



441 G St. N.W.  
Washington, DC 20548

September 26, 2016

Congressional Requesters

## International Mail: Information on Designated Postal Operators and Universal Service in Selected Countries

The United States Postal Service (USPS) exchanged approximately 940 million pieces of mail with more than 190 countries in 2015. This mail exchange generally occurs under agreements negotiated through the Universal Postal Union (UPU), a United Nations agency that facilitates the exchange of international postal service. The UPU's mission is to "to facilitate communications between the inhabitants of the world by: guaranteeing the free circulation of postal items over a single postal territory composed of interconnected networks."<sup>1</sup> The UPU facilitates this single global postal territory through multilateral agreements, some of which are updated and signed by all member countries every 4 years, wherein member countries promise to deliver mail sent from other member countries and to reimburse each other for the delivery of that mail.<sup>2</sup>

The UPU's member countries agree to create this single postal territory by, among other things, ensuring a right to universal postal service consisting of quality basic postal services over their entire territory at affordable prices.<sup>3</sup> Each member country can implement this universal postal service obligation (USO) as it deems appropriate. For example, each country can determine what type and level of postal service, such as letter mail, that it believes meets the universal service obligation.<sup>4</sup> Additionally, each country can designate one or more postal operators to provide universal postal service. However, only two UPU member countries have selected more than one designated postal operator.<sup>5</sup>

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<sup>1</sup>Universal Postal Union, *Constitution of the Universal Postal Union*, "Preamble".

<sup>2</sup>UPU member countries are divided into six groups based on gross national income per capita and the cost for the designated postal operators to deliver letters to determine the level of reimbursement due each country. For mail flows from transitional (previously referred to as developing) countries, terminal dues rates are based primarily on worldwide average costs and are typically lower than target (previously referred to as industrialized) countries for lightweight mail items, such as letters. For mail flows from target countries, terminal dues are based on country-specific postage rates (currently 70 percent of domestic postage rates).

<sup>3</sup>Universal Postal Union, *Universal Postal Convention*, Article 3.

<sup>4</sup>Letter mail is generally defined by the UPU as, among other things, letters and postcards, aerogrammes, printed matter (newspapers, periodicals), addressed or unaddressed advertising materials, small packets, and literature for the blind. Universal Postal Union, *Universal Postal Convention*, Article 13.

<sup>5</sup>According to the UPU, Kyrgyzstan has two designated postal operators which are both licensed to provide unrestricted postal services throughout the country (see Universal Postal Union, *Country Information on the Universal Postal Service: Kyrgyzstan*, updated November 2014, accessed July 5, 2016, <http://www.upu.int/fileadmin/documentsFiles/theUpu/statusOfPostalEntities/kgzEn.pdf> for more information). Bosnia and Herzegovina has three designated postal operators that deliver in separate geographic zones within the country (see Universal Postal Union, *Country Information on the Universal Postal Service: Bosnia and Herzegovina*, accessed July 5, 2016, <http://www.upu.int/fileadmin/documentsFiles/theUpu/statusOfPostalEntities/bihEn.pdf> for more information). In addition, other countries, such as Denmark in the case of Greenland, may have different

You asked us to examine how countries without a mail delivery monopoly select designated postal operators and assure that those operators can meet their universal service requirements. This report describes how selected countries without a mail delivery monopoly: (1) selected their designated postal operator; (2) define and implement their universal service obligation; and (3) seek to assure that designated operators meet the universal service obligation. As a practical matter, countries without a mail delivery monopoly may have multiple postal operators that could provide universal delivery of letter mail.

To select countries for our analysis, we first identified the 50 countries that exchanged the highest volume of mail with the United States using available USPS data on inbound and outbound international mail volume to and from the United States for 2015. We used information from the UPU on these countries' postal services to determine which of those 50 countries did not have a letter delivery monopoly.<sup>6</sup> We then selected 10 of these countries based on characteristics that would provide us a diverse sample of countries that (1) did not have a letter mail delivery monopoly, and (2) exchanged the most mail with the United States. Specific characteristics we considered included: (1) the extent of privatization of designated postal operators,<sup>7</sup> (2) level of economic development,<sup>8</sup> (3) European Union (EU) membership status,<sup>9</sup> and (4) availability of information in English. We selected the following countries for analysis: the Czech Republic, Fiji, France, Germany, Japan, the Netherlands, New Zealand, Philippines, Singapore, and the United Kingdom (UK). These countries represented about 27 percent of the total volume of mail the United States exchanged internationally in 2015. We assessed the reliability of the data used to make our country selections by reviewing documentation related to how the data are collected and processed. We found these data to be sufficiently reliable for the limited purpose of selecting countries for our review.

For all of our objectives, we reviewed information available on the national government agencies responsible for regulating their postal industry (the postal regulatory agency), designated postal operator websites, annual reports from postal regulatory agencies and postal operators, and information collected by the UPU from postal operators. To examine how the countries we selected defined and implemented their USO, we used elements of universal service identified by the Postal Regulatory Commission (PRC) in its 2008 report on universal

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operators providing postal service in their dependent territories (see Universal Postal Union, *Country Information on the Universal Postal Service: Denmark*, updated August 2013, accessed September 7, 2016, <http://www.upu.int/fileadmin/documentsFiles/theUpu/statusOfPostalEntities/dnkEn.pdf> for more information).

<sup>6</sup>Universal Postal Union, *Status of Postal Entities*, accessed June 29, 2016, <http://www.upu.int/en/the-upu/status-of-postal-entities/about-status-of-postal-entities.html>.

<sup>7</sup>As several countries without a mail delivery monopoly have privatized their designated postal operator, we wanted to include countries with privatized and non-privatized designated postal operators to find any differences between how they implemented their country's universal service obligations. We determined the extent of privatization from UPU sources, such as the UPU's *Status of Postal Entities* website, and postal administration and regulatory websites for each country we considered.

<sup>8</sup>To determine economic development, we used the UPU's categorization of member countries based on its postal development index into six groups from industrialized countries to developing countries and selected a range of countries.

<sup>9</sup>EU countries must ensure that their universal service obligations provide for the collection, sorting, transport, and distribution of postal items weighing up to 2 kilograms and postal packages up to 10 kilograms, as well as services for registered items and insured items in both categories and meet certain standards. In addition, independent entities set the universal service standards and monitor progress toward meeting them. As a result, we selected countries both inside and outside of the EU, as EU countries are subject to the same general requirements for universal service, as well as specific requirements set by their own national governments.

postal service to provide a basic framework to collect information about our selected countries.<sup>10</sup> These elements include: geographic scope, product range, consumer access, delivery and collection, pricing, and service quality.<sup>11</sup> We added information on how universal service was funded for each country by collecting and analyzing information from various sources, including a 2016 USPS Inspector General report on how foreign countries fund their USO, as well as other reports by and websites of postal regulatory agencies and postal operators.<sup>12</sup> We collected and analyzed information we found on postal regulatory-agency, postal-operator, and UPU websites to complete this framework for all our selected countries. We did not independently verify this information with any foreign postal operator or government, but corroborated the information we obtained with USPS and U.S. State Department officials.<sup>13</sup>

We conducted this performance audit from January 2016 to September 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In summary, based on the information we obtained on the 10 countries in our review, there was little variation in how a designated postal operator is selected, but significant variation in terms of how universal service is defined and implemented, and the mechanisms used to assure the USO is being met, for example:

- Nine of the 10 countries formally selected their current designated postal operator directly or indirectly via statute.
- All 10 countries include similar elements in their USO definition, but have wide variation in how they implement elements of their USO.
- Each of the 10 countries has a government agency that regulates the country's designated postal operators to ensure that these universal service obligations are met. Some of these agencies have the power to direct postal operators to take actions to fulfill the USO or fine the designated postal operator if these obligations are not met.

### **Selected Countries Generally Identified Designated Postal Operators through Statute**

Based on the information we obtained about the countries in our review, such as annual reports and investor presentations and other documents, 9 out of the 10 countries formally selected their current designated postal operators either directly through statute or by a government

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<sup>10</sup>Postal Regulatory Commission, *Report on Universal Postal Service and the Postal Monopoly* (Washington D.C.: 2008). In the United States, the PRC is an independent federal regulatory agency that has regulatory oversight over USPS. For additional information on PRC's oversight activities and USPS performance information, see <http://www.prc.gov/> and <https://www.usps.com/>.

<sup>11</sup>The Commission identified an additional element of universal service—an enforcement mechanism—which we cover in describing how the countries we selected seek to assure that designated operators meet the universal service obligation.

<sup>12</sup>Office of Inspector General, United States Postal Service, *Funding the Universal Service Requirement*, RARC-WP-16-005 (Arlington, VA: Mar. 21, 2016).

<sup>13</sup>The State Department represents the United States in multinational postal organizations, such as the UPU, and therefore has current knowledge of foreign postal operators and postal regulatory and oversight agencies.

agency as directed by statute (see table 1). The exception is Germany, which has not formally selected the country's largest postal operator, Deutsche Post AG, as its designated postal operator. However, according to the German postal regulatory agency, Deutsche Post AG, with over 87 percent of the licensed letter market in Germany in 2013, acts as the country's designated postal operator.<sup>14</sup> All 10 countries have one postal operator registered with the UPU as that country's sole designated postal operator.

**Table 1: Selection of Designated Postal Operators in Selected Countries**

Country	Designated postal operator	How selected
Czech Republic	Czech Post	Postal regulatory authority named the designated postal operator, as required by statute
Fiji	Post Fiji	Postal operator designated in statute
France	La Poste	Postal operator designated in statute
Germany	Germany has not formally designated a postal operator. Deutsche Post AG acts as the designated postal operator.	N/A
Japan	Japan Post Company, Ltd. (Japan Post)	Postal operator designated in statute
Netherlands	Royal PostNL N.V.	Postal regulatory authority named the designated postal operator, as required by statute
New Zealand	New Zealand Post Ltd. (New Zealand Post)	Postal operator designated in statute
Philippines	Philippine Postal Corporation (PHLPost)	Postal operator designated in statute
Singapore	Singapore Post, Ltd. (Singapore Post)	Postal regulatory authority named the designated postal operator, as required by statute
United Kingdom	Royal Mail Group, Ltd. (Royal Mail)	Postal regulatory authority named the designated postal operator, as required by statute

Source: GAO analysis. | GAO-16-813R

Note: GAO analyzed information on the websites of the Universal Postal Union and of the postal regulatory agencies and designated postal operator in selected countries.

More information on the postal systems in each of these countries can be found in enclosure I.

### **Selected Countries Have Broad Similarities in their Universal Service Definition with Differences in Implementation**

Based on the information we obtained on the 10 selected countries in our review, each of the countries, overall, included similar elements in their definitions of their universal service obligations. For example, when defining their universal service, all 10 countries mentioned one or more of the following: the types of products to be delivered, pricing, or how often mail was to be delivered and collected (see table 2).<sup>15</sup>

<sup>14</sup>Bundesnetzagentur, *Annual Report 2014* (Bonn, Germany, 2015).

<sup>15</sup>With respect to the United States, Title 39 of the U.S. Code states that USPS "shall have as its basic function the obligation to provide postal services to bind the Nation together through the personal, educational, literary, and business correspondence of the people. [USPS] shall provide prompt, reliable, and efficient services to patrons in all

**Table 2: Summary of Universal Postal Service Definitions for Selected Countries**

Country	Summary definition of universal postal service
Czech Republic	"Quality postal services must be provided nationwide at cost based, affordable prices."
Fiji	"Provide all in Fiji with a universal letter service; deliver standard letters within Fiji at a uniform price; and ensure that the postal service is accessible on an equitable basis to all in Fiji."
France	"The provision of services for correspondence, newspapers and periodicals, catalogues, parcels, and registered and insured items, among other postal items."
Germany	"Access, delivery and collection, pricing, and service quality requirements that apply nationwide to a range of postal products."
Japan	"Postal services should be provided at the lowest possible expense, on a nationwide scale and in a manner fair to all."
Netherlands	"Provide required services at an affordable price under uniform conditions."
New Zealand	"Provide delivery throughout New Zealand with certain frequencies and a defined network of post offices and post boxes."
Philippines	"Operate a nationwide postal system with a network that makes ordinary mail service available to all settlements in the country."
Singapore	"Services for the conveyance and delivery of letters to any person in Singapore who requests such services; and providing and maintaining post offices and posting boxes throughout Singapore."
United Kingdom (UK)	"The delivery and collection of mail everywhere in the UK at affordable and uniform prices, every working day (and on Saturday for letters)."

Source: Information GAO obtained from the websites of the Universal Postal Union and of the postal regulatory agencies and designated postal operator in selected countries. | GAO-16-813R

For geographic scope, all countries defined and implemented service as nationwide. However, the information we obtained also showed that each country implemented the other specific elements of universal postal service differently: product range, consumer access, delivery and collection, pricing, and service quality. In addition, all of our selected countries had different definitions for and levels of specificity for how these elements were to be implemented by their designated postal operator charged with providing universal service. For example:

- **Customer Access:** New Zealand Post is required to maintain a network of 1,910,010 delivery points (or addresses for the delivery of mail) throughout the country, while Singapore Post is required to "[provide and maintain] letter boxes and post offices throughout Singapore."<sup>16</sup>
- **Delivery and Collection Requirements:** France's La Poste must deliver and collect postal items covered by the universal service every business day (6 days per week). New Zealand Post is required to make deliveries at least 3 days per week to 99.88 percent of delivery points and deliveries between 1 and 5 days per week to the remainder of delivery points and there are no collection requirements.<sup>17</sup>

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areas and shall render postal services to all communities. The costs of establishing and maintaining the Postal Service shall not be apportioned to impair the overall value of such service to the people." 39 U.S.C. § 101(a).

<sup>16</sup>New Zealand information source: Ministry of Business, Innovation, and Employment, *Postal Deed of Understanding*, last updated March 15, 2016, accessed May 18, 2016, <http://www.mbie.govt.nz/info-services/sectors-industries/technology-communications/postal-services/postal-deed-of-understanding>.

Singapore information source: Universal Postal Union, *Status of Postal Entities*, accessed March 31, 2016, <http://www.upu.int/fileadmin/documentsFiles/theUpu/statusOfPostalEntities/sgpEn.pdf>.

<sup>17</sup>France information source: Universal Postal Union, *Status of Postal Entities*, accessed Apr.11, 2016, <http://www.upu.int/fileadmin/documentsFiles/theUpu/statusOfPostalEntities/fraEn.pdf>.

New Zealand information source: Ministry of Business, Innovation, and Employment, *Postal Deed of Understanding*.

- *Pricing:* Japan Post must provide services at the “least expensive rates” possible. Postage rates must be uniform nationwide and prices for mail less than 20 grams must not exceed 80 Yen.<sup>18</sup> The prices of mailing periodicals, academic publications, agricultural seeds, and items for the blind must be discounted. The Philippines’ PHLPPost is required to have prices sufficient to finance the overall cost of providing the varied range of postal delivery and messenger services as well as the expansion and continuous upgrading of service standards.<sup>19</sup>

For more detailed information on how each of the 10 selected countries define and implement their universal service obligations, see enclosure I.

In addition to how countries define and implement universal postal service, we found information that indicated the selected countries also varied in how they fund universal service, either by requiring the designated postal operator to fund universal service out of its own revenues or by paying the designated postal operator out of public funds to cover those costs. For example, Japan Post partially funds its universal service obligations out of its non-postal (such as banking and insurance) revenues while the government of Fiji subsidizes Post Fiji to provide rural mail service and the government of France has provided grants, tax exemptions, and lines of credit to La Poste to provide universal service.

### **Selected Countries Use a Variety of Mechanisms to Assure Universal Service Obligations Are Met**

Based on the information we obtained about the 10 selected countries in our review, all 10 countries have a regulatory agency that monitors the country’s postal industry, including the designated postal operator. However, they use a variety of mechanisms to ensure their USO is being met. For example, all but one country publishes performance information for the designated postal operator, and five countries give their postal regulatory agency the power to direct postal operators to take actions to fulfill the USO or to fine the designated postal operator if these obligations are not met. Specifically:

- Each selected country has a government agency (i.e., the postal regulatory agency) that regulates the country’s designated postal operators. Five countries have postal regulatory agencies that are described as independent oversight agencies, and the other five have postal regulatory agencies that are part of a government ministry. These agencies may also have regulatory authority over other industries, such as other communication areas (such as telecommunications) or have regulatory responsibilities for broader consumer protection or other government-controlled corporations.
- In 9 of the 10 countries, either the designated postal operator or the postal regulatory agency publish or are required to publish postal quality service standards and performance results on a quarterly or annual basis. For example, the UK’s postal regulatory agency, the Office of Communications, issues a monitoring report each year

<sup>18</sup>Approximately \$0.78 in July 2016.

<sup>19</sup>Japan information source: Consumer Postal Council, *Universal Postal Service in Major Economies* (Arlington VA, June 2015) and Universal Postal Union, *Country Information on the Universal Postal Service: Japan*, accessed March 31, 2016, <http://www.upu.int/fileadmin/documentsFiles/theUpu/statusOfPostalEntities/jpnEn.pdf>.

Philippines information source: Universal Postal Union, *Status of Postal Entities: Philippines* accessed Apr. 11, 2016, <http://www.upu.int/fileadmin/documentsFiles/theUpu/statusOfPostalEntities/phlEn.pdf>.

for the postal sector that includes performance results for Royal Mail and other postal operators in the UK. These performance results included, among other things, performance against delivery targets by class of mail and the number of postal code areas where these delivery targets were not met.<sup>20</sup>

- In five of the selected countries, the postal regulatory agency can direct the designated operator or any postal operator to take action to provide specific postal services to fulfill their universal service obligations.
- In five selected countries, the postal regulatory agency can also impose fines on postal operators for not meeting their universal service obligations. For example, the Info-communications Development Authority can fine Singapore Post \$50,000 in Singapore dollars per month per violation for non-compliance with these standards.<sup>21</sup>

For more information on how the 10 countries enforce their universal service obligation, see enclosure I.

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We provided a draft of this product to USPS, PRC, and the U.S. Department of State for their review and comment. USPS and the State Department provided technical comments that were incorporated as appropriate. PRC did not provide any comments. We are sending copies of this report to the Postmaster General of USPS, the Acting Chairman of the PRC, the Secretary of State, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-2834 or [rectanusl@gao.gov](mailto:rectanusl@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. In addition to the contact named above, Derrick Collins (Assistant Director), Greg Hanna (Analyst in Charge), Camilo Flores, Kenneth John, Mike Mgebroff, and Amy Rosewarne made key contributions to this report.



Lori Rectanus  
Director, Physical Infrastructure Issues

Enclosure

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<sup>20</sup>For example, the Office of Communications' delivery standards state that 93 percent of all first class letter items in the UK should be delivered by the next day after posting and 98 percent of all second class mail items should be delivered by the third day after collection. According to the Office of Communications, Royal Mail did not meet next day delivery standard for 9 of the 118 UK postal code areas where this standard applied in the 2014—2015 measurement period although the measured results were within the acceptable margin for error for Ofcom's calculation. Office of Communications, *Annual Monitoring Update on the Postal Market, Financial Year 2014-2015* (London, United Kingdom: Nov. 27, 2015). See enclosure I for more examples of how each country defined and monitored adherence to their postal quality of service standards.

<sup>21</sup>Approximately \$37,000 in July 2016.

*List of Requesters*

The Honorable Jason Chaffetz  
Chairman

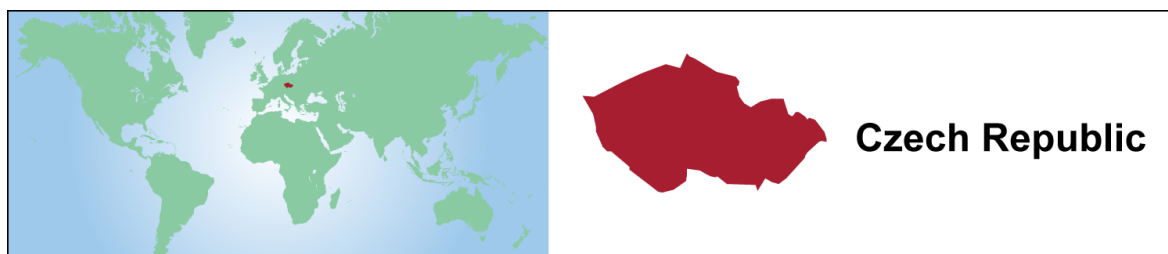
The Honorable Elijah E. Cummings  
Ranking Member  
Committee on Oversight and Government Reform  
House of Representatives

The Honorable Mark Meadows  
Chairman

The Honorable Gerald E. Connolly  
Ranking Member  
Subcommittee on Government Operations  
Committee on Oversight and Government Reform  
House of Representatives



## Enclosure I: Summaries of Selected Countries' Postal Environments<sup>1</sup>



Source: Map Resources. | GAO-16-813R

### **Designated Postal Operator and the Postal Environment**

*Total National Mail Volume:* 2.4 billion domestic letter post items (2014).<sup>2</sup>

*Designated Operator:* Czech Post, a government-owned enterprise (est.1993).<sup>3</sup>

*Postal Regulator:* The Czech Telecommunications Office (CTO) is a government agency which:

- maintains a list of operators;
- performs analyses of the general availability of the basic services;
- examines the need to impose the obligation to provide and ensure the basic services; and
- makes decisions to grant postal licenses and monitors whether the operators meet their universal and quality of service obligations.<sup>4</sup>

In addition, the Czech Ministry of Industry and Trade, a government agency, administers postal policy and legislation, issues postage stamps and represents the Czech Republic to the Universal Postal Union (UPU).

*Selection of Designated Postal Operator:* On February 22, 2013, CTO granted Czech Post a license as the designated postal operator and universal service provider. The license requires Czech Post to perform basic services and duties as the Czech Republic's UPU representative.

*Postal Operator Licensing or Registration System:* Postal operators are required to notify CTO of their business activities prior to initiating services but are not required to obtain a license.

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<sup>1</sup>We collected and analyzed information we found on postal regulatory agency, postal operator and Universal Postal Union websites to document information for all our selected countries. We interviewed USPS and U.S. State Department officials to corroborate the information we collected. We did not independently verify this information with any foreign postal operator or government.

<sup>2</sup>Universal Postal Union, *Global or Regional Estimates: Czech Republic*, accessed June 14, 2016, [http://pls.upu.int/pls/ap/spp\\_report.main?p\\_language=AN&p\\_choice=BROWSE](http://pls.upu.int/pls/ap/spp_report.main?p_language=AN&p_choice=BROWSE).

<sup>3</sup>Public mail delivery was established by a predecessor to Czech Post in 1918.

<sup>4</sup>Universal Postal Union, *Status and Structures of Postal Entities: Czech Republic*, updated 2013, accessed Apr. 11, 2016, <http://www.upu.int/fileadmin/documentsFiles/theUpu/statusOfPostalEntities/czeEn.pdf>.

Only the universal service provider, Czech Post, is required to have a license for postal operations.<sup>5</sup>

*Other Licensed or Registered Operators:* CTO reported in 2016 that there were a total of 28 postal operators in the Czech Republic.<sup>6</sup> In addition to Czech Post, postal operators provide domestic and international letter services, as well as domestic and international parcel and express post services.

### **Universal Service Obligation**

*Definition:* Quality universal postal services must be provided nationwide at cost-based, affordable prices.<sup>7</sup>

*Geographic Scope:* Nationwide

*Product Range:* Universal service obligations include the delivery of postal items up to 2 kilograms, parcels up to 10 kilograms, money by postal order, registered and insured items, free delivery of postal items up to 7 kilograms for the blind, and services that have to be provided pursuant to UPU membership.<sup>8</sup>

*Consumer Access:* Residents in rural areas must not be farther than 10 kilometers from a post office. Residents in urban areas must not be farther than 2 kilometers from a post office. Customers in areas with more than 10,000 inhabitants must not be more than 1 kilometer from the nearest letter box. In rural areas, one letter box in every residential unit is required.<sup>9</sup>

*Delivery and Collection:* Postal operators must deliver and collect mail at least once each working day (5 days per week).<sup>10</sup>

*Pricing:* Prices must be affordable and cost based. CTO is responsible for regulating domestic and international postal rates charged to Czech Post customers.<sup>11</sup>

*Service Quality:* CTO requires 92 percent of mail to be delivered in one day after collection.<sup>12</sup>

*Funding of Universal Service Obligation:* Czech Post may request a designated government fund pay for the net costs of universal service that are determined to represent an unfair financial burden. CTO determines the total amount of net costs that represent an unfair financial burden. Reimbursements for unfair financial burdens cannot exceed 600 million Czech koruna

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<sup>5</sup>Universal Postal Union, *Status and Structures of Postal Entities: Czech Republic*.

<sup>6</sup>Czech Telecommunications Office, *Database of Postal Operators*, accessed June 30, 2016, <https://www.ctu.eu/vyhledavaci-databaze/evidence-provozovatelu-poskytujicich-nebo-zajistujicich-postovni-sluzby>.

<sup>7</sup>Universal Postal Union, *Status and Structures of Postal Entities: Czech Republic* and Universal Postal Union, *Country Information on Universal Postal Service: Czech Republic*, information provided to the UPU by the Czech Ministry of Industry and Trade on June 14, 2013, accessed June 2, 2016, <http://www.upu.int/fileadmin/documentsFiles/activities/regulatoryIssues/czeEn.pdf>.

<sup>8</sup>Czech Telecommunication Office, *Universal Services*, accessed May 18, 2016, <https://www.ctu.eu/basic-services>.

<sup>9</sup>Universal Postal Union, *Country Information on Universal Postal Service: Czech Republic*.

<sup>10</sup>Universal Postal Union, *Country Information on Universal Postal Service: Czech Republic*.

<sup>11</sup>Universal Postal Union, *Country Information on Universal Postal Service: Czech Republic*.

<sup>12</sup>Czech Post, *Annual Report 2015*, (Prague, Czech Republic, Mar. 18, 2016).

(CZK) for 2016, and 500 million CZK for 2017 and subsequent years.<sup>13, 14</sup> Czech Post's unfair financial burden for 2013 was estimated to be 27 million Euros.<sup>15</sup> During 2015, Czech Post received 700 million CZK from the compensation fund as reimbursement for unfair universal service costs.<sup>16, 17</sup>

### **Mechanism for Enforcing the Universal Service Obligation**

CTO publishes the results of performance against quality of service standards and has the authority to levy fines for non-compliance with service quality standards.<sup>18</sup>

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<sup>13</sup>About \$25 million and \$20 million, respectively, in July 2016.

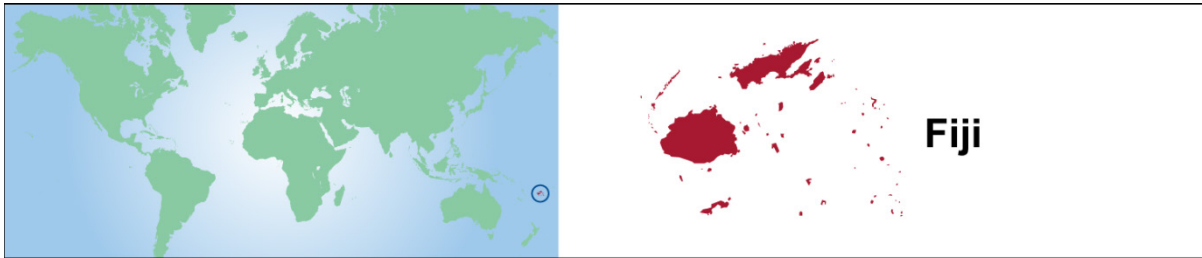
<sup>14</sup>Czech Post, *Annual Report 2015*.

<sup>15</sup>About \$30 million in July 2016.

<sup>16</sup>About \$29 million in July 2016.

<sup>17</sup>Czech Post, *Annual Report 2015*.

<sup>18</sup>Czech Telecommunications Office web site, accessed May 18, 2016, <http://www.ctu.eu/postal-services>.



Source: Map Resources. | GAO-16-813R

## **Designated Postal Operator and the Postal Environment**

*Total National Mail Volume:* No information found.

*Designated Postal Operator:* Post Fiji, Limited (Post Fiji), a government-owned corporation under the Ministry of Public Enterprises and the Ministry of Finance (est. 1996).<sup>19</sup>

*Postal Regulator:* The Department of Communications regulates the postal sector by developing and implementing policies, regulations, and legislation concerning postal communications. The Board of Post Fiji is accountable to the Government of Fiji for Post Fiji's overall performance and for performing its functions consistent with sound financial practice. The Fiji Commerce Commission is responsible for approving Post Fiji price proposals.

*Selection of the Designated Postal Operator:* Post Fiji was established as a corporate entity in 1996 as the designated postal operator for Fiji.

*Postal Operator Licensing or Registration System:* The Department of Communication regulates the legal framework of the communication industry, including postal service. According to information collected by the Universal Postal Union, private postal operators operate openly and are not regulated.<sup>20</sup>

*Other Licensed or Registered Operators:* Currently, there are six private postal operators in Fiji, as well as other smaller postal operators.<sup>21</sup>

## **Universal Service Obligation**

*Definition:* According to Post Fiji, universal postal service consists of providing all in Fiji with a universal letter service, delivering standard letters within Fiji at a uniform price, and ensuring that the postal service is accessible on an equitable basis to all in Fiji.<sup>22</sup>

*Geographic Scope:* Nationwide

*Product Range:* Post Fiji operates in a competitive market and does not have a monopoly for the conveyance of letter post products.

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<sup>19</sup>Public mail delivery was established by a predecessor to Post Fiji Limited in 1871.

<sup>20</sup>Universal Postal Union, *Status and Structures of Postal Entities: Fiji*, accessed Apr. 11, 2016, <http://www.upu.int/fileadmin/documentsFiles/theUpu/statusOfPostalEntities/fjiEn.pdf>.

<sup>21</sup>Universal Postal Union, *Status and Structures of Postal Entities: Fiji*. No information about the number of other smaller postal operators in Fiji was available.

<sup>22</sup>Post Fiji Limited, *About Us: Obligations*, accessed May 20, 2016, <http://www.postfiji.com.fj/pages.cfm/about-us/obligations.html>.

*Consumer Access:* No information found.

*Delivery and Collection:* No information found.

*Pricing:* Post Fiji sets postal rates. All price increases must be justified and submitted to the Government of Fiji Commerce Commission for approval.<sup>23</sup>

*Service Quality:* No information found.

*Funding of Universal Service Obligation:* Post Fiji has an obligation to make a profit. The Government of Fiji subsidizes rural postal services to a certain degree.<sup>24</sup>

### **Mechanism for Enforcing the Universal Service Obligation**

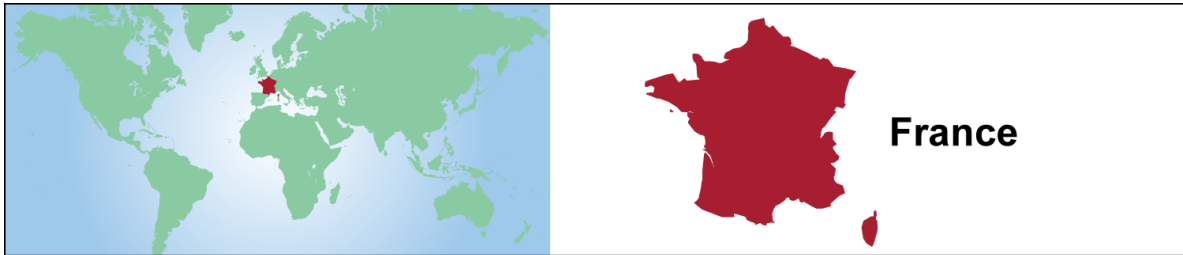
The Department of Communications' core responsibility is to facilitate the provision of postal services that are accessible and affordable. The Department of Communications does this by administering postal legislation.<sup>25</sup>

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<sup>23</sup>Universal Postal Union, *Status and Structures of Postal Entities: Fiji*.

<sup>24</sup>Universal Postal Union, *Status and Structures of Postal Entities: Fiji*.

<sup>25</sup>Department of Communications, *Welcome to the Department of Communications Website*, accessed June 15, 2016, <http://www.communications.gov.fj/>.



Source: Map Resources. | GAO-16-813R

## **Designated Postal Operator and the Postal Environment**

*Total National Mail Volume:* 12.9 billion letter post items during (2014).<sup>26</sup>

*Designated Postal Operator:* La Poste, a limited public company (est. 2010).<sup>27</sup> The Government of France is the majority shareholder.

*Postal Regulator:* The Electronic Communications and Postal Regulation Authority (ARCEP), an independent government agency, is responsible for ensuring the opening and functioning of the postal market while safeguarding universal service, including the market's financial stability.<sup>28</sup>

*Postal Operator Licensing or Registration System:* ARCEP issues licenses for postal activities open to competition. Postal operators delivering correspondence must hold a license. A license is not required to deliver items other than correspondence.<sup>29</sup>

*Other Licensed or Registered Operators:* No information found on the number of licensed operators.

*Selection of Designated Postal Operator:* In 2010, La Poste was named as France's designated postal operator and universal service provider for a period of 15 years, beginning January 1, 2011.

## **Universal Service Obligation**

*Definition:* Universal postal service covers the provision of services for correspondence, newspapers and periodicals, catalogs, parcels, and registered and insured items, among other postal items.

*Geographic Scope:* Nationwide

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<sup>26</sup>Universal Postal Union, *Global or Regional Estimates: France*, accessed June 14, 2016, [http://pls.upu.int/pls/ap/spp\\_report.main?p\\_language=AN&p\\_choice=BROWSE](http://pls.upu.int/pls/ap/spp_report.main?p_language=AN&p_choice=BROWSE). France's data includes international mail services.

<sup>27</sup>La Poste became a state-owned entity in 1991 and became a limited liability company in 2010. Public mail delivery was established by a predecessor to La Poste in 1597.

<sup>28</sup>In addition, the French Minister for Posts develops the regulations applicable to the postal sector, is responsible for monitoring the legal, economic and financial aspects of the postal sector and represents France at the Universal Postal Union and at the European Union concerning postal matters.

<sup>29</sup>Universal Postal Union, *Status and Structures of Postal Entities: France*, accessed March 31, 2016, <http://www.upu.int/fileadmin/documentsFiles/theUpu/statusOfPostalEntities/fraEn.pdf>.

*Product Range:* Universal postal service covers domestic and cross-border postal services for the following items: correspondence weighing up to 2 kilograms, including insured and registered items; newspapers and periodicals weighing up to 2 kilograms; catalogs and printed material weighing up to 2 kilograms; parcels weighing up to 20 kilograms; insured items; and literature for the blind.<sup>30</sup>

*Consumer Access:* At least 99 percent of the national population and at least 95 percent of departmental populations must be less than 10 kilometers from a post office.<sup>31</sup> Municipalities with over 10,000 people must have at least one post office per 20,000 inhabitants. No more than 10 percent of a department's population can be more than 5 kilometers or 20 minutes by car from a La Poste facility. There must be at least 17,000 post office branches throughout the country.

*Delivery and Collection:* Postal items covered by the universal service must be delivered and collected on every working day (6 days per week).<sup>32</sup>

*Pricing:* ARCEP regulates pricing for the provision of universal postal service products. La Poste must inform ARCEP of price adjustments. Plans to increase prices can be modified or suspended if universal service obligations are not met. Prices must be affordable and reflect costs. A uniform tariff is applied throughout the nation.<sup>33</sup>

*Service Quality:* The Minister for Posts sets the service quality requirements for universal service products. Eighty-five percent of priority domestic mail must be delivered the next day. No more than 5 percent of priority domestic mail can be delivered more than 2 days after mailing. More than 90 percent of parcels must be delivered within 2 days and more than 95 percent of parcels must be delivered within 3 days.<sup>34</sup>

*Funding of Universal Service Obligation:* An independent body monitors La Poste's universal service obligation costs. If ARCEP determines that La Poste incurs an unfair financial burden due to its universal service obligations, La Poste can request compensation for the unfair burden from a fund consisting of licensed operator and La Poste contributions.<sup>35</sup> La Poste also receives subsidies to help maintain the existing post office network in the form of tax exemptions and government subsidies. In addition, La Poste uses revenue from non-mail services, such as its postal banking system, to help maintain universal postal service. To compensate La Poste for delivering the press during 2013 through 2015, the Government of

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<sup>30</sup>Universal Postal Union, *Status and Structures of Postal Entities: France*.

<sup>31</sup>A department is a governmental body in France.

<sup>32</sup>Universal Postal Union, *Status and Structures of Postal Entities: France*.

<sup>33</sup>Universal Postal Union, *Status and Structures of Postal Entities: France*.

<sup>34</sup>Consumer Postal Council, *Universal Postal Service in Major Economies*, June 2015.

<sup>35</sup>ARCEP calculates contributions to the fund based on the number of universal service postal items carried by each operator. Consumer Postal Council, *Universal Postal Service in Major Economies*.

France provided La Poste with a 597 million Euro grant.<sup>36</sup> La Poste will receive tax exemptions totaling 850 million Euros from 2013 through 2017.<sup>37, 38</sup>

### **Mechanism for Enforcing the Universal Service Obligation**

The Minister for Posts develops regulations applicable to the postal sector. The Minister negotiates and signs the contract concluded with La Poste, which defines the content, characteristics, and quality of service objectives of universal postal service. The Minister is responsible for monitoring the legal, economic, and financial aspects of the postal sector. ARCEP monitors compliance with the standards. ARCEP ensures that La Poste conducts quality of service testing. ARCEP also monitors accounting and pricing, conducts investigations, and can impose administrative or financial sanctions on La Poste or licensed postal operators.<sup>39</sup>

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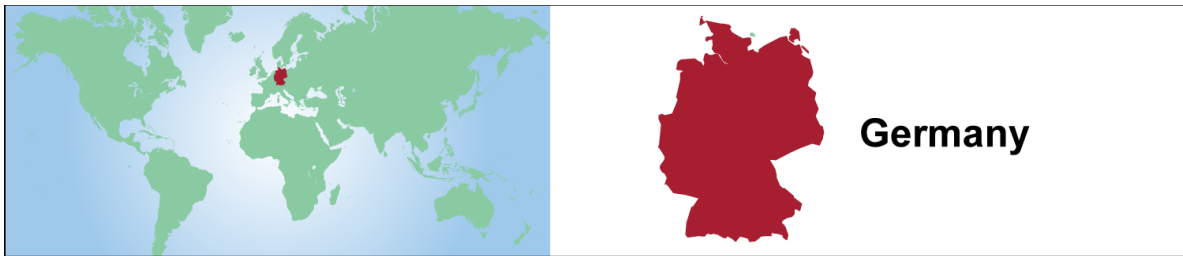
<sup>36</sup>Approximately \$660 million in July 2016.

<sup>37</sup>Approximately \$940 million in July 2016.

<sup>38</sup>European Commission Press Release, *State Aid: Commission approves two public service compensation measures for the French post office*, (Brussels, Belgium, May 26, 2014).

<sup>39</sup>Universal Postal Union, *Status and Structures of Postal Entities: France*.





Source: Map Resources. | GAO-16-813R

## **Designated Postal Operator and the Postal Environment**

*Total National Mail Volume:* 20.5 billion domestic letter post items (2014).<sup>40</sup>

*Designated Postal Operator:* Germany has not formally designated a postal operator with the Universal Postal Union; however, Deutsche Post AG is the practical equivalent, as described below. Deutsche Post AG has been a private company listed on the German stock exchange since November 2000.<sup>41</sup> As of March 2016, The Government of Germany owned about 21 percent of the company's stock.

*Selection of Designated Postal Operator:* The duty to ensure universal service rests on the Federal Network Agency for Electricity, Gas, Telecommunications, Post, and Railway (the Network Agency), an independent government agency within the Federal Ministry of Economics and Technology. The Network Agency can impose obligations or procure elements of the universal service only if the market does not provide sufficient services. Deutsche Post AG fulfills the legal requirements for universal postal service voluntarily and considers these services as profitable commercial products.<sup>42</sup>

*Postal Regulator:* The Network Agency's core task is to ensure compliance with the postal laws and respective ordinances, guaranteeing the liberalization and deregulation of the postal market via non-discriminatory network access and efficient system charges.

*Postal Operator Licensing or Registration System:* The Network Agency grants licenses for the conveyance of letter post items up to 1 kilogram. Licensees must meet requirements related to performance, expertise and reliability, and public safety and order.<sup>43</sup>

*Other Licensed or Registered Operators:* According to the Network Agency's 2014 annual report, around 600 carriers handled letters up to 1,000 grams.<sup>44</sup>

## **Universal Service Obligation**

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<sup>40</sup>Universal Postal Union, *Global or Regional Estimates: Germany*, accessed June 14, 2016, [http://pls.upu.int/pls/ap/spp\\_report.main?p\\_language=AN&p\\_choice=BROWSE](http://pls.upu.int/pls/ap/spp_report.main?p_language=AN&p_choice=BROWSE).

<sup>41</sup>Public mail delivery was established by a predecessor to Deutsche Post AG in 1646.

<sup>42</sup>The Federal Network Agency for Electricity, Gas, Telecommunications, Post, and Railway, *Annual Report 2014*, (Bonn, Germany, Apr. 1, 2015); WIK Consulting, *Universal Postal Service and Competition: Experience from Europe* (Bad Honnef, Germany, Sept. 23, 2011); and Consumer Postal Council, *Universal Postal Service in Major Economies*, June 2015.

<sup>43</sup>Universal Postal Union, *Status and Structures of Postal Entities: Germany*, accessed March 31, 2016, <http://www.upu.int/fileadmin/documentsFiles/theUpu/statusOfPostalEntities/deuEn.pdf>.

<sup>44</sup>The Federal Network Agency for Electricity, Gas, Telecommunications, Post, and Railway, *Annual Report 2014*.

*Definition:* Universal service obligations include access, delivery and collection, pricing, and service quality requirements that apply nationwide to a range of postal products.

*Geographic Scope:* Nationwide

*Product Range:* Universal service includes correspondence up to 2 kilograms and addressed parcels weighing up to 20 kilograms.<sup>45</sup>

*Consumer Access:* There must be at least 12,000 fixed-location posting points. There must be at least one fixed location facility in municipalities with more than 4,000 residents and urban areas must have a permanent facility within 2,000 meters. All other locations must be served by mobile postal service units.<sup>46</sup>

*Delivery and Collection:* Deliveries and collections must occur 6 days per week.<sup>47</sup>

*Pricing:* The Network Agency regulates prices. Deutsche Post AG is subject to price regulation for the conveyance of written information up to 1 kilogram. Prices must be affordable.<sup>48</sup>

*Service Quality:* Eighty percent of domestic priority letters must be delivered the next working day after posting. Ninety-five percent of domestic priority letters must be delivered within 2 working days of posting. Eighty percent of parcels must be delivered within 2 working days of posting.<sup>49</sup>

*Funding of Universal Service Obligation:* Universal service is financed by Deutsche Post AG, German government funding of pension obligations, and sales of real estate given to Deutsche Post AG by the German government. The Network Agency has the authority to establish a universal service fund for financing a universal service obligation.

### **Mechanism for Enforcing the Universal Service Obligation**

The Network Agency monitors quality of service standards and publishes its results. If the Network Agency finds cases where universal service obligations are not being met, it can issue orders to the dominant postal operator, Deutsche Post AG, to provide universal service or contract with other postal operators to do so.

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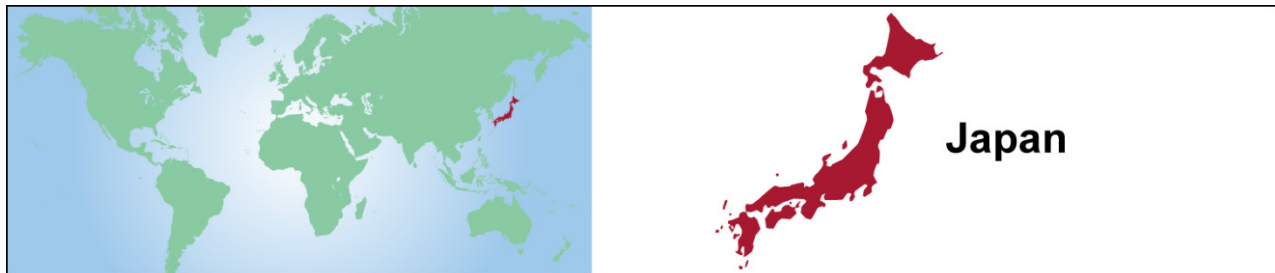
<sup>45</sup>Universal Postal Union, *Status and Structures of Postal Entities: Germany*.

<sup>46</sup>Universal Postal Union, *Country Information on Universal Postal Service: Germany*, information provided by the German Federal Ministry of Economic Affairs and Energy to the UPU on Sept. 23, 2013, accessed June 2, 2016, <http://www.upu.int/fileadmin/documentsFiles/activities/regulatoryIssues/deuEn.pdf>.

<sup>47</sup>Universal Postal Union, *Country Information on Universal Postal Service: Germany*.

<sup>48</sup>Universal Postal Union, *Status and Structures of Postal Entities: Germany*.

<sup>49</sup>Universal Postal Union, *Country Information on Universal Postal Service: Germany*.



Source: Map Resources. | GAO-16-813R

## **Postal Environment and Designated Postal Operator**

*Total National Mail Volume:* 18.1 billion domestic letter post items (2014).<sup>50</sup>

*Designated Postal Operator:* Japan Post Company, Ltd. (Japan Post) is a private company (est. 2007).<sup>51</sup>

*Postal Regulator:* The Ministry of Internal Affairs and Communications (MIC) is the government agency that is responsible for administration of postal and postal financial service and representing Japan to the Universal Postal Union.<sup>52</sup>

*Selection of Designated Operator:* In April 2003, a new public corporation under the name Japan Post Service Co., Ltd. was established to replace the Postal Services Agency, the government agency that provided postal services in Japan. Japan Post Service Co., Ltd. remained under government ownership until October 2007 when the Japan Post Company was established as a private company responsible for universal postal services. Other than Japan Post, there have been no other entrants to provide universal postal services.

*Postal Operator Licensing or Registration System:* MIC licenses postal operators to provide general correspondence and delivery services.<sup>53</sup>

*Other Licensed or Registered Operators:* As of March 2015, there were 436 licensed postal operators that offer limited correspondence delivery services. MIC licenses postal operators to deliver items that (1) have dimensions totaling more than 90 centimeters or weigh over 4 kilograms, (2) are to be delivered within 3 hours of being mailed, or (3) have a delivery charge exceeding 1,000 Japanese Yen.<sup>54</sup>

## **Universal Service Obligation**

*Definition:* Postal services should be provided at the lowest possible expense, on a nationwide scale and in a manner fair to all.<sup>55</sup>

<sup>50</sup>Universal Postal Union, *Global or Regional Estimates: Japan*, accessed June 14, 2016, [http://pls.upu.int/pls/ap/ssp\\_report.main?p\\_language=AN&p\\_choice=BROWSE](http://pls.upu.int/pls/ap/ssp_report.main?p_language=AN&p_choice=BROWSE).

<sup>51</sup>Public mail delivery was established in 1871.

<sup>52</sup>Universal Postal Union, *Status and Structures of Postal Entities: Japan*, accessed March 31, 2016, <http://www.upu.int/fileadmin/documentsFiles/theUpu/statusOfPostalEntities/jpnEn.pdf>.

<sup>53</sup>Ministry of Communications, *2015 White Paper*, accessed June 25 2016, <http://www.soumu.go.jp/johotsusintokei/whitepaper/eng/WP2015/2015-index.html>.

<sup>54</sup>Approximately \$10 in July 2016.

<sup>55</sup>Universal Postal Union, *Status and Structures of Postal Entities: Japan*.

*Geographic Scope:* Nationwide

*Product Range:* Universal service in Japan includes letter post (up to 500 grams), books, newspapers and periodicals, parcels (up to 30 kilograms), and supplementary postal services, such as registered and express services.<sup>56</sup>

*Consumer Access:* Japan's universal service obligation requires a national network of collection boxes. As of July 2015, the total number of letter boxes was 181,521.<sup>57</sup>

*Delivery and Collection:* Ordinary mail is to be delivered within 3 days after posting. Universal service includes the collection of mail items from post boxes 7 days a week and delivery of letters up to 4 kilograms to all households and companies 6 days a week.<sup>58</sup>

*Pricing:* Universal postal services are required to be provided at the least expensive rates possible. The price for mail weighing less than 20 grams must not exceed 80 Japanese Yen.<sup>59</sup> Japan Post Ltd. sets postal rates and notifies MIC prior to setting rates. The prices of mailing some periodicals and literature for the blind must be discounted and approved by MIC. Academic publications and agricultural seeds must also be considered discounted mail.<sup>60</sup>

*Service Quality:* Deliveries of all mail items must be made in 3 days.<sup>61</sup>

*Funding of Universal Service Obligation:* The Government of Japan does not provide postal operator subsidies and has not established a universal service compensation fund. However, universal postal service is partially underwritten by revenue from Japan Post's other services, such as banking and life insurance.

### **Mechanism for Enforcing the Universal Service Obligation**

MIC monitors postal service quality standards and publishes the results. In addition, Japan Post conducts an annual survey to determine the percentage of mail delivered within the targeted number of days, with the results made public.

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<sup>56</sup>Universal Postal Union, *Status and Structures of Postal Entities: Japan*.

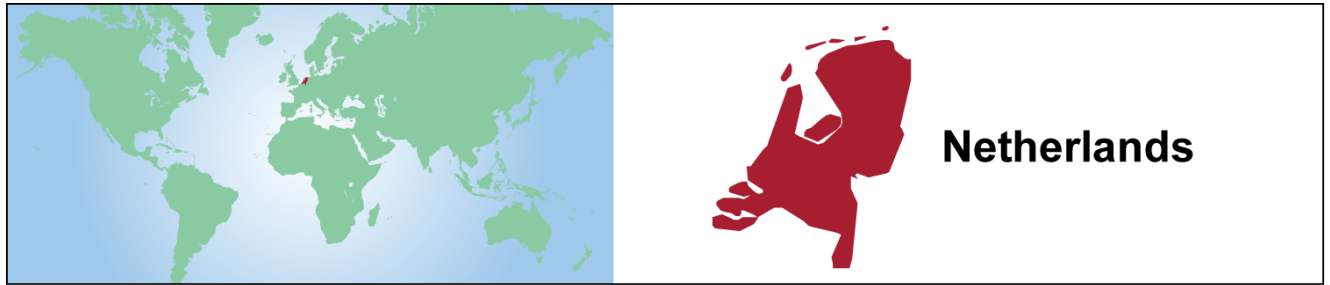
<sup>57</sup>Japan Post Group, *Japan Post Group 2015 Annual Report* (Tokyo, Japan, July 2015).

<sup>58</sup>Consumer Postal Council, *Universal Postal Service in Major Economies*, June 2015.

<sup>59</sup>Approximately \$0.78 in July 2016.

<sup>60</sup>Consumer Postal Council, *Universal Postal Service in Major Economies*.

<sup>61</sup>Consumer Postal Council, *Universal Postal Service in Major Economies*.



Source: Map Resources. | GAO-16-813R

## **Postal Environment and Designated Postal Operator**

*Total National Mail Volume:* 2.7 billion domestic letter post items (2014).<sup>62</sup>

*Designated Operator:* PostNL N.V., a public company listed on the Amsterdam stock exchange (est. 2011).<sup>63</sup>

*Postal Regulator:* The Authority for Consumers and Markets (ACM), an independent regulatory agency, is charged with overseeing competition, enforcing consumer protection laws, and regulating the industry, including postal operators. The Ministry of Economic Affairs develops postal policy, represents the Netherlands in international postal organizations (such as the Universal Postal Union), and promotes the Dutch interests in foreign postal markets.<sup>64</sup>

*Postal Operator Licensing or Registration System:* No information found.

*Other Licensed or Registered Operators:* PostNL N.V. has 100 percent of the postal market governed by universal service obligations and about 75 to 80 percent of the postal market not governed by universal service obligations. As of 2014, there were 115 mail transport companies other than PostNL N.V.; however, they may only operate in certain regions.<sup>65</sup> Different regions in the Netherlands are served by between two and six national, regional or local mail transport companies.

*Selection of Designated Operator:* Since 2009, PostNL N.V. is the Netherlands' designated postal operator and universal service provider.

## **Universal Service Obligation**

*Definition:* Universal service obligations impose delivery, access, and service quality requirements on the universal service provider and require it to provide services at an affordable price, nationwide, under uniform conditions.<sup>66</sup>

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<sup>62</sup>Universal Postal Union, *Global or Regional Estimates: Netherlands*, accessed June 14, 2016, [http://pls.upu.int/pls/ap/ssp\\_report.main?p\\_language=AN&p\\_choice=BROWSE](http://pls.upu.int/pls/ap/ssp_report.main?p_language=AN&p_choice=BROWSE).

<sup>63</sup>Public mail delivery was established by a predecessor to PostNL N.V. in 1799.

<sup>64</sup>Universal Postal Union, *Status and Structures of Postal Entities: Netherlands*, accessed Mar. 31, 2016, <http://www.upu.int/fileadmin/documentsFiles/theUpu/statusOfPostalEntities/nldEn.pdf>.

<sup>65</sup>In 2014, PostNL N.V. and 21 other mail transport companies handled 98 percent of the Netherlands' mail revenue, according to the ACM. Mail collected by a regional or local mail transport company that is outside of its delivery region is either delivered by another regional or local mail company or by PostNL N.V. About half of this kind of mail collected from business customers by a regional or local mail transport company is delivered by PostNL N.V.

<sup>66</sup>PostNL N.V., *Annual Report 2012*, February 25, 2013, The Hague, the Netherlands.

*Geographic Scope:* Nationwide

*Product Range:* The universal service provider (PostNL N.V.) is required to transport domestic single letters and single items up to 2 kilograms and single postal parcels up to 10 kilograms. Other universal service products include cross border mail and parcels. PostNL N.V. is not required to deliver domestic bulk mail and parcels. However, international outbound bulk mail and parcels are covered by the universal service obligation.<sup>67</sup>

*Consumer Access:* To meet universal service requirements for accessible and affordable postal services, PostNL N.V. maintains 18,000 post office boxes and 2,000 service outlets. Reductions in accessibility requirements on January 1, 2016, allow PostNL N.V. to reduce the numbers of post office boxes and service outlets.<sup>68</sup>

*Delivery and Collection:* PostNL N.V. must make deliveries of mail on Tuesday through Saturday, except on holidays. Urgent medical items and mourning cards are delivered on Mondays.<sup>69</sup>

*Pricing:* In 2015, ACM set a cap for price increases based on the costs of the universal service obligations. Each year, ACM determines additional price cap increases, based on postal volumes and the consumer price index, which PostNL N.V. uses to set postal tariffs.

*Service Quality:* PostNL N.V. must deliver at least 95 percent of single piece domestic letters and parcels within 1 day of posting.<sup>70</sup>

*Funding of Universal Service Obligation:* Universal service obligations are financed by PostNL N.V. revenues. PostNL N.V. finances universal service costs. ACM also assess whether PostNL N.V. allocates costs to the universal postal service correctly.<sup>71</sup>

### **Mechanism for Enforcing the Universal Service Obligation**

ACM's responsibilities include supervising the implementation of postal legislation and the performance of the public postal operator with regard to universal service obligations. ACM analyzes the postal services market and can impose fines on postal operators. ACM also imposes obligations on postal companies that have significant market power.

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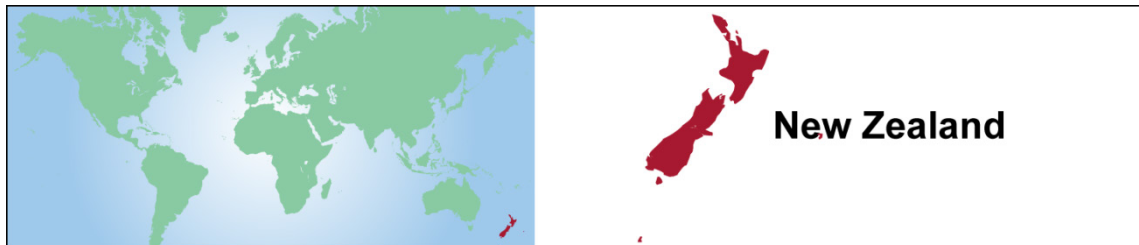
<sup>67</sup>PostNL N.V., *Annual Report 2015*, February 29, 2016, The Hague, the Netherlands.

<sup>68</sup>PostNL N.V., *Annual Report 2015*.

<sup>69</sup>PostNL N.V., *Annual Report 2015*.

<sup>70</sup>Consumer Postal Council, *Universal Postal Service in Major Economies*.

<sup>71</sup>Consumer Postal Council, *Universal Postal Service in Major Economies* and PostNL N.V., *Annual Report 2015*.



Source: Map Resources. | GAO-16-813R

## **Designated Postal Operator and the Postal Environment**

*Total National Mail Volume:* 648.8 million domestic letter post items (2014).<sup>72</sup>

*Designated Operator:* New Zealand Post Limited, (New Zealand Post) a state-owned enterprise (est. 1987). New Zealand Post represents New Zealand to the Universal Postal Union (UPU).<sup>73</sup>

*Postal Regulator:* New Zealand's Ministry of Business, Innovation, and Employment, which is responsible for laws and regulations relating to postal services, monitors New Zealand Post's compliance with its universal service obligations.

*Selection of the Designated Postal Operator:* New Zealand Post was selected by the Government of New Zealand as the designated postal operator with universal service and other obligations under a 1998 agreement with the government.<sup>74</sup>

*Postal Operator Licensing or Registration System:* Postal operators that carry mail costing less than NZD \$0.80 per piece have to register with the Ministry of Business, Innovation, and Employment.<sup>75</sup> Applications for registration are not required to meet any criteria relating to universal services or service quality.<sup>76</sup>

*Licensed or Registered Operators:* A total of 17 postal operators were registered as of August 2016.<sup>77</sup>

## **Universal Service Obligation**

*Definition:* New Zealand Post is required to provide delivery throughout New Zealand with certain frequencies and a defined network of post offices and post boxes. Some of New Zealand

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<sup>72</sup>Universal Postal Union, *Global or Regional Estimates: New Zealand*, accessed June 14, 2016, [http://pls.upu.int/pls/ap/spp\\_report.main?p\\_language=AN&p\\_choice=BROWSE](http://pls.upu.int/pls/ap/spp_report.main?p_language=AN&p_choice=BROWSE).

<sup>73</sup>Public mail delivery was established by a predecessor to New Zealand Post Limited in 1840.

<sup>74</sup>New Zealand Post, *History of New Zealand Post*, accessed June 20, 2016, <https://www.nzpost.co.nz/about-us/who-we-are/history-of-new-zealand-post>.

<sup>75</sup>Approximately \$0.58 in July 2016.

<sup>76</sup>New Zealand Ministry of Business, Innovation and Employment, *Postal Operators Obligations and Rights*, last updated February 16, 2016, accessed August 16, 2016, <http://www.mbie.govt.nz/info-services/sectors-industries/technology-communications/postal-services/postal-operators-in-new-zealand/postal-operator-obligations-rights>.

<sup>77</sup>New Zealand Ministry of Business, Innovation and Employment, *Postal Register*, last updated August 22, 2016, accessed August 29, 2016, <http://www.mbie.govt.nz/info-services/sectors-industries/technology-communications/postal-services/postal-register>.

Post's postal competitors were also granted access to New Zealand Post's network allowing them to provide national deliveries.<sup>78</sup>

*Geographic Scope:* Nationwide

*Product Range:* Universal service obligations apply to letter post items.

*Consumer Access:* According to the Ministry of Business, Innovation and Employment, New Zealand Post must maintain a minimum of 880 service points; which can include physical outlets and self-service kiosks. A minimum of 240 of these service points must provide personal assistance and additional postal services. The minimum number of delivery points that New Zealand Post must deliver to is 1,910,010. No more than 3 percent of total delivery points can be "community mail boxes or counters."<sup>79</sup>

*Delivery and Collection:* According to the Ministry of Business, Innovation, and Employment, New Zealand Post is required to deliver basic postal items within New Zealand at least 3 days a week to 99.88 percent of delivery points and deliveries between 1 and 5 days a week to the remainder of delivery points.<sup>80</sup> However, New Zealand Post also is required to deliver 5 days per week to PO Boxes and "Private Bags" with some exceptions.<sup>81</sup> There are no collection requirements for New Zealand Post.

*Pricing:* New Zealand Post sets its own rates. According to information provided to the UPU by New Zealand Post, while there is no formal price-setting process for the universal postal service standard letter mail product, New Zealand Post makes a business case for price setting which is approved by the Board of New Zealand Post, and then, given the significance of the "universal service product," the Regulatory and Shareholding Ministers are briefed on the decision once it is approved by the Board.<sup>82</sup>

*Service Quality:* New Zealand Post's quality standards include:

- Priority letters and parcels must be delivered the day after posting;
- non-priority letters and standard parcels must be delivered within 3 working days;
- standard courier mail must be delivered the next day; and
- urgent courier mail must be delivered the same day.<sup>83</sup>

*Funding of Universal Service Obligation:* New Zealand Post has an obligation to make a profit.<sup>84</sup>

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<sup>78</sup>Universal Postal Union, *Status and Structures of Postal Entities: New Zealand*, accessed July 16, 2016, <http://www.upu.int/fileadmin/documentsFiles/theUpu/statusOfPostalEntities/nzlEn.pdf>.

<sup>79</sup>Ministry of Business, Innovation, and Employment, *Postal Deed of Understanding*.

<sup>80</sup>A basic postal item is defined as a postal item that does not exceed 260mm height, 385mm length, 20mm thickness and/or 1 kilogram weight and excludes parcel, priority, express, and courier services.

<sup>81</sup>Ministry of Business, Innovation, and Employment, *Postal Deed of Understanding*. A New Zealand Post Private Bag is available at selected New Zealand Post retail lobbies for customers who receive more than 50 addressed items of mail per day.

<sup>82</sup>Universal Postal Union, *Country Information on the Universal Postal Service: New Zealand*, information provided by New Zealand Post Limited to the UPU on June 13, 2013, accessed June 2, 2016, <http://www.upu.int/fileadmin/documentsFiles/activities/regulatoryIssues/nzlEn.pdf>.

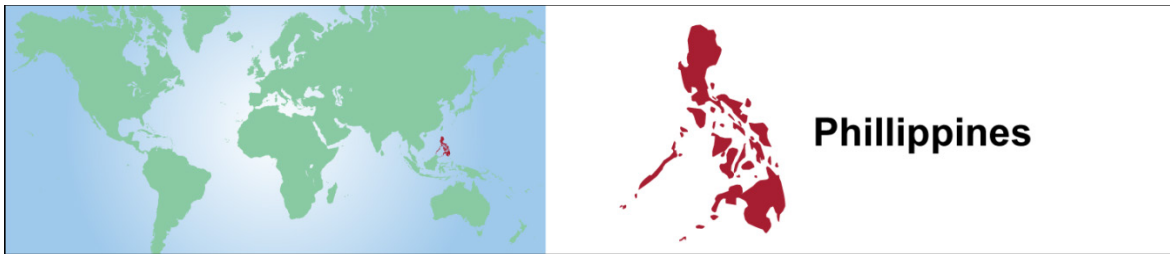
<sup>83</sup>According to New Zealand Post, courier post items are delivered overnight for local deliveries or between major cities with delivery to rural areas in 2 to 3 business days. Tracking and signature on delivery are offered for courier products.

<sup>84</sup>Universal Postal Union, *Status and Structures of Postal Entities: New Zealand*.



**Mechanism for Enforcing the Universal Service Obligation:**

New Zealand Post publishes reports describing New Zealand Post's performance in meeting its service quality standards.



Source: Map Resources. | GAO-16-813R

## **Designated Postal Operator and the Postal Environment**

*Total National Mail Volume:* 52 million letter post items (2013).<sup>85</sup>

*Designated Postal Operator:* Philippine Postal Corporation (PHLPost) is a government-owned corporation (est. 1992).<sup>86</sup>

*Postal Regulator:* The Department of Transportation and Communications (DOTC), a government agency, regulates the postal delivery services industry. The Governance Commission for Government Owned or Controlled Corporations (Commission), under the office of the President of the Philippines, also acts as a central advisory, monitoring, and oversight body with authority to formulate policies for government-owned or controlled corporations. The Commission negotiates performance scorecards with each government-owned or controlled corporation, such as PHLPost.

*Selection of Designated Postal Operator:* The Philippines Postal Services Office was reorganized into a government-owned corporation in 1992 and established as the designated postal operator.

*Postal Operator Licensing or Registration System:* DOTC registers any entities that engage in the business of letter and parcel services.

*Other Licensed or Registered Operators:* No information found.

## **Universal Service Obligation**

*Definition:* The delivery of letters, parcels, and other mail matters is a basic and strategic public utility which the Philippines government shall provide, directly and indirectly through, and/or with other duly authorized entities or persons. PHLPost is also charged with operating a nationwide postal system with a network that makes available ordinary mail service to all settlements in the country.<sup>87</sup>

*Geographic Scope:* Nationwide

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<sup>85</sup>Universal Postal Union, *Global or Regional Estimates: Philippines*, accessed June 15, 2016, [http://pls.upu.int/pls/ap/spp\\_report.main?p\\_language=AN&p\\_choice=BROWSE](http://pls.upu.int/pls/ap/spp_report.main?p_language=AN&p_choice=BROWSE). Data from 2014 was not available.

<sup>86</sup>Public mail service was initiated in the Philippines by a predecessor to PHLPost in 1902.

<sup>87</sup>Philippine Postal Corporation (PHLPost), *Mandate, Mission, and Vision*, accessed July 14, 2016, <https://www.phlpost.gov.ph/page.php?id=8>.

*Product Range:* The universal postal service includes letters and parcels.<sup>88</sup>

*Consumer Access:* PHLPost's goals include increasing the number of franchised postal stations, increasing express delivery for Manila and areas outside of Manila, and increasing the number of postal outlets with points of sale systems and internet connectivity.<sup>89</sup>

*Delivery and Collection:* We did not find any delivery or collection requirements for PHLPost. However, service quality goals are set between PHLPost and the Commission (see Service Quality Requirements below).

*Pricing:* Prices must be sufficient to finance the overall cost of providing the varied range of postal delivery and messenger services as well as the expansion and continuous upgrading of service standards.<sup>90</sup>

*Service Quality:* PHLPost sets the following service quality goals which are evaluated by the Commission:

- 95 percent of international express post items for Manila delivered 24 hours after clearing customs;
- 90 percent of domestic express post items for Manila delivered 36 hours after posting;
- 95 percent of international express post items for outside of Manila delivered within 3 days after clearing customs;
- 95 percent of domestic express post items for outside of Manila delivered within 3 days;
- 85 percent of international parcels delivered within 7 days after clearing customs;
- 85 percent of international letter post delivered within 7 days after clearing customs;
- 85 percent of domestic parcel post will be delivered within 7 days; and
- 85 percent of domestic letter post will be delivered within 7 days.<sup>91</sup>

*Funding of Universal Service Obligation:* Among other things, PHLPost revenues, grants, proceeds of the sale of assets, loans, interest, and capital or surplus.

### **Mechanism for Enforcing the Universal Service Obligation**

The Commission negotiates performance scorecards with the PHLPost to improve operations and customer service and maintain financial viability. Annual performance targets are based on historical performance, benchmarking with the private sector, and feedback from the public on the scorecards. PHLPost is required to submit quarterly performance reports on progress toward meeting annual performance targets to the Commission.<sup>92</sup>

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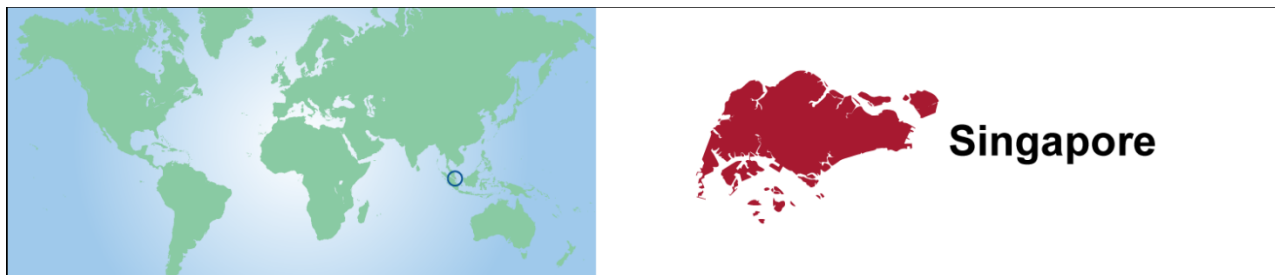
<sup>88</sup>Universal Postal Union, *Status and Structures of Postal Entities: Philippines*, accessed April 11, 2016, <http://www.upu.int/fileadmin/documentsFiles/theUpu/statusOfPostalEntities/phlEn.pdf>.

<sup>89</sup>PHLPost, *Performance Agreement between Governance Commission for Government Owned or Controlled Corporations and the Philippine Postal Corporation*, (Makati, Philippines, June 8, 2015).

<sup>90</sup>Universal Postal Union, *Status and Structures of Postal Entities: Philippines*.

<sup>91</sup>These goals are for calendar year 2015. PHLPost, *Performance Agreement between Governance Commission for Government Owned or Controlled Corporations and the Philippine Postal Corporation*.

<sup>92</sup>PHLPost, *Performance Agreement between Governance Commission for Government Owned or Controlled Corporations and the Philippine Postal Corporation*.



Source: Map Resources. | GAO-16-813R

## **Designated Postal Operator and the Postal Environment**

*Total National Mail Volume:* No information available.

*Designated Postal Operator:* Singapore Post, Ltd. (Singapore Post) is a private company listed on the Singapore Exchange (est. 1992).<sup>93</sup>

*Postal Regulator:* The Info-communications Development Authority of Singapore (IDA), a statutory board of the Singapore government, sets postal performance standards. Singapore Post measures and submits to IDA, quarterly, performance results it achieved for various indicators. IDA occasionally reviews and modifies standards to meet growing demand for higher service levels.<sup>94</sup>

*Selection of the Designated Postal Operator:* The Telecommunications Authority of Singapore (now IDA) designated Singapore Post as the country's designated postal operator in 1992.

*Postal Operator Licensing or Registration System:* IDA evaluates postal-operator license applications based on: vision of the applicant and how it will contribute towards to the public and the economy of Singapore; organizational structure, financial capability and strength of the applicant; business and competition strategies of the applicant for the provision of services; soundness of the applicant's business plans and capability to implement the plans; and ability in ensuring security and integrity of postal articles. The conveyance of direct mail is exempt from licensing.<sup>95</sup>

*Other Licensed or Registered Operators:* IDA licenses postal service operators. IDA designated Singapore Post as the only Public Postal Licensee in Singapore.<sup>96</sup> In addition to Singapore Post, as of August 2016, there are three licensed postal service operators in Singapore: Asendia Singapore, DHL eCommerce, and World Marketing Group.<sup>97</sup>

<sup>93</sup>Public mail service in Singapore was initiated by a predecessor of Singapore Post in 1819.

<sup>94</sup>Info-communications Development Authority of Singapore, *Policies and Regulations: Postal Services: Quality of Service Reports*, accessed May 17, 2016, <https://www.ida.gov.sg/Policies-and-Regulations/Industry-and-Licensees/Standards-and-Quality-of-Service/Quality-of-Service/Postal-Services>.

<sup>95</sup>Info-communications Development Authority of Singapore, *Guidelines on Submission of Applications for Postal Services Operator License*, created January 28, 2013, accessed May 17, 2016, <https://www.ida.gov.sg/~media/Files/PCDG/Licensees/Licensing/Framework%20and%20Guidelines/GuidelinesLicensingSch/PSOGuide.pdf>.

<sup>96</sup>Info-communications Development Authority of Singapore, *Policies and Regulations: Industry and Licenses: Postal*, last updated November 22, 2013, accessed July 2016, <https://www.ida.gov.sg/Policies-and-Regulations/Industry-and-Licensees/Postal>.

<sup>97</sup>Other postal service operators that do not have the public postal license can access specified locked letterboxes through the Singapore Post Ltd. delivery network at regulated prices. These postal service operators also can have access to unlocked letterboxes.

## **Universal Service Obligation**

*Definition:* Singapore Post is required to perform a set of universal service obligations determined by IDA, including providing services for the conveyance and delivery of letters to any person in Singapore who requests such services; and providing and maintaining posting boxes and post offices throughout Singapore.<sup>98</sup>

*Geographic Scope:* Nationwide

*Product Range:* Universal service obligations cover the conveyance of letters weighing up to 500 grams.<sup>99</sup>

*Consumer Access:* Singapore Post, as the public postal licensee, also is required to establish island-wide post boxes for collection of letters, post offices, and sorting facilities, as determined by IDA.<sup>100</sup>

*Delivery and Collection:* Universal service includes providing services for the conveyance and delivery of letters to any person in Singapore who requests such services and providing and maintaining posting boxes and post offices throughout Singapore. For packages, publications and others (examples: promotional materials, merchandise, newspapers, periodicals, catalogues, books etc.) the delivery standard is 3 to 5 working days (Mondays through Fridays, excluding public holidays). Mail collection times are specified for 7 p.m. Mondays through Thursdays within the central business district (CBD) and 5 p.m. outside of the CBD and at 8 p.m. on Fridays within the CBD and 6 p.m. outside of the CBD.<sup>101</sup>

*Pricing:* Singapore Post is required to submit service plans and associated product prices to IDA for approval.<sup>102</sup>

*Service Quality:* IDA sets Singapore Post's service quality standards, such as:

- 99 percent of mail delivered by the next working day to postal codes within Singapore's CBD, and 98 percent delivered by the next working day to postal codes outside of Singapore's CBD;<sup>103</sup>
- 100 percent of letters and registered letters delivered by the second working day;
- 100 percent of outgoing mail processed and connected to departing flights by the next working day (subject to availability of flights);
- 99 percent of mail received before 3 p.m. at the Singapore Post Centre delivered by next working day to postal codes within the CBD;

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<sup>98</sup>Info-communications Development Authority of Singapore, *Policies and Regulations: Industry and Licenses: Postal*.

<sup>99</sup>Letters excludes books, catalogs, newspapers, and periodicals. The conveyance of direct mail will also be exempted from licensing.

<sup>100</sup>Info-communications Development Authority of Singapore, *Guidelines on Submission of Applications for Postal Services Operator License*.

<sup>101</sup>Info-communications Development Authority of Singapore, *Policies and Regulations: Postal Services: Quality of Service Reports*.

<sup>102</sup>Universal Postal Union, *Status and Structures of Postal Entities: Singapore*, updated 2013, accessed March 2016, <http://www.upu.int/fileadmin/documentsFiles/theUpu/statusOfPostalEntities/sgpEn.pdf>.

<sup>103</sup>Working days refer to Mondays through Fridays, excluding public holidays.

- 98 percent of mail received before 3 p.m. at the Singapore Post Centre delivered by next working day to postal codes outside of the CBD; and
- For packages and publications, the delivery standard is 3 to 5 working days.<sup>104</sup>

*Funding of Universal Service Obligation:* We could find no evidence of significant government support for Singapore Post Ltd.

### **Mechanism for Enforcing the Universal Service Obligation**

Singapore Post, as the public postal licensee, is required to perform a set of universal service obligations determined by IDA. Singapore Post measures and submits to IDA quarterly performance results. IDA reviews this information and reports quarterly and annually as to whether Singapore Post complies with IDA's requirements. Non-compliance with these standards can result in a fine of \$50,000 in Singapore dollars per month per violation.<sup>105, 106</sup>

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<sup>104</sup>Info-communications Development Authority of Singapore, Policies and Regulations: Postal Services: Quality of Service Standards for Postal Services, last updated June 16, 2016, accessed August 11, 2016, [https://www.ida.gov.sg/~media/Files/PCDG/Licensees/StandardsQoS/QualityofService/QoSStandards\\_PostalServices.pdf](https://www.ida.gov.sg/~media/Files/PCDG/Licensees/StandardsQoS/QualityofService/QoSStandards_PostalServices.pdf).

<sup>105</sup>Approximately \$37,000 in July 2016.

<sup>106</sup>Info-communications Development Authority of Singapore, *Policies and Regulations: Postal Services: Quality of Service Standards for Postal Services*.



Source: Map Resources. | GAO-16-813R

## **Designated Postal Operator and the Postal Environment**

*Total National Mail Volume:* 16.4 billion letter post items (2014).<sup>107</sup>

*Designated Postal Operator:* Royal Mail Group, Ltd. (Royal Mail), a privatized, joint stock company (est. 2013).<sup>108</sup>

*Postal Regulator:* The Office of Communications (Ofcom) is the United Kingdom (UK) government's independent communications regulator, which includes postal service.

*Selection of the Designated Postal Operator:* Ofcom designated Royal Mail as the UK's designated operator required to provide universal service in March 2012.<sup>109</sup>

*Postal Operator Licensing or Registration System:* No licensing is required for provision of universal postal services.<sup>110</sup>

*Licensed or Registered Postal Operators:* While licenses are not required for postal operators in the UK, other postal operators can either collect, sort, and deliver items on their own or collect and sort the items and deliver them to Royal Mail for final delivery.<sup>111</sup>

## **Universal Service Obligation**

*Definition:* Ofcom defines universal service as the delivery and collection of mail everywhere in the UK at affordable and uniform prices, every working day (and on Saturday for letters).<sup>112</sup>

*Geographic Scope:* Nationwide

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<sup>107</sup>Universal Postal Union, *Global or Regional Estimates: Great Britain*, accessed August 16, 2016, [http://pls.upu.int/pls/ap/spp\\_report.main?p\\_language=AN&p\\_choice=BROWSE](http://pls.upu.int/pls/ap/spp_report.main?p_language=AN&p_choice=BROWSE).

<sup>108</sup>Public mail service was established by a predecessor to Royal Mail Group, Ltd. in 1635.

<sup>109</sup>According to a 2014 National Audit Office report, Royal Mail was selected as the designated postal operator for the United Kingdom because it is the only postal operator in the country with an extensive nationwide postal network. National Audit Office, *The Privatization of Royal Mail* (London, Apr. 1, 2014).

<sup>110</sup>Office of Communications, *Securing the Universal Postal Service: Decision on the new regulatory framework*, (London, Mar. 27, 2012).

<sup>111</sup>Royal Mail delivered about 99 percent of the UK's letter mail and about 52 percent of the UK's parcels in 2014-2015. Office of Communications, *Annual Monitoring Update on the Postal Market, Financial Year 2014-5* (London, United Kingdom: Nov. 27, 2015).

<sup>112</sup>Office of Communications, *Technical and minor amendments in postal regulation: notifications of technical and other minor amendments to the Universal Postal Service Order and related conditions* (London, Dec. 10, 2013).

*Product Range:* Letters, literature for the blind and packets up to 2 kilograms and parcels up to 20 kilograms.<sup>113</sup>

*Consumer Access:* Royal Mail must ensure that 98 percent of users are within 0.5 miles of a letter box, and that facilities capable of receiving the largest relevant postal items required for universal service are located within 5 kilometers of not less than 95 percent of postal users.<sup>114</sup>

*Delivery and Collection:* With some exceptions, delivery and collection of letters is required every Monday through Saturday and the delivery and collection of other mail items (such as packets or parcels) is required Monday through Friday.<sup>115</sup>

*Pricing:* While Royal Mail can set prices, Ofcom was obligated to set postal product price controls. Ofcom's price caps limits certain letter-mail products to a total price from 2012—2018 for these products of not more than 53 percent compared to 2011—12 prices.<sup>116</sup>

*Service Quality:* Ofcom sets product targets (such as on-time delivery targets for different regulated mail products) and service-related performance targets (i.e., delivering 99.5 percent of its mail items correctly).<sup>117</sup>

*Funding of Universal Service Obligation:* Royal Mail and its retail arm in charge of post offices receive financial aid from the UK government through support payments for rural post offices, subsidies for the transformation of the post office network, and relief of legacy pension costs. After October 2016, if Ofcom concludes that complying with universal service obligations imposes a financial burden on Royal Mail, Ofcom can establish a universal service support fund, if approved by the UK government.

### **Mechanism for Enforcing the Universal Service Obligation**

Ofcom's principal duty is to impose access or other regulatory conditions in a way that will secure the provision of a universal postal service that is financially sustainable and efficient. Universal service providers and other postal operators provide data to Ofcom, which publishes some of this data annually.<sup>118</sup>

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<sup>113</sup>Universal Postal Union, *Country Information on Universal Postal Service: Great Britain*, information provided by Royal Mail to the UPU on June 7, 2013, accessed June 2, 2016, <http://www.upu.int/fileadmin/documentsFiles/activities/regulatoryIssues/gbrEn.pdf>.

<sup>114</sup>Office of Communications, *DUSP1: Services, Access Points, Performance Targets, Notification and Publication and Contingency Planning* (London, United Kingdom: Apr. 1, 2014).

<sup>115</sup>Office of Communications, *DUSP1*.

<sup>116</sup>Office of Communications, *Annual Monitoring Update on the Postal Market, Financial Year 2014-15* (London, United Kingdom: Nov. 27, 2015).

<sup>117</sup>Office of Communications, *DUSP1*.

<sup>118</sup>Office of Communications, *Annual Monitoring Update on the Postal Market, Financial Year 2014-15*.



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