will be open to consider providing letterbox masterdoor keys to such PPLs.
- 47 This determination will change IDA's proposed licensing framework in the Consultation. There is no longer a need for IDA to single out new entrants who wish to provide island-wide delivery services and to require them to commit to providing such services. IDA can leave all new entrants to commercially determine their scope of service provision. Therefore, IDA has decided that there will be just 2 categories of Postal Services Licence: (a) licence for PPLs performing USO; and (b) licence for all other PSOs regardless of their service scope. The provision of express letter services will remain a separate licence category. (See further details in Part 8 of this paper.)
- 48 IDA will designate SingPost as the PPL who will be required to perform a set of USO specified by IDA. SingPost, as the designated PPL, will be given the letterbox masterdoor keys to facilitate its performance of the USO. Other than designated PPLs (i.e. SingPost and any other PPLs similarly designated by IDA), other licensees will not be given these masterdoor keys but IDA will facilitate their access to SingPost's delivery network at regulated prices, terms and conditions. Competing PSOs may also attempt to deliver mail to letterboxes with open apertures or to the recipients' doorstep.
- 49 This liberalisation approach is similar to the model adopted in the United States ("**US**"), but unlike the US, downstream delivery will not be reserved by law as a monopoly for SingPost. If new entrants do not wish to use SingPost's delivery network, they can deliver mail by themselves to recipients. With this approach, IDA recognises that the scope of competition in the Basic Mail Service market may be smaller. Competition is likely to take place in "upstream" collection related activities in the business mail market segment while competition in "downstream" delivery related activities may be limited. Nonetheless, drawing from experiences of countries that have liberalised their postal services sector (without similar letterbox access issues) and from industry responses to IDA's Consultation, IDA believes that the market outcome and economic impact resulting from the letterbox access constraint may not be significantly different if such a restriction had not

existed. This is because the market, if left to its own mechanism, is not likely to see a full replication of SingPost's delivery network by a new entrant due to the fundamental economic characteristics of the sector, such as the economies of scale and scope in SingPost's existing network. Similar observations were recently made by Postcomm, the postal regulator in the United Kingdom ("UK"), that after one year of full liberalisation in the UK, competition has taken place largely in "upstream" activities and not in "downstream" activities⁵.

- 50 IDA estimates that the benefits of liberalisation will be roughly in the region of S\$8 million to S\$25 million a year for the next 2 to 3 years. These benefits are estimates of the possible savings accruing to end-users arising from price competition. These estimates do not include the other benefits that could arise from improved choice and innovation; improved service quality; and spin-offs in other sectors of the economy such as increased printing, logistics and e-commerce activities, which could further enhance Singapore's position as a regional business hub.
- 51 Going forward, as a longer-term solution, IDA may consider requiring new letterboxes to be fitted with 3-way masterdoors and may consider relaxing the framework to allow other PSOs to obtain letterbox masterdoor keys when all HDB letterboxes are replaced with 3-way masterdoors in the future.

PART 6

DESIGNATION OF PUBLIC POSTAL LICENSEE WITH UNIVERSAL SERVICE OBLIGATIONS

IDA's Proposal in the Consultation

- 52 In the Consultation, IDA had proposed that a licensee designated as a PPL will perform a set of USO. The obligations include the provision of island-wide letter collection and delivery services to any person who requests for such services. The USO will also comprise the following three main service features:

⁵ Competitive Market Review 2006 and 2006 Business Customer Survey, 31 October 2006, Postcomm.

- (i) **reasonable accessibility** – to comply with minimum distribution of posting boxes and post offices in Singapore as determined by IDA;
 - (ii) **reasonable quality** – to comply with minimum QoS standards set by IDA for letter collection and delivery; and
 - (iii) **reasonable pricing** – to comply with IDA’s price control framework.
- 53 IDA also proposed that certain privileges be granted to the PPL under the Postal Services Act (Cap. 237A) (“**the Act**”) to facilitate the PPL’s performance of its USO and to protect its postal installation and plant. In addition, the PPL will also be required to perform other duties specified in the Act such as fulfilling all international agreements, conventions or undertakings relating to postal matters to which Singapore is a party.
- 54 Specifically, IDA proposed in the Consultation that the PPL be given the following obligations and privileges:
- (i) right to print and issue national postage stamps;
 - (ii) duty to manage the postal code system in Singapore and to provide access to the postal codes database to interested PSOs; and
 - (iii) designation as the postal administration from Singapore in the UPU, which will allow the PPL to represent Singapore in appropriate UPU Councils, e.g., the Postal Operations Council.

Key Responses to Consultation

- 55 Respondents to the consultation did not raise any objection to the proposed set of obligations placed on, and privileges given to, the PPL.

IDA’s Assessment and Determination

- 56 Consistent with most overseas jurisdictions, IDA will not seek to impose USO on any other licensees besides SingPost – the designated PPL. However, in the event that a PSO is interested to be a PPL to take on the obligations of providing universal services, IDA will consider its application but IDA may not be able to extend the same set of privileges

to the PPL due to the larger interests to protect mail integrity and public interest. The privileges that may not be extended to the new PPL will include:

- (i) Access to letterbox masterdoor keys. As explained in earlier sections of this paper, due to mail integrity and security concerns, IDA will not allow multiple PSOs to have access to letterbox masterdoor keys. Going forward, however, if there are other PPLs who would like to hold letterbox masterdoor keys and can propose arrangements that can address security concerns, IDA will be open to consider providing letterbox masterdoor keys to such PPLs.
- (ii) Printing and issuing of national stamps. As national stamps carry the name of the country and not the name of the PPL, it may not be feasible to allow multiple PPLs to issue the same set of national stamps for pre-payment purposes. It will cause consumer confusion and significant difficulty in ensuring that the correct PPL is being paid for the services to be provided.
- (iii) Management of the postal code system. For greater operational efficiency and for optimal utilisation of postal codes in Singapore, a centralised postal code management system is preferred. This management responsibility is currently placed with SingPost and IDA intends to require SingPost to continue playing this role after market liberalisation. It is not efficient or effective to have more than one operator managing the postal code system. It will require significant resources to co-ordinate the different allocation systems and plans among the operators. It will be more meaningful for all players to be assured of fair and timely access to the postal codes issued from a centralised system.
- (iv) Designation as a postal administration from Singapore for the purposes of the UPU. IDA will need to assess whether the applicant for the PPL licence is suitable for designation as a postal administration from Singapore and to represent Singapore at the UPU. Hence, the designation of a PPL as a Singapore postal administration in the UPU will not be given by default to any PPL. IDA notes that so far, in those countries that have liberalised their postal services markets, the postal authority continues to designate the incumbent operator as the only postal administration from their country for the purposes of the UPU.

- 57 Parties interested in the PPL licence should take into consideration the above factors before applying for the licence.

PART 7

INTERNATIONAL MAIL MARKET SEGMENT

IDA's Proposal in the Consultation

- 58 IDA had proposed in the Consultation to liberalise outbound international mail but not inbound international mail because good solutions could not be found to address the problems likely to be created by remailing activities, particularly, ABC and ABB remail. If significant ABC remail takes place in Singapore, it is likely to trigger the two remail penalty mechanisms under the UPU TD system – the System Harmonisation Mechanism (“**SHM**”) and the Revision Mechanism (“**RM**”). If these penalty mechanisms are triggered, it could lead to higher international postage for users in Singapore. As for ABB remail, problems such as “one-way bypass”⁶ will arise because of the uneven pace of liberalisation among countries, thus giving rise to unfair competition concerns.

Key Responses to Consultation

- 59 One respondent agreed that inbound international mail should not be liberalised. The respondent further proposed that outbound international mail should also not be liberalised or alternatively, should be deferred until 2010. The respondent was concerned with the UPU remail penalties that are likely to be triggered by the increased remailing activities through Singapore to take advantage of the different UPU TD rates being applied to Developing Countries (“**DC**”) and Industrialised Countries (“**IC**”). As Singapore is likely to be the only DC in the Asia Pacific region to liberalise its postal market, it will be an attractive centre for such remailing activities, particularly for IC-to-IC traffic. The respondent proposed that if outbound international mail is to be liberalised, this should be deferred to 2010 at the minimum in order to

⁶ One-way bypass, in the telecommunications sector, is the situation where a foreign monopoly operator bypasses the traditional settlement system (called the “accounting rate” system) by sending traffic into a liberalised market via other access methods or technologies, whereas operators in a liberalised market continue to have to settle traffic via the traditional regime with the foreign monopoly operator, *i.e.*, they are compelled to pay the respective settlement rates for terminating traffic in the monopoly operator’s country.

draw from the liberalisation experiences of other countries, and also to wait for the decision of the UPU Congress on TD in 2008. Alternatively, the respondent proposed that letters weighing less than 50g should be reserved for the incumbent as the arbitrage opportunity applies primarily to light-weight mail. If both alternatives are not accepted, then new entrants should not be allowed to lodge outbound international mail through the incumbent's network and should use their own networks via commercial negotiations and bilateral agreements with postal operators overseas.

- 60 However, several respondents argued that full liberalisation must include opening up of the remailing market as this will open the market to innovative and creative solutions by global players not possible under a monopolistic environment. Singapore is indeed highly attractive as a regional centre for printing and remailing activities. However, these remailing activities will not disadvantage international mail users in Singapore. There are alternative distribution solutions to the incumbent's network for delivering outbound international mail, which would include delivering mail through the global players' international networks, through private operators and through bilateral agreements with overseas operators. Moreover, onward delivery of mail to IC at the favourable TD rates will only apply to the incumbent of the DC (e.g., SingPost in Singapore) and not incumbents from ICs operating in the DC. This means that if a postal operator operating in Singapore is an incumbent from an IC, it will pay TDs based on the IC rate structure even if its onward delivery of mail is to a DC. In a liberalised environment, the originating operator will be billed for its mail traffic, separate from the incumbent's mail traffic. Hence, the remail penalties will not be triggered if these mail items are not sent from or through the incumbent operators' network. As for competing operators lodging bulk mail with the incumbents, the latter have put in place pricing schemes to protect themselves against bulk mail penalties from receiving countries that will allow the penalties to be passed through to the relevant competing operator and not affect the public postage rates for the general consumers. One respondent further illustrated that it is not true that UPU rates are always higher than Singapore's public postage rates.

IDA's Assessment and Determination

- 61 Given the responses and clarifications by industry players, IDA believes that its concerns with ABC remailing will be substantially lessened if such remailed items are not lodged through SingPost's network. IDA

notes that currently, global couriers such as Federal Express, United Parcel Services, DHL, TNT, and foreign incumbent operators such as Swiss Post, Royal Mail, Deutsche Post and Sweden Post, have already established a presence in the postal services sector in Singapore. These operators have each established an extensive global delivery network or have established bilateral arrangements with postal operators overseas. Singapore, being an air and a transshipment hub, also offers extensive international flight and shipping connections for new entrants without such established international networks. Hence, IDA believes that it is not necessary for new entrants to rely on SingPost's network for sending international mail out of Singapore. Operators with established global networks may also provide more competitive alternatives for sending international mail other than through SingPost. IDA further notes that posting international mail through SingPost's public mail collection system, i.e., using SingPost's standard public postage rates by affixing stamps or franking the mail, is an option for competing operators. However, it may not be the most practical and cost effective option for large quantity of mail. Hence, the volume of ABC mail sent through SingPost's public mail collection system may be small, and is unlikely to trigger the UPU remail penalty mechanisms on Singapore.

- 62 For inbound international mail meant for recipients in Singapore, IDA notes the clarification that SingPost's domestic public postage rates are not always lower than the UPU TDs. Together with IDA's decision to retain access to masterdoor keys of letterboxes only to designated PPLs, concerns with ABB remail activities will also be substantially lessened.
- 63 Therefore, IDA has determined that the international mail services market, both inbound and outbound international mail, shall be fully liberalised after 31 March 2007. Although IDA's concerns with ABC and ABB remail have been substantially addressed, the risks remain. Hence, safeguards will need to be put in place to ensure that such remailing activities, if they should take place in Singapore, should not result in higher public postage rates for international mail users in Singapore and should not give rise to unfair competition concerns.
- 64 In a fully liberalised environment, new entrants will have a variety of means for sending international outbound mail (including any remailed items) from Singapore. These means may include the following:

- (i) using operators' own international delivery networks, or networks established through bilateral agreements with postal operators overseas;
- (ii) using international networks of other PSOs, private operators and courier companies' in Singapore, established through commercial agreements with them; and/or
- (iii) using SingPost's network, established either through commercial negotiations with SingPost for bulk mail discount rates, or by posting the mail through SingPost's public mail collection system using the latter's standard public postage rates, i.e., by affixing stamps or franking the mail. Given that there are various effective ways to send mail out of Singapore and given the concerns associated with ABC remail, IDA will neither encourage nor facilitate the sending of outbound international mail through SingPost's network. SingPost may choose to decline entering into commercial negotiation with competing operators to lodge outbound international mail at discounted rates through SingPost's network. However, SingPost cannot reject international mail from competing operators sent through its public mail collection system at its public postage rates, SingPost will be required to treat such mail no differently from mail sent by any other end-users in Singapore. IDA will not intervene in cases of disputes. IDA believes that this approach is consistent with UPU's stance of not encouraging ABC remail activities.

65 New entrants may use the following means to deliver international inbound mail to recipients in Singapore:

- (i) using SingPost's network by adopting the prices, terms and conditions approved by IDA. IDA will use the UPU's TD rates as reference points, except where there is good cause for making any deviation. IDA believes that using the UPU's TD rates as reference points is no worse off for SingPost had it received mail directly from postal operators overseas and is also no worse off for the requesting operator had it sent the mail to SingPost from overseas. Applying the public domestic postage rates may be unreasonable for competing operators as some of the rates may be higher than the UPU rates. On the other hand, applying SingPost's bulk mail discount rate may create undesirable

incentives for one-way by-pass of the UPU TD system, thus giving rise to unfair competition concerns;

- (ii) using SingPost's or other PSOs' networks through commercial negotiations; or
- (iii) delivering the mail themselves to letterboxes with open apertures or to the doorstep.

66 IDA will develop further details relating to access to SingPost's network for delivering international inbound mail to recipients in Singapore. IDA will issue the details for further consultation before finalising them.

PART 8

LICENSING SCOPE AND LICENSING FRAMEWORK

Licensing Scope and Definition of Letters

IDA's Proposal in the Consultation

67 In the Consultation, IDA had proposed to define the licensing scope for providing Basic Mail Services as services to convey addressed letters weighing 500g and below. Service providers who wish to convey addressed letters weighing 500g and below will need to apply for a licence from IDA. Service providers who wish to deliver addressed letters weighing more than 500g, or any unaddressed mail, will not need to obtain a licence from IDA.

68 IDA also proposed to define letters 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 includes a postal article containing any such communication"*⁷. As a working guide for licensing purposes, IDA proposed to adopt the following interpretations for book, catalogue, newspaper and periodical:

⁷ Any parcel containing such communications will be considered a letter.

- (i) “book” refers to 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;
- (ii) “catalogue” refers to a catalogue of goods, services or other items;
- (iii) “newspaper” includes a newspaper as defined in the Newspaper and Printing Presses Act. The Newspaper and Printing Presses Act (Cap 206) defines newspaper as *“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”*; and
- (iv) “periodical” refers to a magazine or similar periodical published at regular intervals.

69 With the redefinition of the licensing scope for providing Basic Mail Services, express letters will refer to addressed letters weighing 500g and below and delivered within the same working day. The existing “price floors”⁸ will be removed.

Key Responses to Consultation, IDA’s Assessment and Determination

70 The industry generally agreed with IDA’s proposed licensing scope and the redefinition of letters and express letters, as well as IDA’s proposal to remove the price floors for providing express letter services. One respondent, however, commented that the proposed weight-step for licensing may appear high although, unlike the other countries, it is not for reserving service areas to be monopolised.

71 IDA notes that different countries adopt different weight-steps for licensing purposes. For instance, UK adopts the weight-step of 350g, while Germany adopts the weight-step of 1000g. IDA believes that a

⁸ Today, conveyance of local express letters must be priced at no lower than S\$1 or three times the local postage for an ordinary letter charged by SingPost in the first weight step of 20g, whichever is higher. For conveyance of international express letters, it must be no lower than three times the postage for an ordinary airmail letter charged by SingPost in the first weight step of 20g to the same country of destination.

weight-step of 500g and below for licensing purposes is reasonable and it takes into consideration our local industry environment and local operating conditions. Firstly, it will cover the majority of letters delivered today under the current definition of “personal and current”, hence offering minimal disruptions to existing operations. Secondly, the weight limit will help provide greater clarity on the types of services that would require a licence from IDA, especially for postal articles containing any written communication that falls within the revised definition of letters. Thirdly, IDA considers letters weighing above 500g to be more parcel-like and requiring face-to-face delivery⁹.

- 72 Hence, IDA will retain the proposed licensing scope and definitions. In addition, to further minimise the impact on traditionally unlicensed areas, IDA will also exempt the delivery of “direct mail” from licensing. IDA will define “direct mail” to mean *“a letter consisting solely of advertising, marketing or publicity material and comprising an identical message, except for the addressee’s name, address and identifying number and any modifications which do not alter the nature of the message, which is sent to more than one addressee”*. This definition is in line with the definition of direct mail adopted by the EU.
- 73 The above definitions may be subject to legal drafting changes during the finalisation of the relevant legislation, subsidiary legislation and guidelines.
- 74 IDA would also like to highlight that the provision of Mailroom operations for the collection and conveyance of letters between multiple premises, which today falls within SingPost’s exclusive privilege, will also be opened for competition. The provision of Mailroom operations will require a licence from IDA. However, the provision of intra-organisation Mailroom operations (for single premises) will remain outside the proposed licensing scope.

Licence Structure

IDA’s Proposal in the Consultation

- 75 In the Consultation, IDA had proposed to issue licences to PPLs performing USO; Postal Service Licences to those with island-wide

⁹ This takes into consideration the designs of the letterboxes adopted in Singapore, particularly those with open but narrower apertures installed at about a third of the HDB flats where it is generally more difficult to fit letters above 500g through the apertures.

delivery obligations; and possibly another set of licences to those without any delivery obligation. IDA also proposed the associated fees and Bankers' Guarantee ("**BG**") for each of the licence categories to ensure delivery completion for collected mail in times of market exits. See summary in Table 1 below.

Table1: Proposed Licence Structure in the Consultation

Licence Types	Licence Fees and Licence Duration	Bankers' Guarantee
Postal Service Licence for PPL designates (with masterdoor key access to letterboxes for island-wide delivery)	Annual fee of 0.4% of Annual Gross Turnover (" AGTO ") subject to a minimum annual fee of S\$150,000. Licence Duration: 15 years.	Not Applicable
Postal Service Licence (with masterdoor key access to letterboxes for island-wide delivery)	Annual fee of 0.4% of AGTO subject to a minimum annual fee of S\$150,000. Licence Duration: 10 years.	S\$250,000
Postal Service Licence (with no masterdoor key access to letterboxes)	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
Express Letter Services Licence	One-time registration fee of S\$200. Licence Duration: "Life-time" of business.	Not Applicable

Key Responses to Consultation

76 Responses to the proposed licence fee levels were varied. Most respondents commented that the proposed licence fees, particularly the minimum annual sum of S\$150,000 (for island-wide delivery), are high for smaller players. However, one respondent commented that the minimum annual sum of S\$3,000 for licensees with gross revenue of below S\$1 million is too low, and will attract small players without financial capacity who will cream-skim the market with no value-add.

- 77 On the issue of BG, the industry generally agreed that a BG requirement is necessary. However, most found the proposed BG amounts sustainable by big players only, although one respondent argued that the proposed sum of S\$250,000 for PPLs should be placed on all players to defray the cost of engaging another PSO to deliver one million pieces of mail, which is the typical monthly volume for a major customer, in the event that the mail is undelivered.
- 78 The industry did not raise any objection to the proposed licence periods.

IDA's Assessment and Determination

- 79 As IDA has decided to revise the licence structure to allow 2 types of Postal Service Licences only, IDA has decided to simplify the licence fees to 0.4% of AGTO for all PSOs, subject to a minimum of S\$150,000 for a PSO designated as a PPL and a minimum of S\$4,000 for other PSOs. The minimum fee for the PPL is set higher to account for the additional administrative resources to be incurred by IDA for monitoring and ensuring the performance of USO and other regulatory requirements imposed. IDA believes that the minimum fee of S\$4,000 for all other PSOs will address the concerns of smaller new entrants. There will be no change to the Express Letter Services (“**ELS**”) licence fee after full liberalisation.
- 80 IDA will maintain the BG requirement for all PSOs. IDA will place a BG on new PPLs (if any) to secure their commitment to rollout the infrastructure necessary to fulfil the USO. The BG will be set at 5% of the capital expenditure needed to establish the infrastructure. For all other PSOs, a BG of S\$200,000 will be placed for providing domestic letter conveyance services and a BG of S\$300,000 will be placed for providing both domestic and international letter conveyance services.
- 81 If a PSO intends to exit the market, it will have to demonstrate that all letters collected have been delivered before IDA returns the BG. In the worst case scenario where the PSO is unable to complete the delivery, for whatever reason, before exiting the market, IDA may appoint the PPL to deliver these letters and will use the BG to defray the cost. The revised sum for domestic letter conveyance services will be sufficient to deliver about 800,000 pieces of standard 20g domestic letters at a postage rate of S\$0.25, if a PSO exits the market without delivering all of its collected letters. Given that the PSO will have full commercial flexibility to decide on its scope of service and may acquire large

corporate customers with high monthly mail volume, a higher BG amount is necessary. As the international mail market segment will be fully liberalised, and if the PSO provides both domestic and international letter conveyance services, a higher BG amount of S\$300,000 is thus necessary. IDA will monitor the sufficiency and effectiveness of the BG as the market develops.

82 IDA will maintain the licence period as proposed in the Consultation as they are considered sufficient to provide regulatory certainty for business operations of the PSOs in Singapore.

83 The revised licence structure is set out in **Table 2** below.

Table 2: Revised Licence with Revised Liberalisation Approach

Licence Types	Licence Fees and Licence Duration	Banker's Guarantee
Public Postal Licence	Annual fee of 0.4% of AGTO subject to minimum annual fee of S\$150,000. Licence duration: 15 years.	5% of capital expenditure for infrastructure rollout.
Postal Service Licence	Annual fee of 0.4% of AGTO subject to minimum annual fee of S\$4,000. Licence duration: 10 years.	S\$200,000 for domestic mail. S\$300,000 for domestic and international mail.
Express Letter Service Licence	One-time registration fee of S\$200. Licence duration: "Life-time" of business.	N.A

PART 9

REGULATORY FRAMEWORKS

Identifier Mark

IDA's Proposal in the Consultation

84 In the Consultation, IDA had proposed that each PSO is required to use an "Identifier Mark" on all the Basic Mail items it handles in order to allow

identification of the PSO responsible for the conveyance of each Basic Mail item. IDA has also proposed registration and publication requirements of the Identifier Marks for public information.

Key Responses to Consultation and IDA's Assessment and Determination

- 85 Respondents in general agreed with IDA's proposals. Hence, IDA will maintain its requirement for all PSOs to each adopt an Identifier Mark. An "Identifier Mark" will be defined to mean any name, number, logo, mark or design that –
- (i) is affixed to or impressed or printed on letters or their wrapping (e.g., envelopes);
 - (ii) uniquely identifies that PSO; and
 - (iii) clearly indicates to the public that those letters have been handled by that PSO for the purpose of being conveyed under its licence.
- 86 All PSOs will be required to register their Identifier Marks with IDA. IDA will publish them on IDA's website for public information. In addition, IDA will also require PSOs to publish their Identifier Marks for public information. The Identifier Marks must be clear and legible to enable end-users and licensees to identify the PSO who has handled the letters in the process of conveyance.

Access to P.O. Boxes/Mailboxes

IDA's Proposal in the Consultation

- 87 The provision of P.O. boxes or mailbox rental service is not a licensable service under the Act and is also outside the current exclusive rights granted to SingPost under its Public Postal Licence. However, to ensure that end-users continue to enjoy seamless postal services in a multi-operator environment, IDA had proposed that equal and open access to P.O. boxes in a multi-operator environment be allowed in order for PSOs to complete the delivery of mail to recipients. IDA proposed to establish details on access arrangements and pricing after a decision to liberalise the Basic Mail Services market has been taken.

Key Responses to Consultation

- 88 Respondents in general agreed that open and equal access to P.O. boxes or mailboxes is necessary. One respondent, however, highlighted that a P.O. box has no front aperture for slotting in postal items, and like letterboxes, a backdoor with masterdoor keys is provided for each nest of P.O. boxes to allow access. Similar accountability and mail integrity issues will arise if multiple operators are given the masterdoor keys to access the P.O. boxes. Therefore, access to P.O. boxes/mailboxes should be similar to the current situation where the mail is lodged with the service provider and at commercial rates.
- 89 Some other respondents commented that PSOs accessing P.O. boxes should not be charged because these boxes are simply an extension of letterboxes. The recipients have already paid for the rental of the P.O. boxes and hence there should be no further restriction of access by all delivery operators. Third party operators should be able to deliver to the incumbent's P.O. boxes and only pay for the production of the additional keys. There is no compelling additional cost that needs to be covered other than that.

IDA's Assessment and Determination

- 90 IDA maintains that access to P.O. boxes or mailboxes offered by PSOs is necessary for the completion of mail delivery to allow a seamless and transparent experience to mail recipients in a multi-operator environment. IDA is of the view that the charge for accessing another PSO's P.O boxes to complete mail delivery will depend on the extent to which the mails have been sorted before handing over to the receiving P.O. box operator. IDA will allow PSOs to commercially discuss and finalise among themselves the operational details for accessing each other's P.O. boxes for the delivery of mail. However, SingPost, as the largest P.O. box provider in the market, will be required to put in place a standard arrangement and pricing (if any, and if justified) for any PSO wishing to access its P.O. boxes, for IDA's approval before implementation.
- 91 IDA will further consult the industry on the details of the above framework before finalising them.

Mail Redirection Information

IDA's Proposal in the Consultation

92 IDA had, in the Consultation, proposed that a cost effective system be set up to ensure effective mail redirection for mail recipients who have subscribed for mail redirection services¹⁰ from any PSO. IDA proposed several options for discussion and proposed that no charge should be imposed between these PSOs as the redirection notification will be reciprocal among licensees. IDA proposed to establish these details after a decision to liberalise the Basic Mail Services market has been taken.

Key Responses to Consultation

93 Respondents generally agreed that the issue of mail redirection needs to be addressed to allow for smooth functioning of mail redirection. One of the respondents suggested handing over the mail redirection service to an independent third party and not be retained by the incumbent. However, another respondent, while agreeing that a system will need to be developed, argued that the incumbent should be the only mail redirection service provider to minimise inconveniences and confusion to mail recipients and that a charge will need to be placed on every mail redirected because of additional administrative tasks involved. Also, the incumbent is likely to be the party that will handle the majority of the redirection requests.

IDA's Assessment and Determination

94 IDA recognises that some regulators in overseas jurisdictions do not see the need to intervene in the provision of mail redirection service and leave it to the market to sort itself out. From the Consultation, IDA foresees that there will be little interest among new entrants in providing mail redirection services in Singapore. Nonetheless, IDA will not prevent any PSO from offering mail redirection services to mail recipients so long as the PSO makes it very clear to the subscribers, before service subscription, the level of services it is providing. For example, if the PSO is able to guarantee the redirection of mail sent through its system

¹⁰ The mail redirection service allows a user who has moved to a new address to continue receiving his mail, bearing the previous address, for a period of time. Today, this service is provided by SingPost to mail recipients for a fee.

only, this should be made clear to the recipients before service subscription. IDA recognises that, for consumers' interest, in the event that there is more than one PSO providing mail redirection services, IDA will have to require the PSOs to share their mail redirection database with each other to enable smooth delivery of mail to the subscribing customer. However, the PSOs providing mail redirection services must seek the consent of the subscribing customer before disclosing the customer information to the other PSOs. Such information exchange among the PSOs should be at no charge to each other because it should be treated as part of the mail redirection service paid for by the subscribing customer.

- 95 IDA will further consult the industry on the implementation details before finalising them.

Postal Code System

IDA's Proposal in the Consultation

- 96 In the Consultation, IDA had proposed that SingPost continues with its present role to establish, maintain and administer the postal code system. IDA also proposed to require SingPost to set up a notification system to inform and update other PSOs of any new postal codes issued or any changes made. SingPost will be allowed to charge other PSOs for the cost of setting up and administering the notification system. The details of the arrangement will be set up and issued for further consultation once a decision to liberalise the Basic Mail Services market is taken.

Key Responses to Consultation and IDA's Assessment and Determination

- 97 Respondents in general agreed with IDA that access to the postal code system is necessary and that SingPost could continue with its functions today to maintain and administer the postal code system. One respondent agreed that PSOs requesting for postal code information be required to pay an access charge.
- 98 IDA determines that a centralised postal code system shall be maintained for greater operational efficiency and for optimal utilisation of the postal codes. SingPost shall continue with its existing maintenance and administration role after market liberalisation. As explained earlier

in this paper, it is not efficient or effective to have more than one operator managing the postal code system. It will be more meaningful for all players to gain fair and timely access to the postal codes issued from a centralised system.

- 99 IDA will further consult the industry on the access mechanism and charging structures before finalising them.

Issuance of Postage Stamps

IDA's Proposal in the Consultation

- 100 In the Consultation, IDA had proposed that the privilege to produce and issue national postage stamps bearing the country name "Singapore" (in any language) and any national symbol of Singapore (e.g., the Lion Head symbol, Singapore National Flag, and Singapore State Crest) be conferred to only the PSO designated as a PPL. Other PSOs who wish to produce their own pre-payment impressions or stamp imprints are allowed to do so under the following conditions: (i) no indication of the name of the country or national symbol; (ii) not used for international postal article within the framework of the UPU regulations unless authorised by IDA; and (iii) obtain prior approval from IDA. All pre-payment impressions/stamps are subject to the requirements of the Undesirable Publications Act (Cap. 338). Beyond these requirements, IDA will not stipulate further guidelines on how these non-national impressions/stamps should be designed, but IDA will reserve the right to do so and to reject objectionable or undesirable stamp designs.

Key Responses to Consultation and IDA's Assessment and Determination

- 101 All respondents agreed with IDA's proposal to allow only PPLs to print and issue national postage stamps and raised no objection to the requirements to be observed for printing non-national impressions/stamps. IDA will thus maintain the proposed positions on the issuance of postage stamps, but with some modifications:
- (i) only one designated PPL will be given the privilege to print national stamps. As explained earlier in the paper, this is to avoid consumer and industry confusion when using the national stamps;

- (ii) all other licensees who wish to produce their own pre-payment impressions or stamp imprints are allowed to do so under the following conditions: (a) no use of the country name “Singapore” (in any language); (b) seek prior approval for use of any national symbols of Singapore from the respective Government agencies; (c) not used for international postal article within the framework of the UPU regulations unless authorised by IDA; and (d) obtain prior approval from IDA for issuing any impression/stamp; and
 - (iii) IDA will issue a set of guidelines for compliance by all licensees when issuing national or non-national stamps or impressions. The objective of the guidelines is to ensure that subject matters or designs which may be construed as controversial or liable to cause offence to individuals or communities in Singapore’s multi-racial, multi-cultural and multi-religious society or internationally are to be avoided.
- 102 All pre-payment impressions/stamps are subject to the requirements of the Undesirable Publications Act (Cap. 338). IDA will also reserve the right to reject objectionable or undesirable stamp designs.

Access to Delivery Network and Operation

IDA’s Proposal in the Consultation

- 103 In the Consultation, IDA had proposed to classify SingPost as a dominant operator in the Basic Mail Services market given its historical monopoly. IDA also proposed that it will require SingPost to allow access to its delivery network (“downstream access”) in recognition of the significant economies of scale and scope SingPost enjoys along all parts of the postal value chain, especially in its large-scale automated sorting facility and its nation-wide delivery network. These advantages inherited by SingPost as a result of its historical monopoly are likely to become a barrier to entry for new players in a liberalised market. IDA also proposed that the most efficient common physical access point for new entrants should be the same as that for bulk mailers, which will be at the designated drop-off points at the SingPost Centre. SingPost will not be required to provide access, to new entrants, to SingPost’s Delivery Bases or its collection infrastructure.

- 104 IDA also proposed that the access prices for new entrants and “workshare” discounts for bulk mailers be set on the same basis, unless there are objective justifications for the price differences. As a start, for homogeneous and/or pre-sorted mail, IDA proposed that the access prices for new entrants be no less favourable than the discounted charges for bulk mailers. For the other unsorted and heterogeneous mail, IDA proposed to apply the efficient component pricing (“**ECP**”), which is based on retail price minus avoided costs.

Key Responses to Consultation

- 104 The respondents generally agreed that downstream access to SingPost’s delivery network is necessary because it is not feasible for new operators to duplicate the incumbent’s delivery network in a short span of time. One respondent suggested that the access rates should be pegged to SingPost’s best rates offered to its best customers. Another commented that downstream access should be established through bilaterally negotiated commercial agreement that is fairly priced and practicable. SingPost in its response agreed to provide access to its delivery network by new PSOs, if downstream delivery is to remain its monopoly. SingPost proposed that the access rates should be set on the same basis as “workshare” discounts for bulk mailers for homogeneous and/or sorted mail. For the other unsorted and heterogeneous mail, SingPost agreed that the rates should be based on the principle of retail minus avoided cost. SingPost also asked for flexibility to commercially negotiate and bilaterally agree on (i) differentiated pricing or zonal pricing, if there are specialised identifiable needs that are not provided for in the current bulk mail scheme; and (ii) tailored access rates, as a one-size-fits-all scheme may not be appropriate in a different operating environment.

IDA’s Assessment and Determination

- 105 IDA maintains its position that access to SingPost’s delivery network is necessary especially with the revised framework where other PSOs will not have access to the masterdoor keys to letterboxes. This is to facilitate other PSO’s delivery of mail to recipients in Singapore, including the delivery of inbound international mail to letterboxes in Singapore.
- 106 In this regard, IDA will establish a standard set of access prices, terms and conditions based on the following standards:

- (i) for delivering homogeneous and/or pre-sorted domestic mail, the access prices for new entrants shall be no less favourable than the discounted charges given by SingPost to its existing own bulk mailers;
 - (ii) for delivering other unsorted and heterogeneous domestic mail, the access prices will be determined using the standard of retail price minus avoidable costs; and
 - (iii) for delivering incoming international mail to recipients in Singapore, the access prices will be determined using the UPU TD rates as reference points, except where there is good cause for making any deviation.
- 107 Notwithstanding IDA's involvement in facilitating new entrants' access to SingPost's delivery network by establishing a standard set of access prices, terms and conditions, new entrants are allowed to commercially negotiate with SingPost for separate prices, terms and conditions to better meet their service requirements and needs. These agreements, however, must be filed with IDA for approval before implementation and SingPost must ensure that the agreements are non-discriminatory.
- 108 IDA will conduct further consultation on the framework details before finalising them.

Code of Practice for Common Operational Procedures

IDA's Proposal in the Consultation

- 109 In addition to the provisions in the Act and Postal Regulations to ensure mail security and integrity, IDA had proposed to issue a Code of Practice to address inter-operator issues such as mis-posted mail to ensure that such issues are dealt with fairly and promptly in a multi-operator environment. The Code of Practice seeks to minimise operational processing confusion; reduce delays in delivery and/or return of mail; increase effectiveness of competition; and minimise potential end-user confusion. IDA further proposed several approaches on how the Code could be formulated.

Key Responses to Consultation and IDA's Assessment and Determination

- 110 The respondents in general agreed with IDA that such a Code of Practice is necessary and is inherent to protecting mail users' interests. IDA will therefore establish a Code of Practice to deal with common inter-operator operational procedures and will issue the proposed Code of Practice for further industry consultation before finalising it.

Competition Management

IDA's Proposal in the Consultation

- 111 To promote and ensure fair and sustainable competition in the Basic Mail and Express Letter Services markets, IDA had proposed to establish a competition framework that would include specific obligations imposed on a dominant operator; prohibitions against anti-competitive conduct, such as abuses of dominant position and concerted practices; as well as a framework to govern mergers and acquisitions. As a start, IDA proposed to model the competition framework along similar lines as that adopted in the telecommunications sector, which is comprehensively set out in the Telecom Competition Code 2005.
- 112 In order to facilitate the transition to a fully competitive environment and to ensure fair competition for the conveyance of all letters weighing 500g and below, IDA also proposed that the competition framework cover both the Basic Mail and Express Letter Services markets.

Key Responses to Consultation

- 113 Respondents generally agreed that it is necessary to ensure fair competition in a liberalised environment. One respondent commented that the framework should be broad-based and should encompass all sectors that have been identified to facilitate level playing field for all players. The respondent also highlighted the differences between the postal and the telecommunications sector and argued that the framework for the latter sector is not fully applicable to the postal sector. There is no need to protect new entrants because they do not need significant capital investment to participate in the market. It believed that if the incumbent is considered dominant, it should only be so for the domestic Basic Mail Services market and not the international market segment.

IDA's Assessment and Determination

- 114 IDA maintains its position that a competition framework is necessary to ensure fair competition. The framework will be modelled after the one IDA set up for the telecommunications sector, but will be modified to reflect IDA's policy objectives; regulatory principles; and the liberalisation and regulatory frameworks adopted by IDA for the Basic Mail Services market. The framework will also reflect the market environment and operational conditions unique to the Basic Mail Services market in Singapore and will be largely aligned with the Competition Act under the purview of the Competition Commission of Singapore ("**CCS**").
- 115 On further review with the CCS, IDA has determined that the express letter service market shall remain under the purview of the Competition Act to minimise the impact on this group of licensees who have been operating in a largely competitive and liberalised environment under the Competition Act.
- 116 IDA will work closely with the CCS to propose any necessary amendments to the relevant legislation to give effect to the revised approach. IDA will also issue details of the competition framework for further consultation with the industry before finalising it.

Quality of Service ("QoS") Standards

IDA's Proposal in the Consultation

- 117 IDA had, in the consultation, proposed that the present set of minimum Quality of Service ("**QoS**") standards, and the minimum distribution of post offices and posting boxes will continue to be placed on a PPL to provide assurances to the public of the quality of mail delivery in Singapore. The PPL will have flexibility to deviate from the minimum standards if they obtain commercial agreement with their customers for different delivery timeframes.

Key Responses to Consultation

- 118 One respondent agreed that the existing minimum QoS standards for delivering domestic and international mail should be maintained to provide assurance to the public of the quality of mail delivery in Singapore. However, flexibility should be given to vary the minimum

standards for business mail and bulk mail. Flexibility should also be given to the PPL to adjust collection timing and reduce collection points to secure its competitive position. All PSOs should be subject to quality of service commitments, which should be made known to consumers to minimise consumer confusion and frustration, and to provide a level playing field for all. Knowing the prices, terms and conditions and service levels of each licensee, consumers will be able to make informed choices.

- 119 Another respondent similarly suggested that some minimum standards be set for all operators in terms of delivery timeframe and a mix of dense and sparsely populated areas to be served.

IDA's Assessment and Determination

- 120 IDA maintains the view that the minimum QoS standards should be placed on PPLs only but IDA will allow the PPLs the flexibility to deviate from the stipulated minimum QoS so long as the PPLs obtain commercial agreement from their customers for a different mail delivery standard. As for flexibility to adjust collection timing and reduce collection points, IDA will take them into consideration when specifying the USO for the PPLs. IDA will require all other PSOs to publish their service quality levels or any service level guarantee that they will provide to allow consumers to make informed choices when selecting their service providers.
- 121 IDA will monitor market development and will reserve the right to place appropriate QoS standards on all PSOs should there be a need to do so.

Price Regulation

IDA's Proposal in the Consultation

- 122 In the Consultation, IDA had proposed that SingPost will continue to be subject to price regulation for the provision of Basic Mail Services because competition will be at its infancy and SingPost is likely to remain the main provider of Basic Mail Services in the initial years. Price regulation for the universal services provided by SingPost as the PPL is also necessary in a liberalised environment to ensure that these services continue to remain affordable to the public.

Key Responses to Consultation

- 123 One respondent indicated that price regulation is not necessary as there is no need to protect new entrants because they do not need significant capital investment to participate in the market. Should IDA decide to proceed with price regulation, it should place the regulations on all PSOs. Another respondent, however, commented that a ceiling price be set for basic mail postage to ensure affordability.

IDA's Assessment and Determination

- 124 IDA would like to clarify that price regulation is necessary in markets that are not yet effectively competitive, to serve as a proxy to market forces to ensure that the prices of services are not excessive and to prevent operators with significant market power from engaging in pricing abuses to undermine competition. As competition will be at its infancy in the initial years of liberalisation in the Basic Mail Services market, price regulation will remain necessary for SingPost's Basic Mail Services to protect consumers and to ensure fair competition.

Other Issues to be Addressed

- 125 During the consultation, a respondent asked about the use of the UPU documents (also known as CN documents) by new entrants and the acceptance of such documents for conveying international letters and postal articles into and out of Singapore. IDA notes that the CN documents are used by incumbent operators from UPU member countries to facilitate the conveyance of letters and postal articles between member countries using the UPU system. These documents are not used by other private operators for conveying international mail outside the UPU system. Besides the use of the CN documents, IDA also notes that today, a set of security and customs clearance arrangements has been established by the Immigration and Checkpoints Authority of Singapore ("**ICA**") and the Singapore Customs ("**SC**") for screening of all international inbound and outbound mail conveyed by SingPost, the PPL. This arrangement has been set up based on SingPost's operational arrangements, which has facilitated SingPost's fulfillment of various basic obligations as the PPL.
- 126 IDA, together with the ICA and the SC, have determined that allowing the use of CN documents by multiple operators will pose a significant

burden on the current security and customs clearance operations. It is also not feasible or practical to replicate the same security and customs clearance arrangement for all new licensees. Moreover, the same set of clearance arrangements may not be necessary or suitable for all. Hence, the use of the CN document for security and customs clearance will be confined to the designated PPL, SingPost, to facilitate its performance of the USO, in particular, its island-wide collection and delivery of mail within the QoS standards specified by IDA and at regulated prices; and its fulfillment of all international agreements, conventions and undertakings relating to postal matters to which Singapore is a party (including those at the UPU). New entrants will continue to observe the existing security and customs clearance arrangements specified by the ICA and the SC at various international checkpoints for the conveyance of international postal articles into and out of Singapore. IDA notes that a number of countries have also confined the use of CN documents to the incumbent postal operator.

- 127 IDA, together with the ICA and SC, will continue to monitor market developments and may consider extending the use of the CN documents to other licensees in appropriate cases.

PART 10

CONCLUSION

- 128 IDA will be proposing changes to the Act, the Postal Regulations, and the Class Licence Regulations to bring into effect the revised liberalisation and regulatory framework set out in this paper. IDA will also be releasing the “Guidelines for Licensing of Postal Services Operators”, highlighting the key features of the licensing framework and the information to be submitted by interested licence applicants. In addition, details of the various frameworks mentioned in Part 9 of this paper for further consultation will be released.
- 129 IDA will start accepting licence applications from 1 April 2007, but will only issue licences after the revised Act and various Regulations come into effect. Interested licence applicants are advised to apply for licences once the revised Act comes into effect.

130 For further clarification of the liberalisation and regulatory frameworks, please address the written clarification and enquiries to:

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