



AJ COURIERS PTE. LTD.

TO

**INFO-COMMUNICATIONS DEVELOPMENT AUTHORITY OF SINGAPORE
("IDA")**

**FOR THE
PUBLIC CONSULTATION ON THE**

**PROPOSED POSTAL COMPETITION CODE 2007,
PROPOSED POSTAL SERVICES OPERATIONS CODE 2007 AND,
PROPOSED POSTAL SERVICES (CONTROL OF DESIGNATED POSTAL
LICENSEES) REGULATIONS 2007**

12 NOVEMBER 2007

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1 Summary

AJ Couriers Pte Ltd have been providing private postal delivery of the already de-regulated printed-matter in Singapore for many years prior to our decision to fully liberalize the postal service market. In this feedback, we touch on the underlying approach that IDA have taken especially with regards to the operational issues. The postal liberalization is about liberalizing the last-mile delivery fulfillment. From our experience, we are concern that by not adequately addressing the operational barriers that prevent competition in the critical bottleneck, the entire exercise will not achieve the goal of liberalization.

Section 3 considers the very important issue of mail integrity and security. With the proposed framework, (i) letterbox contents-access will be allowed, and (ii) postal delivery to the doorstep is considered acceptable. Both situations clearly compromise mail integrity and security. We clearly do not support this, and propose that IDA resolve this by facilitating delivery-only-access for all Licensees.

Assuming we can find a viable way to facilitate competition in the last-mile delivery, then there is a concern with regards to those postal customers who, because of the pattern of their mailing volume, will have to post via the posting box network across the country. While it is possible that some years down the road, another postal operator may set up a similar network, it is something that is viewed to be a wasteful replication of infrastructure. In view of that, and in order that the liberalization benefits all people of Singapore, we suggest that IDA facilitate access to the incumbent's first-mile collection network via the posting boxes (Section 4).

From our years of experience in this sector, it is quite clear that without the ability to deliver into ALL letterboxes in Singapore, no operator can offer viable alternative postal service. A pre-requisite to viable postal service is 100% coverage, for exactly the same reason a viable mobile phone service provider will need to have 100% coverage. We elaborate further on our experience in the printed-matter postal delivery situation that bears remarkable resemblance to the framework that IDA is advocating. We assert that without the ability to deliver into all letterboxes, competition will be stifled, in exactly the same way as it was in the already de-regulated printed-matter sub-sector. (Section 5)

In our view, the key issue of operational liberalization had not been adequately address up to now and unfortunately if the current framework prevails, the parties that actually holds the key to our liberalization will not be our authority nor any Licensee but it will be the Town Councils and Condominium Managements. It is only if and when they are able to, firstly, arrange for other Licensees to be allowed letterbox access of those delivery-only-access masterdoor keys, and secondly, taken a decision to progressively

replace those masterdoors that gives full content-access, that goals of postal service market liberalization will be achieved. We also at the same time, examine a little closer the cause of this key issue – the letterbox-aperture-locking device (*a.k.a.* anti-junkmail device) which incidentally is technically not acceptable – to see if it has a justified existence, or, is it a white elephant. (Section 6)

With reference to the Dominant Licensee, our opinion is that a necessary test that needs to be included is that the Licensee must have the ability to deliver to all letterboxes. (Section 7)

Within the current framework, as in the monopoly situation, there will be Quality of Service Standard (“**QSS**”) that Licensees will have to adhere to. In view of the fact that there is like to be two class of Licensees, one with privilege to deliver to all letterboxes, and the others without this privilege, we cannot expect both class of Licensees to meet the same standard. We therefore propose that IDA adopt a Double-QSS approach in order to avoid a situation where Licensees will be forced to declare non-compliant to a standard that the Licensee have absolutely no reasonable chance of meeting due to their inability to deliver to all Letterboxes. (Section 8)

All parties with interest in the postal liberalization are fully aware of an apparently vexing issue arising from our unique anti-junkmail device that denies Licensees the basic ability to deliver mails into all Letterboxes. Firstly, it (the device) has managed to steer the entire postal service market that includes our regulatory and competition authority, ministries, and market players to work around it and yet still unable to come to a viable solution that can at the same time achieve our goal of promoting competition. Secondly, we question the justification for its continued existence as it does not seem to be anywhere near achieving its intended purpose especially considering the monumental amounts that have been spent on maintaining its existence. We propose IDA to review its current stand on letterbox designs and access, and take into consideration the amount of effort we would all save if we could take a sensible stand on the letterbox issue. Allow delivery-only-access for ALL Licensees (including the incumbent) and we will have framework that promotes competition and at the same time does not compromise mail integrity and security. This can be achieved by disabling the anti-junkmail device for all 2-way access letterboxes, allow delivery-only-access to 3-way access letterboxes for all Licensees, and immediately prohibit content-access letterbox designs. (Section 9)

We sincerely hope that our feedback can make a positive contribution to our postal liberalization process and help achieve IDA’s goal of promoting fair competition that leads to a more efficient postal sector that can benefit all people in Singapore.

2 Background

In August 2006 IDA began public consultation on the liberalization of our postal service market, it subsequently led to the decision to fully liberalise our postal service market as of 1 April 2007. Prior to that, our postal service sector was partially liberalized. Within the previous partially liberalized framework, SingPost retained monopoly over the deliverance of Letters and Postcards, while the deliverance of printed-matter sub-sector was open to competition from private postal operators.

AJ Couriers Pte Ltd (“AJ”) have been providing postal delivery of printed-matter for more than ten years within the partially liberalized framework. AJ was by no means the only private operator that had interest in that segment of the market. There were many operators who attempted the service of private postal delivery over the years but many gave up due to the inherent difficulties arising from the fact that many letterboxes were not accessible (i.e. allow delivery into) to all private operators. Although AJ was able to continue providing this service, it is with lots of difficult experiences the same as those that all other private operators have had to deal with; competition was the last thing on our mind, it is constantly about survival. The result of those difficulties was that competition in that de-regulated sub-sector was practically non-existent.

During the few years preceding the postal liberalisation decision, AJ had communicated with IDA and MTI’s Pro-Enterprise Panel, as well attempted to communicate with Town Councils in the attempt to mitigate those difficulties arising from letterbox inaccessibility. However, as the deliverance of printed-matter was a de-regulated market segment, our Postal Authority (i.e. IDA) was not in a position to assist.

Another relevant development during those years prior to our postal liberalization decision was the emergence of very keen competition in the upstream mail-preparation services that we commonly refer to as “*letter-shopping*” service.

What is interesting to note is that many of these letter-shopping houses had at some point in the past attempted private postal delivery of printed-matter, but many had since given up and had reduced their service to letter-shopping and have had to pass-on their mails to our Public Postal Licensee (i.e. SingPost) for the fulfillment of the last-mile delivery. The current proposal of the RAO for other Licensees to pass-on their last-mile delivery to the incumbent is replicating what was already there before our liberalization decision. The current proposed framework of not providing letterbox access to all other Licensees will also have exactly the same effect of restricting other postal service activities to upstream letter-shopping services (which is already efficient through years of keen competition, for all types of mail preparation and not just printed-matter). The current proposed framework will

not change the operational restrictions that the postal service sector had all along been subjected to; it merely provides different labels to existing process and further includes IDA as an additional party to existing process.

We would like to share our difficult experience in the postal delivery of printed-matter sub-sector with IDA in order that we (all interested parties) do not waste unnecessary time and effort in formulating a liberalized postal service sector framework that is but a replica of the previously de-regulated printed-matter framework. We can easily rationalize that we will arrive at the same steady-state of no competition to the incumbent, and thereby retaining the monopolistic nature of our postal service sector.

Perhaps we, AJ, had not, up to this point been sufficiently detailed about our past experiences and how we, collectively as a postal service sector, can draw lessons from it. We hope that we are clearer in this round of feedback to IDA.

In this feedback, we refer to the following documents and terminologies:

- Postal Services Act (Cap. 237A) (“**Act**”)
- Proposed Postal Service Competition Code 2007 (“**PPSCC**”)
- Proposed Postal Services Operation Code 2007 (“**PPSOC**”)
- Proposed Postal Services (Control of Designated Postal Licensees) Regulation 2007 (“**PPSCR**”)
- IDA’s “**Letterbox Guidelines**” (Letterboxes – Guidelines and General Information 2005 version),
- Postal Service Operator or Licensee (“**PSO**”, “**Licensee**”)
- “**Basic Letter Service**” means Postal Service for the conveyance of Basic Letters:
- “**Basic Letter**” means a Letter, other than a Direct Mail or an Express Letter, of up to 500 grams in weight;
- “**Postal Service**” means any service for the conveyance of postal articles from one place to another by post, and includes the incidental services of receiving, collecting, sorting, sending, dispatching, and delivering such postal articles and any other services which relates to any of those services, and is provided in conjunction with any of them;
- Reference Access Offer (“**RAO**”)

2.1 IDA’s Goals and Principles

Before we go into the details, it is perhaps helpful to remind ourselves of IDA’s goals with the Proposed Postal Service Competition Code 2007, and that of the Proposed Postal Services Operations Code 2007.

The goals of the Proposed Postal Service Competition Code 2007:

From Section 1.2 of PPSCC

This Code is intended to:

- (a) *ensure that Basic Letter Services are **reasonably accessible to all people in Singapore**, and are supplied as efficiently and economically as practicable and at **performance standards** that reasonably meet the social, industrial and commercial needs of Singapore;*
- (b) ***promote the efficiency and competitiveness** of the postal industry in Singapore;*
- (c) ***promote and maintain fair and efficient market** conduct between parties engaged in commercial activities connected with the provision of Basic Letter Services in Singapore; and*
- (d) *encourage, facilitate and promote industry self-regulation in the postal industry in Singapore.*

The goals of the Proposed Postal Services Operations Code 2007:

From Section 1.3.1 of PPSOC

Purpose of this Code

1.3.1 This Code specifies common operational procedures applicable to Licensees providing Basic Letter Services and is intended to promote the following objectives:

- (a) *promoting the welfare of consumers of Basic Letter Services; and*
- (b) *promoting the efficient conduct and inter-operability between Licensees so as to ensure that Basic Letters are delivered in a timely and efficient manner, and safeguarding the integrity of Basic Letters delivered.*

2.2 Approach to Liberalization

The formality of our postal liberalization essentially began in August 2006 at which point, IDA conducted a public consultation on the proposed framework. In the initially proposed framework then, IDA had proposed that all Licensees will be given access to all letterboxes, i.e. the ability to deliver into all letterboxes.

Subsequent to that public consultation, it is recognized by all parties that those letterboxes that allow full content-access (i.e. technically, the postman can put in as well as retrieve items) poses a mail security issue if any Licensees continue to have that kind of access. AJ had also feedback our concerns about such arrangements in the hope that this kind of letterboxes will be replaced as soon as possible as this kind of access by any one Licensee (the incumbent included) compromises mail integrity.

IDA had in their Decision Paper, made a decision to disallow all operators from masterdoor letterdoor access due to concerns over mail integrity, but this security concern does not seem to apply

where the incumbent is concern. The incumbent will continue to have full masterdoor access for all types of masterdoors.

In the interim period, until IDA finds a solution and that IDA proactively attempt to resolve this issue, it may be understandable condiders the option of allowing the incumbent continued access to masterdoors to letterbox that allows content-access. What is not understandable is that, at the same time, IDA had taken the position that no other Licensee will be allowed any masterdoor access and this applies even to those 3-way access letterboxes that has an option of allowing delivery-only-access but NOT contents-access. At the same time IDA is allowing the incumbent continued content-access to this type of 3-way access letterboxes and not requiring that the incumbent switch instead to the delivery-only access thereby mitigating at least to some extent concerns over mail integrity and security.

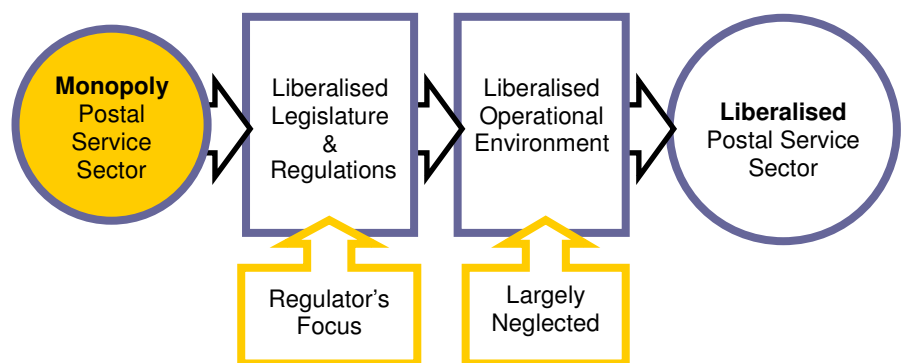


Figure 1: Current focus of liberalization does not adequately address operational issues.

In any case, after IDA's decision as spelled out in their decision paper, the operational issue had been largely neglected.

IDA had done a good job as far as transforming the legislative and regulatory issues goes, but in order for us to move from a monopolistic postal service sector to a liberalized postal service sector, we have to address the bottleneck of the operational issues (Figure 1). Without addressing the operational barrier presented by the uniquely Singapore letterboxes, we will not achieve the desired competitive market that liberalization is designed to achieve.

Industry players are of opinion that letterbox access that determines the ability to compete in the last-mile delivery is a key issue to postal liberalization, and IDA as the regulatory and competition authority need to understand and recognize that. The current approach to liberalization need to be adjusted to place sufficient focus on liberalizing the operational barriers and not ignore it.

2.3 Lessons Drawn from Telco Liberalisation

As the authority that also oversaw the Telco Liberalisation in Singapore, it is understandable that IDA will feel that many lessons can be drawn from that experience. But, question is, are we in inadvertently drawing too much from that and assuming similarity where there are actually differences that need to be identified.

The current framework adopts a Reference Access Offer (“**RAO**”) concept that is clearly derived from the Telco experience. However, while there are similarities, there are also critical differences.

The prevention of duplication of expensive infrastructure and hence a waste of resources is the rationale for the RAO arrangement. While such expensive infrastructure does similarly exist in the Postal sector, it does not however, exist in the last-mile delivery fulfillment end of the postal activity-chain but in fact exist in the first-mile collection network of posting boxes. The last-mile delivery operation is not an infrastructure type set-up and is relatively straightforward for other Licensees to set up and is only currently blocked by letterbox access issue. The current RAO’s focus on arranging access to the incumbent’s last-mile delivery is but an interim solution because of our letterbox and not due mainly to the infrastructure nature of the last-mile. We like to stress that IDA should treat this as an interim solution rather than a solution per se and must continue to seek out a long-term solution for letterbox access by all Licensees.

The first-mile collection of postal articles via postboxes located all over the country is indeed an infrastructure that is costly to duplicate and would certainly be wasteful to duplicate. The lesson to be drawn from Telco experience would be applicable to this end of the postal activity-chain. In other words, there should be a effort on IDA’s part to allow other Licensees’ access to the incumbent’s first-mile collection infrastructure in order that competitive postal services are reasonably accessible to all people in Singapore and not only limited to Customers with large mail volumes (where individualized collection arrangements can be made). Section 4 will elaborate further on this, but here, we would like to caution against over reliance, or over-drawing from the Telco experiences and that we ought to recognize where appropriate that there are differences between the two.

2.4 **Ex-Ante, Ex-Post, Ex-clude**

The many years of partial liberalization of printed-matter postal delivery sector did not facilitate healthy competition despite the fact that this sub-sector makes up a large portion of the total postal service volume. Industry players have for many years been appealing to IDA to address the issue of accessibility to letterboxes as this is clearly identified as an operational road-block.

From Section 1.4.4 of PPSCC

Proportionate Regulation

*To the extent that a Basic Letter Services market is not yet competitive, **ex ante regulatory intervention** is likely to remain necessary. Where this is the case, IDA will seek to impose regulatory requirements that are carefully crafted to achieve clearly articulated results. Such requirements will be no broader than necessary to achieve IDA’s stated goals.*

The construction of Section 1.4.4 of the PPSCC assumes no previous relevant experiences to draw from. This reflects IDA’s approach to our postal liberalization. But the truth of the matter is, we do have relevant knowledge from the printed-matter postal

delivery market and we know that without the ability to deliver into all letterboxes, competition will be stifled. IDA ought to adopt an *ex-post* approach and address this vital operational issue.

There are valuable lessons we can draw from our experience from the already de-regulated printed matter postal service market (see Section 5.1). We must not exclude these lessons.

3 Mail Integrity and Security

Mail integrity and security is a reasonable expectation of our postal sector. This should not be compromised, as IDA strongly advocates, and quite rightly so.

Question is, within the currently proposed framework, if and where are we at odds with this very important requisite of maintaining mail integrity and security? At present, there are two clear situations where this important principle is compromised:

1. Incumbent continue to have full content-access to letterboxes when there is alternative delivery-only-access option as in the 3-way access type letterboxes. To maintain mail integrity and security, no one (the incumbent included) should be allowed content-access to letterboxes. This must be an absolute rule.

For 2-way access letterbox type, we must immediately disallow Masterdoor content-access which is only disabling ONE of the TWO-ways to access this type of letterbox. There is still another way to access this TWO-way access type. The incumbent can then use the one way that does not compromise mail integrity and security, and that is **via the aperture of the letterbox** whose sole purpose for its mandatory existence is for the deposit of mails into the letterbox.

2. Mail delivery to the doorstep clearly does not conform to mail integrity and security at all, and it is rather obvious why that is so. We must understand that unlike the *good-old-days*, before existence of letterboxes and before nested letterboxes when all postmen deliver directly to the household via a **“mail-reception-hole” on the door**, doorstep delivery these days can literally mean *at the doorstep* since there is no mail-reception-hole in the door. This is worse than giving content-access to a competing postmen; this is giving content access to all passer-by.

The view that other Licensees other than the incumbent may fulfill the postal deliverance by delivering to the doorstep is clearly contradicting this very important principle of mail integrity and security.

Promote competition and market efficiency and at the same time maintaining mail integrity and security, are not inherently opposite motivations. This has only become so because of our uniquely Singapore letterbox. A simple solution to satisfy both will be this.

- Disallow content-access to all letterbox type.
- For 3-way access type letterbox and any other letterbox that has masterdoor key for delivery-only-access, issue masterdoor keys to delivery-only-access to all Licensees (including incumbent); throw away the key to content-access masterdoor.

- For 2-way access type letterbox, disallow one of the way (i.e. throw away the masterdoor key to content-access) effectively making this a 1-way type letterbox and all Licensee can use the 1-way, that is the mandatory aperture, for delivery; the same way as the rest of world.

In this way, all Licensees will be able to deliver to all letterboxes, which is an original objective of IDA in line with the goals of the postal liberalization. At the same time, we will all be assured of mail integrity and security in this new framework. We will be promoting postal service competition. And, all the issues arising directly and indirectly from our unique letterbox (that technically is not acceptable by IDA) will be gone.

4 Access to “First Mile” to Benefit All Mail Consumers

Figure 2 below shows a flow-chart of postal articles from the originator (i.e. Sender), through the postal system, to the Recipient. Any mails intended for international addresses or come from international network are flow into and from the Postal Licensee.

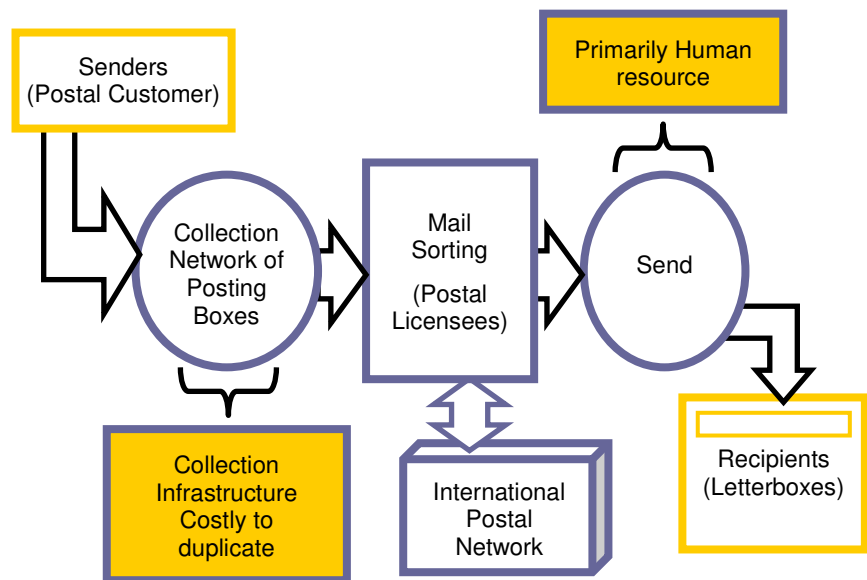


Figure 2: Flow-chart of Postal Articles.

From 2005 surveys, IDA gathered that around 95% of total domestic mail (by mail volume, send and received within Singapore) are business mail, either B2B or B2C. C2C mails make up about 5%.

Another way of segregating mails is by the volume in which they are posted on a per batch basis. A C2C mail posting will typically be one piece per posting, while B2B or B2C mail posting can be anything from one to many thousands per posting. For those with large volumes, we refer to them as **bulk mails**, where, due to their large volumes, the transfer to the Postal Licensee bypasses the Posting Boxes and goes directly to the Licensee. This is not shown in the above Figure 2.

The direct transfer of bulk mails to the Licensee is only feasible when volume is large – typically more than a thousand pieces per posting. All other mails that are non-bulk, be it B2B, B2C or C2C typically goes through the network of posting boxes. Example of these groups of mail will be business invoice from SMEs, statement of account, payment reminder notices and general correspondence that needs to be sent in hardcopy. Actual survey numbers are not available but this should make up a significant fraction of the total mail volume.

As these users are non-bulk customer, they are in danger of being sidelined in the liberalized postal service market. Figure 3 below shows the probable scenario after postal liberalization. Any Licensee (PSO) providing alternate postal service is unlikely to have (at least in the initial years) a collection network of posting boxes to serve the needs of non-bulk postal customers. The only type of customers that new Licensee can practically serve will be those with bulk mails only. Postal customers who have small mail volumes will continue to have only one option available to them. These postal customers will not then be able to benefit from the liberalization since there is no alternative available to them.

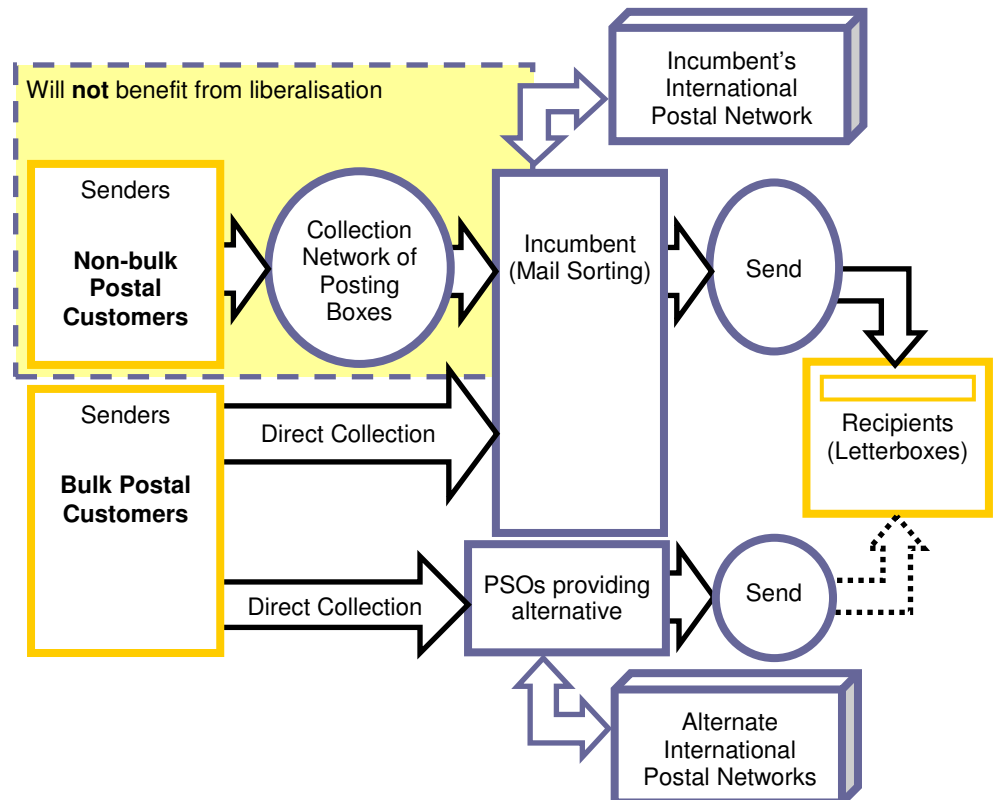


Figure 3: Non-bulk postal customers will not benefit from competition if access to incumbent's first Mile of collection network is not available to other PSOs.

In other words, with the currently proposed framework, we are not making the competitive postal service available to all people in Singapore. And in order to overcome that, two things must happen:

1. Another Licensee sets up the infrastructure of a network of collection boxes, and/or
2. Issue stamps (that do not bear the word "Singapore" in any language as this privilege is only for the incumbent) that is approved by IDA.

The duplication of expensive infrastructure will be wasteful and this is something all interested parties, including the incumbent, agree on. The issuance of stamps that does not bear the word "Singapore" does appear to be a possibility. In order that all people in Singapore can benefit from the liberalization, IDA should facilitate access to the incumbent's first-mile collection via the network of posting boxes. In that way, non-bulk users will have a

choice of purchasing stamps from another Licensee, post the mail into existing posting boxes and have these letters delivered by the stamp-issuing Licensee at a competitive rate.

Figure 4 below shows the additional link depicting the flow of mails from the network of posting boxes to an alternate Licensee (PSO). The envisaged scenario is this:

1. Licensee obtain IDA's approval to issue stamps;
2. User buys stamps from Licensee or it's agent;
3. User deposit mails with appropriate stamp into posting box of incumbent;
4. Collection by incumbent;
5. Mails intended for Licensee are set aside for Licensee to collect from incumbent (similar arrangement to the MisPosted Letters concept as proposed in the PPSOC except that this is not mis-posting).

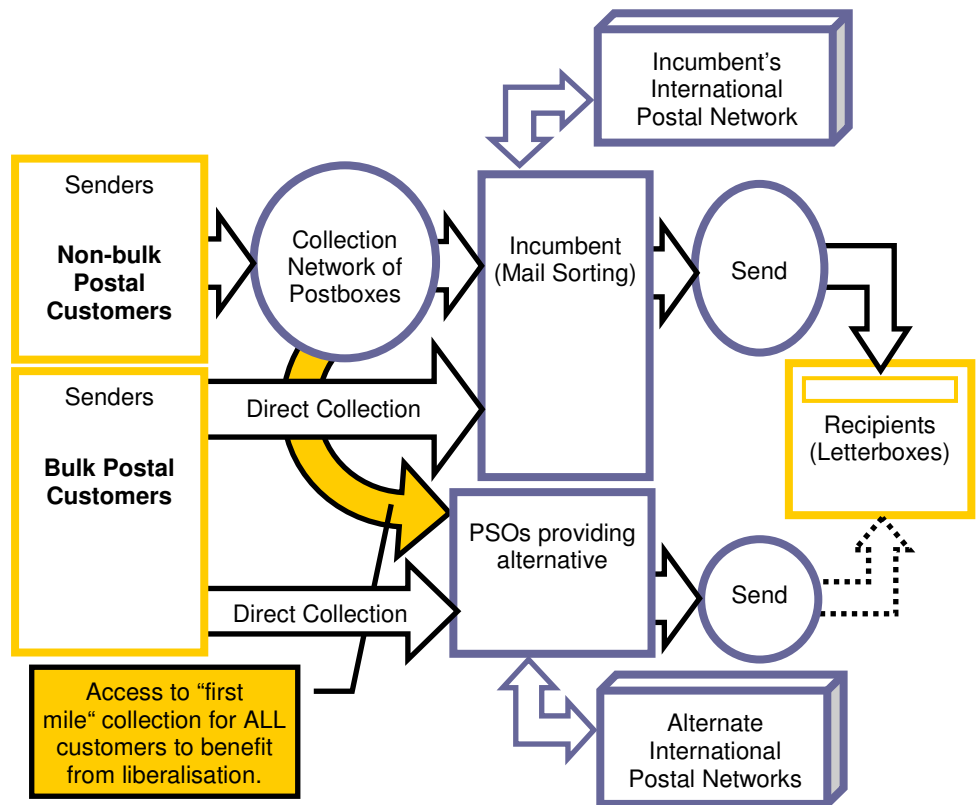


Figure 4: Non-bulk postal customers will not benefit from competition if access to incumbent's first Mile of collection network is not available to other PSOs.

With this arrangement to include access to the incumbents' first-mile, all customers in Singapore will be able to benefit from liberalization sooner. Alternatively, this group of users will have to wait, hopefully one day another licensee will set up the network of posting boxes for them to benefit from postal liberalization.

We propose that IDA makes access to the incumbent first-mile collection available to other licensees who wish to issue stamps to avoid wasteful duplication of expensive infrastructure and at the same time, benefit all postal consumers in Singapore.

5 Postal Operators' Basic Ability to Deliver into All Letterboxes – 100% coverage Required

For some reason, IDA has taken the view that our postal sector liberalization can achieve the stated goals of promoting an efficient and competitive with fairness, and is reasonably accessible to all people in Singapore at performance standards that reasonably meet the social, industrial and commercial needs of Singapore, by regulating access to the incumbent's last-mile, and giving hardly any consideration on the impact of not having any competition in the last-mile delivery when the liberalization is about liberalizing the last-mile.

We are asserting that this will not work, and there is clear evidence that we can draw from our vast experiences in the deregulated printed-matter postal delivery service that the propose framework that IDA intends to adopt is very similar to.

Firstly, we need to understand that there are certain services, mobile phone service for instance, where 100% coverage, or very close to 100% coverage is the only way for any competitor to provide a viable alternative – i.e. competition. Would anyone subscribe to a mobile phone service that only covers 60% of Singapore, or would anyone subscribe to an internet service that only can guarantee availability about 60% of the time.

The same applies to postal service. Any PSO that does not have the ability to cover very close to 100% cannot compete. In postal service, coverage means completing the delivery to the intended recipient's letterbox. A PSO cannot possibly provide postal service that delivers to a fraction of all letterboxes.

We have to realize that our mailing addresses are not divided along the line of the type of letterboxes, i.e. there is nothing on our address to indicate the type of letterbox the recipient has. Even if a PSO would want to attempt considering this approach, you simply cannot go and provide postal delivery service to some addresses with the "correct" type of letterbox as there is no way to segregate the mails along letterbox-type line and provide competitive rates for one group and monopoly rate for the other. Postal consumers' reasonable expectation is that the PSO will be able to deliver to any addressee at reasonable standards in Singapore and Overseas.

5.1 Lessons to learn from De-regulated Printed-Matter sector

For many years, prior to our full postal liberalization in April 2007, postal delivery of printed-matter had be de-regulated and is open to "competition".

Although this printed-matter sub-sector had been open to competition, the reality is that private operators cannot compete on a level playing field as the Public Postal Licensee then due to the barrier to competition – i.e. the inability to make postal delivery into ALL letterboxes.

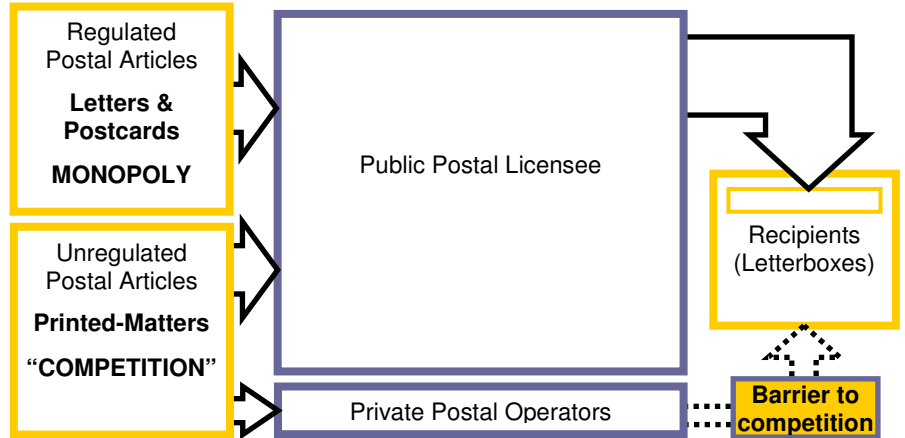


Figure 5: Pre-liberalization “competition” in unregulated postal deliveries; non-existent despite many years of deregulation due to barrier to competition in delivery fulfillment.

Figure 5 depicts the postal delivery framework before our postal liberalisation. Although “competition” was possible in the deregulated printed-matter sub-sector, competition hardly exist (actually negligible), despite many years of deregulation. One may mistakenly presume that this is because there was no interest in this “small” market. The truth of the matter is that the local postal service market is estimated to be in excess of 200 million dollars and the printed-matter portion probably makes up about half of this, and this is by no means small for many businesses.

The fact is, over the past years there are many operators who have attempted to service the de-regulated printed-matter sub-sector but have since given up due to the difficulties presented by the inability to deliver postal articles into the recipients’ letterbox – the barrier to competition. It is certainly not a case of insufficient interest.

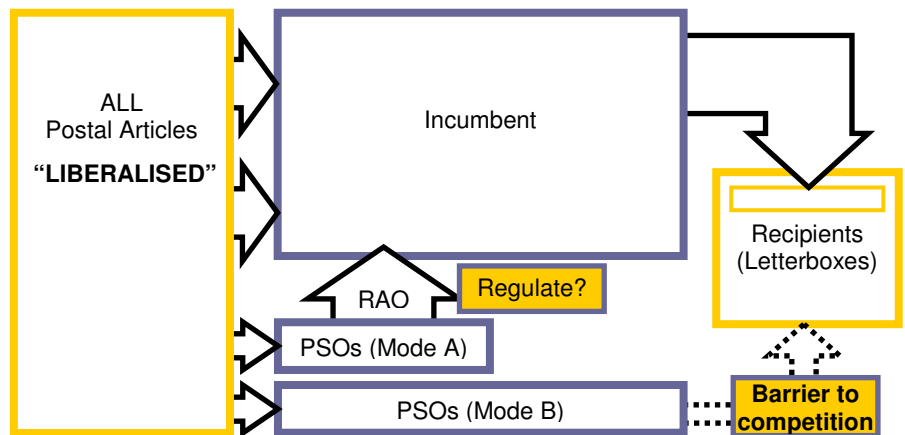


Figure 6: Proposed Liberalized postal sector with regulated RAO and barrier to competition to the last-mile.

Competition to the Public Postal Licensee in the de-regulated printed-matter sub-sector is insignificant – probably in the region of a couple of percent of the printed-matter market. Technically, competition is allowed in the postal deliverance of printed-matter, but in reality, it hardly exists.

Now, with FULL postal liberalization, it appears that we are going into the framework as depicted in Figure 6 where the inability to deliver by any other Licensee other than the incumbent, still remains. This is effectively the same situation as the printed-matter sub-sector before Postal Liberalisation. The only slight difference is that there will be an access to the incumbent's last-mile through the Reference Access Offer (“**RAO**”) as proposed in the PSCC, which will be, regulated, in this, liberalisation. The question then is how is this regulated RAO (an idea derived from the Telco experience) going to help achieve the ideals of liberalization. The only real purpose it seems to serve is to allow us to bypass the vexing letterbox access issue. As far as promoting a competitive and efficient postal market goes it does nothing.

PSOs who would want to operate in Mode B (Figure 6) will face with exactly the same difficulties as in the de-regulated printed-matter situation. That will mean competition will not be promoted because fairness does not exist, and we will not be able to transcend to an efficient postal service sector.

PSOs who would want to operate in Mode A will be analogous to an extended sales arm of the incumbent. Because the postal operation is relatively straightforward and because of this simplicity, there is hardly any room to value-add to this process for Mode A apart from being simply, another sales force.

IDA had in their Decision Paper on Postal Service Liberalisation (February 2007), alluded to the likelihood of competition occurring in the upstream mail-preparation segment. That may be true if that upstream mail-preparation segment had been regulated, but as we all know, that is not true at all. The upstream mail-preparation has never been a regulated service sector and is already a highly efficient sector from many years of intense competition.

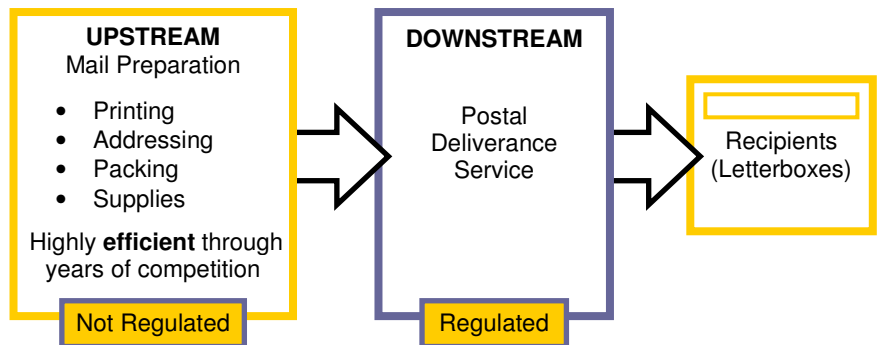


Figure 7: Pre-liberalisation situation – Upstream mail-preparation already highly efficient through years of intense competition.

In fact, the upstream mail-preparation sector is so efficient it is on itself bordering on being not viable from a business viewpoint, unless the service is bundled together with other services (postal fulfillment for instance).

The postal liberalization is about liberalizing the last mile downstream postal deliverance service. The postal industry need IDA to recognize and appreciate this fact, or the entire approach to liberalization will be defective and we will not be focusing on the correct issues.

5.2 Reasonable Performance Standards Include “Into Letterbox”

Credit to our incumbent, postal service standards in Singapore is reasonably high. It is therefore reasonable to assume that a reasonable performance standard that IDA wants to make accessible to all people in Singapore, would include completing deliveries by delivering into letterbox of the recipient. The postal recipients, we should note, in many cases are the customer (recipient) of the customer (sender) of the PSO. By examining this client-vendor-vendor relationship, it is not difficult to understand that the recipients have a big say in how they would like to receive their mails.

Fact is, people want their mails delivered into their letterbox and that is not an unreasonable expectation: not at their doorstep; don't knock on their door; don't ring their bell; don't let the sound of mails dropping on the floor alarm them, or their cat; don't let mails at the doorstep announce to the world that they are on holiday and invite crime; don't want their mails subject to possible scrutiny by nosy neighbours; don't want to lose their mails at their doorstep. Mail security and integrity, a very important requisite that IDA is rightly advocating will be compromised if mails are not delivered into the recipients' letterbox.

From our (and that of other private postal operators existing or otherwise) experiences, operational difficulties arises when an operator cannot deliver into the letterbox as people simply do not want to see their mails at their doorsteps. This will lead to all sorts of additional issues that make the business hardly viable, or suffer continual lost of clients because the client of the Licensees' clients just want their mails to be delivered into their letterboxes.

We want to emphasize that “*performance standards that reasonably meet the social, industrial and commercial needs of Singapore*” must include delivery into all recipients' letterbox.

5.3 Access to Doorstep for Gated Communities

In the event IDA continues to adopt the long term approach that other PSOs who would like to make deliveries can deliver to the doorsteps, then certain issues need clarification from IDA.

In the case of private condominiums, if the definition of doorstep is that of individual residences, then it follows that it must be mandated licensed postal operators must be allowed reach the doorstep of all residence, including the doorstep of all gated community residences for the following cases.

- Private estates without 24-7 security must make the access code available to licensed PSO, unless their nested letterboxes are fully accessible to all licensed PSO and is not located within a secure compound; in the case where the nested letterboxes

are located within secure compound access must be granted to all Licensees.

- Condominiums with 24-7 security must provide access to all the residents' doorsteps or make all their letterboxes accessible to all Licensee. Condominiums that have nested letterboxes situated within secured compound must not impede a Licensee from reaching the letterboxes.

6 Town Councils and Building Managements Hold Key to Liberalization

As discussed in detail in Section 2.2 and 5, the success of postal service liberalization rest not only on the success of legislative and regulatory restructuring, but also on the transformation of operational framework that is viable for other Licensees to compete on a level playing field. Currently, IDA is of the view that liberalization merely requires legislative and regulatory restructuring and because of this, it appears that the authenticity of our postal liberalization rest not on IDA, our regulatory and competition authority, but in reality depends on our Town Councils (“**TC**”) and Condominium Building Managements (“**CBM**”).

For Licensees, other than the incumbent, the only way forward for accessibility to letterboxes and hence providing viable competition, is to hope that TC and CBM will:

- Firstly, be willing to allow other Licensees access to their letterboxes via a masterdoor key, that does not at the same time allow access to letterbox contents;
- Secondly, adopt an approach that will eradicate two-way masterdoor letterboxes that compromises mail integrity through future upgrades of letterboxes;
- Thirdly, that the above two items are implemented in a timely manner within the next 1 to 3 years rather than over the next 5 to 20 years.

Given IDA’s current non-involvement stance on operational issues other than to regulate the RAO, this is an unfortunate but true state of affairs. We continue to appeal to IDA to stay true to their stated goal to “promote fair and efficient market” and recognize immediately that the ability to fulfill last-mile delivery is an essential ingredient to promote a fair and efficient market. Otherwise, we will be merely re-regulating the postal service sector.

6.1 Letterbox Aperture-Cover-Locking-Device

Obviously, if the letterbox-cover-locking-device had not been there, we will of course not have to content with this accessibility issue and extent this discussion over a lengthy period involving many parties. We will have a much smoother and sensible path towards a liberalized postal service sector in Singapore.

This type of letterbox is unique only to Singapore – no where else in the world can we find this type of letterboxes.

Perhaps it will be useful if we re-consider the motivating factors of this large scale implementation that had span over more than decade and presumably cost many millions – of which we should also add to that the additional human cost due to it being a central

issue of our postal liberalization process that had involved time and efforts of numerous parties:

- Potential Postal Service Operators/Licensees,
- Town Councils,
- Condominium Building Managements,
- IDA,
- MICA,
- MTI Pro-Enterprise Panel.

Yet, after a lot of effort and time spent, we are still no where near resolving this apparently vexing issue presented by our unique letterbox-aperture-cover-locking-device.

Why do we have them in the first place then? Apparently, the main motivation for such a device is to prevent “junkmails”, or what is actually Unaddressed Marketing Materials (“**UMM**”). So, why do we want to prevent UMM? There appears to be two main motivations:

1. Residents do not like them (we assume this conclusion is based on a reasonable sampling size is not a case of a few loud voices perceived to be representative of the majority);
2. Litters from unwanted UMMs dirty the estate, and perhaps give our cleaning workers a difficult time.

The motivations are quite understandable to some extent, but the question is then whether these very “costly” letterbox-aperture-cover-locking-devices are indeed delivering or continue to deliver the intended objective. Figure 8 shows what is happening today, as a result of our letterbox-aperture-cover-locking-device.

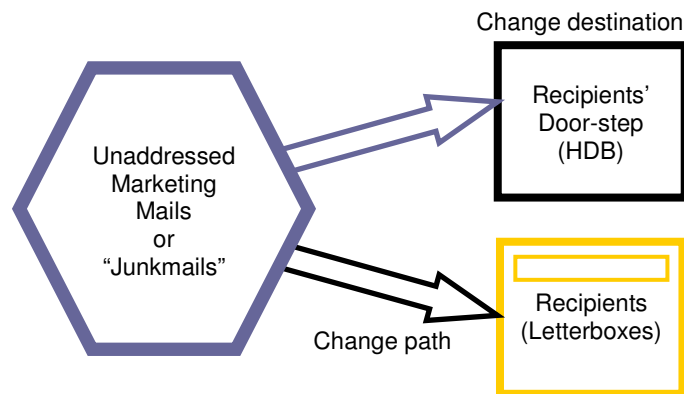


Figure 8: Letterbox aperture-cover-locking-device diverted *path* and *destination* of unaddressed marketing mails.

HDB residents are now receiving some of their UMMs at their doorsteps, while some are still being delivered into their letterboxes. The UMMs at doorstep will naturally be a concern for many residents: firstly, for the mess that is at their doorstep; the concern that there are many more people walking the corridors that makes it difficult to distinguish between familiar residents from strangers; the fact that they now have to deal with UMMs both at their doorsteps as well as their letterbox; and more importantly, the security concerns they have if they are to be not at home for many days.

The letterbox-aperture-cover-locking-device had not achieve the intended objectives and it had only manage alter the “path” taken to reach the letterboxes in some case, while in other cases changed the destination of the UMMs.

So, while the letterbox-aperture-cover-locking-device is not exactly achieving it intended aim or preventing UMM (which in any case, is not an illegal business activity), it has managed to manifest itself as the huge roadblock to the goals of postal liberalization.

We would like to add that, letterbox designs have to follow a guideline regulated by IDA. In this **Letterbox Guideline** (Letterboxes – Guideline and Information, March 2005), it is mandatory for all letterboxes to have an aperture, and an aperture cover. Consequently, it would be reasonable to interpret that the aperture and the aperture cover must also be functional – *c.f.* mandatory emergency exits of building. We may want to note that there is no mention of aperture-cover-locking-device in both the 2005 version of the Letterbox Guideline nor was it in the preceding 2000 version.

The letterbox-aperture-cover-locking-device has effectively disabled the functionality of the mandatory aperture. While we may appreciate that this technical breach is perhaps ignorable before postal liberalization decision, since it does not affect the operation of the monopoly operator then, we do not understand the same approach by IDA when it is blatantly clear that this is a key roadblock to the goals of postal liberalization.

In view of the fact that letterbox designs are regulated by IDA, we propose that IDA adopt ONE of following:

- Mandate that the functionality of the required apertures cannot be disabled by letterbox-aperture-cover-locking-device. In which case, the postal liberalization will be true to the fundamental principles of liberalization as this will provide a level playing field for all operators. The letterbox-aperture-cover-locking-device is not serving its intended purpose anyway. UMMs looks like they are here to stay and that’s a fact, with or without letterbox-aperture-cover-locking-device.

OR

- State clearly IDA’s acceptance of letterbox-aperture-cover-locking-device, in spite of it disabling the functionality of the required aperture, but with this, mandate that TC and CDM find a way to allow all licensed PSO deliver to the letterboxes or, in the case of gated communities find a way to allow all licensed PSO to reach the doorstep of all residents unimpeded.

In any case, the letterbox-aperture-cover-locking-device has limited and dubious value given that it has not prevented UMMs but has merely diverted their destination and path. Furthermore, the fact that the UMMs are being sent directly to the doorsteps is a potential security hazard to many HDB residents. Why then continue to allow the letterbox-aperture-cover-locking-device to roadblock our postal liberalization when the device itself is fast becoming a white elephant.

7 Dominant Licensee

A large part of the PPSCC defines the Dominant Licensee and that a Dominant Licensee will be subjected to more stringent regulatory requirements.

We propose that a necessary test for classification as Dominant Licensee is the Licensee's ability to deliver into all letterboxes. That is, to be class as a Dominant Licensee, the Licensee must have the privilege to deliver to all letterboxes unimpeded.

8 Quality of Service Standards

In the Proposed Postal Service Competition Code, as with pre-liberalisation monopoly situation, there will be a Quality of Service Standards that Licensees are expected to adhere to. The proposed clause in the PPSCC is:

From Section 3.2 of PPSCC

Duty to Comply With IDA's Quality of Service Standards

*Licensees must comply with any minimum quality of service standards applicable to Basic Letter Services issued by IDA. However, a Licensee and a Customer may agree to a lower quality of service standard. In such cases, the Licensee must clearly inform the Customer of the service level that it will provide and the fact that it **does not comply** with IDA's minimum quality of service standards.*

In the current construction of this section of the code, it is not clear if there will be one set of minimum Quality of Service Standard (“**QSS**”) as in pre-liberalisation case, or there will more than one. From the reading of proposed code, it appears that IDA will issue one set of QSS applicable to Basic Letter Service, and that Licensees that do not meet the QSS have to declare themselves as “non-compliant” to the Customer.

Firstly, we all know to be **non-compliant** is bad for any operator, in any sector, anytime. Agreed, non-compliance does deserve the negative undertone associated with it especially when it is case where it is reasonable to be compliant.

However, in our proposed framework for the liberalized postal sector, due to the operational restriction imposed by the inability to deliver into all letterboxes by all but one Licensee, it is inherent that the incumbent will be able to meet a higher QSS than all other Licensees. If because of this, the QSS defined by IDA can only be met by only one Licensee and is impossible for any other Licensees to meet but at the same time IDA require all Licensees to self declare “non-compliant” if they do not meet such a QSS, then unfair will be an understatement.

In the current framework, there will only be one Licensee (i.e. the incumbent) who will be able to deliver into all letterboxes in Singapore, while all other Licensees can deliver to some, but not all, of the letterboxes. If the QSS defined can only be met if a Licensee can deliver to all letterboxes but is impossible to meet if a Licensee cannot deliver to all letterboxes, then in practice all but one Licensee will have to declare itself as non-compliant. To require any Licensee to meet an impossible QSS or declare itself as “non-compliant” is not only unfair, but inherently punitive.

8.1 Double-QSS Approach

To be reasonably fair to all Licensees, we propose that IDA should define TWO sets of QSS:

QSS 1: Minimum Quality of Service Standard for Licensee with 100% letterbox delivery privilege.

QSS 2: Minimum Quality of Service Standard for Licensee without 100% letterbox delivery privilege.

Where QSS 1 can reasonably be met by Licensee with 100% letterbox delivery privilege, and QSS 2 can reasonably be met by Licensees without 100% letterbox delivery privilege. In this case, Licensees can then clearly declare which set of QSS they comply to, rather than be forced to self-declare “non-compliant” to a standard that they have no way of meeting. It is then up to the Customer to choose the QSS service they would like.

Any Licensee who is then not compliant with a standard that is reasonable for them to meet, will rightly have to declare themselves non-compliant and deal with the consequences.

Our proposal is that IDA adopt a Double-QSS approach to be fair to all Licensees until such time that all Licensees are able to reasonably meet the same QSS when the letterbox accessibility issue is resolved.

This is not to mean that we will be accepting a lowering the standard of postal service in Singapore. It will just mean that Customers will be clearly informed by the Double-QSS and they can make a choice which class of service they really want to have (where QSS 1 will still be available), because clearly, Licensees that cannot deliver to a large number of letterboxes just cannot deliver the same standard as a Licensee who is not constrained by that problem.

9 Letterboxes

Section 9 of the Proposed Postal Service Operations Code 2007, touch on the issue of Maskerdoor Keys.

From Section 9 of PPSOC

9. MASTERDOOR KEYS

9.1 All Licensees shall be prohibited from using masterdoor keys or any other methods which allow full access to the pigeonholes of letterboxes for the deposit and retrieval of mail, unless permitted to do so by IDA.

We propose that this section be changed to:

9.1 All Licensees shall be prohibited from using masterdoor keys or any other methods which allow full access to the pigeonholes of letterboxes for the deposit and retrieval of mail.

Our letterboxes, although very unique, are designed with more than one way access.

By “**access**”, we mean the ability to deliver into the letterbox; “**delivery-only-access**” mean to have the ability to deliver into but not the ability to retrieve contents; “**content-access**” mean to have the ability to deliver into as well as retrieve contents.

Letterboxes that allow content-access all have more than one way to access; the content-access mode that compromised mail integrity and security is but one of the way. We agree with IDA that mail integrity and security is a paramount consideration and because of that, we should not allow any Licensee (that include the incumbent) content-access to letterbox when all letterbox designs have at least another way that allows delivery-only-access.

Those with one-way access are straightforward. All Licensees can deliver into them.

Those with 3-way access have a masterdoor key that allow delivery-only-access. All Licensees should use this mode of access only, including the incumbent. Content-access by any Licensee should be prohibited in accordance to the proposed Section 9.1 of the Proposed Postal Service Operations Code 2007.

Those with 2-way access have aperture access that is available to all to use. Again masterdoor keys that allow content-access should be prohibited, and that must apply to all Licensees including the incumbent. The letterbox apertures are mandatory in IDA’s **Letterbox Guidelines** (Letterboxes – Guidelines and General Information 2005 version), which must be interpreted to also mean that the **functionality of the aperture cannot be disabled in exactly the same way that a fire-exits of buildings that is mandatory must be functional.**

As we all know, the Letterbox Guidelines state that all letterboxes must have an aperture notwithstanding the masterdoor access. It also states that there must be an aperture cover;

“aperture cover, especially for outdoor letterboxes, can prevent insects from building nests inside the letterbox and rainwater from entering the letterbox”.

The Letterbox Guidelines did clearly state that the function of this aperture cover is to prevent insects and rainwater from entering the letterbox, but does not state that it is meant to prevent postal deliveries. In other words, the letterbox-aperture-locking-device is technically in breach of the Letterbox Guidelines.

As we can see, taking this approach of prohibiting any content-access by any Licensee will go a long way in meeting the mail integrity and security requirement and at the same time open up the postal sector to true competition. IDA, however, appears to be unwilling to take this approach and what is more perplexing is that the reason for this unwillingness is to avoid having to require that some (not all) letterbox-aperture-locking-device be removed when these devices are in fact technically not acceptable.

So we now have a situation where a device, which is technically not acceptable, serves almost no purpose, hindering the entire postal liberalization process, and we are not willing to take a stand about it. Instead, the entire postal service sector together with the regulatory and competition authority, are going in circles to find a way to work around this technically unacceptable device.

9.1 Letterbox Guidelines

For completeness to the implementation of Postal codes, there needs to be a corresponding change to the Letterbox Guideline in order that letterbox specifications do not cause undue complications to the liberalization process.

In the 2005 version of the Letterbox Guidelines, the following need to be addressed.

1. It is stated that “Masterdoors are not compulsory but are strongly recommended.”
2. Types of Masterdoors acceptable are 2-way, 3-way front opening and 3-way front/back opening.
3. For Letterbox located in secured compound without 24-7 security guard, it is not stated how Licensees can reach these letterboxes.
4. Letterbox located in secured compound with 24-7 security guard, it is not stated clearly the rights of security in controlling if a Licensee can reach the letterboxes.
5. Handing over of Masterdoor keys.

For item 1 above, it is quite puzzling that in 2005, when IDA was already aware that these masterdoor with content-access will be a source of contention in view of the likely Postal Liberalisation in 2007, approved a set of guidelines that encourage Masterdoors that include the 2-way type that allows content-access. We propose that the recommendation of Masterdoor type letterbox, especially when it includes 2-way type, be removed immediately.

For item 2, 2-way access type, or any type that allow content-access, must be removed as one of the accepted type of letterbox design.

For item 3, building management should provide access into compound by all Licensee, or move the letterboxes to another location where they can be accessed without entry to the secured compound.

For item 4, it must be stated clearly that security personnel cannot impede or delay Licensee from reaching the letterboxes.

For item 5, it must address the liberalized environment, where there are more than one postal Licensee, and that the Masterdoors keys must be made available to all Licensees while non of the Masterdoor keys that allow content-access be made available to any Licensee including the incumbent.