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Series on General Agreement on Trade in Services: Part 11

Service Sector: Postal and Courier Services

Traditionally, postal services have been services supplied by state-owned entities that have a monopoly on basic mail services, while courier services, usually parcel delivery or expedited mail services, are often supplied by privately owned companies. During the last two decades the postal sector has seen dramatic changes around the world and the distinction between postal and courier services is now blurred.

Challenges presented by technological advancements in communications have forced more and more countries to embark on market-oriented postal reform. Competition has been introduced into the postal sector in more than 150 countries; postal service monopolies have been corporatized and/or privatized; and services reserved to monopolies have been largely reduced. Some countries have even fully ended monopoly rights in their postal markets. A lot of Posts, while continuing to provide the universal service, have entered into competition with private companies in various postal activities. Some Posts have even made extensive acquisitions abroad and have become global players. Liberalisation of postal markets has also provided more opportunities to private companies to expand their business. Today, operators in this sector range from the incumbents, often providing the universal service, to companies that provide parts of the postal value chain.

Importance of the Sector

According to the Universal Postal Union (UPU), in 2005 global postal revenue reached more than USD 273 billion. Letter post accounted for 60 per cent of the revenue and parcels and logistics services for 21 per cent. Nearly 70 per cent of the countries of the world have seen growth in their postal sector between 2004 and 2005. This sector employs world-wide nearly 1 million people.

Commitments on Postal and Courier Services

WTO Members' commitments on postal and courier services do not accurately reflect the status quo of market access. Only 10 Members have made commitments on postal services. For courier services where competition has been the norm for many decades, 40 Members (counting EC-25 as one) have bound these services in their schedules.

Inadequacy of the current GATS Services Sector Classification (W/120) and the United Nations Central Product Classification (CPC) on postal and courier services, in addition to uncertainties related to ongoing postal reform in many countries, may explain why there are very few commitments in this sector.

Definition and Classification

In the GATS Services Sectoral Classification List (W/120), postal and courier services are listed as sub-sectors of communication services, a sector which also includes telecommunications and audiovisual services. In brief, postal and courier services mean pick-up, transport and delivery services of mails, parcels, documents, and other items. The corresponding CPC definitions distinguish postal and courier services based on the nature of the services suppliers (public or private), rather than on the nature of the service.

Given the fact that the postal sector has evolved significantly throughout the world from a heavily monopolistic sector dominated by national public entities to a highly competitive one, this classification has given rise to concerns in terms of commitments and scheduling under the GATS. For example, it may lead to uncertainty concerning the scope and coverage of commitments on identical services that are supplied on a competitive basis by both public and private entities. Another definitional ambiguity often raised is that the CPC definition for courier services does not explicitly refer to express delivery services, which is one of the world's fastest-growing sectors.

Combined services

Postal and courier services are dependent on physical means of delivery, particularly air and road transport ser-

VICES. However, air and road transport services are identified as sectors in their own right in the Services Sectoral Classification List.

Responding to the changing business environment, traditional postal services operators, the Posts, have diversified into logistics, distribution and e-commerce. In fact, due to considerable technological developments in electronic communications, postal and courier services are continuously shifting from two-way communication services to advertising and transportation services. Large express delivery suppliers are increasingly "multi-modal" and integrated, owning their own fleets of planes or trucks. In other words, today operators in the postal sector are providing a lot of services that are covered by other services sectors.

How are postal and courier services typically traded?

Postal and courier services can be traded through Modes 3 (commercial presence) and Mode 4 (Movement of Natural Persons) in a way similar to that other services are supplied.

Mode 1 (cross border supply) is most relevant for the supply of postal and courier services. It refers to the situations where mail, parcels or other items are transferred across borders through co-operation between a foreign and a domestic service supplier.

The representatives of Universal Postal Union (UPU) Members (i.e. the national postal service suppliers) pay each other terminal dues for processing and delivering inbound mail. They also enter into bilateral agreements to exchange express mail.

While large courier service suppliers most commonly gain access to foreign markets through Mode 3 (commercial presence), usually in the form of foreign affiliates in the market to be served, some suppliers deliver packages through contractual agreements with locally owned service suppliers (Mode 1).

What regulations affect postal and courier services?

As a result of profound postal reform which led to liberalisation and competition, regulation has become an essen-

tial issue in this sector. At least two main regulatory functions have been identified, namely to ensure the provision of universal service and to guarantee competition. To fulfil these aims, main regulatory measures are related to defining the universal service, price setting, licensing, defining the reserved services, preventing cross-subsidization and introducing independent regulators.

While these measures are considered to be domestic regulation in general and thus addressed in Article VI, those related to competition are covered by GATS provisions on monopolies and exclusive providers (Article VIII).

For courier service suppliers, customs regulations, the sometime regulatory role of the postal monopolies or the scope of their privileges, licensing requirements, postal taxes and concession fees are identified as main regulatory measures that can hamper the free flow of trade.

As in any other sector, whether or not there are commitments, the regulations must not discriminate among the services or suppliers of different WTO Members – the MFN principle.

What kinds of limitations will you most often see in schedules of commitments?

Since most of the Members have been reluctant to make any commitments in this sector, very few market access and national treatment restrictions have been listed in scheduled commitments. In fact, almost all of the commitments have been taken in courier services rather than Postal.

Scheduling elements to bear in mind in postal and courier services

How to clearly define the scope of commitments is the main scheduling issue in this sector. Due to the number of linkages with other sectors (e.g. road transport) it is important that Members provide a clear description of the covered activities in order to avoid scheduling ambiguities. Due to the perceived lack of adequate or accurate descriptions in W/120 or the UNCPC a number of Members have submitted proposals on ways to improve sectoral classification, particularly for express courier services.