

EGYPT

SETTING-UP A POSTAL POLICY UNIT WITHIN THE MINISTRY OF COMMUNICATION AND INFORMATION TECHNOLOGY

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**POLICY DIVISION
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ABBREVIATIONS AND ACRONYMS

EC	European Commission
EGP	Egyptian pound (currency)
ENPO	Egyptian National Post Office
EU	European Union
GoE	Government of Egypt
SME	Small- and Medium-enterprises
UNDP	United Nations Development Programme
UPU	Universal Postal Union
USAID	United States Agency for International Development
USO	Universal service obligation
USP	Universal service provider
WTO	World Trade Organization

EXECUTIVE SUMMARY

The Government of Egypt's (GoE) commitment to create a Postal Policy Unit within the Ministry of Communication and Information Technology (MCIT), follows the international best practice that calls for institutional distinction between operations, ownership, policy-making, and regulation.

The World Bank's technical assistance in this regard coincides with that of other agencies' (Universal Postal Union [UPU], United Nations Development Programme [UNDP], and United States Agency for International Development [USAID]). This note seeks to advise the GoE on setting-up a Postal Policy Unit within MCIT, with the mission of implementing successfully the postal policy; and this note builds on the draft postal policy prepared by the UPU. The objectives and missions of the Postal Policy Unit, its organizational chart and budget are based partly on: the policy (for "what needs to be accomplished"), the international practice, and the potential synergies with the Telecommunication Policy Unit (within MCIT).

For the Egyptian postal sector, 2006 was the beginning of a transition period during which the Government seeks to optimize the sector organization and performance. The starting point for the Postal Policy Unit will be to run a thorough market analysis to gain a clear picture of the market structure (from the perspective of demand and a supply), to assess the current operational and financial performance of the incumbent, and to define ambitious yet realistic development objectives. The first task will be to provide the baseline by which the policy implementation will be monitored, evaluated, and assessed in 2010. In-depth and regular analysis of available literature and international best practice (particularly the European Commission's [EC] experience), and participation in international strategic postal forums, will complement this approach.

This note proposes an organization chart, job descriptions, and budget needs; and singles out the short-term priority issues: tariff policy, universal service definition and funding mechanism, state of the competition, authorizations and licenses, and enabling legislation.

While addressing these issues is a priority, it is also recommended that the Postal Policy Unit build a structured dialogue with the sector stakeholders in the GoE, Egyptian National Post Office (ENPO), unions, private sector operators, and customers (institutional, corporate, and private customers) at the national level, and the UPU and World Trade Organization (WTO) at the international level.

After the transition period (that should last no longer than two years) of effective operations by the Postal Policy Unit, some structuring and institutional issues will need to be addressed, particularly in regard to sector liberalization, the status of ENPO (i.e., should corporatization be envisaged to give it more flexibility and market-orientation?) and with regard to the creation of a regulatory function independent from the owner and policy maker (i.e., should the postal regulatory function be lodged in National Telecom Regulator Authority)?

BACKGROUND

MCIT is engaged in an ambitious plan to improve the postal sector organization and overall performance, and provide support to ENPO in building capacity in order to contribute actively to the development of the e-society in Egypt.

In this strategic transition period, MCIT and ENPO have received support from EC, UNDP, UPU, USAID, and the World Bank.

While USAID's support is essentially on the information systems of ENPO,¹ and UNDP's area of focus deals with strengthening capacity of middle-level staff, the other partners (European Union [EU], UPU) are contributing to MCIT's formulation with an updated sector policy that should lead to recommendations on the appropriate enabling frameworks (legal, regulatory and institutional) to implement the postal sector policy:

- A twinning agreement was signed between ENPO and the EC. The agreement focuses on four areas: regulation, quality of service, marketing, and finance. The contract was awarded to the La Poste, France.
- In 2006 a new postal policy was drafted by MCIT with the support of a UPU expert (Annex 1).

In this context and with a view to avoid overlaps and redundancies between the different partners' areas of intervention, MCIT suggested a work program with the World Bank that focuses on specific areas with two strategic notes related to: (a) postal financial services, public-private partnerships, and (c) and a note on setting up a Postal Policy Unit within MCIT (Annex 2). This work program is formally integrated in a reimbursable technical assistance agreement signed in June 2006 between the Minister of MCIT, ENPO and two other agencies,² and the World Bank.

¹ USAID's intervention was recently completed.

² The National Telecom Regulatory Authority, and the Information Technology Industry Development Agency. The Reimbursable Technical Assistance covers three topics: convergence (between telecommunication and media), information technologies (and electronic signature) and postal reform.

1. INTRODUCTION

1.01 The GoE is committed to fostering the development of the postal sector (a sector which historically been recognized for its character of strong public service) with a view to better meeting customer expectations while attracting investments and creating employment. The GoE's commitment to the postal sector is timely given the fast changes in the sector, and its transformation by information technologies. The timing of this commitment is fortunate considering WTO's current progress in firming its guidelines on competition development.

1.02 In order to foster sector development, it was decided to create a Postal Policy Unit within MCIT. MCIT currently has a Telecommunications Policy Unit (Annex 3) with five staff, under the responsibility of the Minister's Advisor for Communications Policies.

1.03 The decision to create a Postal Policy Unit is significant as it will end the current framework whereby postal policy-making, operations, and sector regulation are managed by a single entity, ENPO. At a time when international best practice calls for—at a minimum—the separation of operation and regulation (the separation of the owner/policy-making function being best practice), the creation of the Postal Policy Unit within MCIT follows the international trend. It is understood that at least in a first phase, the Postal Policy Unit will handle both sector policy-making and regulation. As part of a corporate strategy that will soon be updated (with the support of the EC) ENPO will be entrusted solely with the responsibility of operating efficiently.

1.04 With this background, this note aims at proposing an approach to set-up the Postal Policy Unit at MCIT. The main recommendations are drawn from the analysis of: (a) Egypt's postal sector's current organization, the draft sector policy proposed by the UPU in 2006, and the future Postal Policy Unit; (b) international practice, notably from the lessons learned by the EU, and (c) the potential synergies with the existing Telecommunication Policy Unit. Box 1 gives the example of the British postal regulator, Postcomm, calling on the government to articulate clearly the objectives of the sector policy with regards to the safeguard of universal postal service, including rural access. In the absence of such a policy and its effective implementation, the regulator fears the escalation of ongoing problems faced by the postal network, particularly in terms of financial sustainability.

1.05 This note is organized as follows: Section 1 proposes a concise review of traditional postal policy items and the latest status of debate (especially within the EU), together with a presentation of regulatory and ownership issues. Section 2 narrows the discussion and is based on the framework provided by the draft postal sector policy proposed by the UPU to MCIT. Section 3 translates the policy into organization and functioning (chart, budget, capacity building). Section 4 proposes key organizational issues to be undertaken in the creation of the Postal Policy Unit, and Section 5 opens the debate on the medium-term challenges.

Box 1: United Kingdom - Postcomm: Government Must Plan the Future of the Post Office Network
– Oct. 13, 2006

Postcomm, the independent regulator for postal services, today urged the Government to make the tough and overdue decisions needed to plan the future of the Post Office network. The Government must take into account the wider social role played by Post Offices in local communities as well as the imperative of establishing a sustainable, stable business. Postcomm does not regulate Post Offices but it does monitor and research developments in the network of over 14,000 offices and provides independent advice to the Government in the form of an annual report which is published today, entitled "Post Offices at the crossroads". Research for Postcomm has provided clear evidence on **the reasons the Post Offices urgently need a direction from the Government to secure their future**. Postcomm believes that keeping things as they are is not an option, because:

- The Post Office Network lost £111 million last year even after Government's yearly subsidy to Rural offices of £150 million – this subsidy is due to be withdrawn in 2008;
- Government departments are withdrawing services from Post Offices – revenue from transactions carried out by Post Office Ltd on behalf of government has fallen by £168 million since last year;
- New products such as investment bonds, personal loans and credit cards continue to deliver only very low business and income levels – less than 1 percent of total weighted sales in urban areas – and are not filling the gap left by the withdrawal of government business;
- Post Office Limited has made some progress in developing alternative delivery models, such as mobile Post Offices, which offer a good opportunity for continuing the valuable services that Post Offices provide in local communities, but more needs to be done.

The rural Post Office network faces particular financial difficulties due to changes in customer use. Only 1,500 of the 8,000 rural Post Offices are making money for Post Office Ltd, with the remaining 6,500 branches costing more to run than they provide in income. Postcomm has seen a distinct change for the worse over the past year in the mood and expectations of those involved in the Post Office network, reflecting recognition that **without clear direction from government the problems will escalate**. Despite a rise in gross pay, the number of sub-Postmasters who are not confident about the future has increased to 72 percent from 60 percent last year. Postcomm wants **a flexible but planned approach to addressing the issues affecting the network** and is concerned that Post Offices might miss out on the business opportunities from other postal operators coming into the market. Customers and Post Offices could benefit from other operators offering their services through Post Office branches. Royal Mail could also do more to use Post Offices as their shop window, and possibly bring in more business for both parties.

2. THREE MAIN AREAS OF INTERVENTION FOR MCIT POSTAL POLICY UNIT DURING THE TRANSITION PERIOD: POLICY, REGULATION, OWNERSHIP.

2.01 This section provides a concise review of postal policy issues and the latest status of debate (focusing on the work of the EC), together with a presentation of regulatory and ownership issues, as it is assumed that MCIT will culminate those three functions, at least during a transition period.

1) The Policy Agenda

2.02 There are a many items on the postal policy agenda that can be addressed by the unit. In this section, an analytical review of those items is provided, and commented on in view of facts relative to the Egyptian postal market place. This review covers three main areas: market structure, universal service, and legal framework.

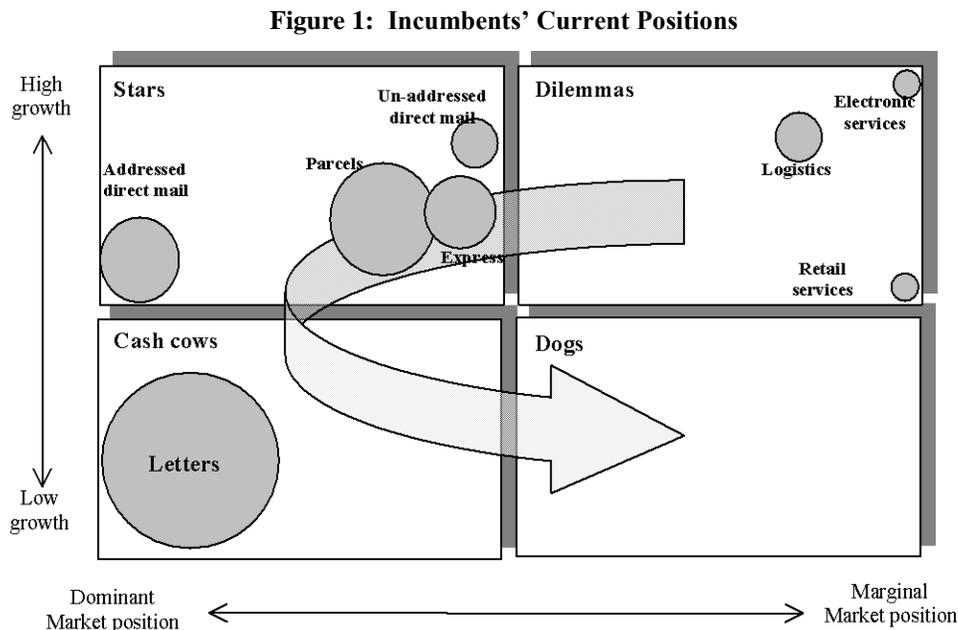
Market Structure and Growth

2.03 *Market analysis* covers the analysis of market structure, supply, demand, (direct and indirect) support provided by the postal sector to other sectors of the national economy, investment, and employment. This requires the ability to design and implement surveys, analyze the result of surveys, and from these analyses, draw conclusions and recommendations for the policy-maker.

2.04 Market intelligence will allow monitoring and evaluating of the reform impact. The impact analysis needs to encompass at least three dimensions: users and customers, employment, and economic development (direct impact and spillover effects).

2.05 *Incentives to foster market growth, innovation, and investment.* The extent to which private sector participation (through public-private partnerships or direct involvement) and competition (through sector liberalization) can foster sector growth, increase employment, and benefit customers (businesses, small- and medium enterprises [SMEs], and households) will be paramount to the process of decision-making on policy matters.

2.06 For informed decision-making, regular (and accurate) market analysis is needed from a static and dynamic angle. Figure 1 shows the average positioning of European postal incumbents on the different market segments based on the criteria of segment potential growth (addressed/unaddressed direct mail, parcels, express, logistics, electronic services, retail services, and letters) and the incumbents' current position on those segments from dominant to marginal.



Source: Boston Consulting Group

- (a) The standard letter segment is traditionally a mature market with large volumes, low cost for incumbents (hence high return on assets)—even when it is open to competition—as a dimension of a natural monopoly is embedded in the function of letter distribution. This segment, however, offers low prospect for growth but should be milked, extracting profits and investing as little as possible.
- (b) Direct mail, parcels, and express are fast growing segments in which incumbents often remain dominant in Europe, thanks either to legal exclusivity, and/or economies of scale allowed through large-volume mailers loyal to the incumbent. The robustness of Egypt’s unaddressed direct mail segment is uncertain, and there is evidence that the parcels and express segment are dominant and push ENPO on a marginal market share, rather than a dominant share. To some extent, the postal financial services could also be categorized as stars.
- (c) Logistics, electronic services, and retail services offer some potential high return, but they are *dilemmas* because they are in highly competitive segments in which investments and *savoir-faire* are needed to allow the incumbent to be competitive
- (d) There are no dogs (low market share and low growth rate) identified in this Figure, but the arrow shows that, by nature, the three other categories can fall when segment growth slows down and the postal incumbent remains a marginal player (bulk mail may be an example).

2.07 Market growth can be leveraged through private sector participation (public-private partnerships, private sector investment and intervention, and sector liberalization). Once competition is introduced the creation of a level playing field among operators can become a large item on the line ministry's agenda, especially in the absence of a sector regulator or of a competition authority.

2.08 The European model of progressive opening to competition brings numerous benchmarks and references on sector economics on which the Postal Policy Unit can build after transposing to the Egyptian context. Competition has been introduced differently on the domestic letter segment (including international incoming), the outgoing segment (open to competition in the Czech Republic, Italy, Netherlands, Slovenia, and Spain), and the direct mail (open to competition in Austria, Belgium, Czech Republic, Denmark, France, Germany, Ireland, the Netherlands, and Slovenia).

2.09 In 2005, the degree of competition in the different postal segments in Europe was emerging (domestic mail and new services) to intense (express and parcel) (Table 1). Following this framework, it would be interesting to describe the state of competition in Egypt.

Table 1: Degree of Competition in Various Market Segments

Market Segments	Degree of Competition	Outline Description of Competition
Domestic mail	Emerging	Competition remains limited due to remaining large reserved areas in most Member States. Main competitors are mostly niche market players, competition in direct mail and local markets.
Cross-border mail	Substantial (controlled by universal service providers (USPs))	Despite <i>de jure</i> reservation still in place in 10 member states, competition is substantial and mainly involving USPs, consolidators and large mail generators.
Parcel services	Intense (consolidation led by USPs)	USPs are consolidating and extending their (very often leading) market positions through alliances and acquisitions of private operators. This fuels market concentration and has led to pan-European or even international private/public networks. USPs are also developing their presence in logistics.
Express services	Intense (mergers and acquisitions led by USPs)	This market segment, with a substantial presence of private operators (integrators) is undergoing a concentration led by USPs who are developing partnerships and acquisitions.
New services	Emerging	This new market segment is still characterized by a fragmented competition and a strongly contested delimitation for value added services.

Source: WIK, 2004

2.10 In the absence of regulatory restrictions, the level of competition would likely increase in many segments of the postal sector even without regulated access to the incumbent's network. However the development of effective competition in some areas and for some services is likely to require regulated access to facilities and services of the incumbent. In Egypt's case, the need for an explicit access regime under which competing postal operators have access to the delivery network of the incumbent would need to be determined. The Postal Policy Unit would have to define this regime.

2.11 Finally, sector growth could also benefit from a policy aiming at transforming Egypt as a hub for courier-parcel-express and logistics. Positioning Egypt's postal system as an international transit zone would require running feasibility studies and encouraging international investment. The first hub co-managed with FedEx is a good example of this direction. Taking stock of this initiative in terms of economic and financial impact is important if the GoE and ENPO envisage replicating it on a larger scale.

2.12 The potential role of ICTs in the postal sector, and conversely, the role that postal networks can play in contributing to bridging the digital divide is sometimes identified as central by governments in their national ICT strategies.

Access to Universal Postal Services

2.13 *(Re)Definition of the Universal Service Scope and Standards:* Postal laws 16/1970 and 19/1982 grant a postal monopoly (which is not observed) over basic mail to the public operator, but do not define universal service or the conditions under which it is to be fulfilled. Box 2 summarizes UPU's guidelines regarding the postal universal service.

Box 2: Universal Postal Convention Commitments

In signing the Acts of the UPU, member administrations adhere to the concept of a single postal territory offering universal services as defined in Article 1 of the UPU Convention. Article 1 also defines these services as being permanent, affordable, and universally accessible throughout each individual country with freedom of transit through all member administrations. Article 12 of the Convention further defines the standard products included in universal services:

Universal services (Art. 12, UPU Convention)

Minimum Recommended Basic Services

Correspondence

Letters and cards to 2 kilograms

Printed matter up to 5 kilograms

Small packets up to 2 kilograms

Literature for the blind up to 7 kilograms

Parcels

Parcels and large packets up to 20 kilograms

The basic services established under Article 12 are the mandatory core services which member countries have agreed to include in their legal definition of nationwide universal postal service. Additional UPU documents and the recently approved Bucharest World Postal Strategy emphasize the obligation of governments to ensure that these basic postal services will be provided at acceptable levels of access (affordability and availability) and quality (transit times and security). By accepting these obligations, governments also accept the responsibility to provide the legal foundation and mechanisms needed to ensure they are fulfilled. From the legal aspect, this includes enacting new or improving existing legislation to define universal postal services and the conditions of their provision. More precise definitions of these conditions are normally contained in the detailed regulations that supplement the basic postal law. Governments also recognize the responsibility to identify mechanisms to provide for financing universal services (revenues, reserved areas, universal service funds, subsidies). Again, detailed conditions of such funding (and cost measurement and tariff-setting) are normally contained in supplementary regulations.

As part of the legislative process, it is also necessary for governments to identify an operator obligated to provide universal services. Up to the now, this universal service provider has always been synonymous with the public postal operator.³ By accepting this responsibility, the public operator accepts the obligation to ensure that universal postal services are provided in accordance with agreed standards and in a cost effective manner. Nevertheless, the postal industry is also commercial in nature

³ However, in principle, there is nothing that impedes the contracting of the universal service with one or more private operators on a "least subsidy scheme" as has been used in the telecommunications sector.

2.14 Following UPU's recommendations, issues to be tackled are summarized below:

- (a) The current actual provision of universal service: which services can be qualified as *universal* (weight, size, and cost characteristics; accessibility, location of post offices and postal agencies; frequency of pick-up and drop-off of mail; and quality of service)?
- (b) How far is the current Egyptian postal universal service from universal service international standards, in industrialized and in developing countries?:
 - (i) One of the main references within industrialized countries is the EU's experience, which provides ample analysis and information on the universal service approach. The issue for MCIT is the extent to which the European definition of postal universal service is relevant for Egypt. This assessment would cover mostly two dimensions: the demand (distinguishing between businesses, large customers, mailers, utility billers, and households), and the cost of providing a certain level of universal service.
 - (ii) There is no one reference in developing countries, most countries have a vague definition of their postal universal service, making it difficult to assess its costs and design a funding mechanism. Box 3 shows the example of Kenya; there is no available analysis of the cost of universal service obligation (USO).

Box 3: Kenya – Postal service standards

Type of Network Connection	USO Obligation	
Letters (local, within the same urban area)		
<ul style="list-style-type: none"> • Posted before noon (1200 hrs) • Posted after noon (1200 hrs) 	<ul style="list-style-type: none"> • J (same day delivery) • J+1 	
Posted in urban areas for delivery within other urban areas	J+1	
Posted in urban areas for delivery in rural areas	J+2	
Posted in rural areas for delivery in other rural areas	J+4	
Posted for delivery in special (hardship) areas	J+6	
Letters (International)	Same as local upon clearance at Airport	
Private box/bag services (on application)		
<ul style="list-style-type: none"> • Urban Areas • Rural Areas 	<ul style="list-style-type: none"> • 1 month • 2 weeks 	
Replacement of private box/bag lock consequent upon loss of keys	1 day	
<p>Coverage and penetration levels of post offices in terms of land area and people per postal outlet will be used to define and measure USO realization. This means, postal outlets must be licensed progressively from the current status of USO to be realized. The Communication Commission of Kenya will continuously monitor and recommend to Postal Corporation of Kenya (PCK) the opening of outlets through agencies and franchising. The following are the provisional penetration levels recommended towards this end.</p>		
Penetration Levels		
Item	Current 2001	Target 2005
People per Postal Outlet	34,272	20,000
Land Area per Postal Outlet (Sq. Km)	654	352
No. of post offices in Kenya	888	1,000
<p>NB: Kenyan population is assumed to grow at a rate of 3percent annually.</p> <p>The Public Postal licensee is, therefore, expected to achieve this through use of franchise and agents. CCK will accordingly monitor this development by requesting PCK to submit half-yearly/annual returns on the same.</p> <p>Reserved services refer to operation of private letterboxes, printing and issuance of postage stamps, and delivery of letters up to 350 grams, which services are currently reserved for the public postal licensee, the Postal Corporation of Kenya.</p>		

2.15 Another available example is the Slovak definition of the universal service requirements, attached to the postal license.⁴ Those requirements are spelled out in great detail, raising the questions on how enforceable they actually are. For instance the conditions on accessibility and contact points are:

- (a) In the residential unit with 300 to 500 inhabitants must have a letter box, if the other nearest letter box is in another residential unit further than more than 4,000 m.

⁴ http://www.posturad.sk/images/upload/English/Postal_license.pdf

- (b) In the residential unit with 500 to 2,000 inhabitants there must be at least one letter box.
- (c) In the residential unit with more than 2,000 inhabitants there is for each 2000 inhabitants at least one letter box. This requirement does not need to be met if the requirement is met on the distance to the nearest letter box (see item [e]).
- (d) In the center of a residential unit with more than 10,000 inhabitants the distance between letter post boxes is at the most 500 m.
- (e) In the center of the residential unit with more than 10,000 inhabitants the distance from any part of the residential unit (exception of rare settlement areas type II) to the nearest letter box is at the most 1,500 m.
- (f) The letter boxes are placed primarily in places visited by inhabitants of the residential unit (places of natural concentration of inhabitants).
- (g) The letter boxes are placed within the smallest average distance within the appropriate locale.
- (h) The letter boxes are placed for good visibility. The color of letter boxes is unified and expressive. Different colors can be used to highlight the purpose of letter box, based upon the kind of item to be posted.

2.16 A good definition of universal service should allow for uncontested interpretation, implementation, and cost analysis. In many countries however, the definition of universal service does not allow for an uncontested cost evaluation methodology, in some instances, the opposite weakness (a definition that is too detailed) makes enforcement *quasi* impossible (or too costly).

2.17 *Evaluation of Costs for USO:* There is a relatively large range of theoretical methodologies, but a fewer number of applied approaches to assess the cost of postal USO. The main reason for this is the absence of sufficient data (cost accounting, historical data) to feed the models that are used, for instance, in the telecommunication sector.⁵

2.18 In the late 1990's the EC suggested that the most appropriate interpretation of the burden of the USO is that of the losses that come from the parts of the post office business that are covered by USOs, and that are not provided by a commercial organization. The net avoiding cost methodology based on long-run avoidable cost has been the methodology often referred for this approach. Other methodologies such as the full cost or the entry pricing have also been used.⁶

2.19 In developing countries, the lack of relevant data calls for a pragmatic approach. In a first phase, a very simple methodology consisting of adding the operational costs

⁵ Chapter 6 - Le coût sur service universel - in *Economie postale – Les fondements* (Economica, J. Toledano, 2004).

Costing & financing of universal services in the postal sector in the European Union (October 1998).

⁶ <http://www.psc.gov.uk/universal-service/cost-of-the-universal-service/PostOfficeEntryPricingreport.pdf>

generated by post offices, may be a starting point. Such an approach should not be considered as satisfactory as it neglects to take into account the inherent inefficiencies in managing the postal network, and reflect only one dimension of the universal service (physical accessibility). In the absence of sufficient statistical data, accounting and cost accounting information, a benchmark with a more efficient environment (an approach that has been used in other utilities regulation, commonly referred to as *yardstick competition*) could be considered.

2.20 Questions regarding the quality of service (frequency of delivery for instance) may modify substantially the transport and delivery scheme adopted by the USP, and in turn may translate into significant savings in terms of staff and recurrent costs (transportation, maintenance of trucks, gas consumption, etc.)

2.21 *Funding Mechanisms*: The traditional sources of USO funding are:

- (a) Government subsidies are the simplest and most transparent mechanism, but often lack the incentives needed to encourage efficiency gains by the USP.
- (b) The reserved area is often a legacy of the past, and has rarely been evaluated (financially) in terms of additional margins that are supposed to equal the cost of USOs.
- (c) The license fees are usually paid to a universal service fund. Although such a compensating fund is embedded in many country sector laws, very few countries have effectively made it operational (contrary to the telecommunication sector). One of the reasons is that as long as the reserved area remains substantial, there is only a marginal need for a compensation fund. In 2004, only nine European countries had provisions for compensation (Belgium, Cyprus, Germany, Greece, Italy, Latvia, Portugal, Slovenia, and Spain) and only Italy had established a fund.

2.22 The recent draft European directive proposed an alternative compensation mechanism: it suggests that a government could tender the delivery of (or part of) the universal postal service, to operators that would, potentially, not be the incumbents. Tenders could cover, for instance, some geographic areas, if the government finds that the current provision of universal service is rendered in a suboptimal way. Here again, lessons from other utilities sectors could be valuable for the postal regulator.⁷

⁷ An exposure to literature on universal access in water, telecommunications, or energy would be an important first step for the Unit to make. *Inter alia*, the University of Florida Public Utility Research Center (PURC - <http://bear.cba.ufl.edu/centers/purc/about/01.htm>) condense knowledge on several utility sectors.

Legal Framework

2.23 Once a new sector policy is adopted (or updated), there often is a need to translate the changes in the legal and regulatory framework with a view to enable the environment to play towards the achievements of policy objectives.

2.24 Most stakeholders in Egypt agree that the 1970 laws, secondary texts, and decrees need to be reviewed and updated in order to align them with the current realities of the market place, on one hand, and on the other hand, the WTO principles and rules for trade in service (that apply to postal services).⁸ Although MCIT does not consider the review/update a priority, one should be planned in the medium-term to reflect the new policy orientation.

2) The Regulatory Agenda

Competition and Licensing

2.25 *Legal and de facto Competition:* As stated in the UPU report, the postal laws grant a postal monopoly over basic mail to ENPO which is not observed. As in many unregulated markets with low barrier to entry (limited capital expenditure, no law enforcement), it is likely that the Egyptian postal market place is experiencing *de facto* competition in most of the urban areas where it is easy to operate a courier service. Hence the question of the extent of this competition—a question the market study (page 3) should answer.

2.26 It is important to note that even in postal markets that have been fully open to competition for more than 10 years (Finland, New Zealand, Sweden) the former incumbent continues to occupy a dominant market position on the letter segment.⁹ This is explained mainly by the natural monopoly dimension embedded in the postal business when it is characterized by home delivery or delivery to the curve (in Sub-Saharan Africa, delivery at home is almost nonexistent; delivery at the post office is the norm). This aspect is determinant as the cost structure of mail delivery is mostly incurred in the last-mile delivery. So what has been learned so far with regard to postal sector liberalization is that while it has allowed sector growth and product diversification, it has not affected the incumbent's position in a way that could be considered critical. This confirms the widely demonstrated micro-economic analysis according to which several benefits can be expected from moving from a *reserved market* to a *contestable market*.

2.27 The United Kingdom opened fully the letter segment to competition in January 2006, three years ahead of the rest of the EU. Royal Mail Group remains a financially healthy company. The United Kingdom is one of the rare countries that have opted for a stand-alone postal regulator, PostComm.¹⁰ This institution produces a large number of

⁸ http://www.wto.int/english/tratop_e/serv_e/postal_courier_e/postal_courier_e.htm

⁹ "A broad economic analysis of the effects of liberalising the postal market", Swedish Institute for Growth Policy Study, 2006.

¹⁰ www.postcomm.gov

economic and social analyses relative to sector liberalization, and in a way has contributed to the turn-around of Royal Mail by exposing it to stiff competition.

2.28 *License/Authorization Regime:* The main questions to be addressed when designing a licensing regime are: for what objectives? What are the costs and benefits for the licensing administration, and for the licensee?

2.29 At a minimum, licenses and authorizations provide basic knowledge of the operators in a sector (turnover, contribution to the economy, number of employees, volume of activity, partnership, tariffs), and can be useful for consumer protection. However when the license comes with a fee, feeding the regulating agency with financial and operational information places a burden on the operators. In return, the licensing authority is expected to provide some valuable information and/or feedback on the sector; which could come in the form of, for instance, an annual report on the market structure and characteristics.

2.30 In Europe the 2002 Directive provides for three types of authorization: a general authorization for nonreserved services, outside and inside the universal service area, and a license for nonreserved services inside the universal service area. However, today the general trend is to opt for a general authorization for all providers of postal services without limitation to geography or type of services, subject to compliance with essential legal and regulatory requirements. Table 2 shows the options taken by European countries.

2.31 In Germany (Table 2), there are eight types of licenses and the postal regulator has issued nearly 5,000 licenses, whereas in France the model of regulation does not include licenses. In Kenya, there is one type of license¹¹ that requires the operator to provide limited information (delivery standards, services and network, description of premises and fleet, etc.); this license does not allow the collection of relevant information that could be useful to the regulator, such as annual turnover and investment, number of staff, tariffs, customer satisfaction, etc.

¹¹ http://www.cck.go.ke/forms/postal_courier.pdf

Table 2: Licenses Typology in Germany

Instrument	For what services? Which services can a postal operator provide?	What are the conditions?	How many have been approved? (as of Dec. 2004)
A license	>100g. or 3 times the basic price	General conditions: a licensee needs to prove that it is capable of providing an efficient and reliable postal services, has the specialized knowledge to provide postal services. License fee: a licensee has to pay a small fee	1,213
B license	letters with same content > 50g. and > 50 items		1,199
C license	Document exchange		816
D license	High qualitative and value added services		1,419
E license	Delivery to DP AG access points		1,512
F license	Collection at P.O. Box premises DP AG		1,446
G license	Outgoing cross border		240
H license	Incoming cross border		230

DP AG = Deutsche Post AG

2.32 It could be argued that in Egypt's case, a light-handed license regime should be favored. The objective would be for MCIT to gather (annually) information on the different operators (in terms of operations, i.e., staff, quality of service, volume of traffic on the main segments, market shares, etc.) and financial information, turnover, investment). This information could be aggregated and serve as a main source of market intelligence, and could be included in the annual report on the sector. Ideally the information collected through the licenses application should be verified (on a sample basis), an operation that requires skilled staff (or resources to hire consultants) to conduct the verification.

Table 3: Authorization and Licensing in the European Member States (2005)

Authorization regimes inside universal service area

Type of Authorization	Member state
None needed	AT, FR, NL
General Authorization	DK
General Authorization requiring approval before starting operations	IE, LU, SI, SK
Licence required for some or all letter post services only	DE, PL, SE, UK
Licence required for all universal services	BE, CY, CZ, EE, ES, FIN, GR, HU, IT, LT, LV, MT, PT

Source: Wik 2004

AT: Austria, BE: Belgium, BG: Bulgaria, CY: Cyprus, DE: Germany, EE: Estonia, ES: Spain, FI: Finland; FR: France, GB: Great Britain; GR: Greece; HU: Hungary, IE: Ireland, IS: Iceland, IT: Italy, LI: Lichtenstein, LT: Lithuania, LU: Luxemburg, LV: Latvia, NL: Netherlands, NO: Norway, PL: Poland, RO: Romania, SE: Sweden, SI: Slovenia, SK: Slovak Republic, TR: Turkey.

Universal Service Safeguard and Compensation

2.33 Once the policy objectives have been clearly stated with regards to the definition of the postal universal services, the regulatory functions revolves around three main items:

- (a) Assessing the cost of the USO, keeping in mind that the regulator seeks to reduce economic inefficiencies (usually passed through to the customers) via tariff regulation and cost orientation principles.
- (b) Implementing the funding mechanisms.
- (c) Proposing new definitions and new incentives for more efficient delivery: the first definition of the USO is likely to evolve as the regulatory body gathers more relevant information, and is thus better equipped to analyze and propose updates in the policy orientation. In the EU there are a number of stakeholders who consider that the scope of USO is unnecessarily vast (with regards to the actual needs of customers, be they businesses or households). The World Bank's experience shows that there are countries with an obvious disconnect between the USO as stated in the law, and the reality of service provision that is usually far below the legal prescriptions. Hence, caution calls for giving time and resources to re-examine in-depth the issue of USO in Egypt, and to allow for future adjustments. This means, in particular, that while the future postal law may support the principle of the provision of universal services, the actual definition (services, quality of service, accessibility, and affordability) should be set in a secondary text so as to be easily amendable at a later stage.

Tariffs and Cost Orientation

2.34 *Universal service tariffs* are usually regulated under an *ex ante* scheme, sometimes with a price cap mechanism. The general practice is to set tariffs on a cost-oriented basis, using the actual costs or the efficient costs. The German regulator uses the efficient cost methodology which is more complex to implement. In any case, there is a need for the USP to communicate reliable accounting information to the ministry and/or the regulator.

2.35 Tariff regulation sometimes applies only to single correspondence, and not the entire scope of universal service (in particular, bundled mail). This is explained not only by empirical evidence (tariff regulation is not needed in a competitive environment) but also by the trend whereby incumbents need increasingly more commercial flexibility to negotiate large-volume contracts.

2.36 With cost orientation being the main criteria for setting up the tariffs, the principle of uniform tariff is now questioned. Recently the EC has stated that uniform tariff would apply only for single correspondence. Hence the principle of affordability (for universal service) will soon be strictly controlled by the regulatory authority to protect households and SMEs against potential rate hikes, which could rise from the full liberalization when private postal operators can (possibly) offer urban-to-rural long-distance letter distribution priced on a full-cost basis. This could result in rates significantly higher than the historical rates applied by the incumbent

2.37 *Cost Accounting:* Accounting and cost allocation systems developed by USP should—at a minimum—distinguish between universal and nonuniversal services, and between reserved and nonreserved area. The cost accounting system should be verified by the regulatory authority and/or independent auditors, and a statement of compliance should be published on a regular basis.

2.38 In the case of ENPO (which is only now gearing to improve its commercial accounting system), in the short-term the Ministry should suggest an objective of completing the commercial accounting system by, for instance, N+2 and the cost accounting system by N+3. Both systems should be approved by the Ministry under its regulatory function.

Customer Protection

2.39 Postal services have high social importance and are key elements for a country's economic activities. On the customer protection agenda, the regulator could target three levels of intervention:

- (a) Setting up complaint procedures through which corrective action can be taken against operators that have not fulfilled expected level of service; the regulatory framework should provide for the basis of such action;

- (b) On a regular basis (every two to three years), run surveys on customer satisfaction; a budget should be allocated in that purpose; and
- (c) Cooperation with consumer protection bodies: an institutional dialogue should be undertaken with the customers, individuals and businesses, with a view to have a continuous feedback from the sector on quality of service performance and respect by operators of their commercial and operational obligations *vis-à-vis* their customers.

3) Agenda of the Shareholder

2.40 MCIT will wear a third hat, that of the line ministry that ensures the oversight on the performance of the state-owned organization, and looks after its efficiency in delivering its public mission, as well as maintains an acceptable level of financial performance.

Performance of the Operator

2.41 In the case of a standard incorporated company, the performance of the company is overseen by the board of directors and the shareholders. In many countries, the public postal operator is a fully state-owned enterprise (SOE). Its board of directors is usually chaired by the minister of finance or the minister in charge of the postal sector, which oversees the *shareholder* interest. Often, however, the dialogue between the owner and the management team of the SOE is sporadic and inefficient:

- The political interference taints decisions related to price increase or staff redundancy needs.
- Investments are insufficient.
- Subsidies to compensate the cost of providing the USO are not paid, etc.

2.42 While the management team works diligently to improve its operational and financial support, it sometimes suffers from a lack of sustained support and understanding from its owner.

2.43 In that context, a performance contract between the state and the SOE can have several advantages. A performance contract is a not a legal document that binds, to the extent it is strictly implemented, the state as the sole shareholder, and the public postal operator. The performance contract covers all the dimensions of postal activities beyond the universal service and the reserved services. The competitive products and services are covered by the performance contract that states the objectives and means in terms of operational and financial performance, including productivity and profitability.

2.44 In a way, the performance contract can be seen as a tool used by the board of directors to complement its channels of supervision and strengthen the accountability of

the management team. It can be appropriate during transition periods during the building of institutional relationships.

2.45 The performance contract is a multiyear document (generally three to five years) whose finalization implies negotiation between the two parties (shareholder, company). On the shareholder side, there is generally the ministry of finance, the line ministry, and the ministry in charge of state budget and civil service (if employees are civil servants and negotiations of salaries are related to national negotiations with the unions).

2.46 The performance contract is assessed on an annual basis. It offers a parallel arena for the technical team in the ministries (line ministry, ministry of finance) to dialogue with the operator. This arena is especially useful when the government provides subsidies (operational, capital expenditure) or tax exemptions.

2.47 Some examples of performance contracts are described below and focus on the examples of New Zealand, Tanzania, Trinidad and Tobago.

2.48 In Tanzania, the Parastatal Sector Reform Commission oversees the performance contract signed between Tanzania Postal Corporation and the Government. Table 5 shows some performance indicators (quality of service) for Tanzania Post Corporation (2001).

Table 4: Performance Indicators for Tanzania Post Corporation

Area	Weight in index ³	Target
<i>Speed</i>		
Mail intra-town	10%	J+0 (98%)
Mail inter-town – zone A ²	5%	J+1 (85%)
Mail inter-town – zone B ²		J+3 (88%)
Mail inter-town – district		J+5 (80%)
Express mail service - zone A ²	5%	J+2 (98%)
Express mail service - other		J+3 (90%)
Express money order – zone A	5%	J+2 (95%)
Express money order – other		J+4 (90%)
<i>Security⁴</i>		
Mail	10%	10
EMS		2
Counters		2

2.49 Trinidad and Tobago is another example of performance contract (Table 5) that covers the operational and financial dimensions; and provides a brief reference to methodology and frequency of data feeding. It illustrates the potential complexity of the

exercise, but also the benefits that can be generated: it forces the operator to deploy adequate information systems (improve accountability and transparency) and allows the shareholder to get a clearer and more precise understanding of the strengths and weaknesses of its company.

Table 5: Performance indicators for Trinidad and Tobago Post Corporation

Indicators	Methodology	Objectives		
Universal service % delivery on a regular basis of recognized home and businesses	Internal record system (number of business and household delivery points) Monthly report	Year 1	60%	
		Year 2	69%	
		Year 3	85%	
		Year 4	90%	
		Year 5	94%	
Customer satisfaction Calculated on the basis of an index (CSI: customer satisfaction index) defined by the Management Operator.	External statistical system Convenience, availability of counter services, overall quality, timeliness of the postal service Biannual report	Year 1	80%	
		Year 2	85%	
		Year 3	93%	
		Year 4	95%	
		Year 5	96%	
Transit time D+1 inter-urban D+2 rural / remote	Year 1: internal statistical system effective by month 3; monthly report Year 2: external end-to-end measurement system; quarterly report	Year 1	80%	
		Year 2	85%	
		Year 3	93%	
		Year 4	95%	
		Year 5	96%	
Revenue growth A: new business revenue B: total revenue	Monthly report starting month 3		A	B
		Year 1	0%	36%
		Year 2	6%	16%
		Year 3	10%	10%
		Year 4	8%	11%
		Year 5	6%	9%
Net income Net income/total revenue	Biannual report starting month 6	Year 1	(10,8%)	
		Year 2	1,1%	
		Year 3	12,8%	
		Year 4	19,1%	
		Year 5	10,4%	

2.50 In New Zealand the board and the shareholding ministers are required to agree on a Statement of Corporate Intent for the current, and two succeeding financial years. The Statement of Corporate Intent details the specific information required under the SOE Act 1986, including the objectives of the company, the nature and scope of its activities, and the financial performance targets for the three-year period. The agreed Statement of Corporate Intent is tabled in parliament, as is the annual report and financial statement of the company.

Social Policy

2.51 The public postal operator is often a large employer in the public sector. If the business is declining, it usually translates into poor productivity performance. When the business is growing it often is linked to new lines of business for which the traditional postal staff is not qualified.

2.52 Most performance enhancement programs come with a social plan with parts that address redundancies and requalification/training. The need for the operator to encourage staff to retire is sometimes a prerequisite to hire new staff with more adequate profiles in view of new corporate development objectives.

2.53 Information and negotiation are prerequisites, together with the proactive management of human resources (career development) and, when needed, the preparation of financial compensation and other programs to support the needs of departing staff in their transitioning to a new professional stage.

Organizational Status

2.54 In the sector reform adopted by governments, a common milestone comes with transforming and changing the status of the historical postal operator to improve its commercial viability and competitiveness. For ENPO, the question is whether it will gain efficiency in delivering its mission, if it was more largely commercialized, and at a later stage corporatized (with more autonomy in managerial decision-making, including human resources management, and salary policy).

2.55 Table 6 shows that within a decade, European postal operators have shifted from being primarily public organizations or SOEs, to becoming mostly limited companies with corporate orientation and objectives of financial profitability prevailing in their strategy. In the case of Germany, Ireland, and the Netherlands private equity has been introduced.

Table 6: Organizational status of the USPs in 1991 and 2002

	Public organization	State owned enterprise	State owned limited company	State controlled PLC	Privately controlled PLC	Privately owned PLC
Description of ownership	Fully owned by the state	Fully owned by the state	Fully owned by the state (holds all shares)	State holds majority of shares. Privates hold the minority	State holds a minority of shares. Privates hold the majority	Privates hold all the share
1991	AT, DK, EL, IT, LU	BE, DE, EL, FR, PT, SE, SF, UK	IR, NL	-	-	-
2002	-	DK, EL, LU, FR, ES	UK, SE, SF, BE, AT, IT, PT	DE, IR*	NL	-

Source: Green Paper and Pls Rambøll preliminary findings based on annual reports. An Post is currently handing over 14.9 percent of shares to the employees. An Post is not quoted on the stock exchange. AT: Austria, BE: Belgium, BG: Bulgaria, CY: Cyprus, DE: Germany, EE: Estonia, ES: Spain, FI: Finland; FR: France, GB: Great Britain; GR: Greece; HU: Hungary, IE: Ireland, IS: Iceland, IT: Italy, LI: Lichtenstein, LT: Lithuania, LU: Luxemburg, LV: Latvia, NL: Netherlands, NO: Norway, PL: Poland, RO: Romania, SE: Sweden, SI: Slovenia, SK: Slovak Republic, TR: Turkey.

Agenda of the Postal Financial Services

2.56 Nearly half of Egypt Post’s turnover is generated by postal financial services. Postal financial services are not fully assimilated to banking services; they are often basic financial services distributed through the postal network on behalf of the national treasury—and the postal network is used as a distribution channel. Many countries look at their postal financial services as services that can contribute more effectively to mobilizing savings, and enhancing access to finance through the distribution of diversified services (including loans and credit), on behalf of commercial banks, or on its own behalf once it acquires a banking license.

2.57 *The Role of Postal Financial Services within the Financial Sector*¹²: Many postal operators identified as commercial entities are first and foremost financial institutions, as their profitability relies (mostly) on revenues generated by their financial services. Yet today postal financial services are often ignored as a critical players in the financial sector, as they often come across as poor-performing. But there are a many success stories—such as those of Brazil and Morocco—and overall, postal financial services show strength (Table 7).

12 <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTINFORMATIONAND COMMUNICATIONAND TECHNOLOGIES/0,contentMDK:20795271~pagePK:210058~piPK:210062~theSitePK:282823,00.html>

Table 7: Generic Presentation of SWOT Analysis for Postal Financial Services

Strengths	Weaknesses
<ul style="list-style-type: none"> ▪ Dense network of post offices (some computerized and interconnected) ▪ Network outreach – located in rural areas ▪ Large number of accounts ▪ Affordable services - low commissions and minimum deposits ▪ Accessible to all; more social and informal environment than banks ▪ Experienced staff used to high volume of transactions ▪ Strategic alliances with banks and financial institutions ▪ Reputation of post office (often positive) ▪ (in some countries) state guarantee and/or tax exemption on savings deposits 	<ul style="list-style-type: none"> ▪ Absence of postal sector policy and lack of coordination between financial, ICT and postal policies ▪ Poorly maintained network and poor service quality ▪ Large number of dormant accounts ▪ Political interference in management, lack of accountability and management flexibility (civil service culture) ▪ Market orientation and narrow, fragmented range of products and services ▪ Poor, or lack of, accounting and cost allocation systems and thus high inefficiencies ▪ Regulatory environment limits diversification, asset management and investment autonomy (resources invested in state treasury/gilt-edged titles) ▪ Bypassing capital and money markets ▪ Not supervised by central bank ▪ Lack of marketing, banking and technology skills ▪ Not connected to clearing houses ▪ Loosing market share (less than 3 percent) ▪ Internal clashes between post and provider of postal financial services, because of conflicting missions
Opportunities	Threats
<ul style="list-style-type: none"> ▪ Market for retail payments, deposits and micro credit are relatively undeveloped but show fast growth rate ▪ Diversification of products and services such as credit transfers (salaries) to personal accounts or chip card technologies ▪ Utilize existing client database to cross sell new products ▪ Access to Internet, e-commerce and e-government services ▪ Domestic, regional, international remittances ▪ Creation of public-private partnerships 	<ul style="list-style-type: none"> ▪ Political opposition to postal reform (some stakeholders may be negatively impacted such as Treasury using postal savings as a seemingly cheap form of funding) ▪ Private sector microfinance institutions offer competitive savings, giros and transfer services ▪ Significant investment required to improve post office infrastructure, technology, security and staff capability ▪ Political interference and labour relations may affect process of reform ▪ Upfront costs and low rate of return on investment

2.58 To play a greater role in the financial sector, particularly in the agenda for *access to finance*, some prerequisites are needed to insure the sustainability of such a model. These prerequisites start with the government’s vision of a policy to build capacity at the postal operator level; to improve governance; to mobilize resources for investments; to engage the private sector through partnerships and equity participation; to deploy, enable, and enforce legal and regulatory frameworks; and to push the postal branch network to operate as a business, accountable to its shareholders and focused on the efficient and sustainable delivery of services.

2.59 There is no one-size-fits-all scheme to define the roadmap for such a turn-around. Historical, social, geographical, and economic situations vary among countries. The government should apply an integrated approach of cross-cutting sectoral issues relative to access (access to communication services, access to financial services, and reduction of fiscal drain). This will require coordination with several players: the financial sector, the ICT sector, education and development policies, and migration policies. To ensure that long-term visions and goals are supported by a majority of stakeholders, there must be broad political consensus, and continued progress made by champions of the effort.

2.60 Inside this process of consensus building, all options should be considered and valued on measurable cost/benefit considerations. In this debate it is important to start with clear definitions and terminology: the post office, the postal savings bank, postal financial services and postal branch network, are often used as synonyms, though these terms are used to describe very different concepts and should be analyzed and categorized separately in the debate on access to finance.

2.61 Before the postal branch network can accomplish its mission (even with the consensus to move forward), several important prerequisites need to be fulfilled, and substantial investments in training and ICTs will be needed. The reform process will not be an easy one, but as the experience of some countries has shown, the journey can be rewarding.

2.62 *The Contribution of Postal Financial Services in Insuring the Sustainability of the Postal Network:* As the financial sector can gain in more optimal use of postal financial services, conversely, the postal network needs the postal financial services to contribute to its safeguard and social missions.

2.63 While cross subsidies from reserved services towards competitive services are forbidden by the rules of competition, some observers have determined that the massive distribution of financial services through the postal network contributes to reducing the postal sector's burden of universal service. Several countries exhibit the same spirit—increasing revenues through activities distributed in the network—and diversification of services is increasingly effective, either by the postal operator directly, or as an agent with a service-level agreement signed with a partner.

3. OBJECTIVES AND MISSIONS OF THE POSTAL POLICY UNIT

1) The Role of the Postal Policy Unit

3.01 As noted earlier in this note, the draft sector policy's objectives stated in the UPU analysis will serve as a framework for the note, although they call for final refinement and formal adoption by the GoE:

- (a) Implement ongoing and sustainable postal reform.
- (b) Ensure equitable access to universal postal services.

- (c) Define the obligations and requirements of the public postal operator.
- (d) Regulate the sector.
- (e) Provide postal financial services.
- (f) Promote postal sector growth and innovation.

3.02 The UPU proposal echoes in different ways the EC's objectives of the postal policy that are to:

- (a) Maintain affordable and high quality universal service for all (by *inter alia* ensuring proportionate use of alternative universal service safeguards or financing mechanisms).
- (b) Achieve full opening of the market to competition (by *inter alia* pursuing the reduction and the eventual abolition of the reserved area).¹³
- (c) Reduce market distortion and barriers to market entry (by, *inter alia* ensuring fair access to the postal infrastructure).

3.03 In order to meet the objectives of the sector, the MCIT's Postal Policy Unit will need to cover several areas. Table 8 shows the correspondence between sector policy objectives and role of the Postal Policy Unit:

¹³ Since 1992 and the Green Book, the major milestones in the European Internal Market opening to competition have been: 2002 - 350g and five times the basic tariff; 2006 - 50g and 2.5 times the basic tariff, 2009 - no more reserved area (Commission's proposal, October 2006). Estonia, Finland, Sweden and the United Kingdom have already fully opened their sector to competition.

Table 8: Postal Policy Objectives and the Role of the Postal Policy Unit

Postal Policy Objectives	Role of the Postal Policy Unit
1. Implement ongoing and sustainable postal reform	(a) Market intelligence: market structure, supply, demand, (direct and indirect) support provided by postal sector to other sectors of the national economy, investment, employment (b) Legal and regulatory framework: sector law update, drafting of secondary texts and decrees (c) Follow international trends and WTO forums, and follow and participate to the UPU activities (d) Role of ICTs and links between postal policy and ICT policy; how can the postal network contribute to reduce the digital divide; how the postal network can contribute to deliver e-Gov services (e) Monitoring and evaluation of reform impact
2. Ensure equitable access to universal postal services	(a) (Re-)Definition of the universal service scope and standards (b) Evaluation of USO cost (c) Funding mechanisms (d) Tariffs regulation - Cost orientation and uniform tariffs
3. Define the obligations and requirements of the public postal operator	(a) Performance contract (b) Social policy (c) Interconnection policy, access to essential means, downstream access (d) Cost accounting
4. Regulate the sector	(a) Sector oversight (b) License / authorization regime (c) Level playing field (no dominant position abuse) (d) Quality of service and standards (e) Liaise with national competition authority—if one exists
5. Provide postal financial services	(a) Role of postal financial services within the financial sector (b) Role / contribution of postal financial services in insuring postal network sustainability (c) Liaise with Ministry of finance and National Bank
6. Promote postal sector growth and innovation	(a) Extent to which private sector participation (through public-private partnerships or direct involvement) and competition (sector liberalization) can foster sector growth, increase employment, and be beneficiary to customers (businesses, SMEs, households) (b) Conditions under which competition is happening on a level playing field (c) Role of ICTs (d) Role of the Egyptian market at a regional level: can Egypt become a regional hub? (e) Investment needs in the network and in the human resources

2) *International Benchmark*

3.04 How have other countries organized the implementation of their postal sector strategy from an institutional standpoint? How has the regulatory agenda been tackled from an institutional standpoint? This section describes the institutional scheme under which the policy and the regulatory functions are organized; and it seeks to provide various institutional set-ups that could enrich the Egyptian discussions.

3.05 Most countries in Europe have separated the function of policy and regulation (Table 6). Only Austria, the Czech Republic, and Spain have maintained a regulatory

function at the ministry level. Stand-alone postal regulatory authorities remain the exception (the United Kingdom and Slovakia). Most regulatory authorities in charge of the postal sector cover the communication sector at large, or the utility sectors.

3.06 From a staffing standpoint, there were 37 postal regulatory experts in Postcomm (United Kingdom) and 19 in the Postovy ury (Slovakia). In Germany the post and telecommunications regulatory agency was transformed in 2005 into the Federal Network Agency, which now cover sectors of gas, electricity, and railways, in addition to the postal and telecommunication sectors.

Table 9: National Regulatory Authorities in the 25 European Member Countries (2004)

National regulatory authorities:

	National regulatory authority	Non-postal sectors	Start of activity	Staff in 2003 (experts)	Budget 2003 (EUR,000)
AT	Ministry of Transport, Innovation and Technology - Dept for Postal Affairs	A	1999	NA	NA
BE	Belgian Institute for postal services and telecommunications	B	1991	11 (7)	1,250
CY	Commissioner for Telecommunication and Postal Regulation	B	2002	5 (3)	256
CZ	Ministry of Informatics - Postal Services Department	A	2000	12 (11)	NA
DE	RegTP (Regulatory Authority for Telecommunications and Post)	B	1998	25 (25)	NA
DK	Road Safety and Transport Agency, Postal Supervisory Department	G	1995	6 (3)	NA
EE	Estonian National Communications Board (ENCB)	B	2002	7 (6)	64
ES	Ministerio Fomento, Subd. Regulación Serv. Postales	A	1998	52 (52)	NA
FIN	Finnish Communications Regulatory Authority	B	1994	9 (2)	1,208
FR	Ministry of Industry				
GR	National Telecommunications and Post Commission	BG	1998	7 (5)	642
HU	National Communication Authority	BG	1990	14 (13)	747
IE	Commission for Communications Regulation	BG	2002	5 (5)	614
IT	Ministry of Communications	A	1999	20 (6)	847

LT	Communications Regulatory Authority	B	2002	5 (5)	NA
LU	Institut National de Regulation (I.N.R.)	BCE	2000	3 (1)	475
LV	Public Utilities Commission	BCEF	2001	8 (6)	1,876
MT	Malta Communications Authority	BG	2003	6 (3)	NA
NL	OPTA (Onderscheiding Post en Telecom Autoriteit)	B	1997	4 (4)	895
PL	URTIP (Office for Telecommunications and Post Regulation)	BG	2002	26 (26)	NA
PT	ANACOM	B	1981	7 (7)	1,780
SE	National Post & Telecom Agency	B	1994	6 (6)	898
SI	Agencija za telekomunikacije, radiodifuzijo in petro Republike Slovenije	BG	2002	2 (2)	NA
SK	Postovy urad	A	2002	19 (14)	241
UK	Postcomm	A	2000	37	12,998

Key : A = None; B = Telecomm; C = Energy; D = Water ; E = Gas; F = Railway; G = Other

IE, PT: Budget figure for 2002

DE: The German NRA is going to also start regulating energy and gas markets in the next months.

Source: FRB 2004 + DG Markt

Table 10: Policy and Regulatory Functions, International Examples

	France	Germany	UK	New Zealand	South Africa	Tanzania
Policy	Ministry of economy, finances and industry	Ministry of Economics and Technology	Department of Trade and Industry	Ministry of Economic Development	Department of Communication	Ministry of Information and Transport**
Regulation	Postal and electronic communication Regulatory Authority	Federal Network Agency	Postcomm	Ministry of Economic Development / Commerce Commission*	Independent Communication Authority of South Africa	Tanzania Communications Commission

* The postal sector is fully liberalized. Competition issues are dealt by the Commerce Commission.

** In addition, the Parastatal Sector Reform Commission (PSR(C)) oversees the performance contract signed between Tanzania Postal Corporation and the Government.

3.07 In France, the postal policy is trusted to a three-person bureau in the "*Direction des Industries manufacturières et activités postales*", under the "*Direction generale des entreprises.*" When France Telecom and La Poste were created as SOEs in 1990, the Ministry of Posts and Telecommunication, with more than 200 staff, was in charge of the policy and regulatory agenda. The telecommunication regulatory agency was created in 1996 (as well as the spectrum management agency), and the postal regulation was added to its mission in 2005. Between 1990 and today, the Ministry of Posts and Telecommunication was merged with the Ministry of Industry, then with the Ministry of Economy and Finance, and the policy agenda for the postal and telecommunication, originally handled by a staff of 200, today is handled by a handful of staff.

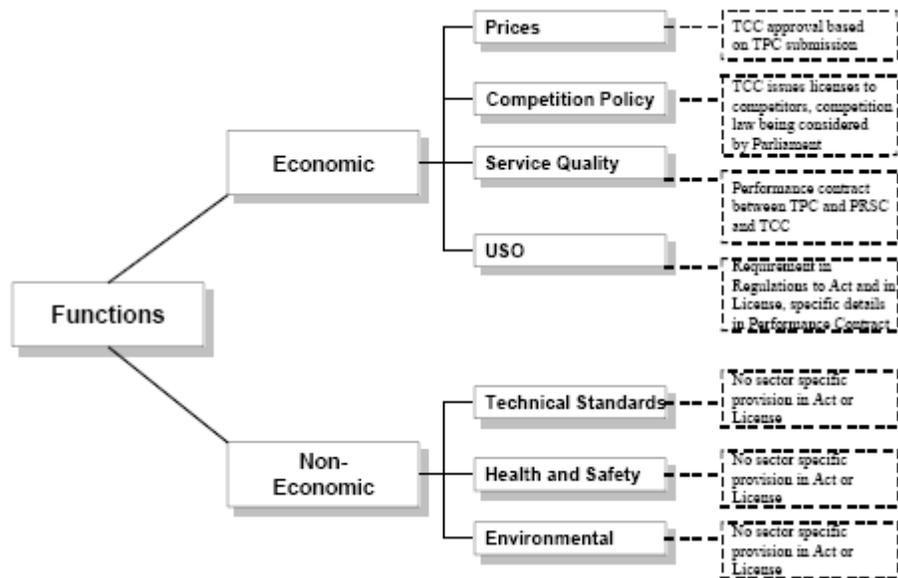
3.08 In Germany, the postal regulation at the Federal Network Agency is organized as shown in Figure 2:

Figure 2: Organization of the Postal Regulation in the German Federal Network Agency

Economic and legal policy issues or postal market regulation	Market watch Rates benchmarking Quality of service measurement	Special network access and interconnection Compliance with UPU Acts External and internal accounting Examination of rate proposals	Licensing policy License grant Reporting requirements International postal affairs	Market definition Market dominance	Universal service Consumer issues
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3.09 In Tanzania, the regulatory functions are organized as shown in Figure 3:¹⁴

Figure 3: Tanzania Communication Commission Regulatory Functions



3) Recommendations for MCIT

3.10 In view of the discussion on the performance of the operator (page 17) and on international benchmarks (page 26), the recommendations for MCIT are proposed below, and articulated in terms of organization and functioning in the Section 4:

- Build a solid knowledge of the market structure (UPU objectives 1, 2 and 4).
- Opt for a light handed regulation (UPU objective 5).
- Develop constructive dialogue with ENPO with a view to prepare next generation reform (UPU objectives 3 and 5).

4. THE POSTAL POLICY UNIT: ORGANIZATION, BUDGET, PRIORITY ISSUES

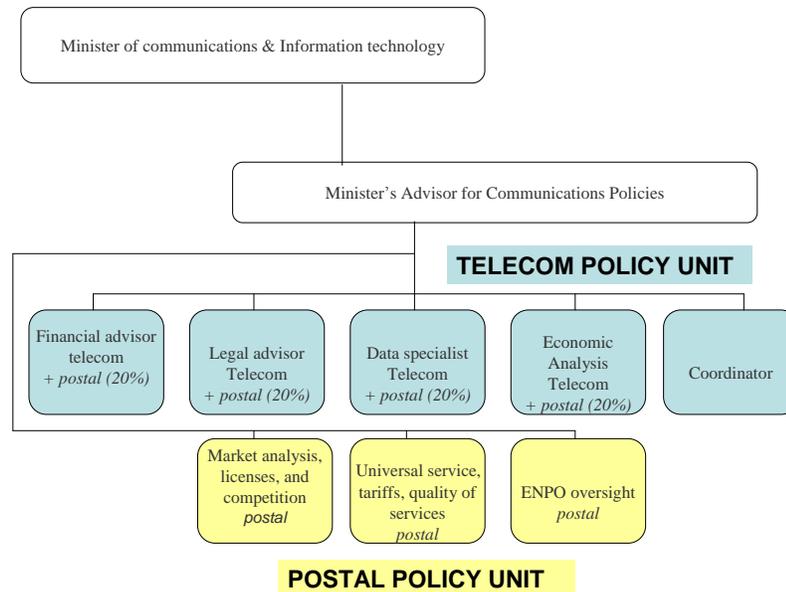
1) Organization

4.01 *Organizational Chart:* Given the extent of the roles (policy, owner/shareholder, regulator), three full-time professionals/specialists will be needed to run the unit. The unit would rely (partially) on the existing position in the Telecommunications Policy Unit, namely 20 percent of the time of the legal advisor, the financial advisor, the data

¹⁴ “Evolution of postal sector reforms: Uruguay and Tanzania”, World Bank, 2003, www.worldbank.org/ict/publications

specialist and the economist would complement the postal unit team and allows cross-fertilization between the two sectors.

Figure 4: Proposed Organization Chart for the Postal Policy Unit



4.02 *Job Description:* The Coordinator will look after the postal sector related information to be posted on the Ministry's Website and provide support for the coordination and organization of sector consultations.

(a) **Market analysis, licenses, and competition.** *Market oversight:* Collect data on market and segment (including information required in license forms), supply and demand; build monitoring tools; prepare and publish surveys to be outsourced (prepare terms of reference, in charge of procurement of the firm, supervision and accountability for quality outcomes); initiate and organize regular sector consultation; monitor international trends and participate in international forums (Post Expo). This function benefits from the support from the Telecommunications Policy Unit/data specialist, and it will use external assistance on an *ad hoc* basis from consultants and firms to complete activities during peak work loads, or for activities requesting specific qualifications. *Licensing:* Oversight of the licensing process. This function benefits of the support from the Telecommunications Policy Unit/legal advisor. *Competition:* Receive and analyze legal complaints by the players. This function benefits of the support from the Telecommunications Policy Unit/legal advisor. *Qualification:* MBA plus legal training; 10-years of experience; salary: Egyptian pound (EGP) 3000/month.

(b) **Universal service, tariffs, quality of service.** *Universal service:* Actively reposition the universal policy by proposing adequate definition of the postal

universal service (beyond what is currently stated in the legal framework, and based partly on international best practice, and Egyptian specificities), and translate it into the legal and regulatory framework; assess cost of universal service and propose funding mechanisms; validate universal service provider's cost accounting system, perform regulatory oversight of the cost accounting system of the universal service provider, etc. This function benefits of the support from the Telecommunications Policy Unit/economic analysis, and may require benefiting from complementary technical assistance. *Tariffs:* Regulation of reserved services tariffs (and if required, universal service(e) following cost-oriented methodology. This function benefits of the support from the Telecommunications Policy Unit/economic analysis. *Quality of service:* Contribute to assess quality of service of operators and customer protection. *Qualification:* economic statistician with experience in public utilities; 10-years of experience; salary: EGP 3000/ month

- (c) **ENPO oversight.** *Performance contract:* Prepare and supervise of the performance contract (lead); build a monitoring and evaluation methodology; contribute to the tariff regulation; lead the information sharing and analysis with other interested Ministries (as shareholder)—ministries of finance, planning, rural development, etc.; lead strategic thinking with regard to ENPO corporatization. *Social policy:* Conduct dialogue with the unions and cross-cutting social issues (retirement, salaries, benefits, etc.). *Qualification:* MBA in utility/SOE management; 10-years of experience; salary: EGP 3000/ month

4.03 *Processes:* The three staff will report to the Minister's advisor in charge of postal policy. Under the coordination of the Coordinator, a *modus vivendi* for the cross support from the telecommunications unit to the postal unit will be determined.

4.04 *Capacity Building* will need to be provided to staff depending on their academic background and professional experience. Table 11 lists topics and a (nonexhaustive) proposal of classes/courses/seminar and resource data available (see Bibliography) for training and capacity building purposes. Generally, the main resources would be:

- UPU conferences and seminars: www.upu.int
- Rutgers conferences: <http://crri.rutgers.edu/post/index.html>
- Institute of Economic Affairs (IEA):
<http://www.marketforce.eu.com/eupostalservices>
- World Bank: <http://rru.worldbank.org/Themes/UtilityRegulation>
- Public Utility Research Center (PUR(C)): <http://www.purc.org>
- WIK Institute: www.wik.org/index_e.htm¹⁵
- Global Postal Research and Educational Research:
<http://www2.epfl.ch/mir/page65837.html>

¹⁵ See latest conference papers (March 2007) on "Postal markets between monopoly and competition"
http://www.wik.org/content/10th_koenigswinter_seminar_main.htm

Table 11: Topics for Courses and Seminars

<p>Regulation of postal services (general) Definition of postal services Authorization of postal operators Reserved area Essential public requirements User protection Market transparency Address databases and post code systems</p> <p>Universal service General concept Services included in universal service Access and clearance Universal delivery Affordability Personal and price discrimination Intra-community service Quality of service and frequency of clearance and delivery User and consumer protection Privacy of letters Security of valuables</p> <p>Supplemental universal services Measures to ensure universal service Funding universal service</p>	<p>Postal operators with market dominant power (ex-USPs) General concept (designated operators / products) Identification of market dominant postal operators Tariffs and special tariffs Accounting requirements Downstream access and interconnection Access, quality of service, and delivery frequency –</p> <p><u>Possible courses/seminars:</u> IPC – market intelligence, quality of service http://www.ipc.be/</p> <p>National regulatory authorities Establishment Power to obtain information Consultation with affected parties Right of appeal</p> <p>Harmonization of technical standards <u>Resources:</u> http://ec.europa.eu/internal_market/post/standardisation_en.htm</p>
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4.05 In the second semester of 2007, the main events to take note of are:

- Conference on Postal and Delivery Economics – Center for Research in Regulated Industry (CRRI) – May 30 to June 2, 2007, Austria
<http://crr.rutgers.edu/post/index.html>
- Post-Expo – International Postal Technology and Congress – October 2 to 4, 2007, Barcelona - <http://www.postexpo.com/>
- PostTech 2007- Triangle – November 14 to 15, 2007, Djeddah - <http://www.triangle.eu.com/conferences/PosTech/default.asp>

2) Budget

4.06 The annual salary expenses, based on the Telecommunications Policy Unit reference, would be EGP 108,000. The Telecommunications Policy Unit shows an overall budget of EGP 5 million that also covers: training, conference, and studies.

4.07 The Postal Policy Unit's work program will need to allow time for training early on, with most of the training undertaken abroad. The training budget can be set at EGP 200,000 (i.e., one training abroad/year/staff).

4.08 Participation at international forums and conferences is also important. If each staff participates to two international events, it will cost about EGP 300,000.

4.09 Studies are the most important item in the budget, particularly at the start of operation. The first year, we can assume that there will be one study by an international firm (EGP 400,000) and three by local firms (EGP 350,000). Total for Year 1: EGP 1,3 million. This figure is based on the assumption that investments and equipment (furniture, computers, and equipment) will be carried in an overhead budget line.

3) Start up: Transitioning Towards Effective Operations

4.10 The establishment of the Postal Policy Unit will call for urgent action by the support services (dedicating office space, telephone lines, computers, office stationary, etc.). In this section, the focus will be priority activities related to the sector's oversight and implementation of policies.

Communication

4.11 The Postal Policy Unit should be presented to the public through the Ministry's Website (<http://www.mcit.gov.eg>), in the "news" section. "A newly created unit is in charge of the postal sector policy and regulation." Nationally, the unit will prepare a stakeholder consultation as a first action towards building a structured dialogue with the different players in the sector. Internationally, the unit will establish contact with international regulations and organizations governing postal services, especially the UPU and its restricted union (Arab Permanent Postal Commission, Pan-African Postal Union) and develop an institutional dialogue through providing information on the national postal sector, participating to events and conference, contributing to regional integration by providing analytical information, and allowing staff secondment, etc.

Tariff Policy

4.12 The Postal Policy Unit will take stock of the current tariffs applied by ENPO, and review it in line with current regulation. In the medium-term, the regulation of tariffs should be driven by cost-orientated principle. The unit should develop a good understanding of the tariff setting methodology followed by ENPO, and encourage it to develop a cost accounting system to allow *inter alia* the definition of their tariffs on a cost-oriented basis, and to the extent possible, determine the extent of the reserved areas services.

Universal Service Definition and Funding Mechanism

4.13 The staff responsible for the universal service should prepare terms of reference and secure funding for a study on the cost of the universal service (as currently defined). The study will also require from the Consultant that redefinition of the scope and characters of the postal universal service be proposed, in order to come to an optimal funding mechanism.

The State of Competition

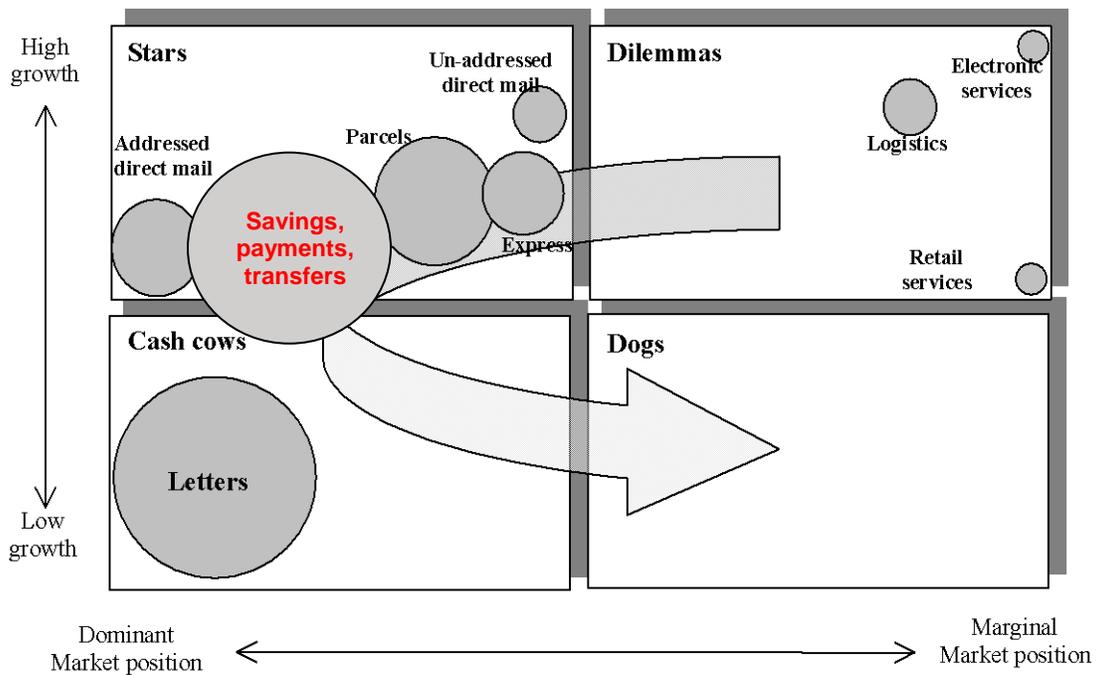
4.14 The Postal Policy Unit will analyze the state of competition based on the BCG matrix (Table 12 and Figure 5).

4.15 It is important to include the postal financial services in this analysis, and to liaise with the Ministry of Finance to make sure that the GoE, as a whole, includes the postal financial services in their global strategy for the financial and the access to finance agenda.

Table 12: State of Competition in Egypt (BCG matrix)

	Market segment	ENPO		Competitors
<i>Cash cows</i>	Standard letters	Market shares in 2006 Projection 2006-2011 Projections with different assumptions for segment opening to competition	Projection in case of market opening to competition	
<i>Stars</i>	Addressed direct mail Unaddressed direct mail Parcels Express Postal financial services	Market analysis, market structure in 2006	Market analysis, market structure in 2006	
		Projection 2006-2011, with specific supply and demand analysis on parcels and express		
<i>Dilemmas</i>	Electronic services Logistics Retail services	Market analysis, market structure in 2006	Market analysis, market structure in 2006	
		Projection 2006-2011, with specific supply and demand analysis on parcels and express		
<i>Dogs</i>	Non identified			

Figure 5: State of Competition in Egypt (BCG matrix)



Authorizations and Licenses

4.16 The Postal Policy Unit will access the current licenses distributed by ENPO to the private operators, and analyze them in light of a set of criteria, including:

- Consistency between the licenses to insure equal treatment between operators, transparency, level playing field.
- Consistency with WTO commitments.
- Consistency with Egyptian competition law.
- Relevance *vis-à-vis* licensing objectives (which may require that those objectives be clearly restated).
- International best practice.

4.17 Consultation is ongoing with private operators to prepare for the renewal of their licenses. The current licenses have recently been extended to the end of the calendar year, to allow the policy-maker to adjust for the issuance process, and possibly prepare to modify this process. As of today, express mail licenses have been issued by ENPO; and the process does not seem to be transparent. Best practice calls for separating operations from regulatory functions.

4.18 For reference, Annex 5 gives examples of licenses issued—and it shows the large spectrum of practice. For Egypt, it is recommended to request the information necessary to feed the market intelligence.

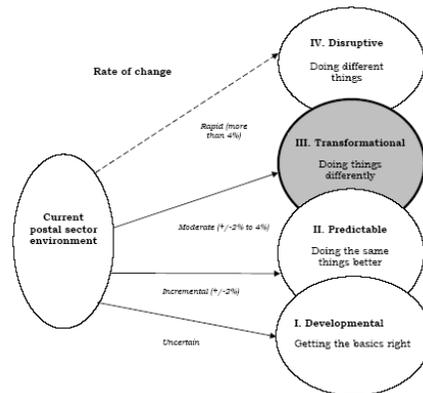
Enabling Legislation

4.19 The current legal and regulatory framework needs to be updated. The absence of a definition for the universal service and funding mechanisms, as well as the disconnect between the market realities (*de facto* competition) and the laws 16/1970 and 19/1982 (stating that postal activities are exclusively operated by ENPO) call for a thorough review of the legal framework. This review will help determine whether the update could be brought in through amendments to the laws, or rather through a complete revamping of the legal and regulatory framework. This task calls for legal expertise that the Postal Policy Unit may not have. A study followed the drafting of the new legal framework may be needed in the near future. If endorsed by the GoE, this updated framework, ideally, would come after a postal sector policy.

5. MEDIUM-TERM POLICY ISSUES

5.01 When the Postal Policy Unit has settled down and has successfully started operating, the next step will be to start considering medium-term policy issues. The process to update the policy orientations based of ongoing monitoring and evaluation of the sector growth will need to be clearly identified. The starting point for preparing this next phase can indeed rely on the recent discussions hold at the UPU strategic conference in Dubai (November 2006)¹⁶ and the preparation to the next UPU Congress in 2008. Figure 6 illustrates the four scenarios identified by the UPU.

Figure 6: Development Scenarios for the Postal Sector According to the UPU



From a Partially Regulated Monopoly to Regulated Competition

5.02 The question of sector liberalization will arise rapidly on the Ministry's agenda, in view of international trends and WTO requirements (Annex 4). The role of the Postal

¹⁶ http://www.upu.int/upu_strategy_conference/en/index.shtml

Policy Unit will be to prepare for the transition from a partially regulated monopoly to regulated competition.

5.03 Lessons learned from other countries' experience will be valuable to forecast what market *de jure* opening to competition will entail.¹⁷ In the last 20 years two main schools of thought have prevailed in liberalization of the postal sector: the European approach, progressive and built on consensus (and economic analysis) over a 15-year period (from the 1992 Green Book to the 2009 full market opening announced in October 2006 by the Commission); and the full market opening in one stage, followed by Finland, New Zealand, and Sweden.

5.04 The United Kingdom followed a progressive approach, but accelerated the date of full market opening at the end of the process. In 2006 full liberalization was effective in the United Kingdom, which is three years prior to the rest of the EU.

5.05 The acceleration may attributed partially to the postal regulator's in-depth economic and regulatory analysis. Postcomm is one of the only stand-alone postal regulators, and its example shows the importance given by British authorities to regulation of the postal sector.

5.06 In its report to the Council and the European parliament,¹⁸ the Commission presented its planned study on the impact on the universal service of the full liberalization planned for 2009. The methodological framework is thorough and could be useful to refer to in the case of Egypt. The framework covers two main areas: impact assessment, and accompanying measure to safeguard the universal service under full market opening:

1. The impact assessment will cover (a) the impact on the provision of universal service (in terms of access to service, quality of service, and price and affordability), ((b) the impact on the financing of universal service, (c) the impact on employment trend, (d) the impact on territorial and social cohesion; additionally, the assessment will cover the risks in delaying reform.
2. The accompanying measures will cover three areas: market answers, regulatory safeguards, and safeguards relating to financing of the universal service:
 - (a) The accompanying measures will, on one hand, cover actions to preserve dynamic efficiencies in the market:
 - (i) Developing volumes to allow more economies of scale for the universal service provider;
 - (ii) Diversifying revenues to allow more economies of scope;
 - (iii) Restructuring the universal service provider to allow for cost reduction.

¹⁷ In addition to studies by the EC, "A broad economic analysis of the effects of liberalising the postal market", Swedish Institute for Growth Policy Studies, 2005, can be recommended.

¹⁸ Report from the Commission to the Council and the European parliament, "Prospective study on the impact on universal service of the full accomplishment of the postal internal market in 2009", 2006

On the other hand, accompanying measures will come in the form of regulatory safeguards:

- *Ad hoc* measures to ensure universal service, in the respect of the principles of objectivity, transparency, nondiscrimination, proportionality and least market distortion;
- Monitoring the access to the universal service provider's infrastructure in a multioperator environment (downstream access regime);
- Commercial flexibility for business mail;
- Joint role of regulatory and competition authority;
- Use of license regimes in exceptional circumstances; and
- Price cap mechanisms.

The safeguards relating to financing of the universal service come in the form of mechanisms other than the reserved area, such as public tendering, imposing USOs on other operators, etc.

Spin-off Regulation from Policy-maker

5.07 In the wake of further competition, the GoE may want to dedicate more power and independence to the regulatory function. There are three main scenarios:

- (a) Adopting a stand-alone regulator (as in the United Kingdom and the Slovak Republic);¹⁹
- (b) Adding the postal regulation to the telecommunication regulator, and forming a regulator for posts and telecommunications—which would follow the model of a large group of countries in Europe (Germany, France, Sweden, etc.) and Africa (Algeria, Kenya, Senegal, Tanzania, and Uganda); and
- (c) Merging the postal regulation with another sectoral regulator (as in Denmark, where the postal regulation is dealt by the Road Safety and Transport Agency) or into a multisector regulatory body, as in Latvia (Public Utility Commission).

ENPO Restructuring: Corporatization?

5.08 The evolution of the postal sector in industrialized countries has been characterized by liberalization and the increased efficiency and effectiveness of the public operators and is often linked to a restructuring project (commercialization, corporatization, privatization.). Restructuring of the public postal operator is an opportunity to enhance the benefits of sector's opening to competition while reducing its risks. The examples of Deutsche Post, TNT, Austria Post, and Poste Norge are good examples to support this fact (see PricewaterhouseCoopers 2005, EC).

¹⁹ Other case: (http://www.posturad.sk/index_en.php)

**Draft Postal Sector Policy
Arab Republic of Egypt
Universal Postal Union (UPU)
2006-2010**

This draft was prepared in March 2006 by a UPU expert.

I. Vision

The Government of Egypt (GoE) recognizes that strong universal postal service operating within a competitive postal market can serve as a valuable tool in achieving national development objectives. Efficient postal services can reduce the cost of financial and other business transactions and thereby increase national competitiveness. Universal postal networks can also serve as effective agents in increasing citizen participation in civil and economic life, reducing rural isolation and marginalization, and in distributing government benefits and services more equitably. When these networks also incorporate comprehensive financial services, they can stimulate national capital accumulation, include wider segments of society in formal financial channels, and serve as a catalyst for the growth of SMEs.

Therefore, the GoE has determined undertake a program of postal reform and modernization to define and realize its future "Vision" of the postal sector in Egypt within the next five years (2006-2010). In general terms, this Vision would consist of a postal sector that:

- Met world class standards class service in terms of the levels of quality and innovation available to individual and business mailers in Egypt;
- Provided a postal market that matched countries at Egypt's level of economic development in terms of productivity (e.g., pieces per capita annually), efficiency (average transit time for mail), price and supply options;
- Increased overall levels of private sector investment in the postal market through open and fair competition and progressive regulation;
- Ensured that all citizens in Egypt had adequate access to high quality universal services;
- Supported overall economic growth and national competitiveness; and
- Provided high quality, modern, and accessible financial services throughout Egypt.

II. Worldwide trends in postal reform

The postal sector has changed more in the past 20 years than in the previous century and a half, leading many governments to recognize the need for effective and sustainable

postal reform. Significant forces have driven this transformation: changes in postal market demand and supply, globalization, market liberalization, regulatory progress, and technological advances in all communications media. Traditionally, postal markets were based on communications between individuals in the same country or different countries. Communication conveyed personal information of a unique and non-recurring nature. While some mail contained business or official information, such communications were rarely generic (a single message sent to many different recipients). Individuals generated and received most mail and the assumption was that every individual would be able to communicate with every other individual in his or her own country and with individuals in every other country. However, during the past 20 years, the **demand** side of the postal market has evolved dramatically and the typical national postal market today is configured in the following manner:

B2C 80%	B2B 10%
C2B 5%	C2C 5%

The primary purpose of mail is no longer personal communication, but rather the transfer of business and commercial information; furthermore identical messages are frequently sent to massive numbers of addressees and much postal communication is cyclical (usually monthly). Typical mailing cycles include order and fulfillment, bill presentment and payment, and general advertising. The shift from communication based on personal information to communication based on business requirements has also led to growth in business related mail streams such as express mail, parcels, and direct mail advertising. Furthermore, with this overall postal market transformation, the notion of universal postal services has expanded from a simple personal right to communicate to a guarantee of the ability to participate in and benefit from overall economic life.

This market conversion has been matched by similar changes in the structure of the supply of postal services. For centuries, it was assumed that governments were responsible for providing postal services to individuals, and that the private sector had only a limited, if any role in this process. A public operator was identified as the government agent for meeting this obligation and was provided with a monopoly (normally a reserved area of the mail such as all letters up to two kilograms) not only to preserve the integrity of the mail, but also as an economic incentive for serving unprofitable areas (e.g., rural regions) of the mail market. Today, the level of private sector participation in the supply of postal services is significant and growing, resulting in a more competitive postal market and an increased need for effective regulation.

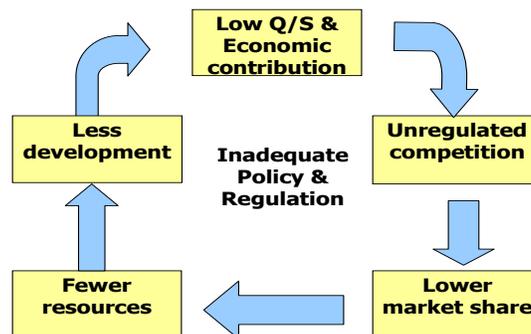
Globalization of national economies and liberalization of marketplaces have influenced the supply side of postal markets more significantly than the demand side by allowing both official and private postal operators to expand their operations across national boundaries into regional and global markets. International regulatory advances (e.g., WTO, GATS) are rapidly reducing or eliminating trade and competitive barriers, opening new opportunities for market entry. Progressive postal market liberalization is also leading to a wider range of postal supply and gradually eroding the clear distinctions

between national and international mail. In some cases, such as in the European Union, there has been a progressive but gradual approach to liberalization which balances the requirement to maintain universal services and the means of financing them with the need to progressively open postal markets to competition. This gradual and controlled process can best be described as de jure postal market liberalization. Market liberalization has also sparked a need for effective regulation to establish "clear rules of the game" in competitive markets, resulting in a growing distinction among the respective roles of postal operators, regulators, and policy-makers.

New supply and demand factors and progressive market liberalization have increased competition in the postal marketplace. However, technological advances in other communications media have had a greater impact by changing the flexibility and number of options available to communications customers. Electronic transmission, telefax, email, Internet or electronic bill payments offer advantages in terms of speed and cost and have led to a reduction in the share of the postal sector within the overall communications market. The potential the impact of the Digital Revolution on mail volumes is still being assessed, but it can be strongly asserted that technological advances will also have a beneficial and synergistic impact on the postal sector. Postal services can be used as an extension of digital communications media into areas where these do not currently exist, or in combination with them to produce new applications. Furthermore, incorporation of modern technologies into postal operations has led to new services for postal customers, lower prices, better quality and more efficient operational and administrative processes.

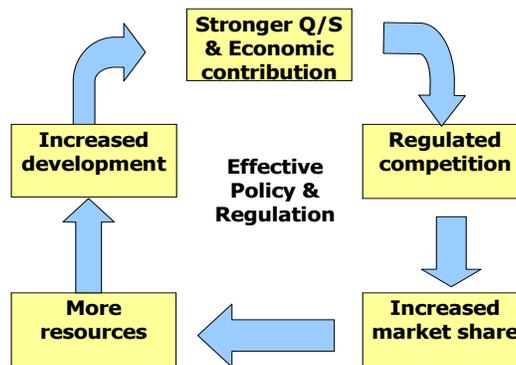
While many countries have enacted postal reform programs to respond to and take advantage of the factors described above, progress in this area has not been uniform. Many countries are still operating with outdated postal laws, ineffective regulation, and a lack of clarity and commitment concerning universal postal services. Absent a program of effective postal reform, the above factor can have a significant negative impact on postal markets and the provision of universal service, leading to a "vicious cycle of ineffective regulation, underinvestment and deteriorating quality of service. The net impact of these factors impacts not only the postal sector, but also the economy and national competitiveness at large.

The Cost of doing nothing – the “Vicious Cycle”



In response to the challenges inherent in providing universal postal services within a competitive postal environment, many governments have enacted sustainable reform programs. These reform programs have featured a wide variety of institutional formats for the public operator including privatization (Germany, the Netherlands), concessions (Argentina, Guatemala, Lebanon), management contracts (Tanzania, Trinidad and Tobago), corporations (Lao PDR, Morocco, New Zealand), and even maintenance of the status quo as a government entity (Brazil). They have also utilized a wide variety of strategies to increase private sector investment and expertise in the postal market. However, these reforms have all been based on the development of progressive sector policies, modern postal laws, and effective regulation as the surest way of converting the "vicious cycle" into a "viable cycle."

“Viable Cycle”



III. National Context- Benefits of Postal Reform in Egypt

There are many compelling reasons for enacting postal reform in Egypt.

- First, the postal market in Egypt is performing below potential and not fully meeting the needs of individual and business mailers. This is demonstrated by the low per capita level of mail in Egypt (3.2 pieces per person annually - see figure 1) in comparison with countries immediately above (5.8 pieces) and immediately below Egypt (5.0 pieces) in terms of GDP per inhabitant (PPP method). Productivity in terms of items handled per employee is also lower than in analogous postal markets as measured by GDP. Furthermore, the level of investment in terms of postal spending is relatively low (\$1.39) in comparison with a wide range of other countries (see figure 2). As figure 3 indicates, spending on postal services is clearly an important element in the development curve. In short, the postal market in Egypt is performing below capacity and provides room for expansion and additional private sector investment.

Indicator	GDP/inhab. PPP	LC posted/ Inhab.	LC posted/ Employee	Revenue/ Employee	Expense/ Employee
Source UPU-2004					
Average 5 countries with GDP > Egypt	\$4,900	5.8	8976	SDR ,3183	SDR 4,878
Egypt	\$4,400	3.3	5253	SDR 6,665	SDR 6,337
Average-5 countries 5 countries with GDP > Egypt	\$4,200	4.4	8738	SDR 3,341	SDR 3,348

Note: Revenue and expense figures for Egypt include postal and financial services and will be adjusted in the final version

Figures 1 and 2

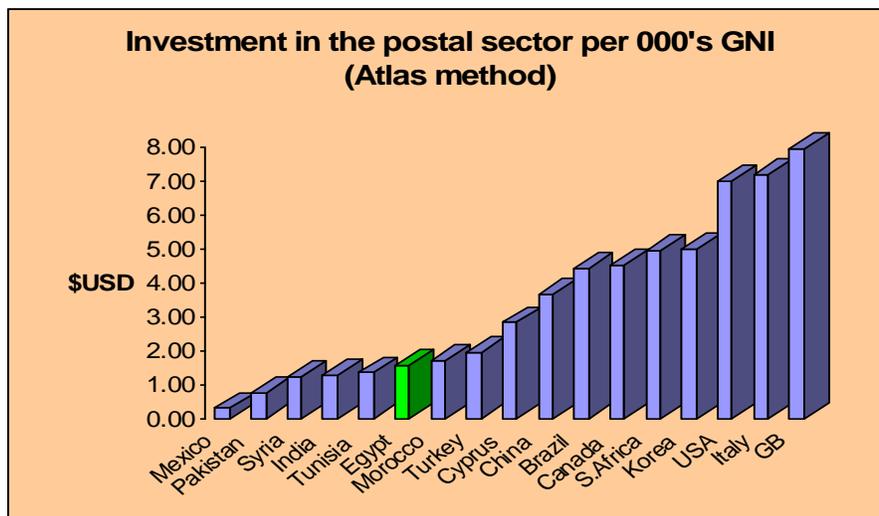
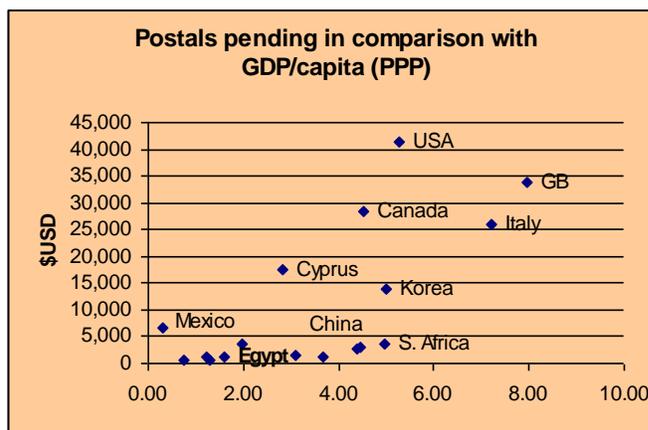


Figure 3



- The postal market is also performing below potential in terms of quality and innovation. As a demonstration of this, nearly 1/3 of the domestic letter mail volume handled by the Public Operator Egypt Post (EP) is registered mail items. While much of this mail is

government mail requiring proof of delivery, the this extra added level of security for so large a portion of the mail also indicates that customers are willing to pay a premium for regular mail service just to ensure delivery.

- Next, the lack of a clear postal sector policy and modern regulations has led to a "fragmented" postal market in terms of supply. There are 12 private postal operators licensed to carry courier (express) mail. However, due to the ambiguity concerning the definition of universal service in the postal legal and regulatory framework, some of these operators also offer regular mail services as do a large range of unlicensed operators. The resulting "fragmentation" of networks and mail flows reduces potential economies of scale and limits quality improvements and innovation based upon low unit costs.
- Third, despite having a high level of competition, the postal market does not have effective regulatory oversight. There is no identified regulatory function (Egypt Post issues licenses to operators) and a significant lack of transparency concerning policy, regulatory, and operator functions and responsibilities. There are no regulations concerning fulfillment of universal service obligations or an effective licensing regime to legitimize competition in the market. While EP has a "de jure" monopoly over all letters and parcels (see Postal Law 16/1970), this financing mechanism for universal service has been rendered ineffective due to the lack of clarity over market segments open to competition through licensing. Furthermore the postal laws and regulations lack the basic universal service definition that modern postal laws utilize to conform with UPU Convention requirements, namely:

Universal services (Article 12 of the UPU Convention)	
Minimum recommended services	Correspondence: -letters and cards up to 2 kilograms -Printed matter up to 5 kilograms -small packets up to 2 kilograms -literature for the blind up to 7 kilograms Parcels -Parcels and large packets up to 20 kilograms

- Since the current postal law lacks a universal service definition, a significant number of utility bills are "self-delivered" by the utilities, further reducing economies of scale. There is also a cost in terms of the cost of cash flows restricted by an inefficient mail market. The telephone company, for example, distributes its own bills quarterly because there is no system to distribute the bills and receive payments more frequently. There are approximately 15 million telephone accounts. If these bills were transmitted monthly through the postal system, they would produce significant economies of scale. Moreover, if they could be paid over postal counters, the resulting increase in more rapid cash flow would be significant.
- The current postal law also is deficient in not defining the "conditions" under which universal services will be provided in terms of: *access (coverage and availability), quality of service (transit times), continuity, security, and affordability.*

- A strengthened postal sector would be a valuable contributor to the accomplishment of Egypt's Millennium Development Goals and other national development priorities. One priority is utilization of the private sector as a catalyst for future development. The private sector accounts for a significant portion of the supply of postal services in Egypt, even though much of this supply is unlicensed. Egypt Post has also utilized private sector individuals and businesses to extend its universal service network and in partnerships for high value products. With proper regulation and market definition and the resulting market growth, this private sector participation could be increased significantly. Furthermore, as the Egyptian economy grows and as mail-heavy industries such as financial services and utilities expand, there will be an increasing need to have an efficient postal network to handle advertising, bill presentment and payment, and goods and cash transfers.
- Through arrangements in areas such as courier services and transportation, EP has also indicated its potential establishing public-private sector partnerships. There are demonstrated cases where effective postal sector policies and reform have led to significant increases in the level of such partnerships and in the level of private sector investment in public postal services (e.g., Brazil-financial services; Malta-FDI in equity; Trinidad and Tobago-management contracts). Postal services in countries such as Brazil have also demonstrated the value of postal networks in strengthening import and export channels. Through a unique arrangement with its customs counterparts, Brazil Post has been able to increase import and export flows and provide support for the growth of SMEs and other businesses.
- A comprehensive postal network can serve as an effective agent to increase the access to information that is the key to strengthening levels of participation in civil and economic life. This is particularly true in rural and isolated areas that have little access to other government or private services. Postal retail outlets can serve as "portals" to government services including registrations, licenses, tax documents, etc. Postal networks also are positioned at the center of three critical business flows: information, goods, and cash. In several countries (e.g., Brazil, Costa Rica), this unique positioning has been used to move towards a "business communications center" concept for posts that add value to the postal network and reduce the cost of maintaining a universal service network. The communications center concept has also been used to develop *hybrid mail* and other innovative mail products that synergize digital and physical communications media.
- Finally, the basic postal law in Egypt was developed before the drive to liberalize international trade regimes was initiated. As a result, regulatory reform is needed to prepare the postal sector for future changes in international postal regulatory regimes (WTO, GATS, UPU). As one example, the UPU is moving towards a quality and cost based terminal dues system. Egypt Post's inbound and outbound international letter-mail flows are more or less equal with its domestic flows. This means that this market segment and the economic viability of both public and private operators might be significantly impacted by such changes. Therefore, postal laws and regulations should be modernized to reflect such potential changes.

IV. Sector Policy Objectives

➤ Implement ongoing and sustainable postal reform

- The GoE undertakes the ongoing modernization of the postal sector through a progressive program of regulatory reform and capacity building.
- This reform program will meet the needs of individual and business mailers and the social and business responsibilities of the postal industry.
- Postal market development will maximize the positive impact of the mailing industry as a component of an effective ICT infrastructure.
- The role of the postal sector in strengthening business communications, import and export trade, and participation in civil and economic society will be strengthened.
- The program will increase efficiency, productivity, and innovation in the Egyptian postal market and develop the potential synergies available within the ICT infrastructure.
- Wherever possible, private sector participation and competition will be used as the catalysts for postal sector development.

➤ Ensure equitable access to universal postal services

- The GoE recognizes its obligation to define and provide high quality universal postal service to all Egyptian citizens.
- The GoE designates Egypt Post as the Public Postal Operator responsible for fulfilling this obligation according to defined terms between the GoE and the Public Operator.
- The GoE recognizes that within a competitive and liberalized postal market, it may not be possible to fully recover the costs of providing the universal service defined by the GoE; therefore, the GoE will establish a mechanism for recovering these costs (e.g., universal service fund).
- The funding mechanism for universal service will be established in a fully transparent manner and will not represent any distortion of competition in the postal market.
- Development and extension of universal postal services in terms of growth of delivery points, improved addressing systems, and other mechanisms will be pursued in the long term.
- The GoE will establish the regulatory functions and processes necessary to monitor and ensure the provision of adequate universal postal services within throughout the country.

➤ Define the obligations and requirements of the Public Postal Operator

- The Public Postal Operator will ensure that universal services are provided at the highest possible quality and the lowest possible cost.
- The Public Operator will provide the data concerning universal service costs required to facilitate the financing mechanism designed for this service.

- The GoE will ensure the effective commercial autonomy of the Public Postal Operator consistent with fair competition in the postal market.
- The GoE and the Public Postal Operator will establish a performance contract for the provision of universal services that adequately balances the requirement to provide high quality, comprehensive services with the requirements that this service be financially sustainable.

➤ **Regulate the Postal Sector**

- The GoE will establish an effective postal regulatory policy, laws, regulations, and functions that: maintain adequate universal postal services; stimulate competition for the provision of postal services; promotes private sector investment; and prepares the postal sector for future international regulatory and technological developments.
- The respective roles and responsibilities of the policy, regulatory, and operator functions for the postal sector will be defined and strengthened with transparent regulatory processes.
- The GoE will establish an independent Postal Regulator to ensure the effectiveness of regulatory principles (see Annex 1).
- Recognition will be given to the responsibility to establish clear and fair rules to the competitive portions of the postal market and to define the conditions and responsibilities for providing public and private services in this market.
- The regulatory process will be designed to monitor compliance with these responsibilities and enforce regulatory requirements.

➤ **Provide Postal Financial Services**

- The GoE will utilize the postal sector as an effective agent for distributing access to financial services to the widest possible range of citizens.
- Postal financial services will be designed to attract small savers and savers in remote areas that are not of interest to large commercial banks.
- Postal financial services strategies will be designed to increase accumulation of national capital, provide resources for national development, increase domestic and international capital flows, and incorporate more citizens into formal financial channels.

➤ **Promote Postal Sector Growth and Innovation**

- The GoE will require that the regulatory function monitor the ongoing level of growth and innovation in the Egyptian postal market and benchmark this progress against international standards. As part of this process, the regulatory function will also suggest projects that could stimulate further progress in these areas.
- The GoE recognizes the need to stimulate innovation in the postal market to respond to the unmet and emerging needs of customers for new and innovative postal products.

- The development of postal services, products, and systems that support e-Government and e-Commerce will be pursued through new and innovative products that combine digital/physical communications systems.
- The Government recognizes the potential for developing the postal sector in Egypt as a hub for regional postal development and growth.

V. Sector Policy Strategies

The following postal reform strategies will be used to achieve the sector development goals listed above:

1. Acquire the information necessary to make informed policy decisions concerning the Egyptian postal sector including: postal market studies, studies to define the cost of universal service, etc.
2. Define an acceptable level of universal services in terms of: access, quality of service, continuity, security, and affordability.
3. Draft and enact a new postal law that:
 - Defines universal service
 - Establishes a competition policy for the postal market
 - Identifies the regulatory function
 - Defines regulatory principles and processes to implement the law
 - Defines the role of the postal service in providing postal financial services
4. Encourage private sector investment in the postal marketplace by limiting the barriers to market entry to the minimum requirements for provision of customer responsive postal services (e.g., established facilities, regular and continuous services, published prices, etc.)
5. Build regulatory capacity to ensure the provision of universal service and maintenance of a fair and competitive marketplace.
6. Establish an independent regulatory function with responsibility to monitor the provision of universal services and maintain a fair and competitive marketplace. Ensure that the Regulator has sufficient independence from policy and operational functions and utilizes transparent processes for implementing postal law.
7. Draft and enact postal regulations to supplement the basic postal law and to define the processes that the regulator will use to monitor compliance with the postal law. Among other topics, regulations will cover:
 - Monitoring of universal service provision
 - Development and issuance of licenses for postal operators
 - Collection of licensing fees and other charges

- Management of universal service fund or other USO financing
 - Review and validation of cost data submitted by Public Operator to support requests for tariff changes
 - Representing consumers in regards to operators and their fulfillment of contractual obligations to customers
 - Settling disputes between or among operators
 - Defining and enforcing regulations concerning interconnectivity between and among operators
 - Assigning and collecting charges for infractions of postal regulations
 - Representing Egypt at international forums and meetings
 - Monitoring compliance of contract performance by Public Operator
8. Establish a performance contract between the GoE and the Public Operator concerning the provision and development of universal service.
9. Ensure the progressive commercialization of the Public Operator through a long-term development strategy and capacity building plans.

VI. Building consensus

Postal reform impacts a wide variety of stakeholders including individual and business mailers, public and private operators, employee associations, regulators, government ministries, etc. In order to succeed, postal reform must be based on a general consensus and comprehension among these stakeholders concerning the need for reform and the goals and strategies needed to achieve it. Stakeholder consensus building can best be achieved through postal reform workshops where reform objectives and strategies are presented and discussed.

It is envisioned that in the case of the postal reform proposed for Egypt, the first of these workshops would involve a general discussion of the main points of this Draft Postal Sector Policy. Once a final a final Postal Sector Policy is adopted workshops and forums would be necessary to discuss the draft new postal law that is proposed and later, the detailed regulations that would supplement this law.

VII. Responsibilities and milestones

Responsibilities, Milestones, and Resources

Implementing the postal reform proposed in this policy will require ongoing support and participation by a wide variety of stakeholders. The reform process is under the direction of the Ministry of Communication and Information Technologies (MCIT) with ongoing involvement by the following government function: Ministry of finance, Ministry of administration and development, Ministry of national solidarity, private sector operators, customers, employees, etc.

Ministry of Communication and Information Technology
Reimbursable Technical Assistance – September 2006
Table of Content for Deliverable on Postal Policy Unit

Setting-up of a Postal Policy Unit within MCIT

With a view to maximize the postal sector development and improve its contribution to the national economic growth and to poverty alleviation, the Government of Egypt is looking a strengthening the policy capacity of the MCIT on the postal sector. With international best practice calling for the separation between the Operator, the Policy Maker, and the Regulator, Egypt is progressively aiming at this target institutional organization. For the moment, MCIT is looking at setting-up a Postal Policy Unit.

The World Bank will provide support in the following areas:

- International experience and benchmark
- Current postal sector structure in Egypt and definition of development objectives
- Definition of a Postal Policy to achieve the development objectives
- How can MCIT best implement those strategic objectives
- A target organization for the Postal Policy Unit
- Job descriptions
- Budget

In this activity, MCIT and World Bank will use recent available material and analysis to optimize output delivery.

Telecommunication policies unit (MCIT)

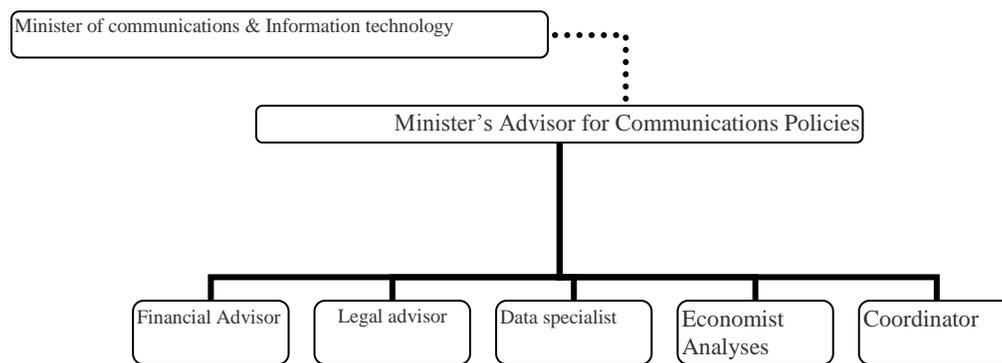
Objectives:

The primary objective of telecommunication policies Unit(TPU) is to advice about strategies and programs for assuring sustainable development of the sector and exploiting telecommunications for socio-economic development>In doing so, TPU is to develop and maintain an understanding of the status and potential development of the communications sector in Egypt. TPU is therefore to develop market intelligence about the Egyptian telecommunications market and monitor new developments in the international telecommunications market that might affect the Egyptian telecommunication industry.

In doing so, the following set of functions will be primarily:

- International coordination: Liaising with international telecommunications bodies such as ITU, ATU, Arab League, etc.
- Follow up Frame Agreements for telecommunication sector: investments of vendor, suppliers, development of value added technical support in the country and analyze the impact of on the foreign currency balance of the sector.
- Market Observatory: carries-out benchmarking exercises and analyses trends in the telecommunications sector locally and internationally for developing an understating of the current-status and future development of the telecommunications sector in Egypt and how we compare to other countries.
- Universality: analyses the needs for basic telecommunication services, defines investment needs, identifies methods for financing and monitors the implementation.
- Licensing: polices: assessing the impact of market liberalization on the telecommunications sector in Egypt , preparing action plans for implementing the national policy towards expanding telecommunication services in cooperation with NTRA.
- Tariffing: monitors the tariff plans for various services, and carries out analysis of the impact of new tariffs.

Structure:



Job description

1. Financial Advisor

- Develop financial planning models for the ICT sector, including budgets and quarterly forecasts;
- Liaise and work with TPU and other units within the Ministry on regular basis to develop annual and longer terms plans/forecasts;
- Improve financial analysis function through information gathering and structure reporting;
- Improve financial analysis for planning process;
- Assist in initiatives related to raising the effectiveness of the sector.

Salary: EGP 5000/Month

2. Legal Advisor

- Tracking new draft laws and analyzing their potential impact on the telecommunications sector.
- Preparing responses and legal memos concerning draft laws.
- Coordination grafting of new laws of relevance to the telecommunications sector.
- Drafting and negotiating various forms of legal contracts and agreements to which MCIT is party.
- Coordinating legal advice on matters of interest to the telecommunications sector.
- Analyzing compliance with legal requirements of various trade agreements.
- Liaising with various legal entities concerning matter of interest to the telecommunications sector.
- Write report and make presentations related to legal issues.

Salary: EGP 2000/ Month

3. Data Specialist

- Collecting information related to services tariffs (locally and internationally) market structure, and other information that would be needed for market analysis;
- Assisting identifying research needs, and interpret result;
- Analyzing and presenting complicated and disparate information in a coherent and useful way;
- Report writing, and assisting in preparation of and participation in presentations.

Salary: EGP 3000/ Month

4. Economist Analyses

- Analysis of trends and projection of future demand for telecommunications services

- Prepare short, medium and long term demand forecast and how Demand Side Management (DSM) measures contribute to system operation and planning
- Monitor local and international economic indicators that may affect the telecommunications procurement decision and recommend appropriate measure where necessary
- Identify and commission research related to telecommunications sector planning activities
- Write report and make presentations.

Salary: EGP 1900/ Month

5. Coordinator

- Manage office-filing system in a professional manner.
- Demonstrate excellent typing skills (Arabic and English).
- Maintain office communication and handle incoming messages.
- Prepare presentation material.
- Handle arrangements for external events such as meeting, conferences, etc.
- Ensure the timely maintenance of office equipment(fax copier, computers et(c).

Salary: EGP 1800/Month

Human resources management rules

Egyptian Labor Law No.12/2003 & its Executive Order

Budget

EGP 5 Million/ Year

WTO Director-General Pascal Lamy, UPU Annual Conference in Dubai (November 2006)



Ladies and gentlemen,

I am glad to have the opportunity to speak to you on the occasion of the UPU Strategy Conference in Dubai, the major event of the year for the postal sector. I especially want to thank Mr. Edouard DAYAN for inviting me to make this speech. Mr. DAYAN and I are good friends dating back many years.

As you are aware, the UPU is one of the oldest international organization in the world. Its mission is to facilitate communication among the people of the world, notably through the provision of a quality universal postal service. Its establishment shows that quite a long time ago, people already recognized the importance of communication in their lives and the need for international cooperation in facilitating communication. Throughout its long history, the UPU has steadfastly pursued its objectives and has constantly expanded its field of activities. Today, over 660,000 postal outlets of the 191 UPU member countries constitute the largest physical distribution network in the world.

Our society has dramatically changed since the establishment of the UPU, especially during the latest two decades. Many new means of communication have emerged with the information technology revolution. Yet, communication remains more important than ever in the current wave of globalization. New wireless and internet technologies can be faster and even sometimes cheaper means than traditional postal services. They have presented particular challenges to the postal sector. However, we have noticed today that the UPU, leading the postal sector, continues to play an important role in facilitating communication and that Posts are increasingly using new technologies to move beyond their traditional postal business. As the general theme of this conference has shown, the UPU has an open vision for the future: it does not hesitate to take action to "shape the future of the postal sector".

As the Director-General of the WTO, I have to admit that compared to the 132-year-old UPU, the WTO is still very young. Despite the gap of age, UPU and WTO share many common interests and values.

For both UPU and WTO, development is the ultimate objective. While continuing to fulfill its fundamental mandate to ensure the provision of universal postal service, during the last decade, the UPU has focused its efforts to transform the postal sector by encouraging and assisting its member countries to embrace new technologies, undertake postal reform, introduce competition, and liberalize the postal market. We understand that this transformation aims to modernize the postal sector and convert protected public postal entities into competitive and customer-oriented businesses so as to maximize the postal sector's contribution to economic and social development. It appears to me that universal postal service can be entirely compatible with postal reform. The UPU has developed a strategy to facilitate the integration and development of the physical, electronic and financial networks at the international level and among UPU member countries. This is a critical process, in which I believe Mr. Edouard DAYAN has been instrumental and farsighted. Obviously, this strategy will optimize the use of the postal network and new electronic technologies and lower transaction costs, which is of particular importance for the economic development in developing countries. What we are pursuing in the WTO is to

contribute to development through rule-based market opening and trade liberalization. As you all know, the current round of trade negotiations in the WTO, the Doha Development Agenda, aims at providing developing countries with real market opportunities and thus contributing to their economic development.

Openness is vital for both UPU and WTO. Noting more and more new players operating in the postal market, in 2004, the UPU created a permanent body, the Consultative Committee, to integrate the private sector into the organization and to take on board the ideas, interests and activities of the stakeholders in its work. This step towards greater openness, in fact, reflects a necessity for national governments and international institutions in today's globalization where global governance cannot be effectively conducted without the involvement of stakeholders in the decision-making process. Having an important role to play in global governance, the WTO, like the UPU, is open to dialogue and always ready to respond to the voice of stakeholders and the civil society.

More specifically, these two organizations are closely linked by trade. Postal services remain an important means of communication supporting trade and other economic activities. The new UPU strategy of integrating the physical, electronic and financial networks could dramatically facilitate expanding global trade. In addition, postal services constitute an important sector of trade in services. The General Agreement on Trade in Services (GATS), has established a multilateral framework of principles and rules for trade in services, which apply to postal services as well. Under the GATS, WTO Members enter into successive rounds of negotiations where they make specific commitments in market access and national treatment with a view to achieving a progressively higher level of liberalization. These commitments will provide legal certainty, predictability and transparency to trade in services, including postal services. In the current round of negotiations, WTO Members have been engaging in negotiations on postal and courier services through a request-offer process, either on a bilateral or on a plurilateral basis. Focusing on services that are provided on a competitive basis, these negotiations have addressed important issues in this sector, such as uncertainty of classification, market access and national treatment restrictions, and regulatory measures, which affect operators and consumers.

We all agree that there is a need for cooperation between UPU and WTO to ensure the coherence of their activities. In fact, such cooperation is already underway. Secretariat staff of UPU and WTO have been exchanging information on a regular basis. Recently, the UPU obtained ad hoc observer status to the Council for Trade in Services in the WTO. The UPU will be invited to meetings of the Council when an item relating to postal services is included in the agenda.

I believe that through our efforts, both UPU and WTO can make greater contribution to the wellbeing of people. I am confident that this conference will be a great success.

Thank you for your attention.

Licenses and authorizations

Germany

http://www.bundesnetzagentur.de/enid/6281e5ca3c9f0e3a5ecb036d63343e4f,0/Regulation_postal_market/Licenses_2ll.html

Ireland

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Belgium

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