

CONCEPT PAPER - POSTAL AND COURIER SERVICES
WITHIN THE CARICOM SINGLE MARKET AND
ECONOMY (CSME)

1. Overview of The Postal and Courier Services Sector in the Region: Definition Scope and Coverage of the Sector.

1.1 The Postal Industry

Posts are part of a region’s overhead capital and networks of transportation. Settlements and communications mediate exchange of goods, information and money between firms and consumers. In addition, they support inter-firm communications and social communication.

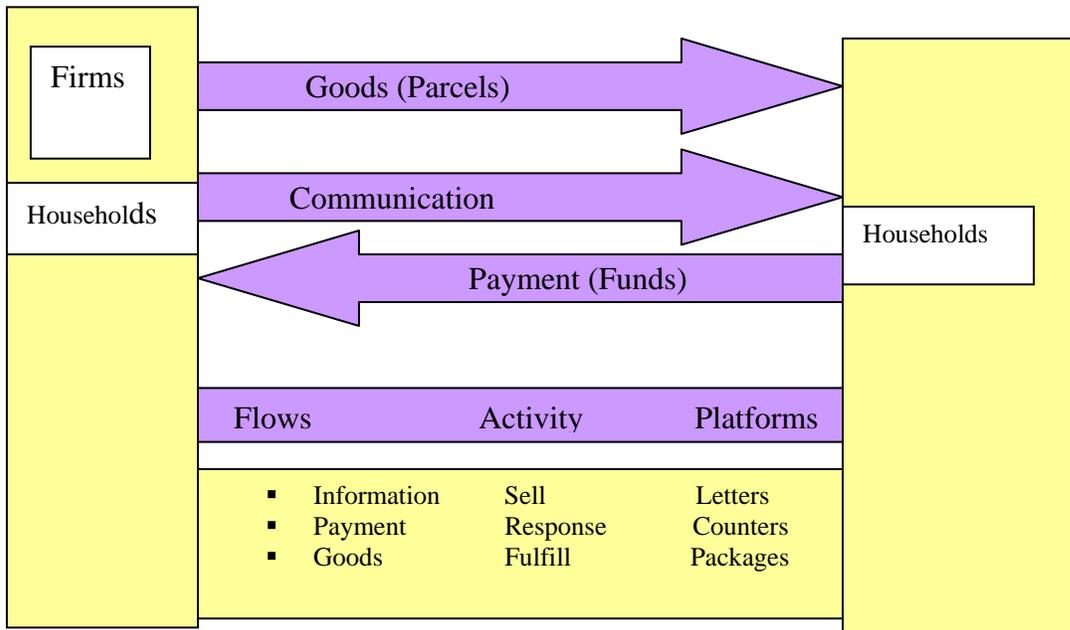


Figure 1.1

Postal and Courier infrastructure services provide essential two-way links that bring buyers and sellers together, forge markets, build relationships, act as a distribution channel and collector of revenue, facilitate and complete transactions and fulfill demand or orders.(Figure 1.1)

The Caribbean region comprises 21 Universal Postal Union (UPU)¹ member countries. Within this grouping are three countries on the Central and South American mainland. The regional organization which brings together the majority of these States is CARICOM. There is also a regional organization which facilitates the work of the postal sector it is the Caribbean Postal Union (CPU).

1.2 The Courier and Express Mail Services - (The Packets Market)

The Courier and Express Service are operationally distinct from the traditional postal services, geared to a higher level of speed and reliability. The essence of Courier services lie in the seamless and efficient coordination of collection, transportation and the delivery of items. They have explored and developed a niche for urgent exchange of physical communications, making it into a billion dollar global business. Postal and Courier services can be categorized as communications and logistic service.

1.3 Situational Analysis

Overview

The Postal service forms part of the daily life of people all over the world. Even in the digital and electronic age the Post remains for millions of people, the most accessible means of communication and message delivery available. The Postal services of the UPU's one hundred and ninety-one (191) member countries form the largest physical distribution network in the world. More than five million Postal employees, working in over 660,000 Postal outlets, ensure that some 430 billion mail items are processed and delivered each year to every corner of the world.

¹ The Universal Postal Union is the United Nations specialized agency which regulates the Postal Sector

During the past fifteen years, a wide variety of forces caused Postal services to re-think their role in the communications market. The combined effects of direct and indirect competition, privatisation of Postal services especially in Industrialized countries, the separation of the Operator and Regulator function,² liberalisation, customer demands for better and more reliable products, and the advent of new communications technologies, convinced Postal services that they should modify their operational and financial strategies in order to remain competitive.

As markets were liberalized, Postal services became more vulnerable. At the same time opportunities were afforded to exploit new markets by taking advantage of the development of International trade.

Posts worldwide were therefore influenced to reform by:

- The emergence of the private sector as a dominant force in the transportation and communications sector,
- Lobbying groups established by private Couriers which, though claiming that a level playing field was needed, were actively pushing to reduce the Postal monopoly,
- The orientation of financial and development agencies like the World Bank and the IMF, which under financial assistance programmes are advocating less Government and more private initiatives for the sector.

For the region as defined by the UPU, at the time of the latest survey, the Caribbean region included 1,370 permanent Post Offices; this is 0.2% of the world's total. Postal employees totaled 7,410. Post Offices not only represent communications and infrastructural and logistical development, it represents jobs and viable careers for the citizens of the region.

² As government monopolies, Post Offices regulated their own activities. In many regions increasing application of fair trading regulations, insisted on the separation of regulatory functions from operational functions.

1.4 Present and future anticipated opportunities for the development of trade in Postal and Courier services, based on demand both Regional and Global

Main Services

Although there are other peripheral undertakings, the Postal Sector concentrates its efforts in three main areas; Letter mail services, which operate under a UN treaty which obligates the 191 member States to forward these items at the fastest possible speed in the most secure manner possible, effectively making the world a single territory for the transfer of letter mail items, then there is the Parcels market, which also recently came under treaty obligation as a reserved service, and then there is the Financial services component.

- **Letter Mail:** The global communications market – telephone, fax, electronic mail, interactive communications and other forms of electronic communications – is growing at a much faster pace than the Postal market. This trend, coupled with growing competition from other service providers, will continue to mean a gradual loss of overall market share for the Posts, even if they are showing real growth in physical mail volumes. A downturn in quantities of mail may, however, be offset by still-untapped growth potential, especially for advertising, or direct mail.
- **Parcels:** The Parcel sector continues to evolve in a very competitive environment. Posts the world over have seen their domestic and international Parcel volumes grow since the beginning of 2000, in particular, thanks to quality-of-service improvements and e-commerce developments. Nevertheless, private operators maintain a firm grip on this market. Indeed, Posts retain only a 32% share of the domestic parcels market and a 22% share of the international one. Since parcel

sizes and weights have become for the most part regularized, volumes are increasing.

Outbound flows either plateau at a low volume or continue to decrease. However, there is one country that has shown a tremendous surge in outgoing parcels within the last nine months. This country through various development agencies have encouraged exports by small and medium size entrepreneurs, who find the rates and speed of the Post Office ideal for their businesses. This is a major opportunity for regional post, and should be explored by all.

- **Postal Financial Services** – Remittances and third-party agency services offered by Posts on behalf of private and public enterprises contribute greatly to the economic and social development of countries. To respond to growing demand for the expansion of Postal Financial Services from users such as migrant workers and various international institutions, Governments and Civil society, the UPU has stepped up its promotion of financial services and is working to create a worldwide electronic fund transfer network based on international cooperation. This too is a highly competitive and, for the most part, unregulated area of commercial activity. Although kept under the scrutiny of national anti-money laundering entities, there is no regional attempt at regulating this segment of the business. Western Union and Moneygram join the Post in providing the remittance service in the region. These private agencies are found in every country in the region. There are three hundred and seventy-eight outlets for Western Union, seven of these counters are in Post Offices. There are eight hundred and ninety two Moneygram offices; eighty-three of these are housed in Post Offices. The demand for quick, safe, secure and affordable transfer of remittances continues to grow. In some member states,

provisions are being made for larger amounts to be allowed to customers. This is countered by the real fear of money laundering.

Private Business Courier Services

- **International Couriers:** The proliferation of international Couriers in the region testifies to the strong developmental potential of this service industry. Every country has international Courier offices. Established Courier services such as FedEx and DHL and UPS dominate the regional market in both in-bound and out-bound document and package/parcel services. There are thirty-three (33) DHL offices, one hundred and six (106) FEDEX, and thirty-five (35) UPS offices at the last count and these are growing rapidly. These services operate under a legal framework that supports commercial activity in an unregulated environment. The international Couriers are supported by the organizational and technological expertise of their multinational parent companies. They offer value added services and have the ability to readily respond to market forces with aggressive promotional campaigns and pricing and discounting techniques. FedEx, DHL & UPS provide customers with an array of document and package/parcel services through their global network systems. They have gained competitive advantage by including customs brokerage services in their offerings.

These companies continue to reinforce their strengths through alliances and mergers. They strategise to gain consultative status in international organisations such as the WTO World Customs organisations and the Universal Postal Union, in order to legitimize their activities, and lobby for their interests.

- **Regional Couriers:** Almost every regional air carrier has tried to cash in on the lucrative Express mail business. The brand is associated with the airline, with names such as Jet Pack (Caribbean Airlines),
- LIAT Quick Pak and Star Pac. Priority is given to their packages. Post Offices must depend on these carriers to take their mail.

Opportunities

The demands for cheaper goods and more professional services will continue to fuel the growth of the packages market, any down turn in this business will be seasonal or cyclical. It is expected that when there is general economic down turn the Industry will contract, but will expand during economic upturns.

2. Policy Framework

The main objective of a policy framework concept is to visualize the manner in which this highly competitive sector can add to the development and growth of the trade in services in the region.

2.1 International Input

The **Universal Postal Union** commissioned a study to develop a regional plan in the year 2007. The basic principle of the plan called *“Development Plan for the Postal Sector and Postal Services in the Caribbean 2007/2008”* was integration and regionalization. Coming out of many UPU conferences and consultations, and bearing in mind the intention of the countries in the region to have a formal economic Union; the UPU decided that it would place on a regional footing all cooperation activities.

National sovereignty was considered, since each country and territory in its own right is a member of the United Nations, and signatory to the Acts of the UPU. However, the UPU expected that the countries of

CARIFORM that formed the CPU would “create synergies amongst themselves, while reinforcing and widening the scope of cooperation activities”³.

In this sense, as new actors become involved in the running of the Postal sector, the UPU will define a cooperation strategy that takes a wider view of their participation in actions to support Postal reform and modernization and integration processes.

This strategy should allow it to fully combine the objectives of the Universal Postal Service and reform with the viewpoint of each of the stakeholders which, because of their specific role in the sector, may have their own ideas about the current and future situation of Postal activity.

The way of dealing with each of these stakeholders is therefore vital in order to keep all the actions being developed within the framework of regional cooperation activity on track, and to prevent the relevant components from becoming distorted and diverted in the field.

2.2. Requirements for an environment conducive to the development and growth of the trade in services.

Four aspects of Postal integration are being advocated:

- 1- Legislative Framework -harmonization
- 2- Regulatory Integration (Including capacity building)
- 3- Technological Integration
- 4- Logistics Integration

Within the context of the CSME, any effort at integration and development of services should take into account the legal status of the entities operating in the sector. In the region there is now a mix of government owned Postal services, privatized administrations, and those

³ Universal Postal Union: Development plan for the postal sector and postal services in the Caribbean (2007/2008)

that operate as statutory corporations. Regulations for integration and growth initiatives must therefore take into consideration the variety of legal frameworks, which must be synthesized.

▪ **Legislative framework (Current position)**

The commercialization of Postal enterprises is the process that introduced market principles to Postal administrations. The model states that the change to company status should be accompanied by commercialization, which is the change to a business-oriented operation. Operational and financial reformation has to accompany the change from Government department. Most regional administrations operate as Government departments. Some Governments, however, have transformed into public Corporations.

<i>Postal Administrations which are public Corporations (Business model/Commercialized)</i>	<i>Postal Administrations operating as Ministerial Departments</i>
<ul style="list-style-type: none"> -Grenada -Guyana -Netherland Antilles and Aruba -Saint Vincent and the Grenadines -Surinam -Trinidad and Tobago 	<ul style="list-style-type: none"> - Anguilla -Antigua Barbuda -Bahamas -Barbados - Belize - Bermuda -British Virgin Islands -Cayman Islands -Dominica - Jamaica - Haiti -Montserrat -St. Kitts & Nevis - St. Lucia

▪ **Future Interacted Structure (The CARICOM Postal Entity)**

The rules governing these disparate entities vary widely, depending upon the model of commercialization, and the autonomies allowed the different

Government departments. The critical areas which need to be harmonised include: Standards of service delivery, compliance to international operating standards, levels of expertise and technological capability.

In order to bring about this harmonization, as a first step to creating an environment conducive to the development and growth of the trade in services, it is required:

- 1- That there is a comprehensive data gathering exercise to determine the level of development of each State for Post and Courier.
- 2- That there is a general framework of action enabling the region to be brought to some minimum standard of operation in order to facilitate seamless transfers and interaction in a technologically enabled environment.
- 3- Harmonization of logistical arrangement, and *similar* treatment protocols should be established between customs agencies and the airline industry, with common contracts negotiated as CARICOM contracts with major sending and receiving partners,
- 4- Systematic review and realignment of services and provision of services based on market trends and other impacting factors.
- 5- Building of the capacity to execute market studies to determine the needs of CARICOM customers based on trends in the market place.⁴
- 6- Initiate strong CARICOM lobbies and membership in development activity such a Direct Mail Development Organisations, and other such service development groups, in which individual countries because of the cost cannot participate.

⁴ Developed States with interest in the region have in the past offered their expertise in undertaking market studies.

▪ **Institutional Requirement**

Regulatory Integration

The term “*regulatory integration*” in the context of the sector focuses mainly on the extent of monopoly powers, and exclusive rights granted to the Postal sector and the competitive structure within the sector.

Many issues stem from the subject of competition, such as how the sector should be organized, and the institutional approaches which should be adopted to foster efficiency and innovation.

It is here suggested that exclusive privileges do not serve the sector well, and that “market guarantee”, is one of the main reasons why Postal services have held on to their inefficiencies in terms of both costs and services. The entire sector should therefore be independently regulated.

The role of the Regulator

A regional Regulator would be responsible for dispensing legal privileges and obligations to all delivery services in a manner calculated to serve the public interest. Within this framework, the regulator may permit Postal Operator(s) more or less commercial flexibility. The Regulator could, for example, require all Postal Operator and Couriers to maintain certain universal services, to comply with accounting and reporting rules, and contribute to a Universal Service Fund. The Regulator should ensure a balanced opening up of the market and the establishment of competition rules.

Careful scrutiny would be given to other direct or indirect players like direct marketers, private distributors and the like. (At present these operate as they will). On an international level, the Regulator interacts with the various international organizations with emphasis also placed on the transposition of Acts and other decrees into National Laws and Regional Laws. It is therefore imperative that the Regulator is strong in terms of the mandate given by legislation, and be able to exercise the

power vested by revoking licences if such is granted to operate, or impose fines or sanctions.

▪ **Financing the sector's needs**

Why Finance the Sector

The main challenge facing Governments around the world is to spur economic growth as a way of creating wealth, augmenting reserves and boosting investment. Economic growth means a larger variety of tangible and intangible goods and services which, in turn, promotes the public welfare. Investments in modern infrastructure play a pivotal role in promoting national economic growth and development during the transition process to a market economy. Investments in the development of the Postal sector earmarked specifically for infrastructure rehabilitation and the construction of new infrastructure make sense only if they have a positive impact on country-wide economic and social factors, particularly in terms of: improving income and productivity levels; creating jobs; providing access to information; improving the quality of life; reducing poverty.

Sources of Finances

The Integration Plan could be financed from the following sources:

- Sources of the operators both private and public Operators through a common fund;
- Resources of the Government (national budget for project and major inputs);
- Resources from external funding agencies through the Ministries of Planning;
- Possible financing through the CDB or international Banks; (The World Bank has funded the Trinidad and Tobago Reform Plan, and works with the UPU to fund projects to improve the international mail flow;

- Quality of Service Fund: This is a Fund developed by the UPU to enhance mail operations in Developing countries. Regional projects are allowed, if they can demonstrate the ability to improve the flows of international mail.
- Commercial Banks may also see this project as viable, and national Banks should be approached for funding under CARICOM or Government's guarantees.

Human Resources Requirements

Our starting point is **Governments**: It has a general vision of public services, with the Postal sector often low on its list of priorities. For this reason, raising awareness is often the primary aim of actions involving Government cooperation. Activities of this kind are regarded as an initial phase in the process of negotiating cohesion, with the aim of securing government support when concrete proposals are submitted. Moreover, experience in this area has shown that the successful implementation of integration initiatives is impossible without the firm support of the individual country's authorities.

The Public Postal Operator comes next. For obvious reasons, it has been the privileged player in the cooperation activities of most countries, since operational objectives are directly related to the Universal Postal Service Operator. This historically has been countries' main provider of the basic obligatory service. However, in the present situation, this bilateral relationship appears inadequate if what is sought is comprehensive cohesion encompassing all stakeholders involved in the process.

Even when the historical Operator must remain the focus of attention in terms of cooperation, because of its role in maintaining Universal Postal Service operations, it becomes increasingly important to consider matters

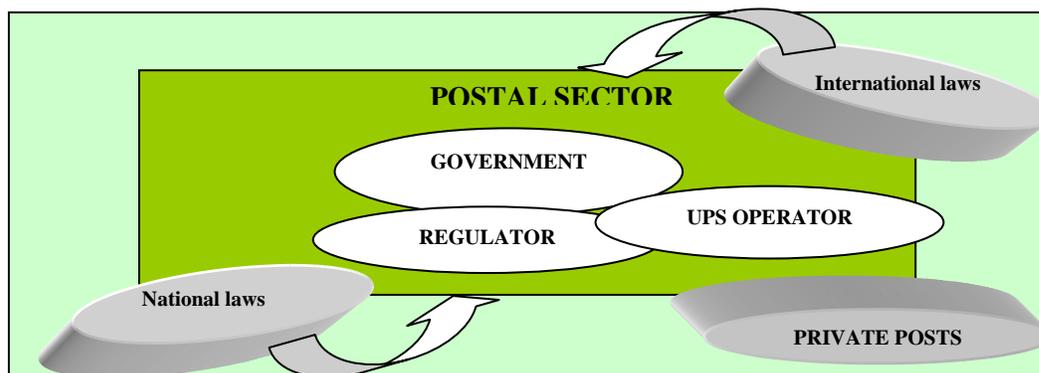
which are linked to defining, maintaining and financing the Universal Postal Service and which primarily concerns the Regulatory Body, thus meaning a change of approach.

The Regulator

The absence of a Regulator in the Caribbean integration process can be viewed as a negative factor in the implementation of reforms and modernization plans, since the Regulator's role is crucial if the intention is to adopt an integrated Postal sector. The European Union and the Eastern areas of Africa, in their attempts at integration have made the office of the Postal Regulator integral to their operations. The work of Postal integration in a liberalised European market is well documented. In principle, it is the Regulatory Body that should approve proposals for Regulatory Reform, and the historical Operator's own future may depend on this Reform. Moreover, to meet State obligations, the Regulator should serve as facilitator between Government and Operators in efforts to provide a quality Universal Postal Service.

- **Legislative frameworks**

Finally, an equally important factor is the impact of international Agreements, especially those linked to the WTO, and the UPU. Market liberalization has more and more of an effect on Postal issues and it is becoming increasingly clear that it will be difficult to apply some standards for protecting the provision of the Universal Postal Service provider. Even at the discussion stage, this factor may have a significant impact on the implementation of cooperation activities.



2.1. Legislative Framework

3. Cross Sectional Players (Development Cooperation Players)

Given the above, it is in this complex context that the framework should give due consideration to internal and external factors that have a direct or indirect bearing on any process.

If we consider, in addition to external factors, that the process has to be negotiated separately with the three main players at national level, the obstacles to success are even greater, since each player has its personal – and generally partial – view of things.

Negotiations with the various players imply greater mobilization of resources and an increase in contacts and points of view that are difficult to reconcile, unless they come under a common conceptual framework.

The main question to be asked when examining these fragmented relationships as a whole is how to successfully integrate all the interests and actions into a single development, an integration strategy.

The answer could lie in the proposal below, which aims to define a common ground for all players, without hampering their individual actions or diminishing their independence. Airlines, Customs, Workers organisations and Governments must all be convinced that their best interests are being served, and that a regional plan takes into account their revenues and survival. All must be fully engaged in the formulation stages of CSME Postal integration.

Technological Integration

The most severe competitive attack is from electronic communications service providers. These providers will never be subject to any restrictions in the communications market. Therefore, adapting to the evolving communications revolution is essential for the sector. Any integration plan would therefore make Technological Integration a substantive aspect of the programme. This is needed in every aspect of the business. It is now a demand of some Customs systems that the Postal Operators are just as technically capable as the private Operators. It would be ideal for all Postal Operators to be accommodated in a single customs regime, to ensure fair treatment of all items entering or leaving the region. At the moment, the manner in which the private Operators are treated in comparison to public Operators generates some concern.

In the Financial Services area, regional anti-money laundering agencies are urging the computerization of systems, in order to be able to track and trace unusual movement of funds. This is an urgent need in an integration process, since in mainly paper based systems, tracking these transactions is becoming increasingly difficult.

Logistical Integration

The solution for Caribbean countries to save money and to ensure adequate service on airlines, is to 'club together' in order to achieve sufficient flows to be able to send closed mails on a daily basis to many countries. The regions' hubs, Barbados, Antigua and Jamaica, need to handle not only closed mails in transit, but mails in transit a de couverts⁵. Volumes are so wide ranging, that country by country the airlines can

⁵ A de couverts mail, is open mail sent to one destination for forwarding to another destination

chose whether on any one day they will carry the mail, either based on too low or too high volumes.

CARICOM negotiated contracts with airlines would ensure that operational procedures can also be simplified for outbound and inbound mail alike. Instead of multiple planes and carriers being used because of direct links available, major hubbing initiative can be undertaken, which would see the use of only four or five planes per day hubbing and transiting all mail.⁶

Security

Similar security rules based on international best practice should be adopted and applied throughout the sector.

4. Constraints to achieving the above (Critical Success Factors)

There are a number of factors that can affect the desired outcome of these proposals. In order to take regional integration forward, the following must occur:

- 1) **Improved Customer Service:** This is required to generate repeat business, which will be the basis for the Industry's continued viability;
- 2) **Public Education and Image Building:** Continued public education and an increased profile are needed to dispel misconceptions about the Industry and its relevance to society in the 21st century;
- 3) **Ongoing Training:** This is very important in order to provide motivation to personnel to continue to excel in their service delivery and to ensure that they are knowledgeable about the products they are selling;
- 4) **Resources:** This is particularly significant for the finance and operating functions. The legislative framework will cost, but it is

⁶ UPU Feasibility study for improvement of mail processing in the Caribbean

meaningless going forward without adequate structures to manage the sector.

- 5) **Environmental Monitoring and ongoing research:** This is required because of the very dynamic nature of the operating environment of the Industry. It will enable the Industry to modify strategy in the event of changes in its operating environment.

5. Conclusions and Recommendations

5.1 Recommended future objectives for an integrated Caribbean Postal Sector

CARICOM through CSME initiatives should ensure that this region's Postal and logistics sector becomes,

- Customer-oriented and market driven, it would be innovative, and responsive to the increasing demands of customers, there would be improved relationships between the general public and the sector as a consequence of enhanced quality of service delivery;
- A sector capable of competing nationally and internationally;
- A sector with a revenue base that would allow for growth and self-sustainability; it would demonstrate efficiency through continuous performance improvements, there would be improved financial management systems with a view to greater accountability, transparency, flexibility and efficiency in the use of resources;
- A sector capable of forming and sustaining profitable alliances and partnerships;
- A sector utilizing modern Information Technology;
- A sector which would place major emphasis on human resources development, this would be with a view to enhancing job satisfaction and morale.

Security should be a prime concern. With the rapidly changing environment, security in the sector will be treated as a priority, ensuring that citizens and businesses can trust the sector with their sensitive and

confidential matters. Illegal entry of harmful elements through the mail will be the business of the entire sector.

Rules and obligations should be created to ensure the funding of the USO, fair competition in the interest of the citizens in the Postal and logistic sector, as well as to create guidelines for future entry and operation in the sector.

The future of Posts will depend on how they are able to adapt to the explosive growth in the communications market. Some Postal services have already embarked upon Reform and restructuring processes and have become more independent, self-supporting commercial enterprises. Their goal is to provide higher quality Postal services at reasonable rates and to offer a wider range of products and services which meet their customers' growing expectations.

On a whole the industry has demonstrated its ability to adapt quickly to technological developments. Many have already entered the electronic realm, embracing new technologies to improve products and services and create new ones for their customers. The main challenge for Posts is to find ways to effectively counteract substitution of physical mail by electronic communication; and at the same time, to use the opportunities offered by new technology to expand and improve their products and services.

5. 2. Recommended Immediate Actions

Recommendation 1 – Market Study – Filling Data Gaps

The scope will include:

- Determining the qualitative and quantitative estimation of Postal market demand and supply;
 - Separating the demand factors by volume and value into classes of mail (traditional and Courier/Express), customer segments, household versus business origin and destinations;
 - Separating the supply factors by Operators, volumes and products, processes, coverage, services provided, and investments;
 - Ascertaining the geographic origin and destination of mail (locally, nationally and internationally);
- Forecasting changes in demand factors over the next 3 to 7 years (including potential effect of electronic substitution, economic and demographic factors, international regulatory requirements);
- Determination of the level of business development of the Operators, level of technological development and level of annual investments in technology.

The scope will include:

- An analysis of the current level of Universal Service provision in terms of: access, speed, quality, security, responsiveness, continuity and price;
- Comparative analysis of national Postal indicators and indicators with other countries;
- Conducting a pilot test against current operations and cost factors;
- Proposing a level of Universal Service standard for the establishment of the UPS.

Recommendation 2 – Develop Postal and Courier Service Sector Policy

The scope of the work of formulating sectoral policy includes:

- Reviewing the current legislation, which speaks to Government's policy on the sector;

- Identifying Government's primary objectives and strategies for the Postal sector and other criteria of the policy formulation;
- Preparing a draft Postal sector policy describing for example,
 - (i) the rationale for integration of the Postal sector and modernization of the Post Office, including 1 –Urgent Actions, 2 - Short term Actions, 3- Medium Term Actions, 4 – Long Term Actions;
 - (ii) main strategies for realising the objectives;
 - (iii) clear responsibilities of policy making, Regulator and Operator functions;
 - (iv) the long term goals and performance indicators for the Post Office,
 - (v) critical success factors,
 - (vi) main proposals on legal framework to develop the Sector, Law and Regulation;
 - (vii) international best practices in Postal sector policy formulation;
 - (viii) the timetable for implementation of the sectoral policy.

5.3. Conclusion

The Postal and Courier Sector have a prime opportunity to become a trusted partner in the region. There is considerable good will for the sector. Postal organizations have captured the interest of the Government because of efforts to reform operations and widen its scope. The UPU and the Caribbean Postal Union (CPU) have consistently engaged countries in dialogue concerning modernization of products and services, and preparedness to function in a new global economic order. The Couriers, Airlines and Customs organizations have consistently been a part of these discussions. The time is now ripe to advance this process in a holistic and comprehensive manner.