



Communications for all in East Africa

**EACO Universal Postal Service
and
Access Guidelines**

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List of Acronyms

Dos.....	Designated Operators
EACO.....	East African Communications Organization
GMS.....	Global Monitoring System
SMEs.....	Small and Medium Sized Enterprises
UPS.....	Universal Postal Service
UPU.....	Universal Postal Union
USO.....	Universal Service Obligation
UCC.....	Uganda Communications Commission
RURA.....	Rwanda Utilities Regulatory Authority
ARCT.....	Agence de Régulation et de Contrôle des Télécommunications
TCRA.....	Tanzania Communications Regulatory Authority
CAK.....	Communications Authority of Kenya
NCA.....	National Communication Authority

1. Preamble

According to article three (3) Universal Postal Service (UPS), of the UPU convention, in order to support the concept of the single postal territory of the Union, member countries are urged to ensure that all users/customers enjoy the right to a universal postal service involving the permanent provision of quality basic postal services at all points in their territory, at affordable prices.

With this aim in view, member countries within the framework of their national postal legislation or by other customary means are mandated to define the scope of the postal services offered and the requirement for quality and affordable prices, taking into account both the needs of the population and their national conditions. What this entails, in practice is that governments must guarantee that a certain mix of postal products and services are provided to all their citizens regardless of their geographic location and socio-economic status.

To this end, UPU member states globally have long borne the burden of the Universal Service Obligation (USO), on the incumbent postal operators. This has obliged these operators to deliver at a uniform price to every home and business in the land, although the costs of delivery in remote areas may often be much greater than the uniform price in each economy. This burden has become heavier over the past thirty years due to the privatization revolution of the 1980s, and the internet revolution dating from the early 1990s among others.

It is therefore prudent that EACO member countries are recommended to exhaustively assess how USO responsibilities can be effectively delegated to their designated postal operators. The sole purpose is to ensure that the USO is provided in a sustainable way. World over there is a growing concern that the USO has turned out to be a disadvantage to most Designated Operators (DOs) rather than a benefit as was intended by governments. This then necessitates further definition of the USO concept to align it to respond to the evolving postal market dynamics of each country.

Some of the key issues that require further attention by the member states include the following.

- Harmonised regional approach to the key components such as its composition and definitions.
- Streamlined guiding policies,
- Regulatory frameworks,
- Viable costing and funding mechanisms.

1.1. Objectives of the regional harmonisation guidelines

The regional harmonisation guidelines objectives apply to the member states. They are presented as an orientation basis to guide EACO members in executing this aspect of their Postal Regulatory Mandates while promoting a coordinated approach in line with the standards of the member states.

In this regards, the regional harmonisation objectives comprise the following below:

- a) To promote a common Regional Understanding of the USO concept
- b) To provide guidance to member States on the elements and recommended methodologies for conducting market reviews specifically in fulfilment of the USO objectives,
- c) To identify, analyse and recommend common approaches to defining the USO among EACO member States,
- d) To analyse and recommend the appropriate policy and regulatory framework that can support the effective delivery of the USO bearing in mind the specific national conditions of member states,
- e) To recommend that Regulator and /or responsible authorities in charge of Universal Service Access Fund support the DOs to carry out a study and establish the cost of USO for appropriate funding.
- f) To enhance the ability of EACO member National Regulatory Authorities effectively regulate the provision of the USO including the setting of targets for access and quality of service and measures for monitoring the performance of DOs against these targets.

1.2. Applicability of the guidelines

These guidelines, although not exclusive, are intended to apply to the following:

- ❖ Policymakers e.g. Parliament among other
- ❖ Postal Regulators e.g. UCC, RURA, ARCT, TCRA, CAK, NCA among others
- ❖ Postal Operators e.g. National Postal Operators
- ❖ Wider postal sector stakeholders/relevant

1.3. Expectations from the guidelines

The guidelines are expected to provide approaches to Universal Postal Access and Regulation with specific considerations to:

- i. Defining Universal Service Obligation (USO)
- ii. Setting USO Targets and Parameters
- iii. USO funding mechanisms
- iv. Methodology to establish the cost of USO
- v. Highlighting key qualities of a Designated Operator (DO)

2. Synopsis of Universal Postal Service and Access

The aim of this section is to ensure that all stakeholders in the Regulation of Universal Postal Service and Access have a mutual understanding of the subject in terms of:

2.1. Justification of UPS

At community level, the universal postal service is regarded as a right of access to quality basic postal services (products) throughout the territory of a Member State at affordable prices.

A universal postal service plays a key role in ensuring that citizens, businesses especially small and medium sized enterprises (SMEs) and individual customers in

particular those with limited or no choice of postal services provider, get an easy access to basic postal services at affordable prices.

Therefore, the Universal Postal Convention requires all UPU member states to ensure that “all users enjoy the right to a universal postal service including the permanent provision of quality basic postal services at all points in their territory, at reasonable prices”.

2.2. Affordability of the services

This shall guide in considering the actual cost of the services being offered in comparison with the required profit level to enable self-sustainability of infrastructure and service development. Therefore, the Member States Shall consider the interests of individual and SME consumers that might be unable to pay for postal services.

The individual consumers may include low-income consumers, and consumers who may be predominantly reliant on postal services as well as the elderly, disabled, or those with no access to internet.

The SME consumers comprise of small and medium businesses for which postal services are a significant contribution to the business operations.

2.3. UPS Tariffs Uniformity

The Concept of uniformity has been applied principally to tariffs for universal postal services. Due to the increase in competition and substitution of letter mail by electronic media like e-mails, the introduction of price differentiation may allow designated operators to better navigate the competitive landscape.

The decision of whether or not to apply, for reasons relating to the public interest, a uniform tariff for specific universal postal services throughout the national territory and/or cross-border shall be left to individual Member States without preventing operators from offering discounts negotiated contracts specifically to bulk-mailers.

2.4. Accessibility to Postal Services

UPS availability focuses at identifying and bridging the gap between the consumers and "points of access to postal services" (i.e. post offices and mailboxes).

Physical needs of vulnerable consumers like the elderly and disabled, the possibility of unmanned postal access points and the operating hours of post offices need to be put into consideration while developing this notion.

2.5. Selection of the Designated Operator.

In each EACO member state, the national postal operator hosting the reserved postal services shall carry the obligation of fulfilling the USO, hence becoming the Designated Operator (DO).

In addition to the above highlighted qualification of a DO, Other key qualities that must be considered by every EACO member state in selecting the designated operator include the following:

- i. Offering of Postal Services covering at least 60% of the country's geographical area.
- ii. Registered member of the UPU
- iii. Being the main government arm responsible for provision of postal services in its state.

3. Viable Approaches Recommended for Universal Postal Services and Access Regulation

3.1. Defining the Universal Service Obligation (USO)

3.1.1. Policy Considerations

EACO member states should consider provision of well-defined policy guidance in the communications sector aiming at enabling each member state to develop clear National Universal Service and Access Policy. Establishment of linkages with cross-sectoral National developmental strategies may also be put into consideration.

The Policy may also point to the institutional relationships around which the Universal Service Obligation (USO) will be built including the concept of a Designated Postal Operator, the socio-economic objectives of the USO, the broad accessibility aspirations, Financing of the USO and the arrangement of the market to cater for both the competitive and non- competitive elements.

Government of each EACO member state has the Commitment of guaranteeing permanent provision of basic postal service to all the citizens regardless of their geographic location and socio-economic status at affordable prices that must be enshrined as the cornerstone of the National Universal Service and Access Policy by defining specific terms and parameters comprising:

Universal Service Obligation (USO) ; This is a collection of requirements that ensure all consumers receive postal services with required quality at affordable prices.

Underserved; These are regions with diminutive access to postal services provided within their area.

Universal Postal Service Fund: This is a fund that will finance all extra the costs incurred by the designated postal operator(s) while availing postal services at uniform reasonable prices to the population in all regions in the country.

The universal Postal Service Fund will also be tasked to finance projects aimed at improving the quality of domestic and other inbound letter-mail flows, making national postal services accessible to the least favoured through mandatory contributions by government.

Composition of the members on the Universal Postal Service Fund committee/board shall be ultimately determined by the Fund host but not more than two officers/members from the Designated Operator must be part of this committee. These two officers/members from the DO shall carry the duty of representing the DO at the Fund and also provide information requested for by the Fund relating to operations of the DO in line with fulfilment of the USO.

The Universal Postal Service Fund committee/board must have not more than eight members and four of them must have experience in Postal services delivery/ regulation /policy formulation.

Maintenance and scheduling of activities of the Fund committee shall be the obligation of the Fund host.

Members on the Fund committee/board may be revised/changed every after four years.

Unserviced (Sub-serviced) ; These are regions where there is no postal service provided.

Universal Postal Service ; This is the provision of postal services with quality at all points of the national territory by the designated operator, aiming at satisfying the communication needs of the population, public and private entities in the development of economic and social activities.

Target population ; This is a selected group that is identified as the intended recipient of something.

Value Added Services ; These are advancements given to the postal services.

Average Unit Cost ; This is the extra average cost incurred by the designated postal operator to deliver a single mail to the final recipient in fulfilment of the USO.

3.1.2. Primary Regulation

It will be the obligation of each Member states to ensure that stable elements of the USO concept are clearly provided for within its Primary Postal Regulations.

The government will be tasked with inclusion of the following key USO elements in the Primary Postal Regulations:

- i. Defining of the scope of the USO.
- ii. Setting USO Targets and monitoring adherence.
- iii. Defining of the USO Financing Mechanisms.
- iv. Licensing or designation process for the Universal Service Provider.

3.1.3. Secondary Regulation

Since the specific elements of the USO listed above may be relatively stable enough to be considered in the Primary Postal Regulations, Member States shall ensure that sufficient flexibility is still provided within the legal framework to accommodate

national conditions and the evolution of the USO with both technology and varying consumer preferences.

These detailed elements shall be defined in Secondary Regulation including; Rules, Guidelines, procedures and other similar instruments through which the detailed description of the USO may be established.

The Secondary Regulation may set out the USO definitions to include the following components:

Weights defined under the Basic Postal Services Provisions.

All Member States shall maintain this as the minimum standard which ensures compliance with the UPU Convention:

- i. Letters, postcards, small packets and printed papers up to 2 kgs
- ii. Priority items and non-priority items up to 2 kgs
- iii. Literature for the blind up to 7 kgs
- iv. Special bags “M bags” containing newspapers, periodicals, books and similar printed documentation up to 30 kgs
- v. Postal parcels up to 30 kgs.

3.1.4. Consideration of Additional Services – National Discretion

Member states shall be with authority to include additional services based on National needs and conditions to ensure that the USO meets the evolving Policy Objectives.

Additional services, in this regard, may include: Financial Services such as Pension Payments, Money Orders and delivering of any other Government Services aiming at serving the underserved and unserved populations.

It will be the obligation of Member States to determine the best composition of services to fulfil the USO bearing in mind the scope of the postal services already being offered by different designated postal operators.

3.1.5. Licence Conditions Focusing at USO Regulation

To enable flexibility for easing the regulation of USO, Member States shall consider incorporating the USO elements that are most susceptible to change in the Licence Regime for the Universal Service Provider /National Operator.

These elements may include the following:

- a) Quality of Service Targets
- b) Postal services accessibility Targets
- c) Network expansion Targets

4. Setting USO Targets and Parameters

4.1. Delivery Obligations

Member States may also establish targets for the number of deliveries and collections that should be undertaken by designated postal operator (Universal Service Provider /National Operator) within specific realistic time frames and regions of the country.

To guarantee the availability of the Universal Service, member states should consider stipulating of the minimum number of collections and deliveries to be made by the Universal Service Provider in: Urban Areas, Rural Areas, Deep Rural Areas and any other hard to reach areas considered not to be profit making for other operators in the industry.

4.2. Postal Services Accessibility Targets

To establish reasonable postal service accessibility targets, Member states shall primarily consider the key indicators highlighted below.

- i. Physical access for persons with disabilities
- ii. Access to postal facilities within a set geographic Radius
- iii. Distance of population concentrations to postal service points
- iv. Postal Density
- v. Number of inhabitants per postal service point

- vi. Number of sq. kilometres covered by postal service points
- vii. Home delivery versus P.O Box Delivery Ratios
- viii. Operating Hours of post offices

4.3. Quality of Service

Ensuring of compliance to the set quality of service standards, shall be the obligation of each member state. This will help in guaranteeing a postal service of good quality.

The postal service Quality standards should focus on mail delivery timelines, regularity and reliability of services.

Member states should consider clearly set delivery standards which are at a minimum of J+5, 185% for all expected deliveries to provide sufficient latitude for the achievement of the Global Standard even in the most remote part of the country.

Global Monitoring System (GMS) may be used to measure time taken to deliver Incoming /Inbound International Mail to the final recipient.

4.4. Postal Services Tariff Rates

Each Member state shall consider implementation of uniform postal services tariff rates by the Universal Service Provider /National Operator to ease regulation of USO Tariffs.

5. USO Funding

Different member states have various demographical, geographical and economic factors that are likely to influence this important element of costing and funding the USO.

5.1. Universal Access Fund

¹ J stands for the day of Posting or presentation of an article at the receiving Counter (Postage Date).

J+5 – Delivery not exceeding five days after postage date.

Member states may also consider a reasonable charge to be levied on licensed operators to compensate the Universal Service Provider for providing universal Service to all the citizens regardless of their geographic location and socio-economic status at affordable prices.

Contributions from licensed operators could be collected through an annual license fee as a percentage of annual turnover that is, a maximum of 0.4% of annual revenue of the licensed operator which shall be revised every five years to counterbalance with the dynamic behaviour of the industry.

Merits: A liberalised market would lead to competition and market innovation

Demerits: Collection of monies may tend to be difficult and requires diligent regulation Collection volume/transactional information from the market is challenging at best Setting pricing principles is also difficult.

5.2. USO Cost Calculations

Each Member state shall carry the obligation of calculating the net cost of the USO. The USO cost calculation shall take into account all other relevant elements, including any intangible and market benefits which accrue to a postal service provider designated to provide universal service, the entitlement to a reasonable profit and incentives for cost efficiency.

The universal service operators may be tasked by the fund host to provide the extra average unit cost incurred in fulfilment of the USO and the total number of last mile deliveries done.

In situations where the member state has failed to calculate the USO cost in a period not exceeding three months after the start of the financial year, the postal services regulator (Fund host) will engage the Designated operator with in second quarter of the financial year to establish the cost of the USO.

5.3. Multiple USO Funding Options

Financial mechanisms to support provision of universal service should be provided by the legal frameworks in the various member states. These may include incentives

and subsidies, public-private partnerships (PPPs), government funding, and the establishment of a Universal Service Fund among others.

Rate setting above cost on some services to provide “support” for UPS should be considered, provided that such subsidies are competitively neutral, and the services or infrastructure receiving the support are clearly specified.

The application of preferential or discounted tariffs for achieving good quality access in respect of underserved, unserved, schools, clinics, and establishment of rural post offices may also be considered.

5.4. Explicit State Subsidies

The second decision is an explicit subsidy to pay for unprofitable elements of in maintaining an active postal service network. This is particularly valid for the provision of a fixed retail postal service network, in place for social rather than economic reasons.

Merits: Identifies universal service costs and compensates USP for loss making elements, Frees USP from cross subsidising loss making services.

Demerits: Identification of costs for loss-making services is a challenge

Where funding is given to designated operators or projects to extend postal service infrastructure and increase access to services, this should be done on a “smart subsidy” basis to encourage market entry and facilitate the initial rollout of infrastructure and services, rather than to create long-term dependency on such funding.

5.5. Reserved Services

Reservation of a specific portion of the mail market may be considered by Member states as a means of guaranteeing a certain amount of revenue for the universal Service Provider especially where uniform tariffs are a requirement of the Universal Service Obligation.

Depending on country circumstances, consideration should be made for separation of accounts between reserved and unserved services to facilitate easy computation of funds to be dedicated towards Universal Postal Services as well as treatment of monies drawn from value added services.

To utilise this method, the member states should take note of the following considerations; The weight threshold for reserved letter mail, The compulsory value-added features that courier operators must include to carry letter items below the reserved limit Whether to utilise a price factor in deterring other operators from infringing on the reserved area Monitoring and enforcement techniques.

Merits: Allows for uniform pricing Provides basis for a strong Universal Service Provision

Demerits: Prevents Consumer Choice Does not incentivise the Universal Service Provider to improve service delivery.

6. Recommendations

- ❖ These guidelines are recommended for adoption by all EACO member states.
- ❖ USO Funding should be given full support by governments of respective member states to ensure continuity of provision of universal Postal Services to all the citizens regardless of their geographic location and socio-economic status at affordable prices.
- ❖ All EACO member states should have the Universal Postal Service Fund in place within one year from the date of implementation of these guidelines. This fund shall be fully controlled and monitored by the regulator in-charge of postal services in each state.
- ❖ These guidelines shall be reviewed by all EACO member states every after five years from the date of implementation. This will enable consideration of new technology norms coming up in the postal ecosystem.