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29 th September 2,006

Dear Sir,

Re : Public Consultation on Further Liberalization of Postal Sector in Singapore –  
Invitation to Comment

Please refer to the above dated 18 th August 2,006.

The comments from the industry have been submitted by the President of Asian Mailing Association, Mr. Carl J. Schelfaut in a separate letter to IDA.

Our views on the consultation paper are as follows :

1. Liberalization of the Basic Mail Services market from 1<sup>st</sup> April 2,007

In our opinion, the time frame may be too short to attract potential entrants to set up the infrastructure to compete effectively with the incumbent and meeting the USO requirements.

As highlighted in the consultative paper, the incumbent has a head start in setting up an efficient infrastructure and delivery network and has started defending their market share in view of liberalization.

2. Monopolistic environment in Singapore restrict mail growth

Singapore is a small country and organic growth of mails may be limited. Global players with their international marketing network will be able to attract MNCs to print and mail from Singapore. If such materials are classified as monopoly mails, there is no incentive to bring these businesses into Singapore.

In our experience handling the non monopoly mails, misinterpretation of the rules and regulations may restrict such businesses to be brought into Singapore. The definition of what is a letter is a case in point. The postal act clearly defines invoices and statements as printed matters. However, due to the additional clause of 'personal and current, statements of a commercial nature like loyalty points are deemed to be letters. This resulted in higher prices and do not give customers choices for alternative distribution options.

The opening of the Telecommunications market in Singapore is a good example where prices and service improvements were made to the benefit of the end users. End users will have choices to select their preferred service providers and type of service required which is not possible under a monopoly.

### 3. USO requirements

We believe the USO requirements should remain with the incumbent and in return, the incumbent will be given the exclusive rights to issue stamps. The consumer segment market will be adequately served which will not impact on the overall liberalization plans.

Small users will use stamps to mail their materials. Collection, sorting, transportation and final delivery will be possible under the current infrastructure and network of the incumbent.

If new licensees are required to fulfill the USO requirements, there will be duplication of the facilities and wastage of resources – setting up of post boxes, collection centers, expensive sorting machines and transportation.

In view of the dateline, there may be insufficient time for a new entrant to set up similar infrastructure.

Alternatively, USO requirements can be considered after a period of time after full liberalization.

### 4. 95 % Business Mail Market

We would proposed that the business mail market forming 95 % of the total mail market be open for competition in the collection and delivery of the mails. USO requirements, including provision of posting boxes, collection, sorting and transportation of the 5 % consumer segment market remain with the incumbent. In return, the incumbent will have the exclusive rights to issue stamps for the purpose.

As such bulk mails will be pre-sorted at source using IT software and up to date mailing equipment, the need for investment in expensive sorting machines will be minimized.

Collection of this bulk mail does not require huge resources or a big fleet of vehicles unlike collection of the mails from post boxes.

Posting need not be at branch offices – as these are bulk mails, collection can be done at the customers' printers or mailing houses. Another possibility is for the customers to send the bulk mail to a central location like the current practice with the incumbent. Eg Bulk Mail Centre.

With access to master key to locked letter boxes, new entrant will be allowed equal access and manage the cost of the deliveries. The new volumes will complement the existing non monopoly mails to achieve economies of scale in delivery costs.

IDA would like to take the above considerations in mind to avoid wasteful duplication of resources and to enable new entrants a smooth transition into the liberalized market.

#### 5. Downstream access to the incumbent delivery network

It is our suggestion that down stream access to the incumbent network be allowed for new entrants for a specific period of time after the full liberalization of the market.

This will avoid service failures for the initial period after liberalization and allow new entrants a smooth transition.

The prices to be regulated by IDA and we would suggest that these prices be pegged at the best rates offered to the incumbent's best customers.

#### 6. Re-mailing and International Inbound Mail

We strongly believe that full liberalization include opening up the re-mailing market, international inbound market and provision of alternative distribution solutions to end users. Currently, all operators are engaging in these activities.

This will open the market to innovative and creative solutions by global players which are not possible under the current monopolistic environment.

With existing regulations by UPU, other international bodies and recipient countries, the market forces will be self regulated.

Alternative distribution solutions include using a globalize players international network for the carriage and delivery of mails, delivery by private operators instead of through postal channels and through bi-lateral agreements. The objective is to offer choices and cost savings and better service to the end users on a world wide basis and not only to customers based in Singapore.

In summary, with globalization and new technologies, the need to protect the postal industry may not be necessary except for the USO requirements.

Rules and regulations may be taken for granted due to the dominance of a single operator in a monopoly which does not offer choices to end users. This restricts growth and progress.

Prices may be kept artificially high and not related to the cost of delivery or service requirements. The UPU terminal due is an example.

We hope the above comments and suggestions will assist IDA to formulate a fair and equitable framework for the access of the market by new entrants.

Yours Faithfully,

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