



**INFO-COMMUNICATIONS DEVELOPMENT AUTHORITY OF
SINGAPORE**

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

ISSUED ON 18 AUGUST 2006

TABLE OF CONTENTS

- PART 1: EXECUTIVE SUMMARY**
- PART 2: OBJECTIVE OF THIS CONSULTATION PAPER**
- PART 3: LEGAL STRUCTURE**
- PART 4: OVERVIEW OF THE POSTAL SERVICES SECTOR IN SINGAPORE**
- PART 5: OVERVIEW OF LIBERALISATION TRENDS IN OTHER POSTAL SERVICES MARKETS**
- PART 6: POLICY OBJECTIVES AND ASSESSMENT OF PROSPECTS FOR FURTHER LIBERALISATION OF THE POSTAL SERVICES SECTOR**
- PART 7: PROPOSED LIBERALISATION APPROACH AND LICENSING SCOPE**
- PART 8: PROPOSED LICENSING FRAMEWORK**
- PART 9: REGULATORY FRAMEWORKS AND ISSUES**
- PART 10: ISSUE OF POSTAGE STAMPS**
- PART 11: REMAILING IN INTERNATIONAL MAIL MARKET SEGMENT**
- PART 12: INVITATION TO COMMENT**

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 exclusive right to Basic Mail Services on 31 March 2007, IDA is reviewing whether to extend SingPost’s exclusive right or to further liberalise the postal services sector, specifically, the Basic Mail Services market from 1 April 2007. If the Basic Mail Services market is to be liberalised, IDA is also studying the licensing and regulatory frameworks that need to be set up to ensure the smooth functioning of the postal services market in a multi-operator environment.
- 2 In reviewing whether the Basic Mail Services market should be liberalised, IDA is guided by its policy objectives of ensuring that (a) competitively priced, high-quality and reliable Basic Mail Services are provided to consumers and businesses to maximise consumer welfare; and (b) the postal services sector will continue to contribute to the overall growth and development of the Singapore economy.
- 3 IDA’s study shows that the postal market is not a large sector of the Singapore economy with both domestic and international mail registering slow growths in the recent years. While post as a means of social communication has diminished in importance due to substitution from infocomm technologies such as electronic mail, it continues to be an important service to businesses in many sectors of our economy. In fact, business mail¹ constitutes the bulk (about 95%) of the total mail delivered today while consumer mail constitutes the remaining 5%.
- 4 IDA’s study and experiences from overseas markets show that, with liberalisation of the Basic Mail Services market, business users will stand to benefit from more competitive pricing, and greater choices of

¹ Including Government mail.

- services and service providers. The business mail segment is likely to experience a higher degree of competition with liberalisation. The consumer mail segment, on the other hand, is not likely to be attractive to new players. IDA estimated that if the Basic Mail Services market is to be fully liberalised, the net benefit to users will crudely be in the region of S\$13 million to S\$31 million a year.
- 5 In the review, IDA has also not been able to identify compelling reasons for extending the full set of monopoly rights currently given to SingPost beyond 31 March 2007.
 - 6 Hence, IDA proposes to liberalise the Basic Mail Services market. Liberalisation should be carried out in one single step after 31 March 2007 instead of in phases, unless compelling reasons have been identified to withhold competition in specific market segments.
 - 7 IDA's study shows that its current licensing framework for the Basic Mail Services market, which is structured based on the nature and types of mail, is not sustainable in a multi-operator environment. IDA therefore proposes that the scope of its licensing framework as well as the scope of the Basic Mail Services market be redefined based on weight of mail, an approach commonly adopted by most overseas jurisdictions.
 - 8 IDA proposes to set up two categories of licences: a Postal Services Operation ("**PSO**") Licence for the conveyance of Basic Mail; and an Express Letter Services Operation ("**ELSO**") Licence for the conveyance of Express Letters. Given our small geographical area and dense population, there may be more scope in Singapore than in other countries for new entrants to set up their own delivery networks to complete the mail delivery themselves. However, IDA also notes that SingPost enjoys significant economies of scale and scope along all parts of the postal value chain, especially in its large-scale automated sorting facility and its nation-wide delivery network. Therefore, within the PSO Licence category, IDA is considering two licensing options:
 - (a) Option (1) – IDA issues two types of licence – (i) for applicants who provide island-wide delivery; and (ii) for applicants who fulfil universal service obligations; or
 - (b) Option (2) – IDA issues three types of licence – (i) for applicants who provide island-wide delivery; (ii) for applicants who fulfil

universal service obligations; and (iii) for applicants who select service coverage areas.

- 9 Different licence fees and requirements have been proposed for each licence category to address various regulatory concerns. When developing the licensing framework, IDA is guided by the policy objectives of (a) providing adequate safeguards to ensure continuance of Basic Mail Services; and (b) maintaining public confidence in the reliability and availability of Basic Mail Services in Singapore.
- 10 For the purpose of this consultation, IDA has also proposed several regulatory frameworks to be set-up in order to ensure the smooth functioning of the postal services market in a multi-operator environment using Option 2 – issuing three types of PSO Licence – in order to seek views and comments if the option is adopted. If Option 1 is adopted, some of the proposed frameworks will not apply. Besides adopting the same policy objectives as those adopted when developing the licensing framework, the regulatory frameworks are also designed to (i) minimise any confusion for mail senders when choosing services provided by different providers; (ii) ensure as far as possible a seamless or transparent experience for mail recipients; and (iii) ensure fair competition.
- 11 Some of the frameworks identified include frameworks for the following:
 - (a) establishing “Postal Identifiers” for each PSO licensee;
 - (b) accessing postal infrastructure and network such as letterboxes, the incumbent’s delivery network and operations, Post Office boxes and mail redirection information;
 - (c) accessing the Postal Code System;
 - (d) ensuring mail integrity and handling of mis-posted and returned-to-sender mail;
 - (e) ensuring fair competition; and
 - (f) issuing of postage stamps in Singapore.

- While IDA has proposed broad approaches to address most of these issues, details of the framework will be drawn up after a decision on whether to liberalise the Basic Mail Services market has been taken.
- 12 In IDA's review, however, IDA has identified a potential concern that may arise from a possible increase in remailing of international mail through Singapore if the international mail segment is to be fully liberalised. This problem appears unique to Singapore due to the current international settlement system and Singapore's low domestic postage rates. If not effectively addressed, the problem may translate into more expensive international mail services for consumers and businesses in Singapore. IDA has considered various options, but no effective solution has been identified thus far.
 - 13 As a result, IDA may consider the option of fully liberalising the domestic Basic Mail Services market segment and the international *outbound* Basic Mail Services market segment but not the international *inbound* Basic Mail Services segment. This means that SingPost will be the only licensee in Singapore allowed to receive international inbound Basic Mail from overseas, which will include any Basic Mail remailed through Singapore.
 - 14 Based on the revised scope of Basic Mail Services proposed in this paper, IDA believes that this restriction will not significantly affect the competitive landscape of the postal services sector in Singapore when it is further liberalised. If international outbound Basic Mail is liberalised, end-users in Singapore will be able to enjoy more competitive international mail delivery services provided by new PSO licensees. The proposed position will also not affect Singapore's position as a regional printing, publishing or logistic hub. IDA will consider opening up the international inbound Basic Mail market only when satisfactory solutions to the remailing problem have been identified.

PART 2

OBJECTIVE OF THIS CONSULTATION PAPER

- 15 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 exclusive right to provide Basic Mail Services on 31 March 2007, IDA is reviewing whether to extend SingPost's exclusive right or to further liberalise the postal services sector from 1 April 2007, specifically, the Basic Mail Services market.
- 16 The objective of this consultation paper is for IDA to seek views from the industry and members of the public on the following:
- (a) whether the Basic Mail Services market should be liberalised;
 - (b) what are the potential benefits to consumers and businesses in liberalising the Basic Mail Services market; and
 - (c) if the Basic Mail Services market is to be liberalised what should be the licensing and regulatory frameworks to be adopted.
- 17 To facilitate IDA's review, IDA saw the need to better understand the current postal market environment; consumers' and businesses' postal services needs and usage patterns; users' satisfaction level particularly with the monopolistic Basic Mail Services segment; areas where they could be better served perhaps through liberalisation; and further development and growth opportunities in this sector. Hence, IDA conducted a Postal Services Survey in 2005 with both consumers and business users, as well as interviewed several industry players for their views. IDA would like to take this opportunity to thank all participants in providing valuable feedback to IDA, which greatly facilitated IDA's review process. IDA will be referring to key information and results obtained from these two surveys (collectively referred to as "2005 Surveys") in this consultation paper, where relevant to the discussion. The information will be generalised or aggregated to protect commercial sensitivities in the information given by business users and industry players.

PART 3

LEGAL STRUCTURE

- 18 Postal services in Singapore are governed by the Postal Services Act (Cap 237A) (the "**Act**"), the Postal Services Regulations (Cap 237A, Rg 1) (the "**Regulations**"), and the Postal Services (Class Licence) Regulations 2005 (S481/2005) (the "**Class Licence Regulations**").

- 19 The Act confers upon the Postal Authority the exclusive privilege of conveying from one place to another letters and postcards and performing all incidental services of receiving, collecting, sending, despatching and delivering letters and postcards. Under the Act, "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 Convention regulating the affairs of the Universal Postal Union [**UPU**²]"*.
- 20 Under section 5 of the Act, the following types of activities do not fall within the exclusive privilege of the Postal Authority:
- (a) letters or postcards or both not exceeding three in number sent by a person for delivery by the person to another without hire, reward or other profit for receiving, carrying or delivering the letters or postcards;
 - (b) any letter or postcard solely concerning the affairs of the sender or receiver thereof, sent by a messenger employed for that purpose; and
 - (c) any letter or postcard solely concerning any goods or other property which is to be delivered with the letter or postcard, without hire, reward or other profit for receiving, carrying or delivering the letter or postcard, if the letter or postcard is open to inspection and has thereon the words "Consignee's letter" or other words to the same effect.
- 21 IDA has been appointed by the Government under section 3 of the Act to be the Postal Authority responsible for the administration of the Act with various powers, such as powers to grant, modify, suspend and cancel licences, to give directions, and to issue or approve codes of practice and standards of performance.

² The UPU is an international forum set up with the primary purpose of fostering cooperation amongst postal-sector players and it seeks to ensure a universal network of up-to-date products and services. As a specialised agency of the United Nations, the organisation performs an advisory, mediating and liaison role, and provides technical assistance where needed. It sets the rules for international mail exchanges and makes recommendations to stimulate growth in mail volumes and improve quality of service for customers. To date, it has 190 member countries.

PART 4

OVERVIEW OF THE POSTAL SERVICES SECTOR IN SINGAPORE

(A) Segments of the Postal Services Sector

Basic Mail Services

- 22 SingPost was granted a 25-year Public Postal Licence on 1 April 1992, with a 15-year exclusive right to convey by post between places in Singapore, and between places in Singapore and places outside Singapore, whether by land, by sea or by air, all letters and postcards and to perform all the incidental services of receiving, collecting, sending, despatching and delivering of all letters and postcards only with respect to the provision of basic domestic and international postal services. During this period, no other operator is allowed to provide such services in Singapore other than through, or in collaboration with, SingPost.
- 23 Under the Public Postal Licence, SingPost is required to comply with price control arrangements and Quality of Service (“**QoS**”) standards specified by IDA. SingPost, as the Public Postal Licensee, is also required to:
- (a) provide services for the conveyance and delivery of letters and postcards for any person in Singapore who requests for such services;
 - (b) provide and maintain posting boxes and post offices throughout Singapore;
 - (c) formulate and maintain the Postal Code System for mail delivery; and
 - (d) provide postage stamps.
- 24 As a result of the exclusive right given to SingPost, there are no other players in Singapore providing Basic Mail Services to consumers and businesses today.

Express Letter Conveyance Services

- 25 The provision of Express Letter services has been liberalised since April 1995. Any company interested in providing local and/or international Express Letter services will need to register with IDA for a Class Licence under the Class Licence Regulations.
- 26 Express Letter licensees providing local Express Letter conveyance services must deliver the letters within the same working day. The charge imposed must not be lower than S\$1 or three times the local postage for an ordinary (non-express) letter charged by SingPost in the first weight-step of 20g, whichever is higher. Express Letter licensees providing international Express Letter conveyance services must impose a charge that must not be lower than three times the postage for an ordinary (non-express) airmail letter charged by SingPost in the first weight-step of 20g to the same country of destination.
- 27 Today, there are more than 100 licensees providing local and international Express Letter services to consumers and businesses in Singapore. Among them are large local and regional companies, such as Transnational Supply Chain Logistics and City-Link International, and global players such as Citipost, DHL Express, TNT Express Worldwide, United Parcel Service and Federal Express.

Printed Paper and Parcel Conveyance Services

- 28 The conveyance of printed papers (which would include articles such as magazines), which are not current and personal, and the conveyance of parcels do not require any licence from IDA. However, printed papers sent through the post as a postal article must comply with regulations 9 to 12 of the Regulations (see **Annex A**).
- 29 Hence, the market segments for the conveyance of printed papers and parcels are already fully open and have been subject to competition. Generally, providers of Express Letter services also provide printed paper and parcel conveyance services as part of their suite of services. Hence, the same set of established local, regional and global Express Letter service providers is also providing printed paper and parcel conveyance services in Singapore, and indeed some have been doing so in Singapore since the 1970s.

(B) Size and Profile of the Postal Services Sector

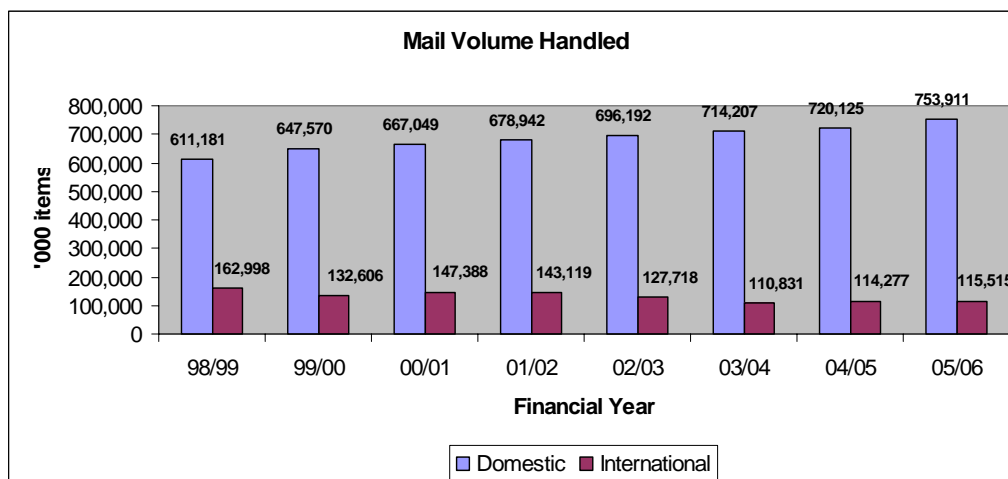
- 30 Data from the Singapore Department of Statistics show that the postal services sector is not a large sector of the Singapore economy, with a total revenue of about S\$1,070 million and with about 596 establishments³. SingPost is the only provider offering a full range of postal services (*i.e.*, letters, postcards, printed papers and parcels) in this sector. As mentioned in the earlier paragraphs, the other players in Singapore offer a combination of Express Letter, printed paper and parcel conveyance services, except Basic Mail Services.
- 31 Total mail volume has been growing since the 1990s and, in the recent years, the average growth rate is at about 2% a year. In the early and mid-1990s, domestic mail volume enjoyed a healthy growth of an average of around 7% to 8% a year. Statistics obtained from the industry show that growth in total domestic mail volume⁴ has slowed in the last decade. Total domestic mail volume in FY05/06 was 754 million pieces. International mail⁵ also experienced similar growth patterns, registering 116 million pieces of mail handled in FY05/06. See **Chart 1** for mail volume.

³ The data are from the Singapore Department of Statistics on "post and courier activities" for 2004. An establishment is a unit within an enterprise (an enterprise is a registered entity such as companies, businesses, associations and societies) engaged in one activity and operating in a single location. Thus, a multi-activity or multi-branch enterprise will consist of more than one establishment. For a multi-activity enterprise, units engaged in separate activities in the same location constitute distinct establishments. Similarly, each branch of a multi-branch enterprise at a different location is considered an establishment.

⁴ "Domestic mail" refers to letters, postcards and printed papers sent and received within Singapore. It excludes Express Letters and parcels.

⁵ "International mail" refers to letters, postcards and printed papers sent to overseas from Singapore and sent to Singapore from overseas. It excludes Express Letters and parcels.

Chart 1: Annual Domestic and International Mail Volume Handled



Source: IDA, also see the IDA website at www.ida.gov.sg.

32 The slow growth in mail volume is a global trend, not unique to Singapore⁶. Indeed, the role of post as a means of communication has diminished relatively over the years with the pervasive adoption of infocomm technologies and services, such as the use of mobile phone, facsimile and e-mail. As a result, the global trend of electronic substitution has been, and will continue to be, a key factor influencing the growth and development of the domestic and international mail markets. Notwithstanding this trend, IDA understands from the 2005 Surveys, that the volume of printed papers handled such as publications and direct mailers (e.g., marketing and advertisement brochures or pamphlets) has been rising over the last few years. Senders of individual stamped and franked mail as well as senders of bulk mail⁷ (e.g., bills, invoices and notices sent by businesses) are also not likely to change their postal service usage profile significantly in the next few years. Therefore, based on past trends and feedback from users and industry players, IDA believes that total mail volume will continue to grow, but slowly, over the next few years.

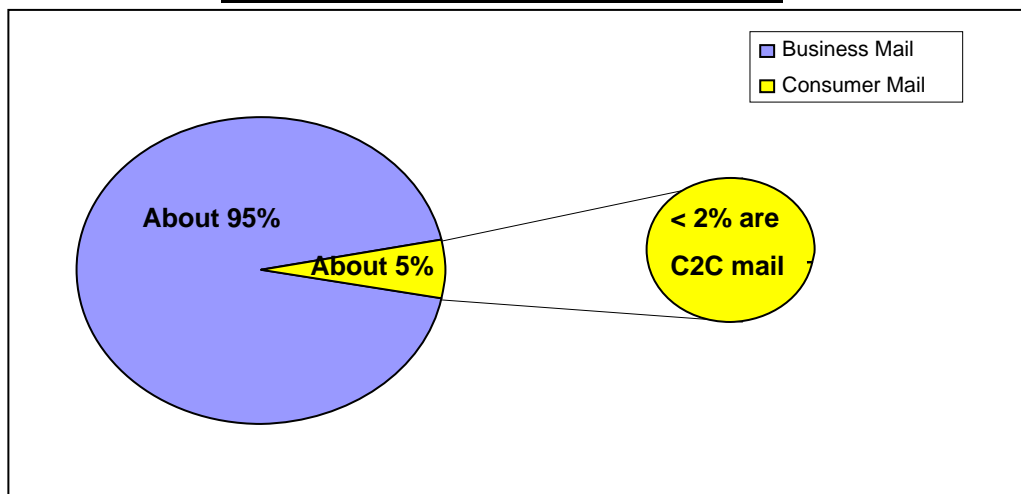
33 Notwithstanding the diminished role of post, it continues to be an important service, particularly to businesses in many sectors of our economy, as part of business transactions, e.g., for sending bills, statements, advertisements and mail orders to customers. These sectors include the banking, utilities, telecommunication and retail sectors. In fact, demand by businesses for delivering small packets and

⁶ "Post Offices Pulling the Envelope", From the Economist print edition, 20 January 2005.

⁷ These are usually mass mailings in large volumes that are usually homogeneous in envelope size, pre-sorted and / or bar-coded.

parcels to consumers is seeing a rise due to increasing e-commerce activities including electronic transactions over on-line portals, such as eBay. The Government is also a key user of postal services, using it as a means to communicate with, and provide services to, the public. However, the importance of post for social communication purposes for individual users has clearly diminished. From the 2005 Surveys, IDA gathered that around 95% of the total domestic mail⁸ (by mail volume) are business mail⁹. They are either business-to-business (“B2B”) or business-to-consumer (“B2C”) mail. Only around 5% are sent by individuals, of which, a very small percentage of mail is consumer-to-consumer (“C2C”) mail (see **Chart 2**).

Chart 2: Composition of Total Domestic Mail



Source: IDA 2005 Surveys.

(C) Postal Infrastructure and Processes

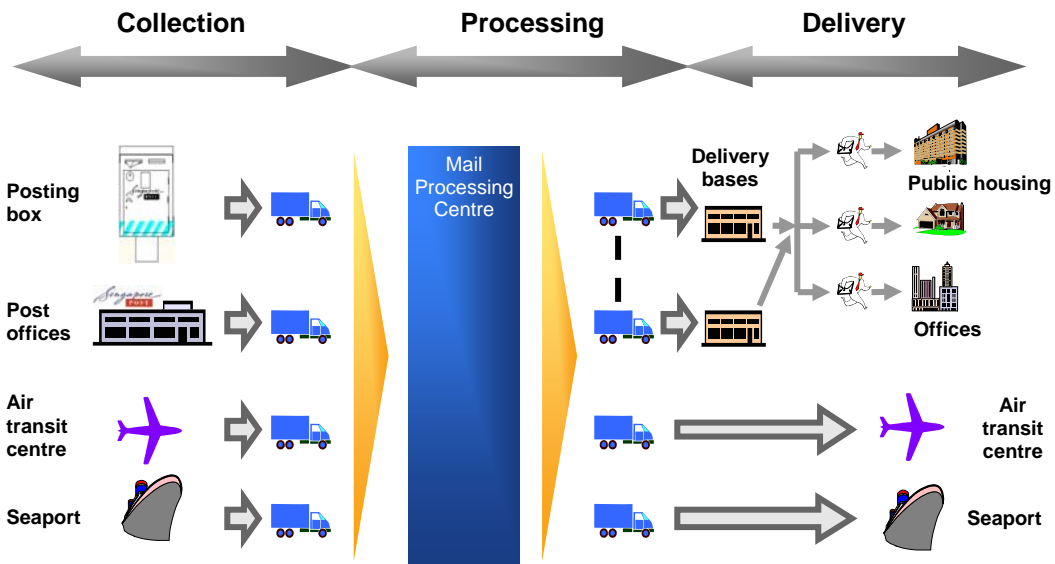
34 In general, the postal infrastructure can be broken down into infrastructure for collection, transportation, sorting, delivery and other support services. **Chart 3** below shows a pictorial representation of SingPost’s current infrastructure for conveying domestic and international mail. Today, for mail collection purposes, SingPost has installed a total of 808 posting boxes and 62 post offices around the island. These are further supported by a network of 69 smaller post office branches, 851 stamp vendors and 245 Self Automated Machines (“SAMs”) (see **Chart 4**). SingPost’s mail sorting function in its mail

⁸ “Domestic mail” refers to letters, postcards and printed papers sent and received within Singapore. It excludes Express Letters and parcels.

⁹ Including Government mail.

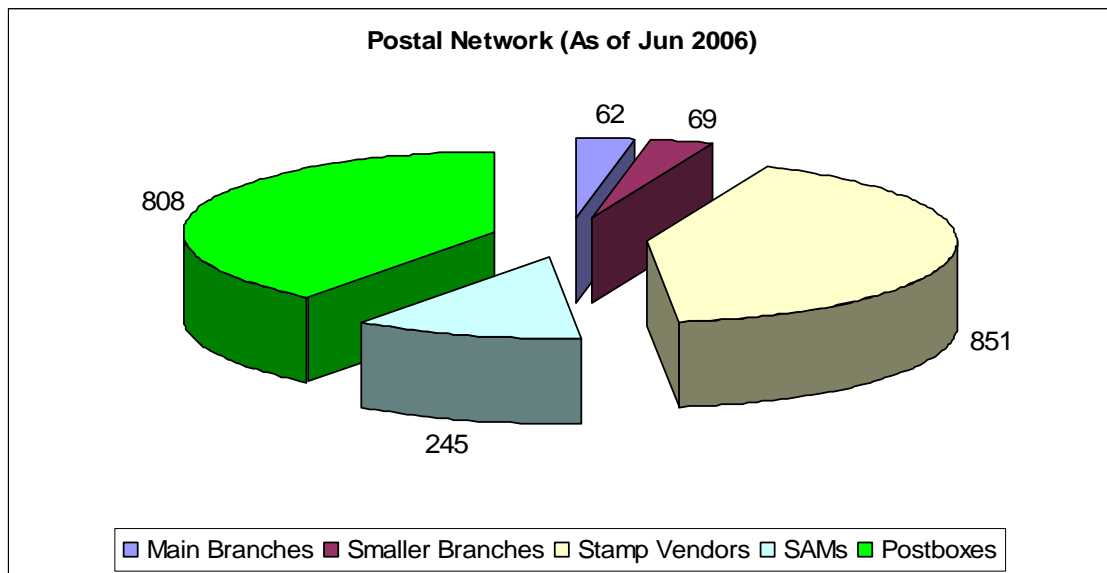
processing centre is highly automated and it has established a nation-wide delivery network.

Chart 3: SingPost's Infrastructure for Basic Mail Services



Source: SingPost

Chart 4: SingPost's Collection Network



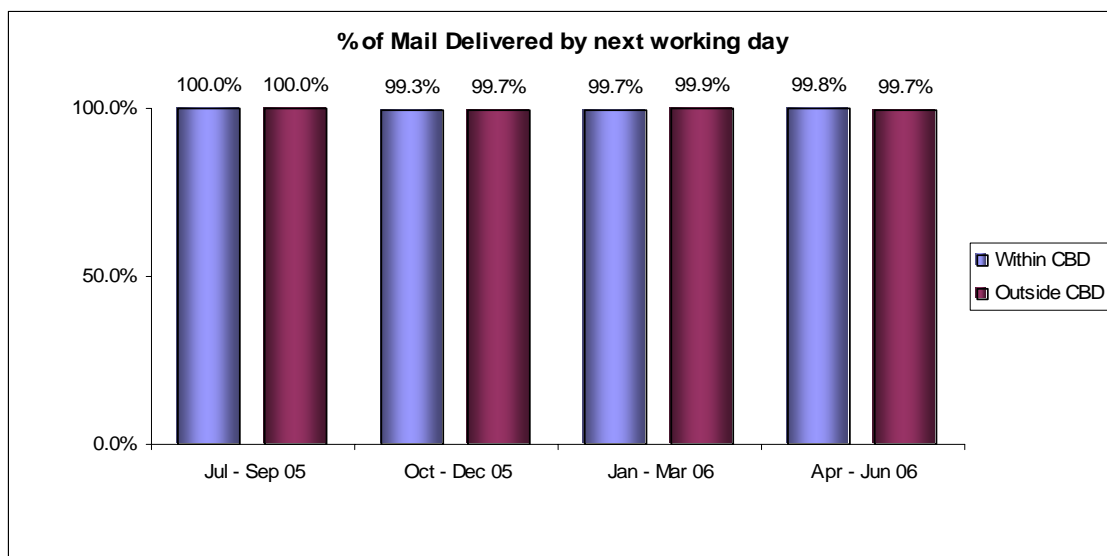
Source: IDA, also see the IDA website at www.ida.gov.sg.

(D) Performance in Basic Mail Services Market

Service Quality Standards

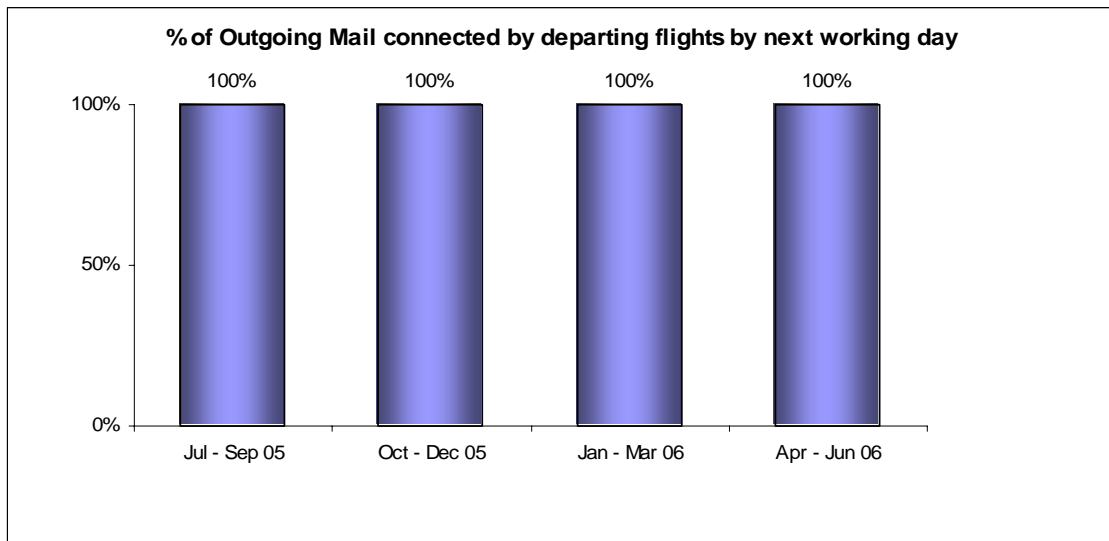
35 IDA has established a minimum set of QoS standards for compliance by SingPost for the collection and delivery of ordinary letters and postcards. One of the requirements is to deliver 99% of the mail posted within the central business district (“**CBD**”) by the next working day and to deliver 98% of mail posted outside CBD areas by the next working day. For outgoing international mail, IDA requires 95% of the mail to be processed and placed on departing flights by the next working day. The service performance of SingPost is monitored by IDA and published on IDA’s website. SingPost has hitherto met or exceeded the QoS standards stipulated by IDA. See **Chart 5 and 6** below. This delivery performance is considered one of the best by international standards.

Chart 5: Percentage of Mail Delivered by the Next Working Day



Source: IDA, also see the IDA website at www.ida.gov.sg.

Chart 6: Percentage of Outgoing Mail onto Departing Flights by Next Working Day

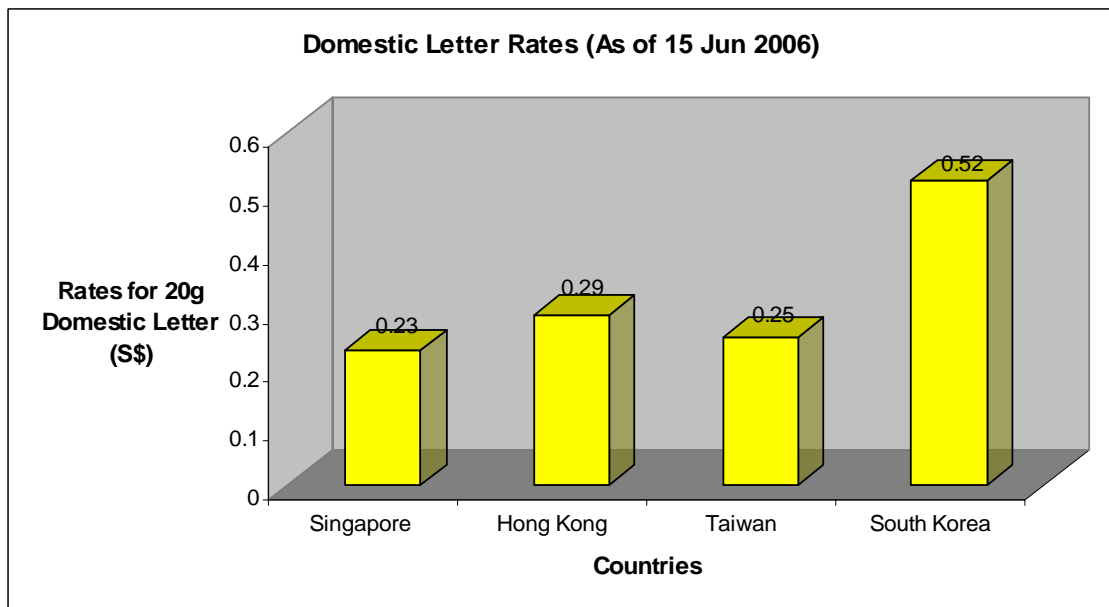


Source: IDA, also see the IDA website at www.ida.gov.sg.

Pricing

- 36 In terms of pricing, Singapore's domestic rates for Basic Mail Services such as stamped and franked mail are generally cheaper than comparable economies such as Hong Kong, South Korea and Taiwan. **Chart 7** below shows the comparison using the 20g rate.

Chart 7: Domestic Letter Rates



Source: IDA, also see the IDA website at www.ida.gov.sg

Customer Usage Pattern and Satisfaction

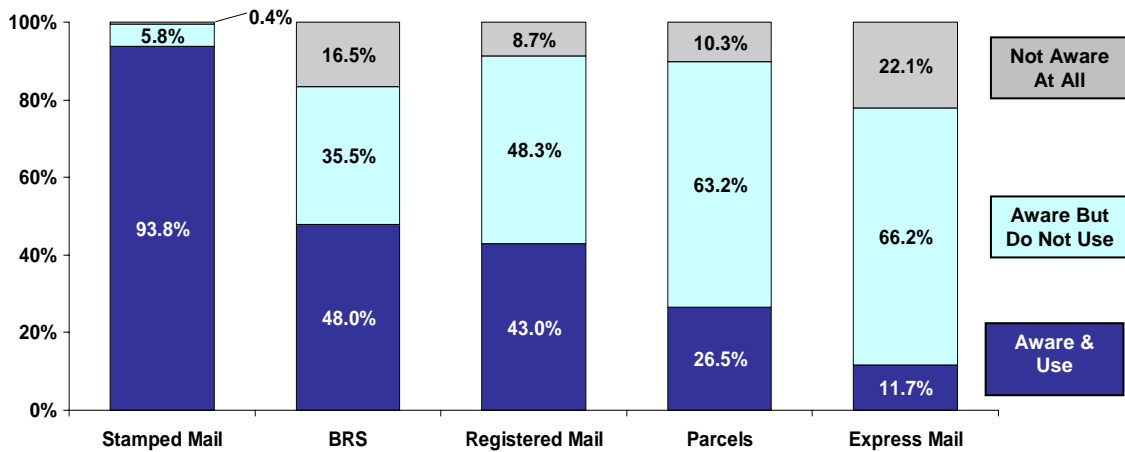
- 37 As mentioned earlier in this paper, IDA conducted a Postal Services Survey in 2005¹⁰ with consumers and business users to better understand end-users' postal services needs. The survey focused primarily on the services provided in the monopoly mail segment, *i.e.*, the Basic Mail Services market, to find out end-users' needs and usage patterns, their satisfaction level with the services provided, and needs that could be better met, perhaps through liberalisation. For completeness, feedback on services provided in the competitive market segments, *e.g.*, Express Letter and parcels, was also polled.
- 38 In summary, the survey results show a high level of satisfaction, among consumers and business users, with the price and quality of the postal services provided in the monopoly mail segment in Singapore. However, there are areas identified by business users where they feel could be better served, if there were alternative providers. The key results of the survey are summarised in the next two sections.

Consumers

- 39 A total of 1,500 consumers (individual mail users) aged between 15 to 69 years old were interviewed. Most users surveyed were generally aware of the range of postal services available locally. Almost all were aware of and had used the stamped mail services, while a smaller percentage of users were aware of and had used the Express Letter services (see **Chart 8**). Mail volume on average was low, with no more than 10 pieces of mail per user per year for each mail type. In terms of volume, most of the consumer mails were domestic mails sent within Singapore, but in terms of expenditure, international mail was twice higher than domestic mail (see **Chart 9**).

¹⁰ The survey was commissioned by IDA and undertaken by Research Plus Pte Ltd.

Chart 8: Awareness & Usage of Mail Items



Note:

Stamped Mail – Ordinary letters or postcards sent using stamps.

Business Reply Services (“BRS”) – Postage for reply mail already paid for by business sender, e.g., bill payment envelopes and warranty cards.

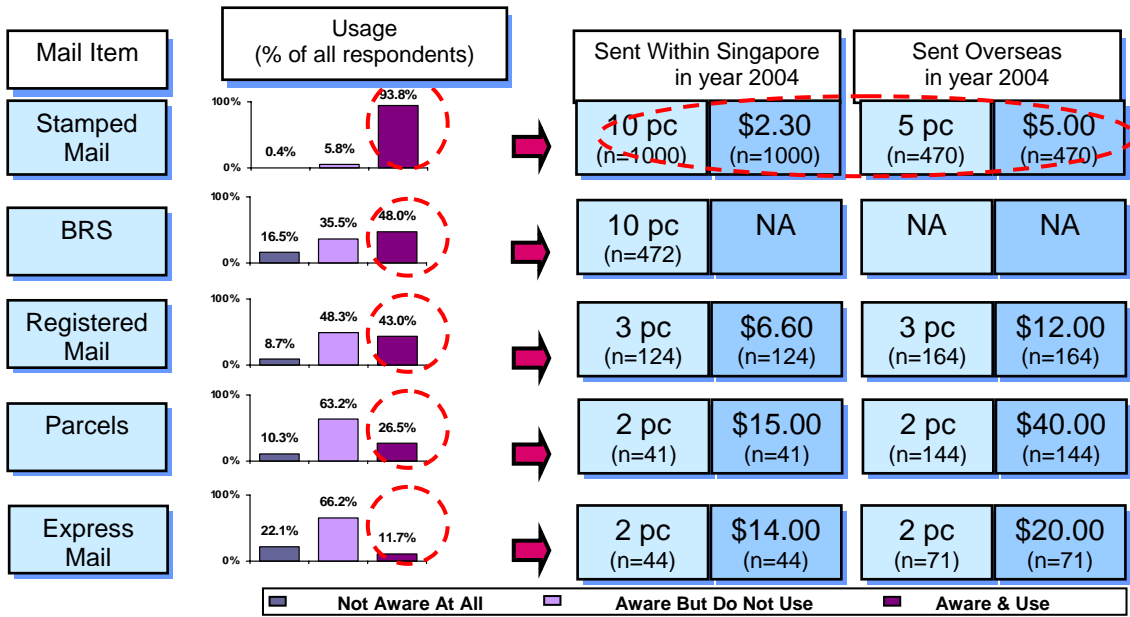
Registered Mail – Mail that requires the person receiving to sign an acknowledgement receipt.

Parcels – For the purpose of the survey, items that weigh more than 500g.

Express Mail – Mail sent and received within same working day.

Source: IDA 2005 Surveys.

Chart 9: Volume Sent & Expenditure (Median) by Mail Item & Location

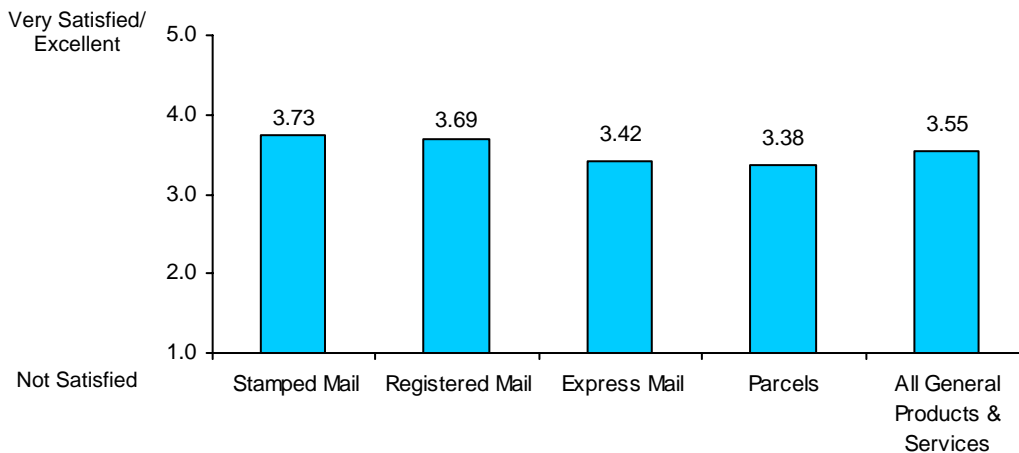


Note: pc = pieces a year, n = number of respondents

Source: IDA 2005 Surveys.

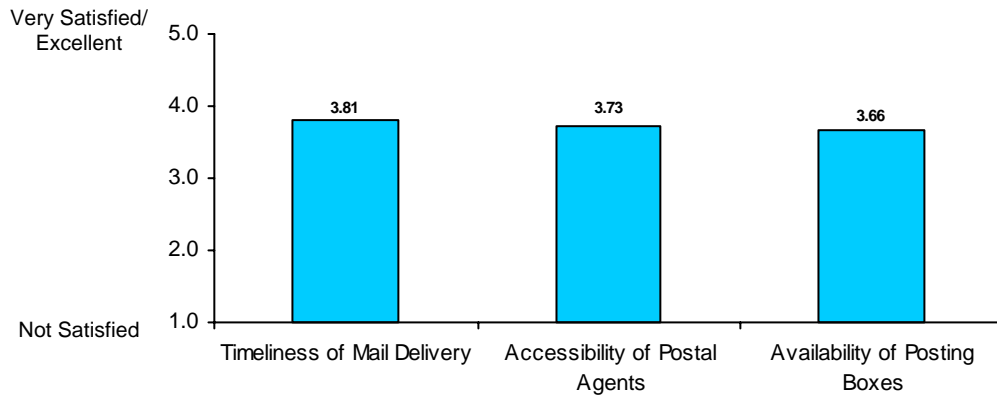
40 Users were most satisfied with the prices for stamped and registered mail, where SingPost is the only provider (see **Chart 10**). On service quality, users were generally satisfied with SingPost's services and they gave timeliness of SingPost's mail delivery the highest satisfaction rating (see **Chart 11**).

Chart 10: Satisfaction with Prices from SingPost



Source: IDA 2005 Surveys.

Chart 11: Satisfaction with Service Levels from SingPost



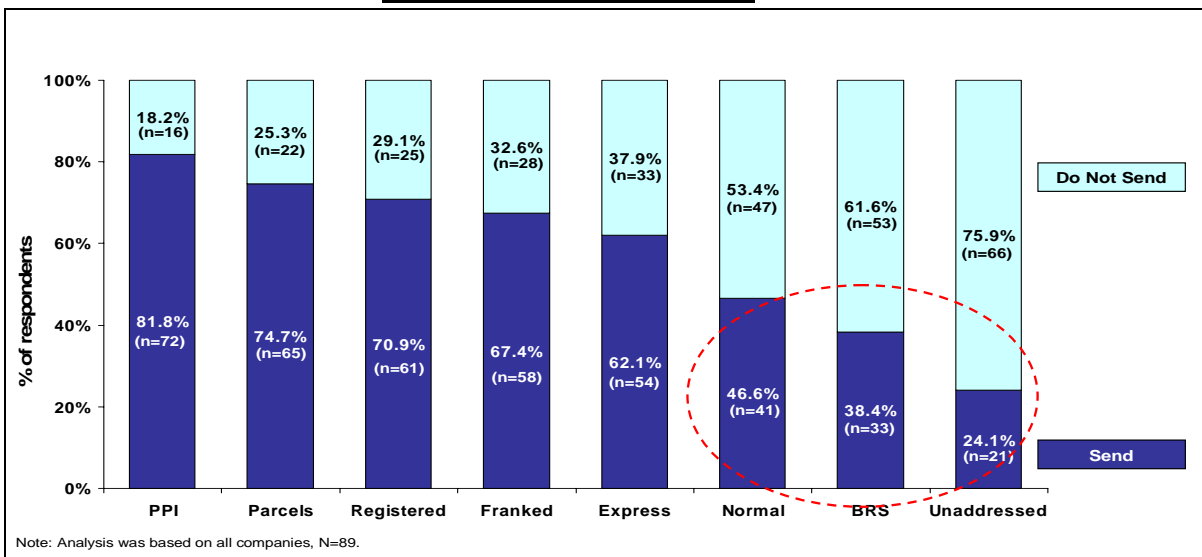
Source: IDA 2005 Surveys.

- 41 More than 93% of the users surveyed did not have postal needs that were not met. For the remaining 7% of the users, some suggested reduced cases of late mail, better handling of returned mail, and better handling of lost mail as areas where needs could be better met.

Business Users

- 42 For the business users segment, the survey focused primarily on entities that were likely to be frequent mail users. They included firms from the publishing, financial and services sector as well as government agencies. A total of 89 firms were surveyed. The survey results show that besides parcels, Postage Paid Impression (“PPI”), registered and franked mails were the most commonly used Basic Mail Services by these business users. See **Chart 12**.

Chart 12: Usage of Mail Items

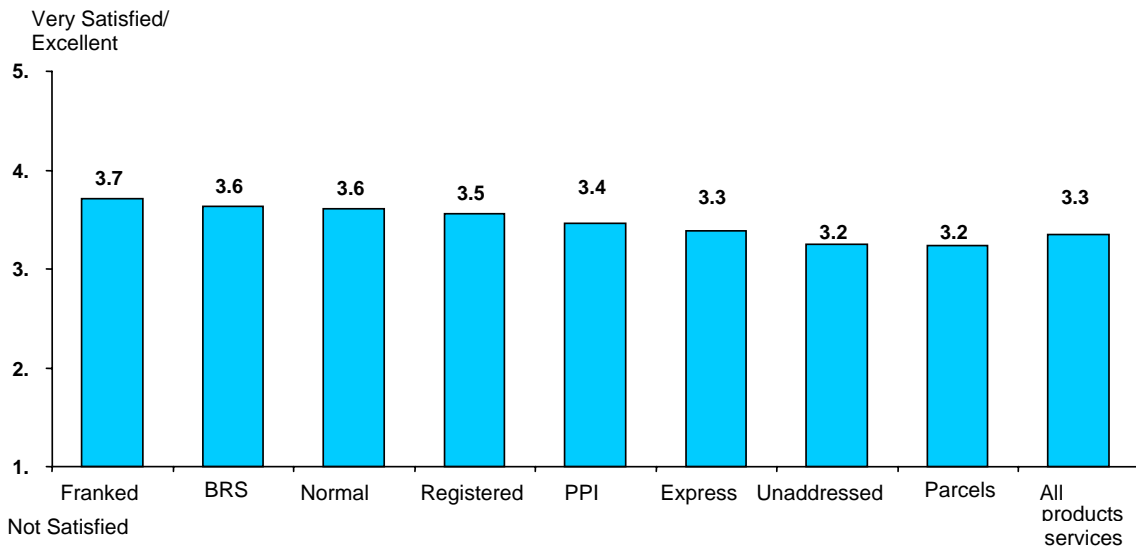


Note: n = number of respondents

Source: IDA 2005 Surveys.

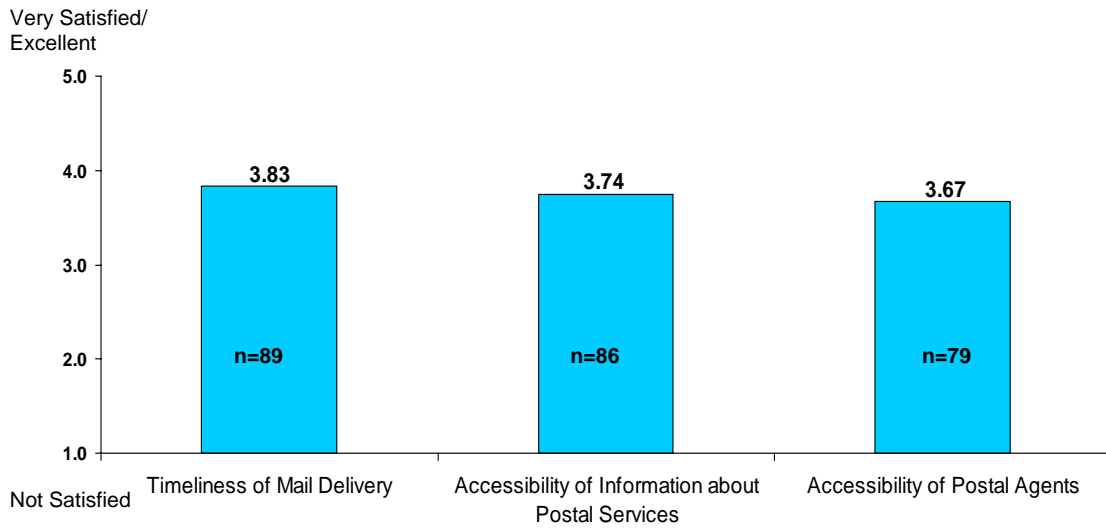
- 43 These users sent the highest volume of PPI mail to destinations both within Singapore and overseas at an average of about 250,000 pieces in 2004. Interestingly, the volume of unaddressed mail was comparatively high at an average of 300,000 pieces annually. In terms of spending, companies' expenditure on PPI and franked mail was the highest within the Basic Mail group. Spending on unaddressed mail was also comparatively high. As the business users surveyed were likely to be frequent mail users, spending on postal services as a percentage of total operating expenditure was understandably high. It ranged from about 10% to as high as 50%, depending on the nature of the business.
- 44 Business users were generally satisfied with the prices of Basic Mail Services such as franked and BRS mail (see **Chart 13**). While business users were less satisfied with SingPost's prices for Express Letter, parcel and unaddressed mail conveyance services, these services are already open to competition and there are already alternative service providers other than SingPost, competing in these segments of the market. Business users were also generally satisfied with SingPost's service quality, especially with the timeliness of its mail delivery (see **Chart 14**).

Chart 13: Business User's Satisfaction with SingPost's Prices



Source: IDA 2005 Surveys.

Chart 14: Business User's Satisfaction with SingPost's Services



Source: IDA 2005 Surveys.

- 45 In terms of areas where needs could be better met, business users suggested better mail tracking services, more competitive and flexible pricing structures, better handling of lost mail, and greater service flexibility (e.g., more personalised services). Some indicated that a competitive environment could bring about more competitive and flexible solutions to better meet business users' needs.

Views and Comments

IDA welcomes views and comments on the current postal market environment and the growth opportunities, particularly in the Basic Mail Services segment. In particular, IDA seeks views and comments on whether all PSO licensees should commit to providing island-wide delivery services (Option 1 of paragraph 75) or whether PSO licensees could be allowed to select their service coverage area (Option 2 of paragraph 75).

Specific comments on the needs and usage profile of end-users, experience with Basic Mail Services provided (e.g., pricing and service qualities), and service innovations and improvements that could be brought about with liberalisation are welcome.

PART 5

OVERVIEW OF LIBERALISATION TRENDS IN OTHER POSTAL SERVICES MARKETS

- 46 Globally, postal liberalisation is not pervasive. Only a few countries like New Zealand, Argentina and some European countries have taken steps to fully liberalise their postal services sector. In New Zealand, the postal services sector has been fully liberalised since 1998. In Europe, IDA notes that the European Union (“EU”) member countries are taking a phased approach towards liberalisation. The European Commission (“EC”) issued a Postal Directive in 2002¹¹ (“**2002 Directive**”) with the aim of further opening the postal market to competition in a gradual and controlled way, while allowing for the safeguarding of quality universal services (*i.e.*, the services required to be provided to all members of the public at an affordable price). The 2002 Directive thus specified deadlines for progressively reducing the monopoly or “reserved” areas using weight and price thresholds, and has identified 1 January 2009 as a possible date for full liberalisation. Notwithstanding the Directive, some member countries have taken more aggressive steps towards liberalising their postal markets. For instance, Sweden has fully liberalised their markets since 1993, Finland fully liberalised theirs in 1994, and the UK just fully liberalised their markets in January 2006. The majority, however, have decided not to go further than the EC requirements (*e.g.*, Netherlands, Germany and Belgium). Hence, the pace of liberalisation within Europe is quite uneven.
- 47 In the US the United States Postal Service (“USPS”) continues to be the only legal provider of delivery services for letters. Therefore, there is no system for licensing competitors. The USPS does, however, offer “workshare” arrangements for large customers who can obtain discounts for undertaking tasks such as pre-sorting and barcoding mail. Over the years, the USPS has entered into an increasing range of such

¹¹ On 10 June 2002, the European Parliament and the Council adopted the Directive 2002/39/EC, which amended the initial Postal Directive 97/67/EC, by defining further steps in the process of gradual and controlled market opening and further limiting the service sectors that could be protected from competition. According to the new Directive, member states would be able to exempt, from competition, items of correspondence: weighing less than 100g and costing less than three times the basic tariff from 1 January 2003; weighing less than 50g and costing less than two-and-a-half times the basic tariff from 1 January 2006. Furthermore, all outgoing cross-border mail would be open to competition from 1 January 2003. Finally, the new Directive set 1 January 2009 as a possible date for the full accomplishment of the Internal Market for postal services, to be confirmed (or changed) by co-decision procedures: in other words with the agreement of both the European Parliament and the Council.

workshare arrangements, which have become extended to include transportation and drop-shipment (*i.e.*, delivering mail to delivery offices for onward delivery by the USPS). In effect, this has led to a competitive market for activities in the “upstream” part of the postal value chain.

- 48 IDA observes that liberalisation in most countries has been largely driven by the Governments’ desire to improve the quality of postal services. Hence, one of the key outcomes in introducing competition is to see improvement in the service quality and efficiency of the incumbent monopoly operator. Nonetheless, most countries also saw the need to ensure the continuity of the universal postal services provided by the incumbents, especially in the rural areas where post remains an important form of communication. In addition, some incumbents also provide other basic and “social” services considered important to be preserved, such as delivering newspapers nation-wide and providing banking services to the rural population.
- 49 While overseas experiences show that benefits of liberalisation vary, there is certainly evidence that competition has benefited users, particularly business users, through service innovation, improved service standards, falling prices and greater efficiency.

Views and Comments

IDA welcomes views and comments on experiences of market liberalisation in other countries that could be useful for Singapore’s reference.

PART 6

POLICY OBJECTIVES AND ASSESSMENT OF PROSPECTS FOR FURTHER LIBERALISATION OF THE POSTAL SERVICES SECTOR

(A) IDA’s Policy Objectives and Principles

- 50 IDA reviewed the issue of whether the Basic Mail Services market should be liberalised. In the review, IDA is guided by its policy objectives of ensuring that (a) competitively priced, high-quality and reliable Basic Mail Services are provided to consumers and businesses to maximise consumer welfare; and (b) the postal services sector will

continue to contribute to the overall growth and development of the Singapore economy.

- 51 IDA's regulatory philosophy is that competition is generally far 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.

(B) Assessment on Potential Benefits from Further Liberalisation

- 52 Opening the Basic Mail Services market to competition may result in more innovative service offerings and price competition. From IDA's 2005 Surveys and from IDA's observation of overseas experiences, IDA believes 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 – will stand to benefit from price reductions (especially bulk mail), better service quality, and greater choices of services and service providers. Mails from business users (B2B and B2C mail) are often mass mailings in large volumes that are pre-sorted and / or bar-coded. They may not require next-day or daily delivery, but instead may require delivery at or by a specific time of the week or month, or face-to-face collection. Business users generally have more varied needs, and hence, instead of a one-size-fits-all solution, most would prefer more customised solutions and personalised services from service providers. Indeed, from the feedback on “unmet needs” given by business users in the 2005 Surveys, IDA believes that these needs could be more effectively met through a competitive environment.

- 53 International mail users are likely to similarly benefit from competition. The competitors are expected to be large international operators with established sorting facilities in their home countries overseas and a global delivery network. They could enter the Singapore market without significant investments if the Basic Mail Services market is liberalised. Liberalisation of the Basic Mail Services market will also see spill-over benefits into the growing printed paper segment.

- 54 Although SingPost is currently providing high level of service quality and although end-users are generally satisfied with the Basic Mail Services provided, IDA believes that competition that arises from liberalisation will likely promote more innovations in the local postal industry and will

- increase the incumbent's incentives to further improve its service quality and efficiencies.
- 55 However, IDA recognises 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 (C2B and C2C) is thin and the market segment, as noted from the 2005 Surveys, is small, generating about 5% of the total domestic mail. Most of these users also do not have "unmet needs". Hence, IDA does not foresee this market segment to be attractive to new players because they will need to set up infrastructure, in particular, the collection infrastructure to compete with SingPost to provide services.
- 56 Given the relatively small postal services sector, which is registering small growths for Basic Mail Services, and which is likely to continue, IDA estimated that if the Basic Mail Services market is to be fully liberalised, a modest net benefit crudely in the region of S\$13 million to S\$31 million a year¹², can be expected for end-users.
- 57 In the review, IDA has not been able to identify compelling reasons for extending the existing suite of monopoly rights given to SingPost beyond 31 March 2007. 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 is of the view that liberalisation of the Basic Mail Services market, unless otherwise justified, will be more consistent with Singapore's goal to be an open economy and a regional business and trading hub.
- 58 In summary, IDA believes that there is scope for liberalisation and hence competition in the Basic Mail Service market and there is likely to be a net benefit to end-users, especially the business users.

Views and Comments

IDA welcomes views and comments on the potential benefits and costs that may arise from the liberalisation of the Basic Mail Services market.

¹² The estimation is made based on simulation of costs and benefits to consumers, businesses and industry players, using various price elasticity assumptions and price response scenarios in a competitive environment.

IDA also invites comments on the possible scope of competition in Singapore's Basic Mail Services market, e.g., the likely segments of the market that will attract more players; and the potential demand from business users and consumers.

IDA further seeks comments on whether the Basic Mail Services market should be liberalised and how liberalisation is likely to change the competitive landscape in the provision of postal services in Singapore.

PART 7

PROPOSED LIBERALISATION APPROACH AND LICENSING SCOPE

(A) Phased Opening or Full Liberalisation

59 As noted earlier in this paper, different countries adopted different approaches towards liberalisation of the postal services sector. The EU adopted a phased approach to allow incumbent operators to adjust to competition gradually so as to safeguard the continued provision of universal postal services. However, a number of countries (e.g., Sweden, Finland, and New Zealand) have decided to fully liberalise their markets in one single step.

60 SingPost is not new to competition in the postal services sector and has been competing in the Express Letter, printed paper and parcel conveyance businesses for more than a decade. Creating any intermediate step in the liberalisation of the postal sector may create artificial market delineations within the sector. IDA thus believes that, unless compelling reasons have been identified for specific segments of the market be reserved, it is preferable for the Basic Mail Services market to be liberalised on 1 April 2007 in one single step. However, safeguards must be set up to ensure continuity of the basic service obligations currently performed by SingPost (such as conveying letters and postcards for any person in Singapore who requests for such services) and the continuity of the current high standards of postal services provided at competitive prices to consumers.

(B) Licensing Objectives

61 If the Basic Mail Services market is to be fully liberalised, IDA will need to set up a framework to license new entrants. The objectives of the licensing framework are to (a) provide adequate safeguards to ensure continuance of Basic Mail Services; and (b) maintain public confidence in the reliability and availability of Basic Mail Services in Singapore. In developing the framework, IDA is mindful of the need to minimise administrative burden on both IDA and the industry players.

(C) Licensing Scope

62 Currently, IDA's licensing jurisdiction is confined to the conveyance of letters and postcards, which is defined based on the nature and types of mail. In the review, IDA considered whether the current licensing approach and scope should be maintained in a fully liberalised environment. IDA thus took into consideration the need for: (a) industry and end-user certainty on what needs to be licensed; (b) minimal impact on traditionally unlicensed areas; and (c) clarity of scope for regulation and competition management.

63 IDA identified three possible options:

Option 1: Retain Existing Licensing Approach

(a) Under this option, IDA will continue with the existing licensing approach and license the provision of Basic Mail Services based on the nature of the mail regardless of weight. This means giving licences to players who wish to convey mails that are considered personal and current correspondences. Conveyance of parcels and printed papers, that are not personal and current, will continue to be unlicensed. Express Letter delivery will continue to require a Class Licence.

Option 2: Redefine Basic Mail as Addressed Letters Weighing 500g and Below and Retain Separate Class Licence for Express Letters

(b) Under this option, IDA's licensing scope will be redefined based on the weight of mail rather than the nature of mail. This is in line with the approach adopted by many overseas jurisdictions and will not be unfamiliar to international players who wish to enter the

Singapore market. IDA will redefine Basic Mail Services as services to convey addressed letters weighing 500g and below. Service providers who wish to offer Basic Mail Services 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.

- (c) IDA will redefine “Letter” as an “Addressed Letter”, which will be further defined 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”*¹³. As a working guide for licensing purposes, IDA will consider adopting the following interpretations for book, catalogue, newspaper and periodical:
- (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.

¹³ Any parcel containing such communications will be considered a letter.

- (d) “Express Letters” will be redefined as those addressed letters weighing 500g and below and delivered within the same working day. The existing “price floors¹⁴” will be removed.

Option 3: Redefine Basic Mail as Addressed Letters Weighing 500g and Below Without Separate Class Licence for Express Letters

- (e) This option is the same as Option 2 except that IDA will no longer maintain a separate Class Licence category for Express Letters. Express Letters will be subsumed under a single licence structure.

64 Based on IDA’s assessment, Option 1 is the least preferred among the three options. IDA recognises that this structure will be based on existing licence structures and hence will probably be more familiar to existing industry players and less disruptive to the industry. However, IDA believes that this option is neither practical nor sustainable in a multi-operator environment because it is increasingly difficult to tell what type of mail constitutes a “communication in the nature of current and personal correspondence”. For example, generic marketing mailers from a firm to its customers could be considered printed papers as one could argue they are neither personal nor current. However, if the firm were to include, in the same marketing mailer, loyalty or credit points accruing to each customer depending on his spending, then one could argue that such mailers would become current and personal to the recipient. Therefore, the current approach does not offer clarity to service providers on the types of mail delivery that require licensing. It will also be confusing for end-users on whether a licensed service provider should be used for conveying the various mail types. Policing and enforcing a licensing regime based on the nature of mail will also be difficult. The unclear legal and market definition between these two mail categories will also create subsequent fair competition enforcement problems in a liberalised environment.

65 IDA believes that there is a need to redefine the licensing scope and Options 2 and 3 are more practical and sustainable in a multi-operator

¹⁴ Today local Express Letters must be 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 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.

- environment. These two options remove the current difficulty of differentiating between letters and printed papers. The clearer legal and market definition will also create lesser fair competition enforcement problems in a liberalised environment.
- 66 The definition of Addressed Letter is similar to that adopted in the Postal Services Act by the UK. The same definition is also adopted by the EC for the term “item of correspondence” in their Postal Services Directive¹⁵. The four categories of mail items, namely books, catalogues, newspapers and periodicals are excluded from the definition of Addressed Letter because IDA believes that these items do not fall within the spirit and common understanding of a “letter”, which is essentially a form of written communication from a sender to a recipient.
- 67 For licensing purposes, a weight threshold of 500g is proposed because articles weighing above 500g are more likely to be bulky and parcel-like, and therefore more likely to require door-to-door delivery instead of delivery into the letterboxes. These articles will then be treated as parcels and the delivery service will not be subject to IDA’s licensing regime. Setting the threshold any lower may exclude more letter-like articles from IDA’s licensing regime which may inadvertently prevent new entrants from gaining access to important infrastructures such as SingPost’s network or letterboxes provided by property owners and developers. The kinds of regulatory assistance considered are discussed in further detail in Part 9 of this paper.
- 68 With the proposed licensing scope in Options 2 and 3, IDA recognises that the conveyance of printed papers weighing 500g and below, which can be provided without a licence from IDA today, will be subject to licensing and regulation in a liberalised environment if they fall within the definition of “Addressed Letters”. However, IDA believes that the weight threshold, together with the exclusions of the four categories of mail items, will significantly limit the impact. In fact, IDA believes that this new approach may facilitate competition in the provision of printed papers if service providers could now gain access to letterboxes. Once these service providers are licensed, they will also be able to seek IDA’s assistance to resolve any inter-operator dispute with SingPost. Today,

¹⁵ Article 2.7 of the Directive 97/67/EC defines “item of correspondence” as “a communication in written form on any kind of physical medium to be conveyed and delivered at the address indicated by the sender on the item itself or on its wrapping. Books, catalogues, newspapers and periodicals shall not be regarded as items of correspondence.”

IDA has no jurisdiction to provide any assistance to printed paper service providers as they are not licensed by IDA.

- 69 Between Options 2 and 3, IDA's preference is for **Option 2**. In a liberalised environment, issuing a separate licence based on service quality (*i.e.*, delivery within one working day) may become meaningless over time because competition will drive operators to provide better service quality for Basic Mail Services. It may become increasingly difficult to separate what is considered "ordinary" letter services from "express" letter services for licensing purposes. However, to collapse the Express Letter licences with the Basic Mail licences will inadvertently subject the existing group of Express Letter licensees (more than 100 of them) to more (and most likely unnecessary) regulations. Today, under the Class Licence, the Express Letter licensees are subject to minimal regulations. They can begin service provisioning after registering with IDA and upon payment of a minimal one-time fee of S\$200. The nature of their service is also different from ordinary mail where there is higher value-add by providing face-to-face collection and delivery with sophisticated mail tracking facilities and various service quality guarantees. Hence, IDA believes that there is no good reason to subject Express Letter licensees to more regulations that would inadvertently increase both the administration costs to IDA and business costs to these licensees. IDA notes that most overseas jurisdictions, such as New Zealand and EU member countries such as the UK, Sweden and Germany, also separate the conveyance of Express Letters from the conveyance of ordinary letters. The existing "price floors" placed on Express Letter licensees will, however, be removed as it is no longer necessary with a liberalised Basic Mail Services market.
- 70 If Option 2 is adopted, then the scope for licensing Basic Mail Services will be revised to one of conveying, from one place to another, any Letters not exceeding 500g¹⁶ 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 services¹⁷. Any person intending to provide any part of this service chain in Singapore, including any of the incidental services, must obtain a postal licence from IDA.

¹⁶ This means addressed letters weighing up to and including 500g.

¹⁷ The provision of internal mailroom collection, sorting and distribution services provided to an organisation occupying a single premise will remain outside of IDA's exclusive right.

- 71 To effect Option 2, IDA will have to propose necessary changes to be made to the Act. Changes to the Class Licence Regulations will also have to be proposed to replace “letters and postcards” with “Letters weighing 500g and below” and to remove the “price floors”. The proposed amendments to the Class Licence Regulations will not affect the business operations of Express Letter licensees today.

Views and Comments

IDA welcomes views and comments on IDA’s proposal to liberalise the Basic Mail Services market in a single step and not in phases, unless compelling reasons have been identified for specific segments of the market to be reserved.

IDA welcomes views and comments on IDA’s proposed licensing objectives and the proposed changes to the scope of IDA’s licensing jurisdiction.

IDA also invites comments on the proposed definition of letters.

PART 8

PROPOSED LICENSING FRAMEWORK

(A) Licence Categories

- 72 Based on the licensing scope proposed in Option 2, a two-tier licensing structure is proposed to differentiate postal licensees based on the nature of their operations:

Category 1: Postal Services Operation Licence

- 73 Any person intending to provide the conveyance of Letters weighing 500g and below and to perform any incidental services of receiving, collecting, sorting, sending, despatching and delivering of such postal articles, must apply for a Postal Services Operation (“**PSO**”) Licence.
- 74 Given our small geographical area and dense population, there may be more scope in Singapore than in other countries for new entrants to set up their own delivery networks to complete mail delivery themselves.

However, IDA also notes that SingPost does enjoy significant economies of scale and scope along all parts of the postal value chain, especially in its large-scale automated sorting facility and its nation-wide delivery network.

75 Therefore, within this licence category, IDA is considering two licensing options:

Option 1: Two types of PSO Licence

- (a) Licence applicants who commit to and have demonstrated their ability to provide island-wide delivery for Basic Mail Services; and
- (b) Licence applicants who commit to providing conveyance of Letters *to any person in Singapore* who requests the provision of such services, *i.e.*, island-wide collection and delivery services, will be designated as a Public Postal Licensee (“PPL”) under section 7 of the Act.

Option 2: Three types of PSO Licence

- (a) Licence applicants who commit to and have demonstrated their ability to provide island-wide delivery for Basic Mail Services;
- (b) Licence applicants who commit to providing conveyance of Letters *to any person in Singapore* who requests the provision of such services, *i.e.*, island-wide collection and delivery services, will be designated as a Public Postal Licensee (“PPL”) under section 7 of the Act; and
- (c) Licence applicants who could select the service coverage area (be it by geographical areas or by customer segments) and the conveyance methods for their proposed postal operations. Once the licence is granted, licensees will be required to seek IDA’s approval before making any changes to their service offerings.

76 Licence applicants who commit to and have demonstrated their ability to provide island-wide delivery for Basic Mail Services will qualify for IDA’s consideration for obtaining masterdoor key access¹⁸ to letterboxes

¹⁸ Masterdoor key access in this paper refers to access to keys to masterdoors installed in a nest of letterboxes that, when opened, reveal all the pigeonholes in the nest of letterboxes.

- provided by property owners and developers (including housing flats provided by the Housing Development Board (“**HDB**”)) to facilitate mail delivery. These licensees will be subject to greater regulatory requirements to ensure mail integrity and security. Placing island-wide delivery as a qualification criterion for obtaining masterdoor keys to letterboxes is to also address issues of integrity and security of mail in letterboxes (see Part 9 of this paper for further discussion).
- 77 Under Option 2, for PSO licensees 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 (see Part 9 of this paper for further discussion). If Option 1 is adopted, IDA will not facilitate any access to SingPost’s delivery network because licensees would have committed to delivering all of their mail island-wide and be given masterdoor keys to letterboxes.
- 78 PSO licensees designated as PPLs will be required to provide an identified set of universal services comprising the following three main service features:
- (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.
- 79 IDA proposes that certain privileges be granted to a PPL under the Act to facilitate the PPL’s performance of its Universal Service Obligation (“**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 (see **Annex B** for the proposed privileges and duties to be given to PPLs under the Act).

The masterdoor key access is meant to facilitate mail delivery. It does not refer to keys to individual letterboxes held by each household or business unit.

- 80 IDA will not pre-determine the number of PSO Licences to be issued. Applicants for a PSO Licence must be incorporated as a company under the Companies Act (Cap. 50).
- 81 IDA is considering the two options above and invites views and comments on the option that would best meet the needs of consumers and business users in Singapore, bearing in mind IDA's overall policy objectives of ensuring continuance and maintaining public confidence in the reliability and availability of Basic Mail Services provided to end-users.
- 82 For the purpose of this consultation, IDA has proposed a set of licensing and regulatory frameworks using **Option 2** – IDA issuing three types of PSO Licence – in order to seek views and comments on the kinds of frameworks that would apply if the option is adopted. If Option 1 is adopted, some of the proposed frameworks will not apply.

Category 2: Express Letter Service Operation Licence

- 83 Any person intending to provide services for the conveyance of Letters weighing 500g and below, within the same day, including the performance of any incidental services of receiving, collecting, sorting, sending, and despatching letters, must register for an Express Letter Service Operation (“**ELSO**”) Licence under the Class Licence Regulations. Applicants for this licence need not be an incorporated company but must comply with any applicable laws concerning registration of their business. The PSO Licence will not be an “umbrella” licence covering ELSOs. A PSO licensee must separately register for an ELSO Licence for providing Express Letter services.

(B) Licence Fees and Licence Duration

- 84 If IDA is to issue three types of PSO Licence (Option 2) and a separate ELSO Licence, IDA proposes that a licence fee structure as set out in **Table 1** below be adopted.

Table1: Proposed Licence Fee Structure

Licence Types	Licence Fees and Licence Duration
PSO Licence (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: 10 years.
PSO Licence for PPL designates (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: 15 years.
PSO Licence ¹⁹	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.
ELSO Licence	One-time registration fee of S\$200. Licence Duration: “Life-time” of business.

85 A licence fee of 0.4% of AGTO is proposed for all the types of PSO Licence to ensure consistency with the licence fee currently applied to SingPost, whom IDA intends to continue to designate as a PPL. For smaller firms whose AGTO do not exceed S\$1 million, IDA proposes to charge a flat annual fee of S\$3,000. This is to minimise administrative costs for these smaller firms to submit audited AGTO to IDA for licence fee payment purposes. The proposed fee for the ELSO Licence is the same as that under the Class Licence Regulations today.

86 For PSO licensees and PPLs given masterdoor keys to access letterboxes to facilitate letter delivery, a higher minimum licence fee of S\$150,000 is proposed to account for the additional administrative resources to be incurred by IDA for monitoring and ensuring responsible use and safe-keeping of the keys given to the PSO licensees, as well as for ensuring integrity and security of mail in the letterboxes.

87 As for licence duration, IDA believes that a 10-year duration for the PSO Licence will provide sufficient regulatory certainty for any PSO licensee

¹⁹ This licence fee category will not apply if IDA issues two types of PSO Licence (as in Option 1) in paragraph 75.

who wishes to invest in any postal infrastructure in Singapore. A further 5-year period is proposed for PPLs in view of greater business certainty needed for investing in more extensive infrastructures necessary to carry out the USO. As postal operations do not require high sunk capital investments, unlike other sectors such as the telecommunication sector, IDA believes that the proposed licence durations are reasonable.

(B) Banker's Guarantee

- 88 In a liberalised environment, besides allowing free market entry, IDA must also allow market exits if service providers are no longer able to compete and continue business operation. In the event that a PSO licensee exits the market, there is a possibility that it could have accumulated a large amount of undelivered Letters. In order to ensure that these undelivered Letters are delivered to the addresses before the PSO licensee exits the market, IDA proposes to require a Banker's Guarantee ("**BG**") of (a) S\$100,000 for PSO licensees²⁰; and (b) S\$250,000 for PSO licensees given masterdoor keys to access letterboxes, to serve as a surety.
- 89 The PSO licensees intending to exit the market 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, IDA may appoint the PPL to deliver these Letters and will use the BG to defray the cost. IDA estimated that the proposed sum of S\$100,000 will be sufficient as a start to provide delivery of approximately 430,000 pieces of standard 20g ordinary letters based on the current postage rate of S\$0.23. IDA notes that the UK has adopted a similar BG system, but the BG amount for each postal licensee varies with the volume of mail handled by the licensee.
- 90 A higher BG of S\$250,000 for licensees given masterdoor keys to access letterboxes is reasonable because these licensees will be providing island-wide delivery. As the mail volume handled is likely to be much higher, a higher BG is thus proposed. IDA estimated that the higher BG will be sufficient to provide delivery of more than one million pieces of standard 20g ordinary letters using the current postage rate of S\$0.23.

²⁰ This BG requirement will not apply if IDA issues two types of PSO Licence (as in Option 1) in paragraph 75.

- 91 The ELSO licensees, as it is today, will not be required to procure BGs as they are unlikely to accumulate large amount of undelivered Express Letters due to the nature of their business operations. For PPLs, because of their USO and the higher investments made to set up extensive infrastructure to provide island-wide collection and delivery services to any person who requests for such services, it is not necessary for IDA to place a BG on them.

Views and Comments

IDA welcomes views and comments on IDA's proposed licensing approach and the different categories of licences. In particular, IDA seeks views and comments on whether all PSO licensees should commit to providing island-wide delivery services (Option 1 of paragraph 75) or whether PSO licensees could be allowed to select their service coverage area (Option 2 of paragraph 75).

IDA welcomes views and comments on IDA's proposed licence fee and licence duration.

IDA welcomes views and comments on IDA's proposed BG requirement and suggestions on safeguards necessary to ensure mail delivery or protect end-users' interest in times of market exits.

PART 9

REGULATORY FRAMEWORKS AND ISSUES

- 92 If the Basic Mail Services market is to be liberalised, frameworks will need to be set up to address issues that will arise in a multi-operator environment. The objectives of the regulatory frameworks are the same as those adopted when developing the licensing framework, which is to (a) provide adequate safeguards to ensure continuance of Basic Mail Services; and (b) maintain public confidence in the reliability and availability of Basic Mail Services in Singapore. In addition, the regulatory frameworks seek to (i) minimise any confusion for mail senders when choosing services provided by different providers; (ii) ensure as far as possible a seamless and transparent experience for mail recipients; and (iii) ensure fair competition. IDA has identified the

key frameworks that will need to be set up and they are elaborated below.

(A) Postal Identifier

93 To identify the PSO licensee responsible for the conveyance of each Basic Mail item, PSO licensees will be required to use a "Postal Identifier" on all the Basic Mail item it handles. A "Postal Identifier" means any name, number, logo, mark or design that –

- (a) is affixed to or impressed or printed on letters or their wrapping (e.g., envelopes);
- (b) uniquely identifies that PSO licensee; and
- (c) clearly indicates to the public that those letters have been, or are intended to be, accepted by that PSO licensee for conveyance by post.

94 All PSO licensees will be required to register their Postal Identifiers with IDA. IDA will publish them on IDA's website for public information. In addition, IDA will also require PSO licensees to publish their Postal Identifiers for public information. The Postal Identifiers must be clear and legible to enable end-users and licensees to identify the service provider.

Views and Comments

IDA welcomes views and comments on the "Postal Identifier" proposal and any other implementation issues that need to be addressed. IDA further invites comments on alternative arrangements that could more effectively allow identification of the PSO licensee delivering the mail.

(B) Access to Postal Infrastructure and Network

Access to Letterboxes

95 Currently, the HDB has installed letterboxes in HDB flats that allow the residents to lock the apertures to prevent the reception of unwanted mail from unknown sources. The HDB introduced these letterboxes in the early 1990s to cut down the problem of littering around the letterboxes

- created by unwanted mail, and also as a service to the residents who wanted help to keep out such mail. To facilitate mail delivery, the Town Councils, in charge of maintaining the letterboxes, have given SingPost, the PPL and the monopoly provider of Basic Mail Services, keys to the masterdoors that, when opened, reveal all the pigeonholes in the nest of letterboxes. IDA understands that one masterdoor key may open a few clusters of letterboxes in the same area.
- 96 IDA understands that, generally, there are two main types of letterbox designs. The older two-way design with only one masterdoor that opens to reveal all the pigeonholes, and a newer three-way version with another masterdoor that reveals only a second set of apertures.
- 97 Following the adoption of lockable aperture letterbox designs by HDB, many private property developers and owners have also adopted similar designs. Today, the keys to the masterdoors for these letterboxes are given to SingPost. IDA has also included lockable aperture letterboxes as an approved design in the **Letterbox Guidelines** approved by IDA and administered by SingPost²¹.
- 98 If the Basic Mail Services market is to be liberalised, then access to letterboxes will become important in order for PSO licensees to complete their delivery service. The ability for new firms to enter the market will be significantly limited if new entrants do not have access to letterboxes. However, because of the current letterbox designs where the masterdoor, once opened, reveals all the pigeonholes of the letterbox, and one key may open masterdoors of several letterbox nests, it is not feasible to give all PSO licensees a set of masterdoor keys. Serious mail security and integrity problems will arise if many parties are given access to the masterdoor keys. It is also not meaningful to give a full set of masterdoor keys for letterboxes island-wide to niche players serving only a few geographical regions. Therefore, IDA has proposed earlier in this paper to limit the access to these masterdoor keys to only those willing to commit and are able to demonstrate their ability to provide island-wide delivery services.
- 99 Nonetheless, to ensure that PSO licensees approved by IDA are able to obtain masterdoor keys, IDA proposes that:

²¹ To view the Letterbox Guidelines, please refer to the IDA website at www.ida.gov.sg.

- (a) Property developers and owners (including HDB/Town Councils) must give PSO licensees approved by IDA access to letterboxes. If the letterboxes are designed with lockable apertures, property developers and owners must give a set of the masterdoor keys to the PSO licensees approved by IDA; and
 - (b) IDA will set up regulations to govern access to letterboxes by PSO licensees who are given the masterdoor keys to further ensure the security and integrity of mail in the letterboxes.
- 100 In terms of implementation, IDA will consider either appointing SingPost, the current PPL, to manage a master set of these keys (*i.e.*, to duplicate, issue and replace the keys, and to handle the surrender of duplicate keys), or IDA taking over this management role. If IDA appoints SingPost to do so, clear rules on control and management will be set up to ensure that SingPost does not abuse its role to gain an unfair competitive advantage. IDA will allow SingPost to recover the appropriate cost from other PSO licensees for managing these keys. These implementation details will be drawn up and issued for further consultation once a decision to liberalise the Basic Mail Services market has been taken.
- 101 As for the regulations to be set up, they will govern areas such as the use of masterdoor keys (*e.g.*, requiring usage logs to be kept and allowing IDA to review such logs); responsibilities in handling and safekeeping the keys (*e.g.*, no unauthorised duplication of keys and all keys to be surrendered to IDA if the licensees could not meet IDA's stated requirements); and other duties to ensure mail security and integrity when accessing the letterboxes (*e.g.*, prohibiting unauthorised removal of mail from the letterboxes). See **Annex C** for a preliminary set of key regulations proposed. Details of these regulations will be firmed up and issued for further consultation once a decision to liberalise the Basic Mail Services market has been taken.
- 102 The above proposed policy positions do not prohibit property developers and owners from giving the masterdoor keys to other non-postal licensees to access the letterboxes but IDA's regulations will not be extended to such cases.
- 103 On a related issue of recipients notifying SingPost of not wanting to receive any so called "junk mail", IDA proposes that SingPost continues to provide this service to mail recipients, continues with the existing

service arrangements, and takes on the function of informing other PSO licensees when such a request has been received. IDA will allow SingPost to charge competing licensees a reasonable rate for work done.

Access to Delivery Network and Operation

104 IDA notes that, in general, overseas jurisdictions that have liberalised their postal services market provide access to the incumbent's or dominant operator's mail delivery infrastructure to facilitate competition. Often, full duplication of this delivery network by new entrants is infeasible given the fundamental economic characteristics of this sector, such as the economies of scale and scope enjoyed by the incumbent (despite being labour intensive) and the uneconomical network replication to serve thin traffic areas such as rural areas.

105 However, access to delivery networks (often referred to as "downstream access") is a controversial issue in liberalised countries. In the EU, the 2002 Directive does not specifically require universal service providers to grant downstream access to third parties. However, where such access is provided, the prices, terms and conditions must be transparent and non-discriminatory. Within the EU, only in the UK has the regulator made a determined attempt to impose downstream access²². Postcomm requires Royal Mail to negotiate terms of access with postal operators or large users. Postcomm believes that commercial negotiations, rather than regulatory requirements, are most likely to lead to a viable arrangement. In Germany, the German postal law requires Deutsche Post to allow access to the so-called "incidental services". This requirement has led Deutsche Post to enter into contracts with customers for arrangements such as pre-sorting and posting at counters. In New Zealand, New Zealand Post has negotiated access agreements with conditions no less favourable than those available to an equivalent customer. In the US, drop-shipment is accepted at the USPS Delivery Offices (within a very narrow time window). Over the years, a significant market has grown up in the processing and transportation services for mail prior to access to the USPS delivery network.

106 As explained earlier in this paper, because of our small geographical area and dense population, there is more scope in Singapore than in other countries for competing delivery networks to be set up, especially

²² Downstream access mail is accepted at Mail Processing Centres only and not at Delivery Offices.

when these delivery networks do not require high sunk capital investments. However, IDA also recognises that SingPost enjoys significant economies of scale and scope along all parts of the postal value chain, especially in its large-scale automated sorting facility and its nation-wide delivery network. Given its historical monopoly, IDA will most likely classify SingPost as a dominant operator in the Basic Mail Services market should the market be liberalised.

- 107 If IDA is to issue three types of PSO Licence (Option 2 in paragraph 75), IDA proposes that access to SingPost's delivery network will be allowed to facilitate competition for licensees who prefer not to provide island-wide delivery services and also prefer not to be given masterdoor keys to letterboxes²³. As a result of the large-scale mail sorting facility at the mail processing centre in SingPost Centre, IDA proposes that the common physical access points for new entrants should be no different from today's access points for bulk mailers (*i.e.*, at the designated drop-off point in SingPost Centre). Given that there is minimal mail processing work done at SingPost's Delivery Bases, and given Singapore's small geographical area, IDA does not propose to require access be given at SingPost's Delivery Bases.
- 108 In terms of access prices, there has been significant debate in the recent years as to whether access prices should be based on the avoided costs (also known as efficient component pricing or "ECP") or on the long-run incremental costs of the service provided ("LRIC"). The US Postal Rate Commission has generally allowed access prices (drop-shipment rates) that are broadly compatible with ECP. Most EU countries and New Zealand either adopt the ECP or require that the pricing be no less favourable than that offered to bulk mailers. By contrast, Postcomm has determined that access prices should be based on LRIC. Postcomm believes that the costs of providing universal service are comparatively small and can be borne by a dominant, efficient operator in a competitive market.
- 109 In the telecommunication sector, IDA requires Singapore Telecommunications Ltd, the dominant operator, to provide unbundled, cost-based access to network elements, where this is necessary to facilitate competitive entry. In general, SingTel is required to price these

²³ Access to SingPost's delivery network will not apply if IDA issues two types of PSO Licence (as in Option 1) in paragraph 75. Under Option 2, this access will similarly not apply to those PSO licensees who have committed to delivering mail island-wide and given masterdoor keys to letterboxes.

- elements based on Forward Looking Economic Cost (“**FLEC**”) method and computed using the Long Run Average Incremental Cost (“**LRAIC**”) standard. IDA’s pricing approach is driven by one of IDA’s key regulatory principles, which is to encourage facilities-based competition. IDA believes that FLEC LRAIC pricing is the most economically accurate to facilitate operators to make correct build-buy decisions.
- 110 In the postal services sector, the facilities-based competition principle is not applicable as the sector is highly labour intensive. Moreover, if the access price for competing operators is significantly lower than the prices available to bulk mailers, and if this price differential is not cost justified, large mailers may seek access on the same terms as licensees. Bulk mailers may have incentives to apply for licences or form consortia to obtain postal licences as a means of accessing the lower prices that such an arrangement would afford. This thus creates an arbitrage opportunity in upstream activities which does not represent an economically efficient market.
- 111 Therefore, IDA proposes that the access prices for new entrants and “workshare” discounts for bulk mailers be set on the same basis. As a start, for homogeneous and/or pre-sorted mail, IDA proposes 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 proposes to apply the ECP.
- 112 As for the collection infrastructure, for example, posting boxes and post offices, IDA is of the view that these facilities are not significantly costly to set up by new entrants. As IDA does not intend to impose any nationwide Letter collection obligation on any new entrant except for the PPLs, IDA therefore proposes that SingPost would not be required to share its collection infrastructure with new entrants.

Access to P.O. Boxes/Mailboxes and Mail Redirection Information

- 113 P.O. boxes or public mailbox services are letterboxes at the service providers’ premises offered by the service provider to customers for a monthly or yearly rental fee. The provision of P.O. boxes (*i.e.*, rental of P.O. boxes) is not a licensable service under the Act and is also outside the exclusive rights granted to SingPost under its Public Postal Licence. However, equal and open access to P.O. boxes in a multi-operator environment is important in order for PSO licensees to complete the delivery of mail to recipients. Hence, in order to ensure that end-users

- continue to enjoy seamless postal services in a multi-operator environment, IDA proposes that the delivery of postal articles by all PSO licensees to each other's P.O. boxes must be allowed. As for access arrangements and pricing, these details will be established after a decision to liberalise the Basic Mail Services market has been taken.
- 114 The mail redirection service allows a user who has moved to a new address to continue receiving mails, bearing the previous address, for a period of time. Today, this service is provided by SingPost to mail recipients for a fee. In a multi-operator environment, it would no longer be sufficient for mail recipients to request for mail redirection services from SingPost alone because mails delivered by other PSO licensees with masterdoor key access to letterboxes will continue to be delivered to the previous address. However, it would be inconvenient for recipients to have to inform all PSO licensees in order to have their mails effectively redirected. A system needs to be put in place to ensure that all mails, regardless of which PSO licensee is delivering the mail, reach the recipient who has requested for a mail redirection service from any one PSO licensee.
- 115 IDA understands that in Sweden, the incumbent Sweden Post and the new entrant CityMail formed a joint venture company to develop and manage a redirection database so as to provide seamless delivery of redirected mail. In Germany, postal service providers are allowed to access the database of address changes maintained by the incumbent, Deutsche Post, for a fee that is approved by the regulator.
- 116 For Singapore, IDA will consider adopting a system that is most cost effective for affected licensees depending on the volume of such requests. If the volume is low, a possible arrangement could be for mail recipients to request for mail redirection with any of the PSO licensees with masterdoor key access to letterboxes. The PSO licensee shall have the duty to inform all other PSO licensees, with such key access, of the new address and other related information in a timely and efficient manner. All PSO licensees shall ensure that mail addressed to the recipient at his old address is sent to the new address. IDA is of the view that no charge should be imposed between these PSO licensees as the redirection notification will be reciprocal among licensees. IDA will establish these details after a decision to liberalise the Basic Mail Services market has been taken.

Views and Comments

IDA welcomes views and comments on the proposed framework to allow letterbox access. IDA also welcomes proposal on arrangements or requirements that will help ensure mail security and integrity in a multi-operator environment.

IDA welcomes views and comments on whether access to SingPost's distribution network is necessary in a liberalised environment and the framework proposed by IDA to allow access. Specifically, IDA invites views on where should access be made available and what would be an appropriate access price or methodology to determine the access price.

IDA welcomes views and comments on whether access to P.O. boxes / mailboxes will be an issue that needs to be addressed by IDA. IDA welcomes proposals on how such access should be implemented and charged.

IDA welcomes views and comments on whether redirection of mail will be an issue that needs to be addressed by IDA. IDA welcomes views and comments on IDA's proposed approach to handle mail redirection request. IDA also welcomes proposals on alternative arrangements that could address this issue more effectively.

(C) Postal Code System

117 IDA controls and regulates the Postal Code System established in Singapore for the provision of postal services. Today, SingPost has been directed by IDA under its licence to establish, maintain and administer the Postal Code System. A 6-digit Postal Code has been adopted by SingPost, which has allowed it high efficiency and effectiveness in mail sorting and delivery.

118 If the Basic Mail Services market is liberalised, IDA proposes to require SingPost to continue to establish, maintain and administer the Postal Code System. As access to the Postal Code System may be required by new entrants to deliver Letters, IDA proposes to require SingPost to set up a notification system to inform and update other PSO licensees of any new Postal Codes issued or any changes made. It would be appropriate for the new PSO licensees to pay a fee or contribute to the cost of setting up and administering the notification system. IDA will

ensure that the notification system developed would allow fast and accurate information to be provided to new entrants. 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.

Views and Comments

IDA welcomes views and comments on whether access to the Postal Code System by new entrants will be important for mail delivery in a liberalised environment.

IDA also invites comments and suggestions on effective and efficient solutions for new entrants to access the Postal Code System.

(D) Mail Integrity and Common Operational Procedures

119 Today, the Act and Regulations have provisions to ensure mail security and integrity. For instance, it is an offence for employees of PPLs to destroy or throw away postal article in the course of conveyance (see extracts in **Annex D**). These prohibitions will be extended to all PSO and ELSO licensees on liberalisation.

120 However, in a multi-operator environment, IDA will need to set up further procedures to address cases in which a Letter is lost, damaged, interfered with or unduly delayed, especially when re-routing from one operator to another, and procedures to ensure that users' complaints are dealt with fairly and promptly. Common operational issues where a Letter may get into the wrong network (*i.e.*, the network of an operator that did not receive the revenue for delivering it) will also occur for a number of reasons. For example:

- (a) Letters may be delivered to the wrong address and then be forwarded by the recipient. This could occur either because the Letter was delivered to the wrong address ("mis-delivered") or because the recipient is no longer at the address to which the letter was sent. The recipient may simply write a new address on the Letter and repost it with one operator (most likely SingPost), even though the item was delivered by a competing service provider;

- (b) undelivered Letters which are “returned to sender” are likely to be returned through SingPost’s network; or
- (c) Letters may be “dumped” into a service provider’s network (most likely SingPost) by an employee of a competing service provider.

If not addressed, these issues may: create operational processing confusion; increase costs; cause delays to the delivery and/or return of mail; reduce the effectiveness of competition; and cause customer dissatisfaction.

- 121 In terms of international practices, IDA notes that the EC requires the EU member states to ensure that transparent, simple and inexpensive procedures are in place for dealing with users’ complaints – particularly in the case of loss, theft, damage or non-compliance with service quality standards²⁴. In the UK, Postcomm has worked with Royal Mail and other industry participants to prepare a Mail Integrity Code and a Common Operational Procedures (“**COP**”) Code. The Mail Integrity Code addresses the safety and security of the mail by setting out requirements regarding operators’ recruitment and training policy, disciplinary procedures, mail security, and information and reporting requirements. The COP Code addresses inter-operator issues that are likely to occur in a multi-operator market, such as handling of reposted mail, mis-directed mail, and mis-directed customer service enquiries. Licensees are required to enter into contractual agreements that give effect to the provisions of the COP Code. If a licensee does not do so, it must sign a Default Agreement that ensures compliance with the COP Code. The Default Agreement specifies, in detail, arrangements that have been more generally defined in the COP Code. IDA understands that to date, all licensed operators have chosen to use the Default Agreement.
- 122 IDA proposes that similar Codes of Practice be set up with procedures to ensure mail integrity and to facilitate cooperation amongst operators. The procedures should be transparent, simple and inexpensive. In terms of exchange of “mis-posted” Letters (*i.e.*, Letters put into the wrong collection box or bag, as a result of customer error) and return-to-sender Letters, the procedures would cover (a) whether these Letters should be returned to the responsible service provider or delivered to the recipient; (b) whether there should be a handling or administration

²⁴ Member states should also adopt a system for reimbursement and/or compensation “where warranted”. To date, only UK and Finland have implemented such a system.

charge and, if so, how should it be formulated; and (c) redirecting compliant calls from mail recipients who contacted the incorrect service provider.

- 123 There are several ways in which such Codes could be established. For mail integrity, IDA could (a) adopt detailed rules, which would be binding on licensees; (b) adopt general requirements in the Code, and direct licensees to develop procedures, subject to IDA approval; or (c) rely entirely on market forces and industry self-regulation, while imposing minimal reporting requirements. For the common operational procedures, IDA could (a) specify the means by which all PSO licensees will cooperate; (b) require the dominant licensee to comply with detailed cooperative requirements, while allowing other licensees to negotiate mutually acceptable arrangements; or (c) allow individual licensees to establish joint procedures, subject to a default agreement in those cases in which they do not do so. Again, details on the preferred approaches will be set up and issued for further consultation once a decision to liberalise the Basic Mail Services market is taken.

Views and Comments

IDA welcomes views and comments on frameworks or Codes of Practice that need to be set up to ensure mail integrity and address common operational procedural issues. Specifically, IDA invites views on the preferred approach to be adopted for establishing these Codes of Practice.

(E) Other Competition Management and Regulatory Issues

Competition Management

- 124 To promote and ensure fair and sustainable competition in the Basic Mail and Express Letter Services markets, IDA intends to establish a competition framework that would include 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 proposes to model the competition framework along similar lines as that adopted in the telecommunication sector, which is comprehensively set out in the Telecom Competition Code 2005. The prohibitions against anti-competitive conduct contained in the Telecom Competition Code 2005 are established largely based on competition law principles. IDA believes that the framework in the

telecommunication sector, set up to facilitate the transition from a monopoly market structure to a competitive one can apply to the postal sector with appropriate modifications to account for issues and circumstances unique to this sector. Adopting a similar framework will allow IDA to leverage its competition facilitation and enforcement experience in the telecommunication sector into the postal sector.

- 125 At present, agreements for the supply of ordinary letter and postcard services by a person licensed and regulated under the Act are excluded from the prohibitions in section 34 and 37 of the Competition Act (Cap. 50B). Economic activities and agreements in the liberalised segments of the postal market such as the Express Letter, printed paper and parcel conveyance are within the purview of the Competition Act. However, 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 proposes that the competition framework should cover both the Basic Mail and Express Letter Services markets. IDA will work with the Competition Commission of Singapore to make any necessary amendments to the relevant legislation to give effect to the revised approach if adopted.

Quality of Service (“QoS”) Standards

- 126 In a liberalised environment, new entrants may provide innovative services at different levels of service quality to cater to the needs of different customer segments. IDA recognises that customers may not always require delivery of letters within a standard timeframe. IDA notes that some of the new entrants in the EU member states offer lower quality services (e.g., two-day delivery instead of next day delivery) at lower prices while others provide guaranteed delivery by specific dates but negotiate collection time. Innovative postal services may thus be hindered if IDA were to require same QoS standards from all new entrants. Therefore, apart from the PPLs, IDA proposes not to subject other PSO licensees to any minimum QoS standards. However, all PSOs are required to inform their customers in advance of the terms and conditions of their services, including the QoS standards adopted for each service, so that the customers can make an informed choice.
- 127 IDA intends to maintain the current “next-day delivery” requirement for PPLs, including SingPost, (see **Annex E** for current QoS standards required by IDA) as a minimum QoS standard to provide assurances to the public on the quality of mail delivery in Singapore. However, IDA will

allow the PPLs the flexibility to deviate from the minimum standards if they obtain commercial agreement with their customers for different delivery timeframes. This flexibility will provide PPLs with better ability to compete for mails that are not time-sensitive.

- 128 IDA also intends to maintain its requirements for PPLs, including SingPost, to provide a minimum number of post offices and posting boxes throughout Singapore.

Price Regulation

- 129 Countries that have fully liberalised their postal services sector continue to impose regulation on prices of universal services provided by the universal service provider to ensure that these universal services remain affordable to the public. Today, SingPost being the monopoly service provider for Basic Mail Services is subject to price regulation. IDA is of the view that price regulation for SingPost is necessary even if the market is liberalised because competition will be at its infancy and SingPost is likely to remain the main provider of Basic Mail Services in the initial years.

Views and Comments

IDA welcomes views and comments on IDA's proposal to set up a sectoral competition framework to facilitate and ensure fair competition in the Basic Mail and Express Letter Services markets. Specifically, IDA invites comments on the proposal to model the framework after the framework adopted in the telecommunication sector as set out in the Telecom Competition Code 2005.

IDA welcomes views and comments on whether there is a need for QoS to be established for all PSO licensees or only the PPLs. Specifically, IDA invites views on the minimum QoS standards that should be set if they were to apply to all PSO licensees.

PART 10

ISSUE OF POSTAGE STAMPS

- 130 Postage stamps serve the primary purpose of prepayment identification for postage. The right to issue stamps is separate from the use of

- stamps. The right to issue postage stamps includes all decisions and activities required to put postage stamps on the market²⁵. The use of postage stamps by the postal operator as a financial compensation for the postal service provided (e.g., conveyance of letters) is separate, and it is for this purpose that it sells the postage stamps to the customers.
- 131 Under the UPU Convention, postage stamps are issued in each country by a competent issuing authority in conformity with the UPU Acts. Postage stamps are a manifestation of state sovereignty and constitute proof of postage as well as a source of revenue as philatelic items.
- 132 In Singapore, under the Act, SingPost, subject to the Minister's directions, issues postage stamps. IDA proposes that the privilege to produce and issue national postage stamps bearing our country's 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 PPLs. This arrangement is adopted by most countries that have liberalised their market where the incumbent with USO is given the exclusive privilege of issuing national postage stamps bearing the country name and national emblems/symbols.
- 133 For the national postage stamps produced by the PPLs, IDA will retain the current framework where stamp themes are approved by the Ministry of Information, Communications and the Arts ("MICA") and stamp designs are approved by IDA on advice by the Stamp Advisory Committee. PSO licensees who wish to produce their own pre-payment impressions or stamp imprints are allowed to do so under the following conditions: (a) no indication of the name of the country or national symbol; (b) not use for international postal article within the framework of the UPU regulations unless authorised by IDA²⁶; and (c) prior approval by IDA must be obtained. All pre-payment impressions/stamps are subject to the requirements of the Undesirable Publications Act (Cap. 338) (see extracts in **Annex F**). Therefore, beyond these requirements, IDA proposes not to 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.

²⁵ The decisions include those made with regard to the size and structure of the programme (definitive, special and commemorative stamps), the selection of stamp themes and designs, the denomination and number to issue, and the date of issue.

²⁶ For sending international postal articles via the UPU system, the UPU will recognise the national postage stamps, and any other postal prepayment impressions, franking machine impressions or impressions made by a printing press or other printing/stamp process done in accordance with the UPU Acts and authorised by a postal administration. The postal administration may be the postal authority or any nominated postal operator.

In conformity with the UPU convention, such pre-payment impressions or stamp imprints shall not be referred to as “postage stamps.”

Views and Comments

IDA welcomes views and comments on IDA’s proposed approach on the issuance of postage stamps in Singapore. IDA also invites comments on whether further guidelines are required to government the pre-payment impressions or stamp imprints from other PSO licensees.

PART 11

REMAILING IN INTERNATIONAL MAIL MARKET SEGMENT

134 As a result of globalisation, there is potential for significant growth in remailing through Singapore. While the growth of remailing could provide economic benefits for Singapore, the existing UPU international settlement regime has created several issues unique to Singapore if the Basic Mail Service market is to be liberalised. These issues will need to be effectively addressed if the international mail segment is to be fully liberalised.

International Settlement or “Terminal Dues” System

135 Historically, the Terminal Dues (“TDs”) payable by a postal administration in a country to those in other countries for delivering of international mail items have been determined by international agreement under the UPU. In brief, the current UPU settlement regime classifies member countries based on their level of economic development for the purpose of determining TDs. At the 2004 UPU Bucharest Congress (“**2004 Congress**”), where the TD System for the year 2006 to 2009 was established, member countries were classified as either “Target Countries” (Industrialised Countries²⁷ or “**ICs**”) or “Transitional Countries” (Developing Countries or “**DCs**”). Target Countries pay country-specific rates for delivering international mail among themselves, within a pre-defined rate ceiling and rate floor.

²⁷ The UPU ICs (as of October 2005) are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Great Britain, Greece, Iceland, Ireland, Israel, Italy, Japan, Liechtenstein, Luxembourg, Monaco, Netherlands, New Zealand, Norway, Portugal, San Marino, Spain, Sweden, Switzerland, Vatican, USA.

However, for delivery of international mails sent among DCs, or sent between DCs and ICs, a single set of rates have been adopted as the TDs payable. This set of TDs is lower than the TDs payable among the ICs. The current regime is meant to be transitional. The UPU plans to move all countries towards a country-specific payment system, as currently adopted by the Target Countries, by 2014. The coming 2008 Congress in Kenya will decide on the criteria to be used to move the most advanced developing countries to the target system.

- 136 Today, the UPU classifies Singapore as a Transitional Country. Singapore, therefore, is entitled to comparatively favourable TD rates for delivering mail to DCs and ICs. At the same time, however, the TDs that Singapore receives for inbound mail are generally higher in comparison with the domestic postage rates particularly for lower weight-step mail such as the 20g and 40g mail. This means that Singapore will be an attractive country for remailers, once the Basic Mail Services market is fully liberalised, as they could set up operations here to bring mail into Singapore at low domestic rates (avoiding the inbound TDs) or to onward deliver the mail to other ICs at favourable TD rates.
- 137 The UPU recognises the arbitrage opportunity created under the present TD system for delivering mail between ICs through DCs. Hence, the 2004 Congress adopted a set of rules to discourage remailing activities using two mechanisms: the System Harmonisation Mechanism (“**SHM**”) and the Revision Mechanism (“**RM**”). Under SHM, if mail-flow from a DC to any other country exceeds 50 tonnes a year and grows by more than 10% in the previous year, then the TDs on the *incremental* volume will increase by an additional sum (0.147 SDR per item plus 1.491 SDR per kilogram). Under RM, if the mail-flow from a DC exceeds 100 tonnes a year, and the items are low weight (more than 17 items per kilogram), then the *entire volume* for the year will be subject to this additional fee. These mechanisms may be applied *at the discretion* of the destination country.

Remailing Issues

- 138 Singapore’s domestic postage rates, which are low by global and regional standards and generally lower than the inbound TD rates, have created remailing issues unique to Singapore. Singapore, being strategically located between ICs in the East, e.g., Japan, Australia and New Zealand, and ICs in the West, e.g., US, UK, Sweden and Germany, and being probably the only DC in this region to fully liberalise its postal

services sector may become an attractive hub for remailing activities. Two main types of remailing activities have been identified.

ABB Remail

- 139 If the Basic Mail Services market is to be fully liberalised, a third party operator (from Country A) could set up an affiliate in Singapore (Country B) and freight large volumes of mail into Singapore and repost these mail with SingPost at the domestic postage rates, or at an even lower rate if operators are allowed to negotiate an access price below the standard domestic or bulk mail rates; or for delivery to the recipients in Singapore by the affiliate itself. IDA refers to this as ABB remail.
- 140 This form of remail could be attractive not only for operators in the Target Countries but also operators in Transitional Countries because it allows operators to possibly bypass the TDs for international inbound mail to Singapore. In the telecommunication sector, this is a commonly known “one-way bypass” problem²⁸, and it happens because one country’s market is fully liberalised while the others are not. If postal markets in many countries, or at least in countries that are key trading partners of Singapore, are fully liberalised and Singapore-based postal operators have full market access at the overseas end, ABB remailing would not be an issue of concern. This is because, operators from two countries will have equal opportunities to establish and negotiate least cost routes to deliver international mail thus benefiting users from both ends. However, because full liberalisation is not pervasive globally, ABB remailing will create unfair competition issues in the postal services sector as Singapore-based operators will not be able to establish or negotiate such least cost routes.

ABC Remail

- 141 In a fully liberalised market, a third party operator (from Country A, likely to be an IC) could set up an affiliate in Singapore (Country B) to import large quantities of mail to Singapore and repost the mail with SingPost for onward posting, as international outbound mail, to another country (Country C, likely to be an IC). IDA refers to this as ABC remailing.

²⁸ One-way bypass 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.

SingPost will be required to pay TDs on this traffic. Alternatively, such ABC remailing could also be undertaken by the third party's Singapore affiliate if they were to be recognised as a postal administration from Singapore by the UPU²⁹. If outbound mail traffic from Singapore increased significantly, the receiving countries could increase the TDs payable by all Singapore operators under the SHM and/or RM.

- 142 If receiving countries were to increase the TDs under the SHM and/or RM for all international outbound mail from Singapore, this cost increase may translate to price increases for end-users in Singapore for sending international mail to the affected countries. As a result, ABC remailing activities may hurt consumers and business users in Singapore.

International Experience

- 143 IDA understands that so far, no country that has liberalised its postal services sector has experienced ABB and ABC remailing issues. This is because most of these countries are either ICs or their domestic rates are higher than the TDs. By contrast, the kinds of remailing activities experienced by these countries are ABA remailing where remailers convert domestic mail into international mail and route these international mail back into the country through DCs, which pay lower TDs.
- 144 UPU members are authorised under Article 27 for the UPU Act to take action against some kinds of remail. A member state is not bound to forward or deliver items which senders, residing in its territory, post in a foreign country. This addresses ABA remail. The delivery administration may charge domestic postage rates to the sender or origin postal administration for such mailings. If the sender or origin postal administration refuses to pay, the mail will be redirected back with a redirection charged. However, this Article does not address ABC remailing. This is because, the postal administration in Country B will have to either (a) pay the difference between the TD for sending mail from Country A to C and the TD for sending mail from Country B to C; or (b) pay the redirection charge if the mails are redirected back to Country B. If the postal administration in Country B cannot identify the remailer in that country for the ABC mail, it will have to absorb these charges.

²⁹ The UPU allows for recognition of more than one postal administration from each country although IDA understands that countries today, including those that have fully liberalised their markets, continue to register only one postal administration with UPU.

- 145 In addition, the UPU Convention allows UPU members to by-pass the UPU terminal dues system in favour of payment provisions set forth in separate bilateral or multilateral agreements. This arrangement has been adopted by EU countries to address ABA remailing. Today, 17 European countries have opted out of the UPU System and entered into an REIMS II Agreement, in which they collectively agree for TD rates for cross-boarder mail to be linked to each country's domestic rates and the quality of service in the destination country. The TDs are to increase, over a period of time, to 80% of the domestic rate, subject to penalties if the quality of service targets were not met. By bringing TDs more in line with delivery costs in the destination country, it will deter remailers from converting domestic mail into international mail.

Options Considered

- 146 To address the concern brought about by ABB and ABC remailing, IDA considered various options but did not find any of the options effective in addressing this problem. The options considered are set out below.
- 147 **Option A: Bypassing the UPU TD System.** To date, the bypass arrangements that have been adopted have been among ICs attempting to limit ABA remail into their territories by increasing TDs. Singapore, however, is not seeking to raise TDs. On the contrary, it will be in Singapore-based operators' interest to negotiate for lower TDs to address ABB remail. However, there is little incentive for other countries to enter into commercial negotiations for bilateral agreements because most would prefer to fall back on the UPU TDs, which have been internationally agreed and which have been increasing over the years. Allowing for separate bilateral negotiations may also invite a problem, commonly known as "whipsawing" in the telecommunication sector, when negotiating with foreign monopolies³⁰. In the telecommunication sector, to address whipsawing, the regulator would require its licensees to adopt the same price and non-price terms commercially agreed with overseas monopolies and make arrangements for the overseas monopolies to return inbound traffic to each operator in the same proportion as the volume of outbound traffic. However, the same solution will be too complex to implement in the postal sector when

³⁰ Whipsawing is where a monopoly carrier at the overseas end play competing operators in a liberalised market against each other to unfairly "bargain" for the lowest cost for terminating its outgoing traffic into Singapore, but at the same time getting the highest possible price for terminating incoming traffic into its own market.

settlement is by weight, number of items and types of mail. Enforcement will also be costly for both IDA and PSO licensees.

- 148 **Option B: Increase domestic postage to stop ABB remailing.** This option is not defensible on public interest grounds where the removal of an arbitrage opportunity is made at the expense of significant end-user interests.

Possible Approach Forward

- 149 Given the unique remailing issues faced by Singapore and that no satisfactory solution has been identified so far to address these issues, IDA may consider the option of fully liberalising the domestic Basic Mail Services market segment and the international outbound Basic Mail Services segment but not the international inbound Basic Mail Services segment. If Basic Mail Services is to be redefined as letters weighing 500g and below, using the revised definition for “Letter”, this option will mean that only SingPost is allowed to receive all international inbound letters weighing 500g and below from overseas. This will include any item remailed through Singapore. This restriction, however, will not apply to:
- (a) parcels, unaddressed mail or addressed letters weighing above 500g not licensed by IDA;
 - (b) Express Letter services, which have been liberalised since 1995;
 - (c) the four mail types, namely books, catalogues, newspapers and periodicals, excluded from the proposed definition of “Letter”; and
 - (d) electronically transmitted information or communication from overseas for printing, addressing and/or enveloping in Singapore and then sent out from Singapore to other countries. Sending of communication electronically does not fall within the definition of “Letter”. In any case, such value-added services are already provided by many companies in Singapore although the delivery of the final product may have to be done through SingPost if the mail is considered personal and current. If the international outbound Basic Mail segment is liberalised, new PSO licensees will be able to deliver these mail themselves.

- 150 IDA notes that there is no country that has liberalised its domestic mail but has not liberalised its international inbound mail at least to the same extent. However, IDA also notes that there are countries that have fully liberalised their international outbound mail while restricting market entry for international inbound mail, e.g., Australia, Germany, Belgium, and Denmark. Given the unique situation faced by Singapore, IDA believes that it is reasonable to hold back liberalisation for international inbound Basic Mail. Once the international outbound Basic Mail is open to competition, end-users in Singapore will be able to immediately enjoy more competitive international mail delivery services provided by new PSO licensees. The restriction in the conveyance of international inbound Basic Mail items, which are sent by overseas users not residing in Singapore³¹, should not significantly affect the competitive landscape in the postal services sector in Singapore. Based on the revised definition of Letters and scope of Basic Mail Services, this restriction will not affect Singapore's position as a regional printing, publishing or logistic hub.
- 151 IDA will consider opening up the international inbound Basic Mail Services segment when satisfactory solutions to the ABB and ABC remailing problem have been identified. If this market segment is not liberalised, IDA will set up regulations to ensure that there will be no unfair cross subsidisation using TDs received from inbound mail in the other market segments open to competition.

Views and Comments

IDA welcomes views and comments on the problem of remailing should the Basic Mail Services market be fully liberalised.

Specifically, IDA invites views on the extent of remailing activities that are likely to occur in a liberalised environment and the severity of the problems created; and suggestions on how these problems could be effectively addressed in order for full liberalisation to be allowed.

³¹ These mail items are paid for by senders at the overseas end.

PART 12

INVITATION TO COMMENT

152 IDA would like to seek the views and comments from the industry and members of the public on the issues and proposals raised in this consultation. This will allow IDA to have a better understanding of the issues and the different needs and requirements of the different interested parties. The questions are listed again below.

- (1) IDA welcomes views and comments on the current postal market environment and the growth opportunities, particularly in the Basic Mail Services segment. In particular, IDA seeks views and comments on whether all PSO licensees should commit to providing island-wide delivery services (Option 1 of paragraph 75) or whether PSO licensees could be allowed to select their service coverage area (Option 2 of paragraph 75).
- (2) Specific comments on the needs and usage profile of end-users, experience with Basic Mail Services provided (e.g., pricing and service qualities), and service innovations and improvements that could be brought about with liberalisation are welcome.
- (3) IDA welcomes views and comments on experiences of market liberalisation in other countries that could be useful for Singapore's reference.
- (4) IDA welcomes views and comments on the potential benefits and costs that may arise from the liberalisation of the Basic Mail Services market.
- (5) IDA also invites comments on the possible scope of competition in Singapore's Basic Mail Services market, e.g., the likely segments of the market that will attract more players; and the potential demand from business users and consumers.
- (6) IDA further seeks comments on whether the Basic Mail Services market should be liberalised and how liberalisation is likely to change the competitive landscape in the provision of postal services in Singapore.

- (7) IDA welcomes views and comments on IDA's proposal to liberalise the Basic Mail Services market in a single step and not in phases, unless compelling reasons have been identified for specific segments of the market to be reserved.
- (8) IDA welcomes views and comments on IDA's proposed licensing objectives and the proposed changes to the scope of IDA's licensing jurisdiction.
- (9) IDA also invites comments on the proposed definition of letters.
- (10) IDA welcomes views and comments on IDA's proposed licensing approach and the different categories of licences. In particular, IDA seeks views and comments on whether all PSO licensees should commit to providing island-wide delivery services (Option 1 of paragraph 75) or whether PSO licensees could be allowed to select their service coverage area (Option 2 of paragraph 75).
- (11) IDA welcomes views and comments on IDA's proposed licence fee and licence duration.
- (12) IDA welcomes views and comments on IDA's proposed BG requirement and suggestions on safeguards necessary to ensure mail delivery or protect end-users' interest in times of market exits.
- (13) IDA welcomes views and comments on the "Postal Identifier" proposal and any other implementation issues that need to be addressed. IDA further invites comments on alternative arrangements that could more effectively allow identification of the PSO licensee delivering the mail.
- (14) IDA welcomes views and comments on the proposed framework to allow letterbox access. IDA also welcomes proposal on arrangements or requirements that will help ensure mail security and integrity in a multi-operator environment.
- (15) IDA welcomes views and comments on whether access to SingPost's distribution network is necessary in a liberalised environment and the framework proposed by IDA to allow access. Specifically, IDA invites views on where should access be made available and what would be an appropriate access price or methodology to determine the access price.

- (16) IDA welcomes views and comments on whether access to P.O. boxes / mailboxes will be an issue that needs to be addressed by IDA. IDA welcomes proposals on how such access should be implemented and charged.
- (17) IDA welcomes views and comments on whether redirection of mail will be an issue that needs to be addressed by IDA. IDA welcomes views and comments on IDA's proposed approach to handle mail redirection request. IDA also welcomes proposals on alternative arrangements that could address this issue more effectively.
- (18) IDA welcomes views and comments on whether access to the Postal Code System by new entrants will be important for mail delivery in a liberalised environment.
- (19) IDA also invites comments and suggestions on effective and efficient solutions for new entrants to access the Postal Code System.
- (20) IDA welcomes views and comments on frameworks or Codes of Practice that need to be set up to ensure mail integrity and address common operational procedural issues. Specifically, IDA invites views on the preferred approach to be adopted for establishing these Codes of Practice.
- (21) IDA welcomes views and comments on IDA's proposal to set up a sectoral competition framework to facilitate and ensure fair competition in the Basic Mail and Express Letter Services markets. Specifically, IDA invites comments on the proposal to model the framework after the framework adopted in the telecommunication sector as set out in the Telecom Competition Code 2005.
- (22) IDA welcomes views and comments on whether there is a need for QoS to be established for all PSO licensees, or only the PPLs. Specifically, IDA invites views on the minimum QoS standards that should be set if they were to apply to all PSO licensees.
- (23) IDA welcomes views and comments on IDA's proposed approach on the issuance of postage stamps in Singapore. IDA also invites comments on whether further guidelines are required to government the pre-payment impressions or stamp imprints from other PSO licensees.

(24) IDA welcomes views and comments on the problem of remailing should the Basic Mail Services market be fully liberalised.

(25) Specifically, IDA invites views on the extent of remailing activities that are likely to occur in a liberalised environment and the severity of the problems created; and suggestions on how these problems could be effectively addressed in order for full liberalisation to be allowed.

All views and comments should be submitted in writing, in both hard and soft copies (Microsoft Word Format), and should reach IDA by **12 noon, 29 September 2006**. Respondents are required to include their personal or company particulars, correspondence address, contact number and email address in their submissions. IDA will make public all or parts of any submissions made in response to this Consultation Paper and disclose the identity of the source. Respondents are required to clearly mark any part of the submission that is considered commercially sensitive and place the information separately as an annex to the submission. IDA will not disclose information identified as commercially sensitive or confidential but will take them into consideration in its review.

All comments should be addressed to:

Mr. Andrew Haire
Assistant Director-General (Telecoms)
Infocomm Development Authority of Singapore
8 Temasek Boulevard
#14-00 Suntec Tower Three
Singapore 038988

Respondents may submit the hardcopy via fax to fax number: (65) 6211 2116. Soft copies should be made via email to evelyn_goh@ida.gov.sg.

POSTAL SERVICES REGULATIONS (CAP 237A, RG 1), PART III**Definition of “printed paper”**

9. – (1) In these Regulations, “printed paper” means –
- (a) a postal article consisting of or containing –
 - (i) reproductions on paper, cardboard or other materials commonly used in printing and produced in several identical copies by means of a process authorised by the public postal licensee, and the several copies obtained by the authorised processes may be sent together as a single item provided they do not bear the names and addresses of different senders or addresses;
 - (ii) letters and postcards exchanged between pupils of schools if sent through the principals of the schools concerned;
 - (iii) correspondence courses sent by schools to their pupils and pupils’ exercises in the original or with corrections but without any note which does not relate directly to the performance of the work;
 - (iv) manuscripts of works or for newspapers;
 - (v) musical scores in manuscript;
 - (vi) impressions obtained by means of computer printers or typewriters posted simultaneously in several copies; and
 - (vii) photocopies;
 - (b) in the case of a printed paper addressed to or received from any place in Singapore or Malaysia, a postal article consisting of or containing any of the articles mentioned in paragraph (1)(a) and in addition thereto the following commercial documents:
 - (i) bill of lading;
 - (ii) copies of or extracts from deeds under private seal written on stamped or unstamped paper;
 - (iii) certain documents of insurance companies (viz, proposals and policies of insurance and formal papers necessarily incidental to insurance, i.e. formal papers appertaining to the issue, renewal, alteration or cancellation, etc., of insurance policies);
 - (iv) documents of all kinds drawn up by law officials;

- (v) invoices;
 - (vi) open letters and postcards which are out of date and have already fulfilled their original purpose, and copies thereof;
 - (vii) papers of legal proceedings;
 - (viii) receipts;
 - (ix) statements of accounts; and
 - (x) waybills, if the commercial documents consist of a printed form and any annotation thereon refers solely to their subject-matter.
- (2) No printed paper consisting of or containing any of the articles mentioned in paragraph (1)(a) shall contain –
- (a) copies obtained by means of tracing or handwriting;
 - (b) copies obtained by means of stamps with or without movable type;
 - (c) articles of stationery, properly so-called, bearing reproductions when it seems clear that the printed part is not the essential part of the article;
 - (d) films and sound recordings; and
 - (e) punched paper tapes and automatic data processing (ADP) cards bearing perforations, marks or signs which could constitute annotations.
- (3) Cards bearing the heading “postcard” or the equivalent of this heading in any language are ---
- (a) admitted at the rate for printed papers if they conform to the general conditions applicable to printed papers; or
 - (b) treated as postcards or letters, as the case may be, if they do not fulfill the general conditions applicable to printed papers.

Authorised Annotation

10. – (1) It is allowed –

- (a) to indicate on printed papers, by any process –
 - (i) the name and address of the sender and the addressee with or without showing the title, profession and style;
 - (ii) the place and date of dispatch of the item; and
 - (iii) serial or registration numbers referring solely to the item;
 - (b) to delete, mark or underline certain words or certain parts of the printed text; and
 - (c) to correct printing errors.
- (2) The additions and corrections specified in paragraph (1) must have a direct bearing on the content of the reproduction and must not be of such a nature as to constitute a conventional language.
- (3) It is allowed to show or add --
- (a) on order forms subscription forms or offers in respect of published works, books, pamphlets, newspapers, engravings and musical scores: the works and the number of copies asked for or offered, the price of the works and notes giving essential elements of the price, the method of payment, the edition, the names of the authors and of the publishers, the catalogue numbers and the words “paper backed”, “stiff-backed”, or “bound”.
 - (b) on the forms used by the lending services of libraries: the titles of the works, the number of copies asked for or sent, the names of the authors and of the publishers, the catalogue numbers, the number of days allowed for reading and the name of the person wishing to consult the work in question;
 - (c) on illustrated cards, on printed visiting cards and on printed cards expressing felicitations or condolences: conventional formulas of courtesy expressed in 5 words or 5 initials at the most;
 - (d) on printed literary and artistic productions: a dedication consisting of a simple conventional expression of regard;
 - (e) on cuttings from newspapers and periodicals: the title, date, number and address of the publication from which the article is taken;
 - (f) in proofs of printing: alterations and additions concerned with the correction, layout and printing, as well as notes such as “passed for press”, “Read --- Passed for Press” or any similar note

concerned with the production of the work and in case of lack of space the additions may be made on special sheets; and

- (g) on advices of change of address: the old and the new address and the date of the change

- (4) It is permitted to enclose ---
 - (a) with all printed papers: a card, envelope or wrapper bearing the printed address of the sender of the item or his agent in the country of posting or destination of the original item and the enclosure may be prepaid for return by means of postage stamps or postal prepayment impressions of the country of destination of the original items;
 - (b) with literacy or artistic printed works: the relative open invoice, reduced to its essential elements together with copies of the invoice, a delivery bill, inpayment forms or international or internal money order forms of the country of destination of the items; and
 - (c) with fashion papers: cut-out pattern forming, according to the indications appearing on them, an integral part of the copy of the paper with which they are sent.

Requirements for printed papers

- 11. – (1) Printed papers shall bear in bold letters on the address side in so far as possible in the top left-hand corner beneath the sender's name and address where these are given, the expression "Imprime" or "Imprime a taxe reduite" as appropriate or their equivalents in a language known in the country of destination, so as to indicate that the items contain only printed papers.
- (2) The contents of the printed papers must be sufficiently protected while permitting quick and easy verification.
- (3) Printed papers may be inserted in closed plastic wrapping, which is either transparent or opaque, according to the conditions laid down by the public postal licensee.

Treatment of printed papers

- 12. – (1) Only printed papers which conform to the requirements of regulations 10 and 11 may be admitted at the rates for printed papers.

- (2) The public postal licensee may authorise the closing of bulk-posted printed papers.
- (3) Sealed printed papers may be opened for verification of their contents.

**PRIVILEGES AND DUTIES IN POSTAL SERVICES ACT
PROPOSED TO BE EXTENDED TO PUBLIC POSTAL LICENSEES**

The proposed list of privileges and duties in the Postal Services Act (Cap. 237A) (the “Act”) to be extended to Public Postal Licensees are as follows:

Section	Extracts from the Act. (Provisions subject to editorial changes for clarity and consistency with final policy framework to be adopted upon further liberalisation.)
11	<p>Power to specify documents and terms and conditions for remittance of money</p> <p>A public postal licensee may provide for the remittance of any sum of money and may specify the documents to be used in connection with the remittance of money in accordance with any regulations made under this Act.</p>
19	<p>Provision of postage stamps</p> <p>(1) A public postal licensee may, subject to such directions as the Minister may give, cause postage stamps to be provided of such kinds and denoting such values as the licensee may determine for the purposes of this Act.</p> <p>(2) Any postage stamp provided under this section shall be used for the prepayment of any postage or other sum chargeable under this Act in respect of any postal article, except where the public postal licensee determines that prepayment may be made in some other manner.</p>
20	<p>Official marks to be prima facie evidence of certain facts denoted</p> <p>In any proceedings for the recovery of any postage or other fee or sum payable in respect of a postal article —</p> <p>(a) the production of a postal article having thereon the official mark of a public postal licensee denoting that the article has been refused or that the addressee is dead or cannot be found shall be prima facie evidence of the fact so denoted; and</p> <p>(b) the person from whom any postal article purports to come shall, until the contrary is proved, be deemed to be the sender thereof.</p>
21	<p>Recovery of postage and other sums due in respect of postal articles</p> <p>(1) Where any postage or other fee or sum is not prepaid or fully prepaid in respect of a postal article posted for delivery in Singapore, a public postal licensee is entitled to be paid, as a condition of delivery, such fee, in addition to the amount of the postage or of the deficient postage payable in respect of the delivery of the article, as</p>

	<p>is payable in accordance with a determination made by a Postal Authority.</p> <p>(2) The official mark or label on a postal article denoting that any postage or other fee or sum is due in respect thereof to a public postal licensee or to the postal authority of any foreign country shall be prima facie evidence that the postage or other fee or sum denoted is so due.</p>
23	<p>Power to deal with postal articles sent in contravention of this Act</p> <p>(1) Any postal article sent by post which is suspected to be sent in contravention of this Act or any regulations made thereunder may be detained and opened by a public postal licensee.</p>
27	<p>Obstruction of public postal licensees</p> <p>(1) Any person who —</p> <p>(a) whilst in any premises used for the purposes of the business of a public postal licensee, intentionally obstructs the course of business of the licensee; or</p> <p>(b) assaults or intentionally obstructs or incites anyone to obstruct or impede an officer or employee of a public postal licensee in the performance of his duties,</p> <p>shall be guilty of an offence.</p> <p>(2) A public postal licensee may require any person guilty of an offence under subsection (1) to leave the premises used for the purposes of its business and, if any such offender who is so required refuses or fails to comply with the requirement, he may be removed by an officer or employee of the licensee.</p>
28	<p>Intentional damage to installation or plant used for posts</p> <p>Any person who intending —</p> <p>(a) to prevent or obstruct the transmission or delivery of any postal article;</p> <p>(b) to intercept or to acquaint himself with the contents of any letter; or</p> <p>(c) to commit mischief,</p> <p>damages, removes, tampers with or touches any installation or plant or any part thereof used for posts belonging to a public postal licensee shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$10,000 or to imprisonment for a term not exceeding 3 years or to both.</p>

30	<p>Prohibition of false notice relating to public postal licensees' installation or plant</p> <p>Any person who, without the permission of a public postal licensee, places or maintains in or on any house or place, belonging to him or under his control, any word, letter or mark which signifies or implies or may reasonably lead the public to believe that the house or place is part of a public postal licensee's installation or plant, shall be guilty of an offence.</p>
31	<p>Damage to public postal licensees' installation or plant</p> <p>Any person who wilfully removes, destroys or damages any installation or plant which belongs to a public postal licensee and is used for posts shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$50,000 or to imprisonment for a term not exceeding 3 years or to both.</p>
32	<p>Compensation for damage caused to public postal licensees' installation or plant</p> <p>(1) Any person who removes, destroys or damages, whether wilfully, negligently, accidentally or otherwise, the installation or plant which belongs to a public postal licensee and is used for posts shall, in addition to any penalty for which he is liable for an offence under this Act, be liable to pay compensation for the damage he has done.</p> <p>(2) The compensation shall be recoverable by civil action or suit before any court of competent jurisdiction.</p> <p>(3) Subject to subsection (1), any court before which a person is charged with an offence under this Act may assess the compensation payable under this section and may make an order for the payment of the same.</p> <p>(4) Any order under subsection (3) may be enforced as if it were a judgment in a civil action or suit.</p>
40	<p>Right to conduct international business dealings</p> <p>For the purposes of the conduct of any international postal service by a public postal licensee, and subject to this Act, the licensee may enter into direct communication, arrangement and agreement with the lawfully constituted postal authority of any country or with any duly authorised international agency or organisation concerned with postal matters —</p> <p>(a) for the purpose of providing facilities, fixing rates, arranging terms of payment or accounting;</p> <p>(b) for operational, engineering or administrative purposes; or</p> <p>(c) for any other purpose necessary for the proper fulfilment of its functions.</p>

41	<p>Government's overriding international rights</p> <p>(1) Nothing in section 40 shall be deemed to abrogate the right of the Government at any time to determine its relations with any country or with any international agency or organisation.</p> <p>(2) A public postal licensee shall so discharge its responsibilities and conduct its business as to comply with and fulfill all international agreements, conventions or undertakings relating to postal matters to which Singapore is a party.</p>
42	<p>Liability for international financial obligations</p> <p>A public postal licensee shall be fully responsible for meeting all financial obligations arising from the operation of any international postal service and shall settle accounts with other postal authorities.</p>
43	<p>Contribution by Government</p> <p>Where the Government considers it necessary that any postal service of an exceptional nature should be provided, and where a public postal licensee considers it uneconomic to provide the service without contribution from the Government, the Government may make such contribution towards the capital outlay necessary to provide any such service as may be estimated by the licensee and agreed to by the Government.</p>
44	<p>Provision of postal services for governmental, etc., purposes</p> <p>(1) The Minister may direct a public postal licensee to undertake and provide such postal services and facilities as may be necessary for aeronautical, maritime, meteorological, governmental, defence or other purposes.</p> <p>(2) Upon being so directed by the Minister, the public postal licensee shall so provide the postal services or facilities referred to in subsection (1) and shall be entitled to fair and proper payment therefor.</p>
57	<p>Exclusion of liability of public postal licensees</p> <p>(1) A public postal licensee shall not be liable in respect of any injury, loss or damage suffered by any person by reason of —</p> <p>(a) any loss, misdelivery or delay of or damage to any postal article in the course of transmission by post;</p> <p>(b) any failure to provide or delay in providing any postal service or any equipment associated therewith or service ancillary thereto;</p> <p>(c) any failure, interruption, suspension or restriction of any postal service or service ancillary thereto or delay of, or fault in, any communication by post;</p> <p>(d) any loss of secrecy in communication arising from the use of any</p>

	<p>postal service; or</p> <p>(e) any wrong payment or delay in payment in connection with any remittance of money through the public postal licensee or any other irregularity in the document used in connection with the remittance,</p> <p>which is due to the act or default of another person, or an accident or some other cause beyond the control of the public postal licensee.</p> <p>(2) Notwithstanding subsection (1), in the event of the loss of or damage to any article enclosed in or forming part of a parcel or an insured postal article, or the loss of any registered postal article while in the custody of a public postal licensee, the licensee may pay an indemnity in accordance with the provisions of the Convention regulating the affairs of the Universal Postal Union or any international agreement to which Singapore is a party.</p>
58	<p>Exemption from distress and attachment</p> <p>(1) The installation or plant used for posts of a public postal licensee shall not be subject to distress or be liable to be taken in execution under any process of a court in any bankruptcy or insolvency proceedings against any person without the prior approval of the Minister in writing.</p> <p>(2) Every installation or plant used for posts placed under, over, along, across, in or upon any property by a public postal licensee shall remain the property of the licensee whether or not it has become in whole or in part a fixture.</p>

PRELIMINARY SET OF RESTRICTIONS & REQUIREMENTS FOR ACCESS TO LETTERBOX MASTERDOOR KEYS

Each Postal Service Operator (“**PSO**”) who is given a set of letterbox keys in order to deliver mail shall comply with these conditions:

1. The PSO shall maintain a registry of its postmen who are authorised to draw (and return) the keys and make available the registry for IDA's inspection and audit any time upon request. The registry must include details such as the name / NRIC number of the postmen, specific information on delivery areas, housing block numbers or postal codes of delivery areas, walking route, time of withdrawal of the keys, and time of return of the keys (and any other details which IDA may require).
2. The PSO is strictly prohibited from duplicating any letterbox key without the prior written approval of the Authority.
3. The PSO shall ensure that only authorised postman have access to the specific letterbox keys that are necessary for delivery of mail to the buildings or properties assigned to that postman. For the avoidance of doubt, the postman shall not have access to letterbox keys for buildings or properties outside his delivery area or assigned route.
4. The PSO shall ensure that its authorised postmen do not pass the letterbox keys to any person who is not permitted to receive them.
5. The PSO shall ensure that letterbox keys in their possession are only used for the delivery of mail and not for any other purpose.
6. The PSO must report the lost of letterbox keys to the Authority immediately.
7. The PSO shall submit for IDA's approval guidelines or standard operating procedures that reasonably ensure the integrity of mail and access to letterbox by its postmen.

In addition to any other penalty which may be imposed, IDA shall have the discretion to withdraw a PSO's access to letterbox keys if the PSO does not comply with the above conditions for access to letterbox keys (and any other or alternative conditions which IDA may impose).

**OFFENCES UNDER THE POSTAL SERVICES ACT
RELATING TO SECURITY AND INTEGRITY OF POSTAL ARTICLES**

Section	Extracts from the Act. (Provisions will be amended to extend the prohibitions and offences to <u>ALL</u> Postal Licensees upon further liberalisation.)
34	<p>Offences by officer, employee or agent of public postal licensees Any officer, employee or agent of a public postal licensee who —</p> <ul style="list-style-type: none"> (a) destroys or throws away any postal article in the course of transmission by post or anything contained therein; (b) commits theft in respect of or dishonestly misappropriates or secretes any postal article in the course of transmission by post or anything contained therein; (c) except in obedience to an order under the hand of the Minister or the direction of a court, wilfully opens or causes to be opened contrary to his duty any mail bag or postal article in the course of transmission by post or wilfully detains or delays or causes to be detained or delayed the mail bag or postal article; (d) issues or causes to be issued a document specified for use in connection with the remittance of money with fraudulent intent; (e) fraudulently puts any wrong official mark on a postal article; (f) fraudulently alters, removes or causes to disappear any official mark on a postal article; or (g) being entrusted with the delivery of any postal article, knowingly demands or receives any sum of money which is not chargeable under this Act, <p>shall be guilty of an offence and shall be liable on conviction for —</p> <ul style="list-style-type: none"> (i) an offence under paragraph (a), (b), (c) or (d) to a fine not exceeding \$10,000 or to imprisonment for a term not exceeding 3 years or to both; and (ii) an offence under paragraph (e), (f) or (g) to a fine not exceeding \$5,000 or to imprisonment for a term not exceeding 12 months or to both.

**QUALITY OF SERVICE (“QOS”) FOR
PUBLIC POSTAL LICENSEES**

No.	QoS Performance Indicators	QoS Standards
<i>Primary (Non-compliance may attract a financial penalty of \$5,000)</i>		
1	<u>Local Ordinary Mail</u> (a) % of delivery by next working day D+1: (i) within CBD (ii) outside CBD (b) % of delivery by D+2	 99% 98% 100%
2	<u>Registered Articles Delivery</u> (a) % of delivery by D+2	 100%
<i>Secondary (Non-compliance may attract a financial penalty of \$1,000)</i>		
3	<u>Incoming Airmail Received</u> (a) % of mail received before 8pm at Airmail Transit Centre delivery by next working day: (i) within CBD (ii) outside CBD	 99% 98%
4	<u>Outgoing Airmail Despatched</u> (a) % of outgoing mail processed and connected to departing flights by next working day	 95%

RESTRICTIONS UNDER THE UNDESIRABLE PUBLICATIONS ACT

Section	Extracts
2	<p>“publication” means any of the following other than a film:</p> <ul style="list-style-type: none"> (a) any book, magazine or periodical, whether in manuscript or final form; (b) any sound recording; (c) any picture or drawing, whether made by computer-graphics or otherwise howsoever; (d) any photograph, photographic negative, photographic plate or photographic slide; or (e) any paper, model, sculpture, tape, disc, article or thing — <ul style="list-style-type: none"> (i) that has printed or impressed upon it any word, statement, sign or representation; or (ii) on which is recorded or stored for immediate or future retrieval any information that, by the use of any computer or other electronic device, is capable of being reproduced or shown as any picture, photograph, word, statement, sign or representation, <p>and includes a copy of any publication;</p>
5	<p>Power to prohibit importation, sale or circulation of publications</p> <p>(1) If the Minister is of opinion that the importation, sale or circulation of any publication or series of publications published or printed outside Singapore or within Singapore by any person would be contrary to the public interest, the Minister may, in his discretion, by order published in the Gazette, prohibit the importation, sale or circulation of that particular publication or series of publications or all publications published or printed by that person.</p> <p>(2) If an order made under subsection (1) specifies by name a publication which is a periodical publication, the order shall, unless a contrary intention is expressed therein, have effect with respect to —</p> <ul style="list-style-type: none"> (a) all past and subsequent issues of such publication; and (b) any publication published or printed under any other name if the publishing or printing thereof is in any respect a continuation of, or in substitution for, the publishing or printing of the publication named in the order.

	<p>(3) If an order made under subsection (1) prohibits the importation, sale or circulation of all publications published or printed by a specified person, that order shall, unless a contrary intention is expressed therein, have effect not only with respect to all publications published or printed by that person before the date of the order but also with respect to all publications so published or printed on or after that date.</p> <p>(4) An order made under subsection (1) shall, unless a contrary intention is expressed therein, apply to any translation into any language of the publication specified in the order.</p> <p>(5) The Minister may at any time revoke, vary or amend any order made under subsection (1).</p>
6	<p>Offences</p> <p>(1) Any person who imports, publishes, sells, offers for sale, supplies, offers to supply, exhibits, distributes or reproduces any prohibited publication or any extract therefrom shall be guilty of an offence and shall be liable on conviction for a first offence to a fine not exceeding \$10,000 or to imprisonment for a term not exceeding 3 years or to both, and for a subsequent offence to imprisonment for a term not exceeding 4 years.</p> <p style="text-align: right;">[9/98]</p> <p>(2) Any person who without reasonable excuse has in his possession any prohibited publication or any extract therefrom shall be guilty of an offence and shall be liable on conviction for a first offence to a fine not exceeding \$2,000 or to imprisonment for a term not exceeding 12 months or to both, and for a subsequent offence to imprisonment for a term not exceeding 2 years.</p> <p style="text-align: right;">[9/98]</p> <p>(3) In any proceedings against any person for an offence under subsection (2), that person shall be presumed, until the contrary is proved, to have known the contents and the nature of the contents of any publication immediately after such publication came into his possession.</p>
11	<p>Offences involving obscene publications</p> <p>Any person who —</p> <p>(a) makes or reproduces, or makes or reproduces for the purposes of sale, supply, exhibition or distribution to any other person;</p> <p>(b) imports or has in his possession for the purposes of sale, supply, exhibition or distribution to any other person; or</p> <p>(c) sells, offers for sale, supplies, offers to supply, exhibits or distributes to any other person, any obscene publication (not</p>

	<p>being a prohibited publication) knowing or having reasonable cause to believe the publication to be obscene shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$10,000 or to imprisonment for a term not exceeding 2 years or to both.</p>
12	<p>Offences involving objectionable publications Any person who —</p> <ul style="list-style-type: none"> (a) makes or reproduces, or makes or reproduces for the purposes of sale, supply, exhibition or distribution to any other person; (b) imports or has in his possession for the purposes of sale, supply, exhibition or distribution to any other person; or (c) sells, offers for sale, supplies, offers to supply, exhibits or distributes to any other person, <p>any objectionable publication (not being a prohibited publication) knowing or having reasonable cause to believe the publication to be objectionable shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$5,000 or to imprisonment for a term not exceeding 12 months or to both.</p>