



POSITION PAPER

POSTAL REGULATION AND THE EXPRESS DELIVERY INDUSTRY IN AFRICA

BACKGROUND

An increasing number of African countries are introducing new postal regulations that negatively affect the express delivery sector. This includes:

- High license fees (disproportionate to the administrative costs of such licences);
- Levies as a percentage of corporate turnover;
- Imposing universal service obligations on express delivery carriers;
- Market access restrictions, such as the inability to carry parcels under a certain weight or over a certain value, or ill-defined reserved areas for postal monopolies;
- Imposing higher liability limits for transportation by express delivery carriers that ignore the international standard set in the Montreal Convention 1999 (MC99);
- Control on the terms and conditions of carriage of express delivery carriers, etc.

Such policies hinder trade and harm African exporters, particularly Micro, Small and Medium Sized Enterprises (MSMEs).

DEEP DOWN, THIS IS ABOUT A COUNTRY'S INTERNATIONAL COMPETITIVENESS

Express delivery services link a country's industries and exporters to markets around the world with speed and reliability. Any measure that restricts their ability to do so, or makes their services more expensive, ultimately reduces a country's connectivity to world markets, lowers its competitiveness as a place to do business and stunts investment.

All this may be particularly harmful for MSMEs that want to afford themselves of the opportunity e-commerce gives them to export and compete globally.

EXPRESS DELIVERY IS NOT THE POST OFFICE, NOR ARE EXPRESS SHIPMENTS POSTAL ITEMS

Express delivery services are frequently treated by African Postal Regulators as a subset of – or otherwise derivative of – postal services, or “non-reserved postal services”. But express delivery and postal services are historically two **separate and distinct services, each with specific features**, that cater to two different groups of clients.



The national **post office** has a government mandate, based on Universal Post Union (UPU) obligations, to provide *basic and affordable* delivery services, mostly domestic, mostly to convey small parcels and letters.

The **express delivery industry**, on the contrary, developed to fill not a social but a *commercial need* for the delivery of time-sensitive, high-value shipments. Express delivery operators have created and invested heavily in global logistics networks that operate in a highly competitive commercial environment. They help support local businesses, particularly MSMEs, export their products all over the world.

National post offices are now expanding their services and trying to match those provided by express delivery -- not the other way around.

The express delivery industry does not object to such efforts, but it is important to note that such services take place in a *commercial and competitive* marketplace, within a liberalised regulatory framework. They are not part of a governmental obligation to provide a basic, affordable social communication network. Express delivery companies do not and cannot compete with the post in the provision of basic delivery services. They may overlap with the post in some areas, but that happens in a competitive environment where there is often a significant price difference between the two.

EXPRESS CARRIERS DO NOT ONLY CARRY E-COMMERCE PARCELS

Express delivery is not just about e-commerce parcels. Today, express delivery has become a conveyor belt for just-in-time industrial production and time-critical shipments. For instance, spare parts for ships and aircraft that need urgent repair are sent by express. Express delivery services also allow exporters of all sizes to send samples and contracts to potential clients anywhere in the world so they can get new orders. In addition, they help save lives through the time-critical delivery of medical devices and pharmaceutical products, including temperature-controlled ones.

EXPRESS IS A FACILITATOR OF INTERNATIONAL TRADE.

Economic studies show that where a country makes it easier and less costly to import and export, trade increases as a result. According to Frontier Economics,¹ a UK economic consultancy, at least half of all newly generated trade would be facilitated by express delivery services (for instance, as mentioned above, by conveying contracts and samples quickly and reliably across borders).

¹ Express Delivery and Trade Facilitation: Impacts on the Global Economy; Frontier Economics, March 2015



EXPRESS DELIVERY SHOULD NOT BE REGULATED LIKE THE POST

Express delivery networks are not postal networks. It follows that they should not be regulated like them. In fact, express delivery already complies with all relevant national and international regulations, such as general commercial law, consumer protection regulations, customs and aviation security regulations, etc.

Regulating the express industry like the postal sector can have unintended consequences. For instance, blocking express delivery from carrying parcels under one kilogram will affect exporters and importers (not only e-commerce companies) who value speed and service over price. Blocking express delivery from importing shipments over (or under) 20 kilograms (the international limit for postal parcels), or above a certain value, might prevent local industry from getting spare parts that are urgently needed to keep production lines working.

Frequently, Governments cite UPU regulations as the source of such restrictions, but the fact is **no such restrictions are imposed by the UPU.**

EXPRESS DELIVERY SHOULD NOT FINANCE THE POST

Operating a postal network as a basic, social communications network costs money, particularly when letter volumes are falling because e-mail and social media are replacing traditional paper-based communications. In this context, it is tempting to see the express delivery industry as a cash cow that can be milked to subsidise postal services and universal service obligations, even if they are not comparable providers.

This is a wrong perception that leads to wrong policies.

Imposing a levy on express delivery turnover as a condition to obtain and maintain an operating license will prevent express carriers from investing in their own infrastructure and employing more staff in a country, and thus impact their ability to serve clients. On top of that, express carriers around the globe already pay taxes based on profit, and so they already fulfil their obligation to finance public services. Being obliged to pay what, in essence, is a new 'tax' based on a percentage of the revenue is a form of double taxation which imposes an unfair burden on the express industry to finance what should be a public service (e.g., universal postal services).

Imposing a special **tax on express delivery shipments to cross-subsidise the post** will distort competition. It will make one service more expensive and the other artificially cheap (and as we have shown above, they are different services catering to very different needs).

Again, UPU regulations are usually cited to justify such policies. But the UPU does not determine how postal services should be financed. **None of the policies described above emanate from a UPU mandate.**



CONCLUSION

Thanks to e-commerce, African MSMEs have now a unique opportunity to become global exporters and contribute to the continent's development. Express delivery companies can help them by carrying their shipments to clients around the world. Policies that limit or hinder such services or make them more expensive, however well intentioned, will ultimately harm African exporters and African development.

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