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# Postal Reform Guide

## Focus Area 2: Regulatory Framework

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## Introduction

Investment and modern and comprehensive regulatory frameworks are critical to the development of the postal sector. Modern regulatory frameworks improve the financial viability of the postal operators active in the postal sector through transparency and relevant and targeted regulatory measures. It provides for stability and security for investment in the sector through a clear and transparent licensing system. Finally, it provides for the relevant protection of the users of the postal services, through complaints and liability requirements. The rapidly evolving postal sector with new market entrants, such as vertically integrated platforms and other delivery agents, require a careful review of the postal institutional and regulatory framework to be better suited to address the realities of a modern, diversified, and hybrid postal markets.

In recent years, the relevance of comprehensive postal regulation has further increased, driven by the impact of digitalization, e-commerce, diversification of services offered by the designated operators, and the growing importance of data and service interoperability in global trade. Focus area 2 takes examines the relevant aspects of the postal regulatory framework and the role of independent regulatory authorities in particular.

Focus area 2 takes a broader view of the regulatory framework of the postal sector than the universal postal service and the provider of the universal postal service which are discussed in focus areas 3 and 4, respectively.

### **Focus Area 2 (regulatory framework) – modules**

Focus area 2 (regulatory framework) consists of the following modules:

<b>2A</b>	<b>Regulatory framework</b>
<b>2B</b>	<b>Economic regulation</b>
<b>2C</b>	<b>Regulatory authority</b>
<b>2D</b>	<b>Licensing systems</b>
<b>2E</b>	<b>Transversal policy issues</b>
<b>2F</b>	<b>Implementation and enforcement</b>

Module 2A discusses the importance of establishing a robust legal and policy framework for postal regulation, built on primary and secondary legislation, to guide effective regulatory practices. This chapter outlines the key components of primary legislation and discusses policy adaptation required to address new trends and challenges, in particular digital transformation, sustainability, and the evolving societal role of postal operators.

Effective postal regulation is fundamental for a well-functioning postal sector, ensuring that services remain accessible, reliable, and competitive in an evolving market landscape. The regulatory framework must provide the necessary legal and institutional foundation to balance public service obligations with market dynamics, fostering both economic efficiency and social cohesion. This section outlines the fundamental principles that guide postal regulation, emphasizing the importance of regulatory clarity, proportionality, and adaptability in addressing market failures, promoting innovation, and ensuring sectoral sustainability.

In recent years, the relevance of comprehensive postal regulation has further increased, driven by the impact of digitalization, e-commerce, diversification of services offered by the designated operators,

and the growing importance of data and service interoperability in global trade. Acknowledging the wide diversity of national postal markets, legal traditions, and regulatory approaches, module 2B does not seek to clarify the key issues that primary legislation should address to ensure a coherent and functional postal regulatory framework. Moreover, in an era of increasingly blurred boundaries between sectors, firms, and services – such as the convergence of postal, logistics, e-commerce, and financial services – postal legislation must also interact with a broader legal and policy environment. This module therefore also draws attention to key related regulatory and policy areas that may either be integrated within the postal act or significantly affect its interpretation and application. Module 2B offers a structured roadmap for designing or revising primary postal legislation and highlights the interaction of postal law with broader institutional, legal, and policy considerations.

Module 2C provides comprehensive guidance for policy-makers on the establishment, institutional design, and effective management of postal regulatory authorities. It outlines the core responsibility of these authorities, including oversight of the universal postal service and its financial sustainability, monitoring market competition, and safeguarding consumer interests. This module also examines the legal and institutional foundations required to establish an independent regulator, with emphasis on legal mandate, statutory functions, separation of regulatory and operational roles, and safeguards for independence: legal, financial, and operational. It discusses and compares alternative models of institutional placement: ministerial units, communications regulators, multi-sectoral and multi-mandate authorities, and post-specific regulators. It outlines key advantages, trade-offs, and country examples to support informed model selection based on national needs. This module also addresses organizational design and capacity, including guidance on management structures (including single-leader and board models), core functional units, human resource strategies, and funding models that ensure independence and operational sustainability.

Module 2D addresses the licensing, registration and authorization of postal operators and market entry regulations. It explores relevant criteria and procedures, emphasizing differences between different types of licenses.

The postal sector is concerned with various transversal or horizontal policy issues. These issues are not unique to the postal sector as many other sectors of economic activity are concerned with similar issues of consumer protection, data security, and workers' rights. These transversal policy issues are discussed in module 2E. This module discusses consumers' rights in postal services, the importance of handling complaints and dispute resolution efficiently, and frameworks for compensation and liability. It also stresses the role of regulatory authorities in setting and monitoring service quality standards to promote reliable and efficient postal services. It furthermore examines regulatory measures to ensure the security of postal services and to prevent illegal use of postal networks. It also addresses the growing importance of cybersecurity in digital postal services. This module concludes with an examination of the evolving labour market and regulatory landscape, focusing on the rights and protections for traditional postal workers and those in gig economy

Module 2F contains relevant guidelines for policy design, implementation, and enforcement. These are sequential stages in the policy process. Design involves creating the policy by identifying a problem and developing solutions; implementation is the execution of the policy through practical actions, resource allocation, and coordination; and enforcement is the process of ensuring compliance with the policy through monitoring and sanctions. These stages are interconnected, and success often depends on designing with implementation in mind and using enforcement to guide future policy adjustments.

## Module 2A Regulatory framework

The delivery of modern, nationwide postal services and the effective functioning of a competitive and inclusive postal market require a coherent and well-structured policy and legal framework. Governments must be equipped with the necessary tools and institutional mechanisms to:

- (1) Establish clear public policies that define the role of the postal sector within national development strategies (see modules 1A and 1C);
- (2) Ensure the consistent and equitable provision of basic or universal postal services to all segments of the population (see Focus Area 3 (universal postal service));
- (3) Enforce compliance with postal legislation, particularly regarding the reserved service area and other public service obligations (see module 3C); and
- (4) Foster healthy competition among market participants (see module 2B).

Hence, public policy and robust legal framework, comprising primary legislation, supporting regulations, and institutional arrangements, are essential for aligning sectoral objectives with broader economic, social, and technological developments.

The development of public policies (see Focus Area 1) is intrinsically linked to the regulatory framework, as the former sets the strategic direction of the government on a given topic while the latter operationalizes it. Effective regulation of the postal sector requires a sound legal foundation embedded in well-articulated policy goals. The process of establishing such a foundation begins with defining national and regional policy goals that should be aligned with international commitments, such as the Universal Postal Convention and United Nation's Sustainable Development Goals (SDGs). These policy objectives must then directly inform the design of legal instruments to avoid a disconnection between strategic policy intent and regulatory operational practice. For example, while policy objectives might emphasize digital transformation or rural inclusion, the legal framework must translate these objectives into actionable strategies.

### 2.A1 Definition: regulatory framework

A regulatory framework for the postal sector is a system of laws, rules, and policies that govern how postal services operate, aiming to balance competition, consumer protection, universal service provision, and the evolution of the market. This framework sets standards for quality of service, encourages affordability, ensures market access and fair pricing, and establishes independent regulatory bodies to monitor compliance and protect user rights in a dynamic environment.

In general, at the country level, the postal sector is organized based on a legal framework which helps shape its structure. The structure, scope and fine points of this legal framework vary from country to country. Moreover, in the case of certain countries, there is not one but a whole series of instruments establishing the legal foundation for the postal sector.

Postal reform almost invariably require amendments of legislation, which means engaging the national legislature in the reform effort.

#### 2.A1.1 Drivers behind the postal regulatory framework

Sector-specific regulatory frameworks serve as critical tools for addressing market failures, protecting public interests, and fostering economic integration. However, their introduction must be guided by well-defined principles to ensure regulatory coherence and proportionality, prevent fragmentation, and foster effective coordination among relevant authorities. Without such an approach, sector-specific laws risk

creating inefficiencies, duplications, or inconsistencies that may hinder rather than facilitate sectoral development and the pursuit of broader economic objectives.

In general, sector-specific laws and regulations aim to respond to both economic and social concerns. From an economic perspective, regulation aims to correct market failures, address systemic risks, and ensure fair competition, particularly in sectors where market forces alone may not yield optimal outcomes. From a social standpoint, regulation seeks to protect consumers, ensure universal access to essential services, and promote broader societal welfare. Given these objectives, the establishment of sector-specific laws and regulations should be guided by the following key considerations:

**Existence of market failures and economic inefficiencies:** When market dynamics lead to monopolistic structures, asymmetric information, externalities, or under-provision of essential services, regulatory intervention may be necessary to correct distortions, promote efficiency, and ensure fair access.

**Existence of systemic and sector-specific risks:** Postal infrastructure represents a critical communication and logistics backbone for the state, carrying both economic and strategic importance. The sector faces unique resilience and security challenges, including mail integrity, delivery chain security, and business continuity during crises. Postal networks also serve as critical infrastructure during emergencies and natural disasters, requiring specialized regulatory frameworks to address these sector-specific vulnerabilities and ensure operational resilience.

**Consumer and public protection:** Postal services play a vital role in promoting social inclusion and economic cohesion, particularly for rural communities, elderly populations, vulnerable and digitally excluded citizens. To ensure universal service provision, affordability, and accessibility, the postal sector requires a dedicated regulatory framework tailored to its unique public service mandate. Sector-specific consumer protection include safeguarding mail privacy, ensuring reliable delivery standards, and preventing fraudulent use of postal channels. Regulatory frameworks must strike a careful balance between maintaining commercial viability and upholding these essential public service obligations, an approach that requires sector-specific expertise and oversight.

**Cross-border impact:** Cross-border considerations are especially significant given the international nature of mail exchange, requiring harmonized approaches to customs procedures, addressing standards, security protocols, and remuneration systems (such as terminal dues). The integrity and efficiency of the global postal network rely on the existence of coordinated regulatory frameworks at both national and international levels. Without such alignment, inconsistencies can arise that can limit the sector's ability to respond to global trends such as cross-border e-commerce.

**Addressing regulatory gaps and overlaps:** The growing complexity of the postal ecosystem and its intersection with other sectors, exposes the sector to gaps and overlaps in regulatory coverage. Regulatory frameworks in adjacent markets (such as transport, financial services, or telecommunications) may apply inconsistently to postal activities, while horizontal laws (such as general consumer protection, data privacy, or competition law) often lacks the specificity needed to address the operational and public service dimension of postal activity. These gaps and overlaps can undermine regulatory clarity, affect service quality, and create risks for both providers and users. Addressing these challenges requires a well-coordinated regulatory approach – one that aligns postal regulation with broader legal and institutional frameworks and facilitates effective coordination among relevant authorities.

For a comprehensive overview of potential market failures and structural inefficiencies in the postal and delivery ecosystem, see the ERGP table based on responses from national regulatory authorities.<sup>1</sup>

Table 1. Potential market failures

Insufficient competition	Limited competition and market concentration	Reduced competition in certain markets, leading to higher prices and reduced service quality
		Market concentration, limiting consumer choice and market diversity

<sup>1</sup> European Regulators Group for Postal Services (ERGP) (2025), Report on the delivery ecosystem: value chains and business models, <https://webgate.ec.europa.eu/circabc-ewpp/d/d/workspace/SpacesStore/7f71beae-ae0c-4af9-bcaf-2a47c1dd694d/download>

		Abuse of dominant market positions, reducing competition and harming consumers.
		Market collusion, reducing competition and market dynamism
	Monopolies and barriers to entry	Monopolies and high barriers to entry, preventing entrance and reducing market efficiency and service options
	Undue/unreasonably tying of different services	Reducing consumer's choice
<b>Information asymmetry and access issues</b>	Withholding of information (information asymmetry)	Consumers and businesses do not have equal access to relevant data about delivery services, pricing, or service quality. Information asymmetry may reduce consumer's benefits
	Limited service in remote areas	Challenges with limited service coverage in remote or less profitable areas, leading to inequalities in access to delivery services
	Digital accessibility issues	Challenges faced by elderly or digitally illiterate citizens, who may struggle to access delivery services due to digital barriers
<b>Externalities and environmental impact</b>	Environmental impact and traffic congestion	Negative externalities associated with delivery services, such as environmental damage and traffic congestion
	Labour market issues and gig economy risks	Concerns about labour market issues. Risks faced by delivery workers, affecting the sustainability and fairness of the industry
	External costs in cross-border delivery	Challenges related to unsustainable cross-border costs
<b>Legal and regulatory challenges</b>	Legal discrimination and regulatory fragmentation	Legal discrimination between different types of delivery
		Ambiguous market definition
		Fragmented regulatory frameworks that create an uneven playing field for different types of delivery services
	Insufficient regulatory tools	Lack of supervision and intervention powers may result in an uneven playing field
	Access and infrastructure issues	Exclusionary practices regarding infrastructure access (i.e. parcel lockers), making it difficult for some operators to enter in the market
		Barriers in the capacity of postal infrastructure, limiting service provision and creating inefficiencies
	Significant Market Power (SMP)	Competition distortions in the relevant market and unfair leveraging into other (close/adjacent) markets
Consumer protection	Lack of sufficient consumer protection and ineffective complaint handling mechanisms, which can undermine trust in the market	
<b>Structural market problems</b>	Anti-competitive practices	Anti-competitive practices reducing market fairness and efficiency: i.e. excessive/discriminatory pricing, undue tying of services
	Quality of service	Decline in the speed and reliability of deliveries
	Underfunding of postal infrastructure	Postal infrastructure, including smart lockers, may be underfunded affecting the overall service provision

Establishing a modern postal regulatory framework requires more than identifying sector-specific needs. It demands a structured and integrated approach that links policy rationale with legislative design and practical implementation. This begins with a clear understanding of *why* postal regulation is needed, followed by the development of primary and secondary postal laws that provide a coherent legal foundation, and concludes with the use of regulatory instruments and institutional mechanisms to ensure effective enforcement and adaptability over time.

### 2.A1.3 Principles for an effective regulatory framework

A regulatory framework should be grounded in certain core regulatory principles that guide both its design and implementation. These key principles underpin a robust postal regulatory framework and contribute to its coherence, legitimacy, and impact.

<b>Outcome-focused</b>	Focus on achieving regulatory objectives aligned with the sector policy and primary law.
<b>Evidence-based</b>	Regulatory measures should be evidence-based, i.e. based on comprehensive data and research, including Regulatory Impact Assessment (RIA).
<b>Proportionality</b>	Regulatory actions must not go beyond what is necessary to achieve pre-defined and desirable regulatory outcomes (i.e. they should not impose undue burden either on regulated firms or on regulatory authorities).
<b>Predictability</b>	Predictability requires that the regulatory framework be consistent and stable, so that it can provide legal and regulatory certainty for all stakeholders, particularly for market participants and investors. Frequent and unnecessary changes to regulations can undermine confidence and deter investment.
<b>Flexibility</b>	Existing regulations should be applied in a consistent manner to develop coherent regulatory practice. However, they should also be reviewed regularly to ensure that they remain relevant and continue to accommodate emerging and evolving national and regional needs.
<b>Accountability</b>	Regulatory actions should be transparent, fair, and open to public scrutiny. This includes clear appeal mechanisms to independent courts and stakeholder participation.
<b>Transparency</b>	Postal laws and regulations must be clearly drafted, unambiguous, and publicly accessible for all stakeholders.
<b>International alignment</b>	Postal laws should be compliant with commitments originating from international conventions and agreements, ensuring their coherence with global standards and best practices.
<b>Collaboration</b>	This principle is particularly important for: <ul style="list-style-type: none"> <li>• Addressing sector-specific aspects of horizontal issues, such as competition, consumer protection, data privacy, and cybersecurity;</li> <li>• Addressing cross-sectoral issues, such as interaction of postal regulation with other sector-specific regulations (i.e. transport, financial, telecoms, etc.);</li> <li>• Ensuring alignment with international postal standards and agreements.</li> </ul>

Finally, to build an effective postal regulatory framework, it is essential to understand the interconnected layers of legislation and regulations that collectively govern or otherwise affect its operations. The regulatory framework, understood in a broad sense, comprises a range of legal mechanisms. In addition to sector-specific postal laws, it also includes constitutional provisions, international commitments, and horizontal legislation that apply across all sectors of the economy.

### 2.A2 Policy and legal instruments

A regulatory instrument means any act other than the primary legislation, such as decisions, rules, regulations, by-laws, ordinances, proclamations, agreements, covenants or any other instrument by the public authorities that have competence to monitor, regulate, administrate and govern the postal sector.

This section describes the four main groups of policy instruments starting with the traditional regulatory “command and control” instruments (referred to as classic regulation) and then continuing to the three main types of new policy instruments: market-based instruments, co-regulation and voluntary

agreements (or self-regulation).

Policy instruments	
<b>Classic regulation</b>	<ul style="list-style-type: none"> <li>• Set of prescriptive rules as the most common response to a policy problem</li> <li>• Establishment of universal postal services, delivery standards, price regulations</li> </ul>
<b>Market-based instruments</b>	<ul style="list-style-type: none"> <li>• Policy tools that use market mechanisms (trading schemes, competition policy, monetary incentive, other) to encourage behavior and achieve certain outcomes</li> <li>• European Parcel Regulation: transparency of prices and conditions for cross-border parcel services within EU</li> </ul>
<b>Co-regulation</b>	<ul style="list-style-type: none"> <li>• Entrusts the attainment of policy objectives to parties recognized in the field</li> <li>• Regulatory sandboxes (e.g. parcel locker infrastructure)</li> </ul>
<b>Self-regulation</b>	<ul style="list-style-type: none"> <li>• Market players adopt amongst themselves and for themselves common guidelines</li> <li>• Climate action commitments by designated operators</li> </ul>

These four categories of policy instruments are ideal types and emphasize certain characteristics. In reality, hybrid models are often used that provide for the framework allowing certain flexibility to the postal operator in terms of the performance of its operations and business. For example, in a national context, price cap regulation is used to provide an annual maximum allowable increase to the internal tariffs, however in certain countries, that maximum includes flexibility, for example where it is tied to annual inflation, volume developments or quality of service performance (in case of the latter, the tariff increase may exceed – by a predefined margin – the allowable baseline increase level if the quality of service performance over a certain period is exceeded). Similarly, UPU terminal dues and parcel remuneration rates allow for increasing levels of flexibility through self-declaration below country specific ceiling rates.

## 2.A2.1 Classic regulation

Classic or command and control instruments have been used for a long time and they remain critical for a stable and predictable sector policy and regulatory framework. Classic policy instruments are legally binding instruments similar to those that regulate other sectors of the economy and include direct regulation, rule-based regulation, and prescriptive regulation. They find their place in the overall national constitutional and legal framework and are effective as they ensure a consistent and coherent application and provide clear goals for policy achievement. On the other hand, the postal (and broader delivery) sector consists of increasingly competitive markets with new players and innovation in delivery networks, including the adoption of new technology. Industry, in particular those players other than the traditional postal operator, tends to be reluctant to submit to command and control regulation. Their argument is often that uniform regulation ignores the unique situation of each company. Another concern is that these instruments are static in the sense that they provide limited incentives for innovation and improvements beyond targets. In addition, up to this point, classic policy and regulatory instruments have been used specifically or, in some markets, exclusively to the incumbent postal operator, for which compliance is monitored.

To ensure effective functioning of its postal sector, a country needs to put in place a comprehensive legal framework that integrates a range of legal instruments and regulatory provisions. While terminology and specific sources of legal instruments vary across countries, most legal systems across the world foresee a hierarchy of laws:

**Primary legislation:** This includes acts promulgated by a national legislative body (i.e. parliament) that set out general principles and rules (constitution, bills, sectoral acts).

**Secondary or subordinate legislation:** This category comprises regulations, rules, or statutory instruments issued by the executive branches of the government under the authority of primary legislation. These instruments provide detailed provisions to operationalize the principles and objectives set out in primary legislation.

**Administrative decisions:** These instruments are issued by administrative authorities. They ensure the practical implementation of the legal framework by addressing specific challenges or issues.

**Case law or jurisprudence:** Judicial interpretations and rulings contribute to shaping the legal framework. Courts may clarify ambiguous legal provisions, resolve disputes, and set precedence that

can influence future regulatory practice.

Each of these components plays an important role in shaping, interpreting, and enforcing a country's public policy for the postal sector.

The next table outlines the key legal instruments and their respective roles in shaping postal regulation. These instruments ensure that the framework not only addresses the unique needs of the postal sector (such as universal service obligation) but also integrates broader concerns like competition, consumer protection, data privacy, or cybersecurity.

Legal Instruments	Description
Constitution	Acts as the supreme law, providing the foundational authority for the government regulation of essential public services, including postal services. It often establishes basic rights related to communications and privacy.
International treaties and agreements	Includes commitments under the Universal Postal Union (UPU) and other international bodies, which influence national postal policies and regulations.
Postal Act (Primary legislation)	It establishes the core legal framework for the postal sector. For more details on the role, scope, and content of a postal act, see section <b>Error! Reference source not found.</b>
Secondary legislation	Comprises the legal instruments used to implement and operationalize the Postal Act. These may include implementing regulations, ministerial decrees, administrative orders, and regulatory resolutions. Secondary legislation provides detailed rules and procedures on matters such as licensing, service quality, pricing, access obligations, and consumer protection. It ensures flexibility and adaptability of the regulatory framework to evolving market and policy needs.
Competition law	Applies horizontally across all sectors, including postal services, to ensure fair market practices and prevent abuse of dominant position. Competition powers can be granted to general competition authorities or to sector-specific regulatory authorities.
Consumer protection laws	Provide general safeguards for consumers, complementing sector-specific protections.
Data protection and privacy laws	Increasingly important in the digital age, these laws govern the handling of personal information, including in postal operations.
Cybersecurity laws	These laws establish standards for securing information systems and mandate reporting of data breaches. They are critical for protecting postal networks and digital infrastructure from cyber threats.
Labour laws	Apply to postal workforce management and working conditions.
Customs and trade regulations	Particularly relevant for international mail and cross-border e-commerce facilitation.
Financial services regulations	Apply to postal operators offering financial services, ensuring compliance with banking and financial sector rules.
Other regulations	Postal operators' diversification into non-traditional postal services, such as e-commerce logistics, financial services, etc, can bring them under the purview of additional regulatory frameworks.
Environmental regulations	Environmental laws are becoming increasingly relevant for the postal sector. In particular, laws concerning corporate sustainability reporting, corporate due diligence, green investments, packaging and waste can affect postal operators.

### Traditional sector regulation and transboundary challenges

As technological innovations can span multiple regulatory regimes, the usual institutional framework underpinning regulations – around line ministries and agencies – is also showing its limits when dealing with the transversal challenges raised in the digital economy. The fact that, in most cases, innovations have no regard either for national or jurisdictional boundaries puts increasing strain on regulators operating within the limits of their own jurisdictions.

Traditional regulation is often designed on an issue-by-issue or sector-by-sector basis and it may not be a good fit for the challenges brought about by technological developments. In many areas, innovations are indeed straddling or blurring the usual delineation of sectors. Digital transformation of the economy has given rise to a new convergence in postal and delivery markets and digital platforms, in which many components of the digital ecosystem are closely interrelated. This convergence raises questions about whether the existing regulatory mandates and remits are still fit for purpose. To a large extent, this question relates to the fundamental sector definitions as discussed in Focus Area 1, module 1.

## 2.A2.2 Economic instruments

Economic instruments work by encouraging certain behaviours and practices through economic incentives. One of the basic ideas of market-based (or economic) instruments is that by adjusting prices or benefits and rights of postal operators through policy interventions in line with societal objectives. One example of such internalisation of societal costs, which is based on the widely accepted polluter-pays-principle, can be achieved through taxes or use charges. In addition to internalising external costs, EIs can also be used for facilitating the adoption of cleaner and more resource efficient technologies and practices through subsidies, soft loans and tax reductions.

The two notable advantages of economic instruments over classic policy and regulatory instruments are their cost effectiveness and their ability to provide incentives for innovation and improvement also beyond a certain level of performance. They can thus have a dynamic effect and provide continuous incentives.

In order to generate the desired effects, however, economic instruments usually require sophisticated institutions to implement and enforce them. Information in relation to carbon emissions or compliance with labour standards or social objectives are collected as monitoring is needed to avoid free-riding. Besides, effects of market-based instruments are not as predictable as under a traditional regulatory approach; assessments of their effects need to be undertaken and frequent revisions may also be required.

Price cap regulation is an example of an economic instrument where a regulator or Ministry sets a maximum limit on the tariffs a postal operator can charge, typically based on a formula derived from the consumer price index minus a productivity factor. This method is used to promote cost efficiency by allowing firms to keep any savings they achieve through cost reductions, while also providing a degree of tariff flexibility and consumer protection. Compared to some other methods, it can be a simpler way for regulators to intervene, with interventions happening only at pre-defined points in time.

Another market-based instrument that could be used are (non-binding) guidelines. Guidelines, while not legally binding, provide valuable interpretative support and clarity to market players. They explain how the regulator applies specific provisions of the legal framework, contributing to greater coherence and predictability.

Market-based regulation can also include measures to enhance the transparency on the prices and service conditions offered in the market. Rather than determining the tariffs or the conditions, the transparency requirement retains a degree of freedom of the postal operators to set their tariffs and conditions. Transparency can enhance consumer protection by providing them with comparable information in relation to the tariffs and conditions of different service providers and introduces thereby an incentive mechanism that deters operators from establishing excessive tariffs. Such a measure could be coupled with possible regulatory intervention in case the transparency measures do not achieve their desired effect.

### European Union: Parcels Regulation <sup>2</sup>

Regulation (EU) 2018/644 on cross-border parcel delivery services aims to (i) improve price transparency and regulatory oversight; and (ii) ensure that citizens and small businesses have access to reasonably priced cross-border parcel delivery services.

<sup>2</sup> See further: <https://eur-lex.europa.eu/EN/legal-content/summary/eu-cross-border-parcel-delivery-services.html>

The regulation sets out rules for cross-border parcel delivery concerning 3 main aspects: (1) regulatory oversight of parcel delivery services; (2) transparency of certain single-piece tariffs through publication on a website; and (3) assessments where tariffs are subject to a universal service obligation to identify those tariffs that are unreasonably high.

Parcel delivery services are required to provide certain information to the national regulatory authority of the EU country in which they are based including general terms and conditions of the services provided. Companies employing fewer than 50 people and providing services only in the country in which they are established do not have to provide this information, although exceptions do apply.

The tariffs subject to transparency measures are published by the European Commission on a dedicated website by the end of March each year.<sup>3</sup>

In each EU member country, the national regulatory authority assesses the affordability of the tariffs subject to the universal service obligation that they consider necessary to assess. They consider a number of elements including whether the tariffs are cost-oriented and affordable and the likely impact of the applicable cross-border tariffs on individual and small- and medium-sized enterprise users.

### 2.A2.3 Co-regulation and collaborative governance

Co-regulation is an approach that can be used to circumvent part of the difficulties associated with self-regulation (see below). In the EU, it is for example defined as a mechanism whereby “an [EU] legislative act entrusts the attainment of the objectives defined by the legislative authority to parties which are recognised in the field (such as economic operators, the social partners, non-governmental organisations, or associations)”.<sup>4</sup>

As an intermediate solution between pure self-regulation and traditional command and control mechanisms, co-regulation brings two main opportunities: first, it offers a certain degree of flexibility under the control of the competent authority (Ministry or regulator), which is desirable to deal with the pace of technological developments. Second, it relies on a close collaboration between business and governments, which creates avenues for access to first-hand and detailed evidence on technological developments and makes sure that it complies with general public policy objectives. Competent authorities can therefore harness this approach to better understand the risks and opportunities brought by the innovation and adapt the chosen regulatory option as necessary.

An example of co-regulation is the authorization given by the relevant authorities to the incumbent postal operator to establish norms and standards with mandatory application, such as addressing and post code systems. Other examples are the conditions to establish access to the postal infrastructure in situations where such authorization is delegated to the postal operator.

In the postal sector, collaborative governance is an example of co-regulation and involves a process where multiple actors, including government, regulators, the incumbent postal operator, private (postal) operators and other relevant actors (including civil society), work together to solve public problems, make decisions, and create public value. This approach involves institutionalized interaction between governmental and non-governmental actors, allowing them to jointly develop and implement responses to complex issues by sharing resources and building consensus. The main characteristics include shared decision-making and a problem-solving focus.

**Regulatory sandboxes** are a key example of co-regulation and collaborative governance. Regulatory sandboxes emphasize the controlled environment within which collaborative governance occurs. Under the supervision of the competent authority (Ministry or national regulatory authority), the relevant stakeholders collaborate within a specific mandate and time limit. These sandboxes help competent authorities better understand new technologies and risks, foster innovation and allow for the

<sup>3</sup> [https://single-market-economy.ec.europa.eu/sectors/postal-services/parcel-delivery-eu/find-best-price-your-eu-parcel-delivery\\_en](https://single-market-economy.ec.europa.eu/sectors/postal-services/parcel-delivery-eu/find-best-price-your-eu-parcel-delivery_en)

<sup>4</sup> European Union, (2003/C 321/01) Interinstitutional agreement on better law-making

development of new or adapted regulatory frameworks. In case of the latter, the regulatory sandbox approach may identify a workable solution to a public problem, such as lack of access to delivery services or access to return delivery services. In case the solution developed in the controlled environment is successful, it could be expanded at a regional or national level, for example through decisions and secondary law.

**Outcome-based regulation** is very similar to regulatory sandboxes as a co-regulation model and usually defines measurable outcomes that regulated firms must achieve. In focusing on outcomes rather than on inputs, it offers flexibility to businesses on how to meet objectives, as long as they can demonstrate that the desired outcome has been achieved. Such approach theoretically allows regulated entities to choose the most efficient way to achieve the regulatory goal, while lowering compliance costs. Like regulatory sandboxes, outcome-based schemes appear well-suited to address the dynamic and the uncertainties of technological developments by providing flexibility to innovators.

Regulatory sandboxes and outcome-based regulation are particularly appropriate for postal digital and sustainable transformation. As illustrated in the example of Saudi Arabia (box below), these regulatory approaches can provide the relevant framework to quickly and safely launch the use of innovative solutions that are not yet formally approved. And they also show how innovations of the future should be regulated to allow everyone to benefit from them in the end.

#### **Postal regulatory sandboxes in Saudi Arabia**

Regulatory sandboxes have become an important tool for accelerating the adoption of innovative technologies in Saudi Arabia. They provide a controlled environment where startups, SMEs, and established companies can test new digital solutions, products, and services under the supervision of relevant regulators. These initiatives align with the Kingdom's Vision 2030 objectives by fostering economic growth, encouraging investment, and enabling the development of emerging technology sectors.

The Communications, Space and Technology Commission (CST) in Saudi Arabia, have created specific sandboxes for the postal and delivery app sector to regulate and supervise it while promoting growth and innovation: "aimed at regulating and supervising the postal and delivery app sector, this initiative supports the growth of the delivery ecosystem by reducing time-to-market, lowering service costs, and enabling app developers to test innovative services. It benefits all stakeholders, including consumers, producers, and delivery service provider".

The Saudi Transport General Authority (TGA) embraced regulatory sandboxes as a key instrument in its transport and logistics strategy: "strengthen the innovation ecosystem, aid emerging transport companies, and enable investment in local and global transport firms, offering the needed regulatory flexibility". Examples of postal and delivery sector regulatory sandboxes in Saudi Arabia include delivery drones, autonomous sidewalk robots, and smart locker pilots before scaling horizontally across the broader Saudi Arabia courier, express, and parcel (CEP) market.<sup>5</sup>

### **2.A2.4 Self-regulation**

In the postal context, self-regulation typically involves a group of privately owned operators that voluntarily develop rules or codes of conduct that regulate or guide the behaviour, actions and standards that apply across the industry. Collectively, these operators are responsible for developing self-regulatory instruments and adhering to their compliance.

As observed in the 2024 UPU study on the Postal Sector Regulatory Framework for Africa, industry standards, developed by industry players for the purpose of self-regulation, are also part of the overall regulatory framework where such standards are available.<sup>6</sup>

It must be underlined that self-regulation does have a number of limitations, notably because it may

<sup>5</sup> UPU Conference on Postal Regulation, May 2024. See also: <https://www.upu.int/en/news/2024/may/upu-conference-on-postal-reform-continues-shaping-postal-services-with-global-regulatory-insights>

<sup>6</sup> Postal Sector Regulatory Framework – Africa, UPU 2024, <https://www.upu.int/UPU/media/upu/documents/stefania/Postal-Sector-Regulatory-Framework-Africa-EN-14042025.pdf>

lack transparency and fail to reflect properly the needs of postal users. In addition, in the absence of a common regulatory framework, competition issues may arise: first, it may raise the need for case-by-case analysis to address competitive concerns. Second, businesses might pursue self-regulation mechanisms to develop barriers to entry, asking for example new entrants to comply with excessive and burdensome rules (which could be partly designed on purpose). In this context, the success of this approach critically hinges on the capacity of relevant competent authority to closely monitor practices and engage in regular reviews of technical standards and codes of practice in an open and inclusive way to avoid inappropriate market distortions.

As an example of industry self-regulation, voluntary carbon emission reduction refers to a model where postal operators voluntarily commit to and implement their own measures to cut emissions, absent any specific sectoral requirement to achieve such outcomes.

Finally, to yield positive outcomes, self-regulation regimes should be combined with credible threats of governments intervention. In the above example of industry voluntary carbon emission reduction targets, these efforts could be more credible and effective when one considers that they may be pursued to avoid stricter government mandates. In addition, climate action efforts are pursued to meet the expectations of consumers and other users of the postal system.

In summary, industry self-regulation can be an advantageous complement to government policies, but it also poses a number of challenges. At the same time, self-regulation can potentially provide important benefits to both the postal industry and consumers; their success in doing so depends on a number of factors, including: i) the strength of the commitments made by participants; ii) the industry coverage of the self-regulation; iii) the extent to which participants adhere to the commitments; and iv) the consequences of not adhering to the commitments.

The importance of these factors is underscored in the European Union where in 2013 a Roadmap for Completing the Single Market for Parcel Delivery called for open standards and infrastructure and non-discriminatory access. Assessing international (intra-EU) delivery tariffs and benchmarking them against domestic delivery tariffs, the European Commission found that the difference between cross-border and domestic prices cannot be explained by clear cost factors. It furthermore concluded that, despite the competitive nature of the international parcel delivery market, that self-regulation did not lead to improvements in affordability or regulatory oversight.<sup>7</sup> This eventually led to the introduction of the EU Parcels Regulation (see section 2.A2.2 above).

#### **Self-regulation: standardization**

European Standardization is a key instrument for the consolidation of the Single Market and for strengthening the competitiveness of European companies, thereby creating the conditions for economic growth. A standard is a technical document designed to be used as a rule, guideline or definition. It is a consensus-built, repeatable way of doing something. Standards are created by bringing together all interested parties such as manufacturers, consumers and regulators of a particular material, product, process or service.

A concrete example is EN 13850 as a European standard that specifies how to measure the end-to-end transit time for postal services, specifically for single-piece priority and first-class mail.

## **2.A3 Primary postal legislation**

In most jurisdictions, the primary postal legislation fits in the first category of classic regulation (section 2.A2.1). This legislation is often referred to as **the Postal Act** and is enacted by the highest legislative authority, typically the legislative branch of Government (Parliament, Senate or similar). This foundational legislation should outline the overarching principles, objectives, and scope of postal services, setting the stage for more detailed subordinate regulations.

<sup>7</sup> European Commission, Proposal for a Regulation on Cross-border Parcel Delivery Services (2017), [https://cept.org/documents/cepr-plenary/38781/doc\\_-2\\_proposal-for-a-regulation-on-cross-border-parcel-delivery](https://cept.org/documents/cepr-plenary/38781/doc_-2_proposal-for-a-regulation-on-cross-border-parcel-delivery)

The primary legislation must strike a balance between **stability** and **flexibility**:

**Stability:** The Postal Act should establish core principles and long-term provisions that are unlikely to require frequent amendments (i.e. defining universal service obligation, the role of the regulatory authority, market access rules (i.e. licensing, authorization or notification system, fines, etc.).

**Flexibility:** The Postal Act should delegate operational and procedural details to secondary legislation, allowing for responsiveness to sudden market changes or technological advancements.

Some countries still operate under outdated postal laws that do not reflect current market realities, digital transformation, or consumer expectations. Arcane legal provisions, such as those designed for monopoly-era postal systems, may hinder competition, innovation, and service diversification, but also undermine the viability of the universal service provider. Consequently, policymakers must undertake periodic reviews of postal legislation to ensure alignment with modern industry dynamics, including digital postal services, environmental sustainability, and cross-border e-commerce facilitation. Modernizing legal frameworks is thus essential to fostering a resilient, consumer-oriented, and competitive postal sector.

### 2.A3.1 Key elements

The structure, the scope, the level of detail, and consequently the length of national postal acts vary considerably between countries depending on their unique economic, social, legal, and regulatory contexts. However, a well-structured postal act typically includes certain key elements that ensure its clarity and comprehensiveness. In general terms, a postal act:

**Defines the scope and boundaries of the postal sector**, ensuring clarity on which activities and entities fall within its regulatory mandate (see also focus area 1, module A).

**Outlines the main rights and obligations of postal operators, users, and the postal regulator**, establishing accountability and transparency across all stakeholders.

**Establishes universal service obligation (USO)** to ensure equitable access to postal services for all segments of the population (for more information see focus area 3);

**Sets the framework for licensing and market entry**, specifying conditions for operation in the postal market.

The key components of a postal act, as summarised in the table below, provide a more detailed breakdown of the sections typically included in these legislative frameworks.

Table X. Key components of the Postal Act

Section Postal Act	Description
Definitions, objectives, and scope of application	<p>Definitions of key terms used throughout the act such as 'postal services', 'postal item', 'universal service provider', 'postal operator', etc. establish the scope of application of the act. These definitions clarify which services and entities fall under the act, ensuring consistency and predictability in its interpretation and implementation.</p> <p>Moreover, initial provisions often include the list of objectives that guide the regulatory framework, such as ensuring the provision of universal postal service, promoting competition, safeguarding consumer rights, fostering innovation, promote more social cohesion, etc. These objectives shape regulatory mandate and provide a foundation for regulatory interventions.</p>
Postal services (Universal postal service and other postal services)	A Postal Act defines the scope and nature of postal services covered by the act, distinguishing between universal postal services (UPS) and other non-universal services. In many postal acts, indeed, UPS and other postal services are often addressed in separate sections.

Postal operator	Covers the designation of the national postal operator, its rights, responsibilities, and obligations related to universal postal service.
Licensing and authorization	Specifies licensing requirements, types of licenses (i.e. general, special, universal service), criteria for issuance, and renewal processes.
Pricing	Outlines principles for price regulation.
Postal infrastructure	Postal infrastructure includes both physical infrastructure (such as letter boxes) and infrastructure in non-physical form (such as postcode database). While it may be less common for postal infrastructure to be addressed in a standalone section, its regulation is often incorporated within provisions governing the designated postal operator.
Regulatory authority	Establishes a regulatory authority, specifying its powers, duties, and role in pursuing sector-specific regulatory objectives.
Consumer protection and complaint resolution	Lays down sector-specific framework for consumer protection, complaint handling procedures, and consumer redress.
Offenses and penalties	Provides a list of offenses and violations as well as fines and sanctions that can be imposed for non-compliance.
Amendments and revisions	Provides mechanisms for updating the law, and transitional measures for implementing new provisions.

In addition to these core elements, postal acts may also address country-specific issues that reflect unique national priorities or operational considerations. For example, some acts include:

- (1) provisions related to the pension schemes (i.e. the UK),
- (2) public parcel lockers (i.e. Singapore), or
- (3) obligations concerning national defense, public safety, and order (i.e. Poland).

These additional provisions highlight the versatility of postal acts in accommodating the evolving needs and challenges of the sector.

Moreover, the Postal Act must ensure alignment with other national laws that impact the postal sector, such as those governing e-commerce, data protection, competition, or cybersecurity (see Table 2) to avoid legal conflicts and ensure regulatory coherence. Collaborative provisions for engagement with other regulators responsible for these areas should also be included in the act.

A well-structured regulatory framework must ensure that all provisions established in primary legislation are reflected in the corresponding powers of the regulator. Without such alignment, the regulator's ability to implement, enforce, and oversee postal market operations is significantly weakened.

#### **Example – outline Postal Act**

While this Annex outlines the core sections typically included in postal acts together with the key issues commonly addressed within each section, it is important to note that these issues may be organized differently and distributed across multiple sections, depending on the legislative approach adopted. It is also important to note the justification for adopting the postal act, along with the diagnosis of the country's postal sector situation, do not form part of the postal act itself. These elements are instead part of the preparatory work and explanatory materials that support the legislative drafting process, providing the necessary context and rationale for the proposed reforms.

#### **I. General/Preliminary Provisions**

The preliminary provisions establish the foundation for postal sector regulation.

**Aims and objectives** of the law (spelled out as an independent section or embedded in various provisions throughout the act) reflect the country's broader policy goals, including universal service provision, market development, innovation, and consumer protection.

**Clear definitions of postal terminology** used in the law

\* The definitions section requires particular attention as it shapes the interpretation and application of the entire act.

- \* Key terms should be defined with sufficient precision to provide legal certainty while remaining flexible enough to accommodate sector evolution.
- \* Prohibited items: list of items banned from circulation and liability for prohibited content

**The scope of application:** determined by:

- \* The identification of services and entities subject to regulation.
- \* Thresholds or exemptions for ancillary or incidental activities.

## **II. Postal Market System**

### **(a) Licensing and Authorization**

- \* Licensing categories and procedures
- \* Conditions, renewal, suspension, revocation
- \* Applicable fees

### **(b) Public Register**

- \* Publication and maintenance by the regulator

## **III. Basic Rights of Postal Service Users**

- \* Confidentiality and inviolability of postal items
- \* Ownership rights
- \* Access to information Right to complaint and inquiry resolution

## **Universal Postal Service (see Focus Area 3)**

### **(a) Definition**

- \* Type and range of services
- \* Geographic and demographic obligations

### **(b) Service Conditions**

- \* Minimum service requirements (including acceptance and delivery)
- \* Exception to minimum requirements
- \* UPS quality standards: i.e. access, delivery times, reliability, and security objectives)
- \* Reliability and quality standards
- \* Treatment of inquiries

### **(c) Universal Service Provider (Designated Operator)**

- \* Designation of universal service provider(s): criteria and selection process
- \* Duration
- \* Terms and grounds for termination
- \* Obligations of the designated operator in providing UPS
- \* Publication of information about performance
- \* Special rights of designated operator
- \* USP access conditions
- \* USP accounting obligation (cost accounting, separation of accounts)

### **(d) Financing Universal Postal Service**

- \* Reserved area (if the country opts for it)
- \* Compensation mechanisms and State contribution
- \* Funds for financing the universal postal service
- \* Operators' contributions

### **(e) Tariffs and Price Regulation**

- \* Universal postal services (reserved and non-reserved): affordability, transparency, regulation
- \* Non-UPS tariffs: market-driven or monitored
- \* Exemptions: defined categories and conditions

## **IV. Institutional and Regulatory Framework**

### **(a) Creation and legal status**

- \* Designation of the competent regulatory authority or Ministry (affiliation)
- \* Legal status

<ul style="list-style-type: none"> <li>* Independence and autonomy (financial, legal, and operational safeguards)</li> <li>* Accountability: Requirements for transparency, public consultation, and periodic reporting to parliament or relevant oversight bodies.</li> </ul> <p><b>(b) Mandate: powers and responsibilities</b></p> <ul style="list-style-type: none"> <li>* <b>Rulemaking authority:</b> the power to issue regulations, guidelines, and technical standards for the postal sector.</li> <li>* <b>Licensing and authorization:</b> clear authority to grant, modify, and revoke licenses, and authorizations.</li> <li>* <b>Market monitoring (data collection and publication):</b> Powers to collect information, conduct investigations, and monitor market developments, including authority to require regular reporting from operators.</li> <li>* <b>Price control</b> (if applicable)</li> <li>* <b>Enforcement:</b> Authority to impose sanctions, regulatory obligations, issue compliance orders, resolve disputes, and take necessary measures to ensure adherence to regulatory requirements.</li> <li>* <b>International Representation:</b> Authority to represent the country in international postal forums and implement international obligations.</li> </ul> <p><b>V. Enforcement: Sanctions and Penalties</b></p> <ul style="list-style-type: none"> <li>* Types of administrative violations: minor, serious, very serious</li> <li>* Sanctions: fines, suspensions, license revocations</li> <li>* Limitations periods for violations and administrative penalties</li> <li>* Precautionary measures</li> <li>* Appeals: competent courts</li> </ul> <p><b>VI. Final Provisions</b></p> <ul style="list-style-type: none"> <li>* Exemptions and exceptions (i.e. emergencies-related provisions)</li> <li>* Repeals and transitional provisions: phasing out of older laws or inconsistent provisions</li> <li>* Ratification of international acts</li> <li>* Validity: Entry into force and transitional measures</li> </ul>
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## 2.A3.2 Scope of application

By clearly defining both services and entities, and ensuring alignment between them, postal laws ensure:

**Clarity in the market:** Stakeholders understand which services are regulated and which entities must comply.

**Avoidance of over-regulation:** Entities offering non-postal services, such as pure logistics providers, are excluded from postal-specific requirements.

### 2.A3.2.1 Postal services

The postal regulatory framework should govern all services defined by the government as postal in nature, clearly distinguishing between:

**Universal postal services (UPS):** these are basic services provided as part of the universal service obligation (USO), ensuring access to essential postal services for all citizens, irrespective of location, at affordable rates.

**Non-universal postal services,** which encompass a broader range of services offered in a competitive environment. These services should be clearly distinguished from UPS to avoid regulatory overlap or ambiguity. These may include:

- (i) Express mail and courier services.
- (ii) Value-added postal services, such as registered mail, insured items, or time-definite delivery.
- (iii) E-commerce fulfilment and logistics solutions offered by postal operators.

- (iv) Postal financial services, including money transfers and bill payment services (note that countries may decide to include certain postal financial services in the scope of the universal postal service. See focus area 3).

**Other related services**, which, in some cases, may share or pool their domestic postal infrastructure and operating facilities or technology. Other services may also include new and emerging services, such as electronic postal services, including digital mailboxes and hybrid mail.

At a minimum, postal legislation should define and govern the following types of services and activities:

- (i) The collection, acceptance, sorting, processing, forwarding, transportation, distribution and delivery of postal items, with the guarantees and conditions established thereunder.
- (ii) Any and all other similar activities engaged in under international agreements binding on that country and expressly defined by the government as postal in nature.

**As postal services traditionally concern physical items, postal legislation typically also defines the parameters of mailable items, including weight threshold** (i.e. 30kg, as recommended by the UPU). However, individual jurisdictions retain the flexibility to adapt this threshold to local market conditions while ensuring cross-border interoperability. Moreover, it is important to consider possibilities of categorizing postal items as either 'documents' or 'goods', consistently with the UPU's Integrated Product Plan (IPP) or according to their relevant market (see focus area 1, module A).

### 2.A3.2.2 Entities governed by postal regulations

Entities that provide postal services, performing the collection, sorting, transportation, and delivery of mailable items as a remunerated, sustained, and scheduled service to the public, typically include:

**National or designated postal operators** responsible for fulfilling USO;

**Courier and express service providers**; but also

**E-commerce platforms and e-merchants that establish their own delivery channels** for fulfilling orders, provided they offer delivery services to individual or corporate customers.

Moreover, certain entities may fall under postal regulation under specific conditions if they provide postal-like services. Examples include:

**Public passenger transport systems**: if they offer parcel delivery services that meet the defined criteria.

**Technology platforms**: Gig-based delivery platforms if they establish consistent and structured parcel delivery services.

See also focus area 1, module A, blurred boundaries between the postal and delivery market raise questions in terms of which delivery services fall within the scope of the postal service.

#### Online food ordering and delivery platforms

In December 2020, the Swiss postal authority, PostCom, ruled that Uber Eats was operating as a postal service under Swiss postal legislation and was therefore subject to notification and reporting requirements.

PostCom's 2020 decision: The commission classified Uber Eats' activities, specifically the transport of meals, as a postal service (or courier service) and required the company to register accordingly.

Uber's appeal: Uber disputed this ruling and appealed the decision to the Federal Administrative Court.

Federal Administrative Court ruling (2024): The court ruled in favor of Uber Eats, stating that food delivery does not fall under the definition of postal services as defined by the Postal Act. The court's decision stated that commodity and package freight, including food deliveries, are not postal services.

Outcome: PostCom's 2020 decision was annulled, and Uber Eats is not obligated to register as a postal service provider in Switzerland.

The rise and rapid growth of digital e-commerce platforms have profoundly transformed the market for parcel and delivery services. These platforms, which often manage logistics and delivery processes without physically handling the items themselves, blur the lines between conventional postal operators and digital platforms, challenging the traditional definition of postal services. Not surprisingly, the regulatory status of digital platforms has become a contentious issue and today the classification of these platforms as postal operators varies across jurisdictions.

Classification of digital platforms as postal operators raises questions about the applicability of postal regulations to digital platforms and whether they should be subject to the same regulatory requirements as traditional postal operators. This decision has far-reaching implications as it determines whether these platforms should be subject to the same licensing requirements, service obligations, and consumer protection standards as traditional postal operators. Moreover, the business models and operational dynamics of digital platforms, which extensively rely on data analytics and highly innovative technology-driven solutions, may require new regulatory approaches.

#### **ERGP position on the inclusion of online platforms into the postal sector**

In its Report on Postal Definitions (2020), the European Regulators Group for Postal Services (ERGP) acknowledged the evolving role of online platforms within the postal sector, especially as these platforms increasingly integrate activities traditionally associated with postal services.

The ERGP considers two questions in particular (section 4.4. of the Report):

- (i) Which activities of (online) platforms are potentially relevant to include in the postal sector and/or are postal services, and which are not?
- (ii) Which elements are relevant to consider (in order to include activities within the scope of the postal sector)?

The focus is on whether the digital and platform-related activities have a significant impact on the traditional postal operations and whether they should be regulated accordingly. The ERGP explains that online platforms are no longer mere intermediaries but are becoming full-service providers that engage in various postal-related activities such as matching, ordering, fulfilment, and delivery. It then suggests that these platforms should be considered part of the postal sector when they engage in the physical transportation and handling of goods. The inclusion of online platforms in postal regulation is seen as necessary to ensure a level playing field and to adapt the regulatory framework to the changing market dynamics driven by digitalization and e-commerce.

Also, the recent European Commission Prospective Study on the Future of the Postal Sector (2024) states that “[d]istortions of the level playing field in the wider postal sector may potentially arise because of the expansion of e-commerce platforms into delivery services, should the two segments be subject to different requirements”.<sup>8</sup>

Therefore, when revising existing regulatory frameworks and adopting new ones, policymakers should consider whether to include these online platforms when they perform functions akin to traditional postal operators, ensuring that the postal sector’s scope is adequately defined to cover these new market players. If yes, revising certain and adding definitions, such as ‘postal item’ or ‘sorting’ could help ensure fair competition across the evolving postal sector.

### **2.A3.2.3 Technical assessment**

Before initiating the drafting of a Postal Act, policy-makers must commission a comprehensive technical assessment of the postal sector. This diagnostic exercise should evaluate the current state of the postal sector in the country, including operational landscape, market dynamics, technological advancements, regulatory gaps, infrastructure capacities, digital readiness, and consumer needs.

It lays the analytical foundation for a Postal Act that is not only aligned with international good practices but also tailored to national priorities and sector realities.

<sup>8</sup> European Commission (2024), Prospective Study on the Future of the Postal Sector, <https://op.europa.eu/publication-detail/-/publication/c518ad7f-a722-11ef-85f0-01aa75ed71a1>

## 2.A4 Secondary postal legislation

**Secondary legislation** is law created by ministers or regulatory oversight bodies, such as the national regulatory authority, under powers given to them by an Act of the legislative branch.

Secondary legislation, also known as subordinate or delegated legislation, consists of specific rules, procedures, and operational details necessary to implement the overarching principles and objectives established in the primary legislation, such as the Postal Act. It can be created when primary legislation does not specify the exact details but delegates the authority to create more detailed rules to a government department, with a less burdensome implementation process.

The primary functions of secondary legislation in the postal sector include:

**Supplementing primary legislation:** Filling in details that are impractical to include in the Postal Act, such as specific licensing conditions, procedural requirements, or operational standards.

**Enforcement and compliance:** Establishing enforcement mechanisms and compliance procedures, such as requirements for financial transparency.

**Support for sector-specific regulation:** Addressing detailed matters unique to the postal sector, such as the handling of hazardous materials in mail.

Secondary legislation offers several distinct advantages that make it an indispensable and complementary tool for primary legislation.

**Efficiency and adaptability:** Its development process is less time-consuming than enacting primary legislation, allowing for timely adjustments in response to technological advancements, market dynamics, or emerging challenges like cybersecurity threats or cross-border e-commerce complexities.

**Scalability:** Facilitates incremental modifications of existing regulatory provisions without the need to overhaul the entire legislative framework.

**Technical expertise:** Often drafted by subject-matter experts, secondary legislation ensures that complex technical issues are addressed in a precise and practical manner.

While secondary legislation offers important benefits, it must be carefully managed to ensure it remains within the scope of powers granted by the primary legislation. Safeguards include:

**Judicial review:** Secondary legislation must be legally defensible and aligned with the objectives of primary legislation.

**Public consultations:** Draft regulations should undergo stakeholder consultations to ensure transparency, inclusivity, and accountability.

**Consistency with broader goals:** Secondary legislation must align with the overarching policy objectives of the postal sector, as well as national and international commitments (i.e. embedding, see Postal Reform Plan (PRP)).

## 2.A5 Addressing new trends and challenges

The postal sector operates at the intersection of economic, environmental, and social priorities. In an era defined by rapid digital transformation, growing environmental concerns, and increasing social responsibilities, policymakers and regulators must address these pressing considerations to ensure the continued relevance and sustainability of postal services. These trends are not only reshaping service delivery models and customer expectations; they are also redefining the regulatory and legal frameworks within which the sector operates. Laws governing the postal sector should recognize and

support the sector's role in digital inclusion, environmental sustainability, and social equity and cohesion – either through direct legal provisions or through enabling clauses that allow secondary legislation and regulatory instruments to evolve accordingly.

## 2.A5.1 Digital transformation and innovation

Digital technologies have fundamentally reshaped and disrupted many sectors of the economy, including the postal and delivery sectors. E-commerce platforms, digital marketplaces, and advanced technologies like artificial intelligence (AI), the Internet of Things (IoT), and blockchain have the potential to drive efficiency, convenience, and security, but they also pose challenges for regulatory frameworks, competition, and service delivery.

The rapid digital transformation requires adaptive regulatory approaches that balance market dynamism with consumer protection, ensure interoperability and standardization, and address ethical concerns arising from the adoption of new technologies.

Key issues that may require amendments of the existing postal regulatory frameworks concern:

### a) **Competition in a digitally transformed postal and delivery markets:**

The co-existence of traditional postal operators and digital platforms create a highly competitive environment marked by diverse business models. Digital platforms blur the lines between traditional postal operators and new entrants, complicating regulatory oversight. For instance, some jurisdictions classify major e-commerce platforms as postal operators, while others exclude them from regulatory frameworks entirely. This inconsistency raises questions about the applicability of postal regulations to digital players and highlights the need for a harmonized approach that ensures fair competition while fostering innovation.

Key regulatory issues include defining the scope of postal services as well as addressing market concentration and anti-competitive behaviours. Regulatory amendments may involve updating licensing requirements or promoting access and interoperability.

### b) **Regulatory challenges of advanced and emerging technologies**

New technologies present important opportunities for firms active in the postal sector, facilitating inclusive postal financial services, enhancing delivery efficiency, and reducing costs. However, these technologies also pose several regulatory challenges related to safety, privacy, ethical use, and public acceptance.

The Internet of Things (IoT) is one of technological advancements that impacts the postal sector, and consequently also its regulation. IoT devices, such as sensors and RFID tags, provide real-time visibility into the location and condition of mail and parcels, improving tracking and management. The widespread adoption of IoT in postal services requires adequate regulatory measures to ensure data security, interoperability, and standardization.

Also, Artificial Intelligence (AI) and data analytics are transforming postal services. Able to analyze vast amounts of data, they can optimize sorting processes, enhance delivery route planning, and provide predictive analytics (for example, predict delivery times more accurately or identify potential delays). Furthermore, AI-powered chatbots and virtual assistance can improve customer service by providing instant responses to basic inquiries and tracking information. Thus, the use of AI in postal operations offers several benefits, such as improved efficiency, reduced operational costs, and enhanced customer experiences.

However, the integration of AI into postal services also raises important regulatory considerations. As decisions made by AI systems can significantly impact both employees and customers, ensuring the ethical use of AI is paramount. Policymakers must, therefore, address issues related to algorithmic transparency, accountability, and bias to ensure that the use of AI applications is fair and not harmful.

### c) Data security, interoperability, and regulatory capacity

Effective data management is a foundational element of digital transformation. As postal operations increasingly rely on data-driven technologies, such as smart delivery systems, IoT-enabled logistics, and AI-assisted customer interfaces, the legal and regulatory framework must ensure that innovation is accompanied by adequate safeguards. In particular, the legal framework must address three core data-related areas: data protection, interoperability standards, and cybersecurity measures. These issues are critical for maintaining user trust, ensuring operational resilience, and protection against misuse or data breaches.

The growing importance of data also raises new expectations for regulatory oversight. As postal markets evolve beyond traditional models, regulators must be empowered to monitor not only designated operators but also a broader ecosystem of market players, including digital platforms and, where necessary, adjacent service providers. This requires that the legal framework equip national regulatory authorities with clear mandates and tools to collect, analyze, and act upon market data, including from new forms of postal and delivery activity.

## 2.A5.2 Sustainability

The rapid growth of e-commerce has raised significant environmental challenges for the postal and delivery sectors. Rising parcel volumes directly contribute to carbon emissions, waste generation, and resource depletion, underlining the urgent need for sustainable practices in postal and delivery operations. These challenges are compounded by the broader global commitments to climate neutrality, such as UN-backed net zero initiatives or the European Green Deal.

Postal operators are uniquely positioned to lead sustainability efforts due to their extensive networks and central roles in logistics. While there is a consensus that green innovations, such as the adoption of electric delivery vehicles, investment in renewable energy, and development of circular supply chains should be encouraged, there remains an open debate about whether postal regulatory authorities should be vested with powers to actively promote sustainability efforts.

In fact, while to date, many postal operators have voluntarily adopted sustainability measures, national regulatory authorities have limited mandates to enforce such practices. The governments as policymakers are the ones who can decide how to support environmental and sustainability goals. However, as noted in the ERGP (2022) Report on environmental sustainability in the postal sector, regulators can facilitate sustainability, for example, by:

- Encouraging transparency and accountability through mandatory data collection and reporting on environmental impact.
- Collaborating with environmental authorities to align postal operations with broader climate policies.<sup>9</sup>

In terms of legislation, while to date, environmental and sustainability goals are more frequently addressed on a horizontal, rather than sector-specific level, there might be a very slow shift towards including such considerations also in postal legislation.

- For example, Chapter 10 of the German Act on the Modernisation of Postal Law (2024) includes *Sector-Specific Guidelines for an Ecologically Sustainable Postal Sector*.

Whether this is the most optimal way of addressing such concerns is still to be discussed.

## 2.A5.3 Postal social services

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<sup>9</sup> European Regulators Group for Postal Services (2022), Report on environmental sustainability in the postal sector <https://ec.europa.eu/docsroom/documents/57181?locale=it>

Beyond economic and environmental dimensions, postal operators play a critical social role by promoting connectivity and inclusion. In many countries, postal networks help provide essential services in remote and underserved areas, acting as lifelines for communities that lack access to private delivery services. Moreover, postal operators help with financial inclusion, by offering banking and payment service, in particular to marginalized populations that for various reasons might not be able to access financial services offered by private banks.

The expansion of the postal operator's role in providing social services offers significant opportunities for diversification, which is discussed in focus area 4, module D. Diversification into social services, such as pension deliveries, education support, the distribution of essential goods, elderly care, may help stabilize postal operators' financial performance considering declining letter volumes and growing competition in parcel delivery. However, such diversification, if pursued, comes with critical considerations that must be explicitly reflected in postal laws and regulatory frameworks to ensure its success.

At the legislative level, the pursuit of diversification by postal operators into social services may require:

- *Revisiting the definition of universal service obligations* to explicitly include selected social services. In such case, laws must ensure that any expansion of USO is accompanied by mechanisms for sustainable funding, whether through government contributions, a universal service fund, or other innovative financing solutions.
- *Requiring transparent reporting* on how diversification contributes to financial viability and service quality.
- *Applicability of new legal and regulatory frameworks* as expansion into areas involving, for example, healthcare delivery or education services may bring postal operators under the purview of other sector-specific regulations. In such case, postal laws must ensure compatibility with these frameworks.
- *Changes in working conditions*, job roles, or skill requirements, which should be reflected in sector-specific OSH standards.

In conclusion, addressing the evolving trends and challenges affecting the postal sector, ranging from digital transformation and environmental sustainability to social inclusion, requires a responsive and forward-looking legal and regulatory framework. It is not sufficient to rely solely on the adaptability of operators; regulators must also be legally empowered to anticipate and oversee these developments. This requires a critical review of both primary and secondary legislation:

**At the level of primary legislation**, policy- and law-makers should assess whether the overarching postal regulatory framework provides competent authorities with the legal mandates and institutional capacity to supervise technological transformation, uphold data protection standards, ensure interoperability, and promote the ethical use of advanced technologies.

**At the level of secondary legislation**, specific operational provisions, such as cybersecurity protocols, environmental reporting obligations, accessibility standards, or data-sharing requirements, may need to be formalized through implementing regulations. These regulatory instruments offer the flexibility to adapt to rapidly changing technological and market conditions while maintaining alignment with core policy goals.

Ultimately, embedding these considerations in the regulatory framework will ensure that postal regulation remains both adaptive and effective, capable of promoting innovation and competition while safeguarding the public interest.

## Module 2B Economic regulation

Economic regulation in the postal sector aims to correct market failures and guide market behaviour toward outcomes that serve the public interest. In postal markets, market failures can manifest in several ways:

- The persistence of high fixed costs associated with delivering universal services despite declining demand;
- Natural monopoly characteristics in delivery infrastructure;
- Significant information asymmetries between consumers and postal operators, and
- Negative externalities such as environmental impact.

Additionally, the emergence of dominant players or platforms can distort competition, limit innovation, and undermine service quality.

Effective regulation must therefore promote a market environment that is competitive yet inclusive, efficient yet sustainable. It should ensure that all operators, whether public or private, can compete fairly and innovate while safeguarding the viability of universal service providers.

In postal markets, economic regulation broadly encompasses the following dimensions:

**Promotion of competition and investment:** This includes measures aimed at creating a level playing field for all market participants and may include access and interconnection regimes.

**Market monitoring:** Regular market assessments enable tailored regulatory responses based on accurate, up-to-date data. This requires clear reporting obligations for postal operators and systematic data collection by the regulator.

**Price regulation:** To ensure affordability, cost recovery, and economic efficiency, robust frameworks must govern how prices are set, reviewed, and adjusted, particularly in relation to universal service obligations.

**Cost accounting:** Fundamental for price regulation, cost accounting ensures transparency and prevents cross-subsidization between universal and competitive services.

This chapter explores each of these regulatory functions in detail, emphasizing how they interact to support a well-functioning and equitable postal market.

### 2.B1 Promoting competition and investment

Ensuring effective competition and fostering investment are critical for the development of a dynamic and innovative postal and delivery sector. Competitive markets create incentives for efficiency, innovation, and service improvement while expanding consumer choice and driving costs down. In such markets, ex post competition enforcement – where competition authorities intervene after an allegedly anti-competitive conduct has occurred – should suffice to maintain market order. However, postal markets are characterized by features that can lead to persistent market failures. In such cases, competition does not emerge organically or evenly across the market, and ex ante regulatory interventions – pre-emptive measures – become necessary to ensure fair access, prevent abuse of market power, and enable a level playing field for all operators.

At the same time, the investment climate in postal markets depends on regulatory certainty, transparency, and the presence of adequate safeguards. A well-calibrated regulatory framework should protect consumers, preserve universal service obligations, and stimulate private investment, while avoiding unnecessary barriers to entry or innovation.

Barriers to effective competition in postal markets may be legal, structural, or behavioural in nature:

- *Legal barriers:* such as exclusive rights or statutory monopolies that restrict market entry;

- *Structural or technical barriers*: including high fixed or sunk costs, economies of scale or scope, and limited access to critical infrastructure;
- *Behavioural or strategic barriers*: anti-competitive behaviours, such as predatory pricing, cross-subsidization, or leveraging first-mover advantages to deter new entrants.

Beyond fostering competition, the regulatory environment must also create the conditions necessary for sustained investment in infrastructure, technology, and service innovation. This requires a combination of general legal and procedural safeguards, such as often constitutionally protected property rights, freedom of contract, and access to independent judicial review and dispute resolution, as well as sector-specific provision that clearly define the rights and obligations of market participants. A well-designed regulatory framework signals long-term commitment to fair and open markets while protecting investors from arbitrary decisions. Key instruments in this regard include licensing rules (see module 2C), access and interconnection obligations, and price regulation.

### 2.B1.1 Thresholds for regulatory intervention: three-criteria test

To ensure that regulatory intervention remains proportionate and targeted, it should be based on robust market analysis. One such approach, the so-called three-criteria test, adopted by the European Union in its regulatory framework for the electronic communications sector, has been used to determine when direct regulatory intervention is necessary. This is especially important in markets where competition is developing or where the presence of dominant operators raises concerns about market power.

Under the three-criteria test, regulatory intervention is triggered only when all three criteria of the following conditions are met:

- (1) **High and non-transitory barriers to entry**: persistent structural or legal barriers that prevent effective competition exist in the market;
- (2) **A market structure that does not support effective competition** within a reasonable timeframe, indicating that market forces alone are insufficient to correct existing imbalances; and
- (3) **The insufficiency of competition law alone** to address market failures.

This rigorous approach supports an evidence-based approach to regulation and highlights the importance of market analysis as a prerequisite for regulatory actions, thereby promoting regular market monitoring to track changes in competitive dynamics over time.

While it is not widely adopted in national postal laws, some countries have transplanted the three-criteria test from the telecommunication regulatory frameworks also to the postal one. For example, the German Postal Act (2024) incorporates the three-criteria test to determine when regulation of a given postal market is necessary. According to Chapter 5, Section 37 of the Act, regulation is applied only if all three criteria are met. Moreover, Section 38 requires a periodic review of market conditions, typically every three years (which may be extended once by two years if market conditions have not changed significantly since the last market review), to ensure that regulation remains relevant and proportionate.

### 2.B1.2 Access and interconnection in postal markets

In increasingly liberalized and multi-operator postal markets, access and interconnection regulation plays a crucial role in fostering competition and service interoperability. These regulatory tools enable new entrants and smaller or regional operators to use elements of dominant operator's infrastructure, allowing them to offer end-to-end delivery solutions. By facilitating interoperability of networks, access and interconnection contribute to economic efficiency, service innovation, and enhanced consumer welfare.

**Access** in postal markets generally refers to the right of one operator to use another operator's infrastructure or services, such as:

- Sorting or delivery networks;
- Post office boxes;
- Address databases and postcode systems;
- Services such as redirection and return-to-sender handling.

**Interconnection**, on the other hand, involves technical and operational arrangements that facilitate seamless interaction between different operators' networks, essential for guaranteeing end-to-end services across multiple providers.

Moreover, with the rapid growth of e-commerce and the increasing use of out-of-home (OOH) delivery options (such as parcel lockers and pick-up/drop-off (PUDO) points), those forms of infrastructure are becoming increasingly important for competition, service quality, and consumer convenience in parcel delivery markets. While the ERGP in its report on access to the infrastructure for the delivery of parcels (2024) has found that over the past five years no major competition problems or access complaints had been reported in relation to the deployment or management of parcel lockers and PUDOs across Europe, the report also cautions that potential competition concerns may emerge, particularly in markets where a postal operator or delivery platform holds Significant Market Power (SMP).<sup>10</sup>

To address these emerging dynamics, it is recommended that postal regulatory frameworks enable regulatory authorities to monitor market developments, collect relevant data, and intervene where necessary to prevent market failures, safeguard fair competition, and protect consumer interests. This is particularly important as OOH delivery infrastructure becomes more widespread and strategically significant in shaping last-mile logistics.

Given this evolving landscape, access and interconnection regulation must remain flexible, proportionate, and evidence-based. As postal service models diversify and the lines blur between logistics platform services and delivery operators, legal frameworks must swiftly adapt to these dynamics. While the legal scope of access regulation may not universally cover emerging infrastructure like PUDOs or parcel lockers, policymakers and regulators should ensure that they have adequate tools to act where market distortions arise.

To be effective, when foreseen in the primary law, legal provisions governing access and interconnection should go beyond simply mandating these mechanisms. The law should also ensure that access arrangements are guided by key regulatory principles such as transparency, objectivity, non-discrimination, and proportionality. It should require that standard terms and conditions for access, whether commercial or technical, be made publicly available to ensure legal certainty and prevent discriminatory treatment among operators. Moreover, the legal framework should grant regulators the authority to review and, where necessary, modify access agreements, particularly when such agreements undermine fair competition or impede universal service provision. By embedding these safeguards in primary legislation, postal authorities can more effectively balance market openness with the operational needs and viability of designated operators.

Accordingly, primary legislation should at least:

- Define the concepts of access and interconnection in the postal context;
- Specify the conditions under which access and interconnection can be imposed by the regulator and/or has to be negotiated between postal operators;
- Set out the rights and obligations of dominant and non-dominant operators;
- Provide mechanisms for dispute resolution and regulatory oversight;
- Detail specific conditions for granting access to universal service provider's network.

Secondary legislation or guidelines then operationalize these provisions by detailing procedural rules, timeframes for negotiation, pricing principles, and applicable reporting and transparency obligations.

In the EU, ERGP recognizes the importance of strengthened access rights as a strategic tool to promote competition, in particular in markets where liberalization has not yet produced a level playing field. In

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<sup>10</sup> European Regulators Group for Postal Services (2024), Report on access to the infrastructure for the delivery of parcels, <https://ec.europa.eu/docsroom/documents/60374>

particular, the ERGP recommends harmonized access powers across the EU postal regulatory authorities and a clear specification of the elements of postal infrastructure regarding delivery of postal items that can be subject to an access obligation, even if they fall outside the universal service scope.

Finally, as parcel delivery becomes more data-driven and integrated into broader logistics and digital ecosystems, regulators must maintain the ability to oversee the quality and fairness of access arrangements. This includes the power to review existing agreements, enforce compliance with public policy objectives, and address cases where access is refused, restricted, or offered under discriminatory conditions.

#### Access Regime in the German Postal Act

Section 3 of the German Act on the Modernisation of Postal Law (2024) illustrates a practical approach to access regulation.

**Obligations for Dominant Operators:** A market dominant provider in letter services must offer parts of the transport services it provides separately on that market, provided it is economically feasible.

**Conditions for granting access:** Access is limited to non-dominant postal providers and the requesting company must:

- (i) Operate, at least partially, via its own infrastructure.
- (ii) Demonstrate that without access, competition would be disproportionately impeded.

**Permissible grounds for refusal to grant access:** Access requests may only be denied if:

- (i) Operational safety or functionality would be endangered.
- (ii) Existing capacity for the requested service is exhausted.

This approach balances the need to open essential infrastructure to competitors with safeguards to protect operational integrity and avoid undue burden on dominant providers.

### 2.B1.3 Challenges of vertical integration by digital marketplaces

The emergence and rapid growth of digital marketplaces and e-commerce platforms have fundamentally transformed postal and delivery markets. By leveraging their digital capabilities and infrastructure, e-commerce giants have vertically integrated logistics and delivery with their retail operations, offering seamless supply chains from order placement to last-mile delivery. While this integration enhances efficiency and consumer experience, it also introduces complex regulatory challenges. Key concerns include:

**Market concentration:** Large platforms with significant financial and technological resources can dominate markets, reducing competition and consumer choice.

**Cross-sectoral/ecosystem market power:** Platforms often operate across multiple interconnected markets (i.e. retail, advertising, payments, logistics), allowing them to leverage their dominance in one area to exert influence over others.

**Barriers to entry:** Control over data, customer relationships, and digital infrastructure can create substantial barriers for new entrants.

#### Digital marketplaces

In many jurisdictions, digital marketplaces operate in regulatory grey zones, not clearly falling within the scope of existing postal or transport laws, yet exerting growing influence over delivery standards, pricing, and consumer experiences. This regulatory mismatch creates blind spots: dominant platforms can exert significant control over delivery standards, pricing structures, and consumer interactions without being subject to the same transparency and quality obligations imposed on traditional operators. Consequently, postal regulators may find their tools insufficient to address the overall impact of vertical integration, where platform dominance across adjacent sectors (such as retail, advertising, payments, cloud) creates feedback loops that entrench market power and limit the scope for effective competition in delivery markets.

These developments challenge the adequacy of traditional regulatory approaches that focus primarily on postal infrastructure and physical delivery networks. Historically, postal and delivery services have been regulated as logistic sectors defined by primarily by tangible assets such as postal offices, sorting centres, vehicles, etc. However, digital marketplaces increasingly shape delivery outcomes without owning or directly operating much of the delivery infrastructure. Through their control over e-commerce ecosystems, digital interfaces, and consumer data, these platforms set delivery expectations, influence service pricing, and determine which logistics providers gain access to their customer base. As a result, they function as de facto gatekeepers in the delivery value chain, despite often falling outside the regulatory definitions of postal operators.

To address these challenges, policymakers must carefully consider an evolving nature of market boundaries and firm behaviour when designing postal policies. Regulatory responses may include:

- (i) Revisiting market definitions to reflect the convergence of digital commerce and physical delivery;
- (ii) Assessing the competitive impact of vertical integration, including potential exclusionary conduct or preferential treatment;
- (iii) Introducing transparency and non-discrimination obligations for platforms that control critical digital or logistical infrastructure;
- (iv) Promoting interoperability and access to data and delivery infrastructure where justified.

These interventions must strike a careful balance: while vertical integration can deliver benefits in terms of innovation, speed, and customer experience, unchecked dominance may lead to structural imbalances, dependency, and reduced competition.

Emerging international frameworks, such as the EU's Digital Markets Act (DMA), offer useful models for identifying and regulating 'gatekeeper' platforms whose cross-sectoral influence can distort competition. While postal regulators may not always have direct authority over digital marketplaces, coordination with competition, digital, and transport regulators is increasingly essential to ensure a level playing field and protect the long-term viability of the delivery ecosystem.

## 2.B2 Monitoring and reporting mechanisms

Monitoring and reporting are essential components of economic regulation, enabling regulators to assess market performance, ensure compliance with legal provision, and identify areas requiring intervention. By fostering transparency and accountability, effective monitoring mechanisms provide a solid foundation for informed regulatory and policy decisions.

To ensure an effective and enforceable monitoring framework, the primary postal law should clearly articulate the legal basis for regulatory oversight. This framework can be structured around four key areas:

**Legal foundation and authority:** The law should empower the regulatory authority to collect data, request documentation, conduct inspections, and oversee operator compliance. This includes the authority's right to access business premises, electronic systems, and other relevant infrastructure where necessary for regulatory purposes.

**Scope of data collection:** Legislation should specify the types of information postal operators must report, such as traffic volumes, quality of service indicators, pricing data, complaint metrics, and geographic service coverage. These obligations should be tailored to the type of operator (i.e. designated operator or not) to ensure proportionality. Legislation should also impose clear obligations on operators to supply accurate and timely data and specify consequences for failure to comply.

**Compliance verification and enforcement:** To ensure compliance, the law should authorize the regulator to conduct audits, impose fines or corrective orders, and suspend or revoke authorizations where warranted. It should also mandate regular performance reporting, especially by designated operators, to track service delivery against regulatory benchmarks.

**Transparency and public reporting:** Finally, the legal framework should enable the regulator to publish market summaries, compliance reports, or performance benchmarking data. This helps ensure transparency, build public trust, and supports evidence-based policymaking.

Secondary legislation should operationalize the monitoring and reporting framework established in the primary law by providing detailed guidance on the specific obligations of postal operators, timeframes, and procedures for ensuring compliance.

## 2.B3 Price regulation

This section describes price regulation in relation to primary and secondary postal legislation (see module A). For more on price regulation: focus area 3, module B.

Effective price regulation plays vital role in the governance of the postal sector. It serves multiple objectives: ensuring the affordability of essential services, supporting the financial sustainability of universal service obligation, and promoting fair competition by preventing anti-competitive pricing practices.

Tailored price control mechanisms are needed to address the unique dynamics of different postal markets, considering factors like the level of competition, market maturity, the nature of the services provided (i.e. reserved vs. competitive segments), and cost structures.

In more competitive environments, ex post oversight may suffice to guard against abuse. However, in markets with limited competition or high barriers to entry, ex ante price regulation remains essential.

For countries with developing or less mature postal markets, the challenge is particularly acute. These systems may face infrastructure gaps, low mail volumes, limited competition, and underdeveloped cost accounting systems, especially within designated operators. Under such conditions, finding the right balance between affordability, cost recovery, and long-term viability of the postal service is complex, requiring both regulatory judgment and institutional capacity.

Ultimately, price regulation must be transparent and proportionate, ensuring that prices are fair for consumers while allowing operators to invest in service quality and innovation. It should also prevent cross-subsidization that distorts competition between reserved and liberalized segments. Where appropriate, regulators may consider introducing price caps, tariff approval processes, affordability tests, and obligations to publish standard tariffs for universal services.

International experience shows that while price control is fundamental, price regulation regimes become more flexible and dynamic to better respond to declining letter volumes and increasing cost pressures.

Legal provisions on price control are distributed between:

- Primary legislation, which lays down the guiding principles, the scope of price regulation, distinguishing between different categories of postal services, and institutional powers, and
- Secondary legislation or regulatory rules, which set out the detailed procedures, formulas, and implementation timelines.

Table X below provides an overview of different regulatory approaches to pricing postal services.

*Table X. Pricing systems and regulatory approaches for different types of postal services*

Type of postal service	Pricing system	Regulatory approach
Reserved universal postal services	Price control system	<ul style="list-style-type: none"> <li>• Full price control by government</li> <li>• Regulator approves prices</li> </ul>

		<ul style="list-style-type: none"> <li>Regulator ensures affordable prices and oversees cost-cutting measures</li> <li>Efficiency and productivity improvement requirements</li> </ul>
Non-reserved universal postal services	Monitored free market prices	<ul style="list-style-type: none"> <li>Regulator can intervene and set floor/ceiling prices (not to be confused with price protection for reserved services)</li> <li>Monitoring and disclosure requirements</li> </ul>
All other postal services	Free market pricing	<ul style="list-style-type: none"> <li>Prices set by market forces and not subject to specific price control</li> <li>Subject to ex post control under competition laws</li> <li>Disclosure requirements</li> </ul>

With respect to price control, postal laws typically specify the following aspects:

**Affordability (for reserved services):** Criteria that the regulator can use to determine an affordable price (evolution of the price index; price comparison with other operators in the region, corrected for purchasing power (purchasing power parity). In countries where designated operators use cost accounting, a reduction coefficient can be applied to the projected rate of price increase as an incentive for business cost efficiency (e.g. inflation rate (CPI) x cost savings).

**The periodicity (scheduling) of price reviews:** These may be annual or multi-annual, depending on the market context and regulatory objectives.

**Type of control:** It is possible to distinguish between:

- Ex ante (before implementation, where the operator's price proposal requires regulatory approval)
- Ex post (where prices are reviewed after they have been implemented).

Regular reviews help maintain consistency and adjust for inflation, market changes, or evolving service demands. Multi-annual reviews may provide greater stability, particularly for universal service pricing.

## 2.B3.1 Reserved area and price control

Reserved services often represent the cornerstone of universal postal service obligations, ensuring access to basic postal services, particularly in high-cost or low-demand regions. Article 3.1 of the Universal Postal Convention mandates member states to provide universal postal services at prices that everyone can afford, fostering inclusivity and societal cohesion.

Traditionally, reserved services (i.e. single-piece letter mail) have been subject to price caps or approval regimes to ensure affordability. Prior approval by the regulatory authority assesses whether proposed prices comply with key regulatory principles, in particular cost-orientation, affordability, non-discrimination, and transparency (see for example Article 12 of the European Postal Service Directive) and objectives pursued.

To safeguard the financial viability of the designated operator and preserve the integrity of reserved postal services, some legal frameworks include minimum pricing rules (floor prices) for private operators offering similar services. In such cases, private operators are prohibited from undercutting the designated operator's rates for services that fall within those reserved by law. The floor price is typically set as a multiple of the designated operator's tariff (i.e. 3, 5, or 10 times its rate) to ensure that the reserved area is not undermined by lower-priced, look-alike services. Such measures are aimed at preventing 'cream-skimming', where competitors target only the most profitable segments of the reserved areas, while still allowing room for legitimate innovation and service differentiation.

In recent years, regulatory approaches to price control for reserved services have become more adaptive, data-driven, and responsive to structural changes in postal markets. Various regulators have increasingly moved away from rigid, inflation-linked price caps toward more flexible frameworks that consider volume trends, cost trajectories, and financial sustainability indicators. This evolution is primarily driven by the persistent decline in letter volumes, which has eroded the economies of scale that once underpinned traditional pricing models. As a result, various regulators have introduced mechanisms that allow for rate adjustments when justified by rising unit costs or universal service net losses. In parallel, the focus of regulatory scrutiny has shifted from static tariff benchmarks toward dynamic assessments of cost efficiency, affordability, and market impact. Some systems now apply differentiated caps across service categories or shorten regulatory periods to allow more frequent recalibration. These developments reflect a broader trend toward regulatory pragmatism: price control remains essential for safeguarding affordability and preventing abuse, but its application has become more nuanced, iterative, and embedded in a wider strategy to preserve the long-term viability of the universal service.

Typically, the primary postal legislation lays down the legal foundation for price regulation of reserved services. In doing so, it provides a clear mandate for public intervention where market mechanisms alone would not safeguard public interest.

At a minimum, primary legislation should:

- Clearly define the scope of reserved services subject to price regulation;
- Articulate the pricing principles that guide regulatory decisions, such as affordability, cost orientation, non-discrimination, and financial sustainability;
- Specify the mandate for price regulation and conditions under which the regulator may approve, reject, or set prices.

Secondary legislation may prescribe:

- Formulas, methodologies, and detailed cost allocation rules, including parameters for inflation adjustments or efficiency factors.
- Definitions and calculation of affordability thresholds.
- Procedures for regular tariff review, including timing, data requirements, and audit processes.
- Criteria for tariff approval or rejection.

This layered approach ensures that fundamental rights and obligations are protected at the legislative level, while allowing regulators flexibility to adapt methodologies and enforcement to evolving market conditions.

## **2.B3.2 Non-reserved services and competitive markets**

For services that fall outside the universal service obligation or are offered in competitive markets, price regulation, if any, is typically less restrictive. In principle, prices for such services are determined by market forces. This means that operators are generally free to set and adjust their prices without prior regulatory approval, allowing greater scope for innovation, service differentiation, and commercial flexibility.

However, competent or regulatory authorities may require notification of tariffs for the purposes of transparency.

## **2.B3.3 Price control mechanisms**

Postal legislation and regulatory practice employ a range of price control mechanisms to ensure that prices, particularly for universal and reserved services, remain fair, cost-reflective, and aligned with market dynamics.

Table X. Price control mechanisms

Type of postal service	Regulatory approach
Price caps	<ul style="list-style-type: none"> <li>• Often used for universal service products</li> <li>• Typically based on CPI-X formula (Consumer Price Index minus efficiency factor)</li> <li>• Provides operators with pricing flexibility within the cap</li> <li>• Encourages cost efficiency as operators can retain savings</li> </ul>
Cost-based pricing	<ul style="list-style-type: none"> <li>• Applied in markets with limited competition</li> <li>• Prices set based on actual service costs plus an allowed return</li> <li>• Requires detailed cost accounting methods</li> <li>• Often applied to bulk mail or network access pricing</li> </ul>
Rate of return regulation	<ul style="list-style-type: none"> <li>• Less common in modern postal regulation</li> <li>• Allows a specified return on invested capital</li> <li>• Can provide stability for long-term investments</li> </ul>

Drawing on global regulatory practice, several additional regulatory design considerations, in addition to those discussed earlier, should be reflected in primary and secondary laws:

**Pricing flexibility within defined limits:** Legal frameworks should allow regulators to implement flexible pricing mechanisms, such as price caps with efficiency incentives, that provide operators with room to innovate while ensuring prices remain fair. Flexibility is particularly important where designated operators compete in some segments of the market while fulfilling costly universal service obligations in others.

**Transparent and robust cost allocation:** To prevent cross-subsidization between reserved and competitive services, the law should mandate the use of transparent cost accounting and attribution methodologies (see section 3.4. Cost Accounting below).

**Efficiency and performance incentives:** A strong legal framework should support incentive-based regulation that encourages productivity and innovation. For instance, allowing operators to retain savings from operating below regulated price caps can drive long-term efficiency.

**Forward-looking and adaptive pricing tools:** In rapidly evolving markets, price regulation must move beyond backward-looking cost models. Legislation should allow regulators to adopt forward-looking approaches that reflect anticipated cost shifts and technological changes, especially in light of e-commerce growth, declining letter volumes, and diversification pressures.

## 2.B4 Cost accounting

This section describes cost accounting in relation to primary and secondary postal legislation (see module A). For more on cost accounting: focus area 4, module E.

Cost accounting is a cornerstone of effective price regulation, particularly for universal postal services, where the dual imperative of ensuring affordability and financial sustainability must be carefully balanced. By providing detailed insights into the costs associated with different postal services, a robust cost accounting system enables both postal operators and regulators to set prices that are transparent,

cost-oriented, and aligned with universal service obligations. The PRP considers, in fact, cost accounting as a critical component of modernizing the designated operator (see focus area 4).

By providing disaggregated cost information across the postal value chain, such systems help prevent cross-subsidization between universal and non-universal services, promote fair competition, and support compliance with regulatory standards.

#### **Cost accounting – objectives**

From the regulatory point of view, the cost accounting system should provide sufficient information to:

- (i) show the actual cost of services so that an appropriate pricing framework can be established;
- (ii) indicate the cost of universal postal service provision.

From an operational point of view, a cost accounting system provides the postal operator with an important tool for making business management decisions.

Beyond regulatory compliance, cost accounting serves as a strategic management tool. It empowers operators to allocate resources more efficiently, optimize budget planning, and make informed investment decisions.

The UPU has consistently stressed the importance of cost accounting in strategic management and decision-making. Following the 2004 Bucharest Congress, it endorsed a comprehensive approach to cost accounting, defining both its objectives and implementation strategy for designated operators in its member countries.

To ensure their effectiveness and credibility, cost accounting systems must undergo regular and independent audits, which help assess the integrity, adequacy, and adaptability of data management and cost allocation methods. Without such scrutiny, any pricing reform or policy decisions risks being based on flawed, incomplete, or unreliable data, undermining their success and long-term financial sustainability of the universal postal service.

Cost accounting is, thus, not merely a technical exercise; it is a fundamental pillar of good governance in the postal sector. This means that operators and regulators should treat accounting systems and their audits as a strategic priority.

#### **Cost accounting – benefits**

A well-designed and robust cost accounting system offers a wide range of strategic and operational benefits for postal operators and regulators alike. These include:

- Accurate calculation of unit costs for different products and services, providing essential input for price regulation;
- Verification that prices cover costs and contribute to optimal pricing policies;
- Profitability analysis across different customer segments, enabling targeted marketing and pricing strategies;
- Performance assessment of individual post offices and operational units;
- Cost structure optimization, helping identify inefficiencies and improve budget allocations;
- Determination of the net cost of universal service obligations, forming the basis for compensation or financing mechanisms;
- Informed strategic decision-making, through reliable cost data.

### **2.B4.1 Prerequisites for an effective cost accounting system**

An effective cost accounting system requires certain prerequisites and coordinated efforts between the postal operator and the regulatory authority. Operators must implement internal systems to track costs accurately, while regulatory authorities need to be empowered through legislation to oversee and validate these systems.

Based on decisions concerning cost accounting taken at the Bucharest Congress, the UPU launched a programme to enable postal operators to implement the accounting system. However, the results were not successful due to lack of expert staff and unreliable accounting management systems, and in particular, the lack of “reliable, up-to-date data”.

Table X. Basic requirements for implementing a cost accounting system by postal operators

Type of postal service	Regulatory approach
Adequate human resources	Postal operators must have a team of adequately trained and experienced personnel capable of managing and implementing cost accounting system effectively.
Sound data management systems	<p>The designated operator must have robust data management systems with reliable and up-to-date information. For the data management system to be robust, it should encompass certain key components, such as:</p> <p>Applied in markets with limited competition</p> <ul style="list-style-type: none"> <li>• Detailed revenue data: Operators should maintain revenue data split by product or service to allow for precise cost allocation.</li> <li>• Accurate mail volume data: Comprehensive data on mail volumes handled is crucial for performing accurate cost analysis.</li> <li>• Comprehensive data on personnel: Detailed information on staff and payroll must be recorded to allocate personnel costs appropriately.</li> <li>• Data on assets and investments: Operators should also keep records of their assets (both tangible and intangible) with data on valuation and depreciation for accurate cost calculation.</li> <li>• International accounts for terminal dues: Tracking international accounts related to terminal dues is crucial to reflect these costs accurately.</li> </ul>

Cost accounting practices and expertise vary widely across countries. Depending on the situation of the designated operator in the region, it may be advisable to avoid developing highly complex systems. These are time-consuming and resource-intensive in terms of both initial investments and recurring costs.

Non-binding guidelines can help promote a shared understanding of costing methods and assist regulatory authorities in building the necessary expertise. The example of CRASA demonstrates how regional initiatives can address these challenges and provide practical and tailored solutions to support designated operators in implementing effective cost accounting systems.

In the Southern African Development Community (SADC) Region, Communications Regulators' Association of Southern Africa (CRASA), having recognized that most of its members have considerable expertise in the regulation of tariffs in the telecom sector, but not necessarily in the postal sector, decided to adopt the “Postal Costs and Tariff Regulation Guidelines”.<sup>11</sup> This case study explores the Guidelines' objectives, applicability, and the recommended regulatory approaches to postal cost accounting and tariff regulation.

#### CRASA – Cost Accounting Guidelines

**Objectives and applicability:** The Guidelines aim to harmonize postal tariff regulation across the SADC region by promoting a common understanding of costing methods and identifying issues relevant for postal tariff regulation. They are intended to guide policymakers, postal regulators, operators, and other stakeholders in enforcing postal regulations, in particular for services falling under the Universal Service Obligation.

<sup>11</sup> Communications Regulators' Association of Southern Africa (CRASA) (2016), Postal Costs and Tariff Regulation Guidelines, [https://cdn.prod.website-files.com/5fb8ce4adbd6ad2ccc1423e7/60fa8a5925bdf4954a4a8f0a\\_Postal Costs and Tariff Regulation Guidelines - CRASA 2016.pdf](https://cdn.prod.website-files.com/5fb8ce4adbd6ad2ccc1423e7/60fa8a5925bdf4954a4a8f0a_Postal%20Costs%20and%20Tariff%20Regulation%20Guidelines%20-%20CRASA%202016.pdf)

**Relevant regulatory principles:** The Guidelines outline several principles for regulating tariffs for universal postal services, which include:

- Ensuring affordable tariffs for universal services;
- Promoting effective competition;
- Encouraging efficiency and financial viability of the universal service provider;
- Ensuring that universal postal service tariffs are transparent, non-discriminatory, cost-based, and cost-oriented.

**Allocating postal costs:** A clear understanding of cost allocation is fundamental for preventing cross-subsidies between the reserved and unreserved areas and ensuring transparency. The Guidelines recommend distinguishing between direct, indirect, and common/overhead costs and identifying cost drivers. This involves defining processes, costing products in segments markets, and applying principles of cost allocation like cost causality, objectivity, transparency, consistency, and feasibility.

**Recommended regulatory approaches:** The Guidelines propose several regulatory approaches to postal costing and tariff regulation, which include:

- Ex ante approval
- Ex post price control
- Price cap: Suitable for sufficiently competitive markets that are compliant with cost-oriented pricing principles, this system regulates prices by considering input cost inflation and expected productivity growth, providing incentives for efficiency.
- Accounting control
- Compulsory provision of information allows regulators to monitor compliance and gather necessary data for market analysis.
- Cooperation with competition authorities as enhanced cooperation between postal and competition authorities can improve knowledge sharing and coordination, benefiting both universal and competitive segments of the postal market. Detailed revenue data: Operators should maintain revenue data split by product or service to allow for precise cost allocation.

## 2.B4.2 Aspects of cost accounting to be regulated

Both primary and secondary legislation must clearly define the obligations surrounding cost accounting systems.

**Primary postal laws** typically establish the legal basis for requiring designated operators, particularly universal service providers, to implement cost accounting systems that are transparent, auditable, and capable of disaggregating costs by service, customer segment, and activity. These laws often include core principles such as cost-orientation, prevention of cross-subsidization, and the requirement to maintain separate accounts for universal and non-universal services.

**Secondary legislation or regulatory instruments** further operationalize these principles by specifying the methodologies to be applied, such as fully distributed cost (FDC) models or activity-based costing (ABC), and by detailing reporting formats, audit procedures, frequency of updates, and compliance deadlines.

Various regulators issue detailed guidelines or codes of practice that outline how operators must allocate direct and indirect costs, calculate the net cost of the universal service, and conduct internal and external audits. Some frameworks also mandate the submission of regulatory accounts to the regulator and the publication of cost-related summaries to ensure transparency.

To ensure transparency, accountability, and efficiency in postal services, a regulatory framework should clearly specify certain aspects of cost accounting to provide the foundation for effective oversight and financial viability of the universal postal services. Below are the primary aspects of cost accounting that need to be addressed:

- (1) Separation of accounts
- (2) Cost accounting methodology and allocation procedure
- (3) Audit and Validation
- (4) Protection of sensitive information

### 2.B4.2.1 Separation of accounts

At a minimum, the regulatory framework must mandate the separation of accounts into the following distinct categories.

Table X. Classification of services for account separation

Type of postal service	Pricing system	Regulatory approach
Universal postal services	These include postal services falling under the universal service obligation (i.e. letter mail, basic parcel delivery, etc).	Regulations and operators can determine the actual costs of fulfilling USO, assess its financial viability, and justify subsidies or funding mechanisms where necessary.
Non-universal postal services	These are services outside the scope of USO, typically offered in competitive markets (i.e. express delivery, bulk mail services).	Separation of these services from universal postal services: <ul style="list-style-type: none"> <li>• Ensures clarity in cost allocation and revenue reporting</li> <li>• Helps to assess their performance independently</li> <li>• Ensures that their costs and revenues do not distort the financial overview of core postal operations</li> </ul>
Non-postal services	These include activities unrelated to postal delivery, such as financial services (i.e. savings accounts, money transfers) and other retail services.	
Other services (if applicable)	These are any other additional services that do not fall under any of the above categories. They may include leasing postal offices for installing 5G equipment, government-mandated services, like accepting passport applications, etc.	

### 2.B4.2.2 Cost accounting methodology and allocation procedure

Accounting regulations or guidelines should specify the methodology for calculating both the unit cost of services and the revenue they generate. If the regulator opts for a more comprehensive calculation system, the regulations should specify at least the following key elements:

**The cost accounting system** to be applied by the postal operator, including its detailed description and objectives.

**The applicable accounting principles** to which the accounting system should adhere, such as causality, objectivity, dis-aggregability, or reconciliation of cost accounting with financial accounting.

**Cost centres and services**, which should be subject to disaggregated analytical procedures. It is advisable to limit the number of cost centres and to establish four main groups of services, as specified in Table X above, for which disaggregation is mandatory.

Regulations should also define detailed procedures for allocating assets, revenues, and expenditure. This includes:

- Determining revenues and expenditure;
- Allocating revenue to cost centres;
- Allocating costs from cost centres to activities;
- Allocating activities to services; and

- Allocating costs and revenue to the margin account.

Effective implementation of cost accounting technologies requires a reliable data management system, which should allow for the use of 'drivers' or criteria to allocate costs accurately among cost centres, activities, and services.

### 2.B4.2.3 Audit and verification

Proper book-keeping and separation of accounts as well as audit by an expert, reputable firm independent from the designated operator, are essential for the integrity and effectiveness of the cost accounting process. Auditing is crucial to ensure that data systems meet operational and regulatory requirements.

These audits should:

- Assess the current state of data management systems.
- Identify gaps and recommend improvements for integration into cost accounting systems.
- Be prioritized by member countries to strengthen accountability.

Accordingly, each country's regulations must specify whether:

- a) the designated operator will conduct the audit through an independent qualified auditor, and have it validated subsequently by the regulator, or
- b) if the regulator will be directly responsible for carrying out the audit process.

Typically, regulations require the operator to have the application of cost accounting rules and account separation audited by an independent qualified firm, with the regulator responsible for the final validation. It might be advisable to formalize this procedure prescribing that the regulator issues an administrative resolution at the end of the process.

The regulations should define clear procedures for auditing cost accounting systems and the deadlines for submitting necessary documentation to the regulator. This includes:

- Detailed accounting documents
- Independent audits validating compliance with the regulations governing cost accounting
- Estimates of the universal postal service cost, broken down by service.

### 2.B4.2.4 Protection of sensitive information

The regulations should allow operators to specify which documents include commercial or industrial secrecy to ensure protection of sensitive data from public disclosure.

A potentially useful example concerning cost accounting that can provide valuable insights for the postal sector with respect to regulatory accounting and cost management, is the ITU Regulatory Accounting Guide, adopted in 2009.

#### ITU Regulatory Accounting Guide (2009)

ITU Regulatory Accounting Guide outlines principles and methodologies that can be adapted to enhance the postal sector's regulatory framework.

**The main goal of the Guide:** The ITU Regulatory Accounting Guide provides a comprehensive framework for implementing cost accounting models in the telecommunications sector. Its primary objective is to assist National Regulatory Authorities (NRAs) in developing regulatory policies that ensure that prices reflect the cost incurred in the provision of services. The Guide stresses the importance of transparency, efficiency, and the promotion of sustainable competition.

#### Key elements of the Guide

**Market analysis and SMP identification:** The Guide outlines a methodology for defining markets susceptible to ex ante regulation and imposing various regulatory obligations, including cost accounting and accounting separation. These steps ensure that regulatory measures are proportionate, targeted, and effective. Key element of the methodology is the identification of operators with 'Significant Market Power', a regulatory counterpart of the concept of dominance in competition law.

**Objectives of cost accounting:** The Guide identifies several objectives for regulatory cost accounting, including price control, transparency, prevention of anticompetitive behaviour, and estimation of Universal Service Obligations (USO) costs. These objectives are crucial for maintaining fair competition and ensuring that services are priced appropriately.

**Cost standards:** The Guide identifies multiple cost standards: Fully Distributed Costs (FDC), Stand-Alone Costs (SAC), Long-Run Average Incremental Costs (LRAIC), and Marginal Costs (MC), and explains their suitability for different regulatory purposes.

**Cost accounting models:** The Guide discusses various cost accounting models, including Historical Cost Accounting (HCA), Current Cost Accounting (CCA), and Long-Run Incremental Cost (LRIC) models. These models help allocate costs accurately and ensure that pricing reflects the real cost of providing the service.

The postal sector could benefit from the ITU Guide by considering adopting similar document to enhance transparency, efficiency, and competition, and promote best regulatory practices. In particular, the Guide could be applied in the following way:

**Market definition and competition monitoring:** Just as in telecommunications, the postal sector could define markets and monitor competition to identify dominant operators. This would allow for targeted regulatory interventions aimed at preventing abuse of dominant position and promotion of fair competition.

**Cost accounting for pricing:** Implementing cost accounting models similar to those in the ITU Guide would help postal operators determine the real cost of providing services. It would also help ensure that tariffs are cost-based, transparent, and non-discriminatory.

**Development of comprehensive regulatory frameworks:** The postal sector can develop a robust regulatory framework that includes accounting separation and cost accounting obligations for operators with significant market power. This framework would support price regulation and ensure that cross-subsidies do not distort the market.

### 2.B4.3 Cost accounting and UPU remuneration systems

Cost accounting is also important in the context of remuneration for international mail, in particular terminal dues for letter-post items and parcels remuneration. These remuneration rates apply to cross-border mail flows and compensate the designated operators in the destination country for delivering inbound postal items.

In recent years, there has been significant progress made towards terminal dues and parcel remuneration rates that are more cost-oriented. Since the domestic tariffs determine the rate setting capacity of the designated operator and thereby the capacity for the designated operator to ensure cost covering inbound postal operations, it is important that designated operators implement robust cost accounting systems that can accurately determine the costs of handling inbound international mail.

The terminal dues system includes mechanisms to revise the so-called cost-to-tariff ratio for the remuneration of small packet items provided that costing information is provided on which basis an alternative cost-to-tariff ratio can be calculated that could achieve cost covering remuneration. These provisions are particularly relevant (and more available) to developing countries (those classified in group C of the UPU remuneration system classification system).

Furthermore, cost accounting data from designated operators informs this process of rate-setting and can feed into the further development of the UPU remuneration systems to establish rate systems that cover the costs of delivery. Moreover, cost accounting allows designated operators to understand the

profitability of their international postal operations, which, in turn, informs strategic decisions about which international services to offer and how to price them.

## 2.B4.4 Trends and challenges relevant for cost accounting

Several trends that affect the postal sector are shaping and will continue to shape cost accounting practices in the foreseeable future:

**Declining letter volumes** are changing cost structures and challenging traditional allocation methods that have historically relied on stable, high-volume letter mail;

**The growth in e-commerce parcels** requires more granular costing of individual items. Parcel delivery involves more complex logistics compared to letter mail, demanding sophisticated cost allocation methods to ensure accuracy.

**Increased competition from private and platform-based competitors** puts more pressure on postal operators to analyze profitability at the product and customer level. Precision in cost allocation is essential to identify underperforming services, optimize pricing strategies, and maintain competitiveness.

**Diversification of postal operators** who offer a broader range of products (from traditional mail to financial services and logistics) renders the management of common costs increasingly critical. Misallocation can lead to unfair cross-subsidization, particularly in competitive markets, undermining transparency.

**Automation and AI** are enabling more precise and sophisticated cost tracking and allocation.

**Environmental concerns** are leading to efforts to account for carbon costs. This includes assessing the carbon footprint of delivery networks and integrating these costs into the pricing and cost allocation models, aligning with broader sustainability goals.

**Cross-border operations:** The increasing importance of international postal services and terminal dues has highlighted the need for robust cost accounting to ensure transparency and fairness in cross-border fee structures.

These challenges help understand how important it is for regulators and postal operators to continue developing and improving cost accounting practices to produce and maintain relevant, accurate and timely data to support business decision-making and regulatory oversight.

Undoubtedly, while implementing comprehensive cost accounting systems remains challenging and requires time, it is an increasingly vital tool for postal regulators and operators in today's complex postal markets. Continued investment in data systems and accounting capabilities will thus be essential to support evidence-based regulation and strategic management of postal services.

## Module 2C Regulatory Authority

This module provides comprehensive guidance for policy-makers on the establishment, institutional design, and effective management of postal regulatory authorities. It outlines the core responsibility of these authorities, examines their legal and institutional foundations and compares various organizational models for postal sector regulatory oversight.

Connections with other PRP Focus Areas:

**Focus Area 1 (Postal Sector Policy):** Vested with the power to monitor the market, the regulator is in a unique position to gather market evidence to inform future policy reforms and issue secondary regulations that translate high-level policy goals into binding rules.

**Focus Area 3 (Universal Postal Service):** An independent regulatory authority plays a vital role in safeguarding the universal service obligation. Through robust and transparent monitoring, the regulator ensures compliance with quality standards, delivery performance, and universal access, especially in underserved areas. The regulator is also responsible for implementing and enforcing any financial compensation mechanisms necessary to sustain the universal postal service. These functions are critical to maintaining the affordability, reliability, and territorial coverage of universal postal services.

**Focus Area 4 (Postal Operator):** Regulatory oversight of the designated operator's performance provides critical inputs for modernization efforts, including service quality improvement and digital transformation.

### 2.C1 Mandate and functions of the postal regulator

In an increasingly digital and interconnected world, the role of the postal regulator is evolving to address new societal, economic, and technological challenges. The regulator's core mission is to ensure that postal services remain universal, reliable, affordable, and inclusive, while also fostering a fair and competitive environment that enables innovation and efficiency.

The institutional design and powers of postal regulators vary across countries, reflecting differences in legal traditions, market structures, and reform trajectories. For instance, the United States Postal Regulatory Commission (PRC) oversees only one entity: the United States Postal Service and therefore has a more limited remit than its international counterparts. Yet, most jurisdictions vest the regulator with a common set of core functions, discussed below.

#### 2.C1.1 Safeguarding the universal postal service

Postal regulators play a critical role in ensuring that the universal postal service (i.e. the universal service obligations) are effectively implemented, guaranteeing that every citizen can access basic postal services at an affordable price, regardless of their location. This responsibility is vital to uphold social inclusion, economic participation, and equitable access to communication, ensuring that even the most remote communities are not left behind. This function typically involves:

- setting standards for service quality, delivery frequency, and geographic coverage;
- monitoring compliance to ensure that these standards are met.

Unless the law reserves this power to the competent supervisory ministry, the regulator is responsible for issuing regulations establishing specific service delivery conditions for universal postal services. These must reflect the needs of diverse user groups, including individuals in rural and underserved areas, e-commerce businesses, and those relying on postal networks for essential goods and communication.

In particular, the regulator should monitor USO performance across three key dimensions:

**Access:** Verifying that access facilities for postal services are adequately available to all users, particularly in underserved areas. This includes maintaining the presence of physical post office as well as digital service points in regions with limited infrastructure.

**Price:** Ensuring that the price of universal postal services remain affordable for all segments of the population, including economically disadvantaged groups. Affordability should consider regional income disparities and cost-of-living variations to ensure inclusivity.

**Quality:** Monitoring delivery times, reliability, and security against published benchmarks, which should evolve with consumer needs, such as the growing demand for faster and greener services.

Regulators should set annual, data-driven targets for each of these dimensions, in coordination with the designated operator, and publish results to secure public accountability.

It is recommended that the government and the designated operator draft a formal agreement to formalize these commitments. Such an agreement acts as a warranty for both parties, ensuring mutual accountability and commitment to service quality and access standards. Furthermore, the agreement should include provisions for periodic reviews and adjustments, allowing flexibility to address changes in consumer behaviour, technological advancements, and financial dynamics.

In addition to monitoring compliance with USO conditions, the postal regulatory authority is often tasked with regulating the prices of universal services, ensuring that they are cost-oriented, financially sustainable yet affordable, and that they do not distort competition

Where the law reserves certain services or sets price limits, the regulator must monitor encroachment by other operators on the reserved area by imposing proportionate sanctions, where necessary.

By addressing these responsibilities comprehensively, postal regulators not only preserve the integrity of universal postal services but also enable the sector to adapt to changing societal and economic needs.

## 2.C1.2 Market regulation and competition

One of the regulator's key functions is promoting fair competition within the postal market. This fosters improved service quality, innovation, and consumer choice, contributing to creating a level playing field in which no single operator can distort market outcomes to the detriment of others.

Consistent with legal obligations set out in modules A and B, regulatory duties in this area include:

- Licensing or authorizing market entry, applying clear and proportionate criteria;
- Monitoring market dynamics and regulatory compliance through audits, mandatory reporting and, increasingly, digital data-collection tools, and
- Imposing regulatory obligations, including price-related conditions, access conditions and service rules;
- Taking enforcement actions, where necessary.

A regulator must systematically collect and analyse market data to understand competitive trends and test whether interventions remain proportionate. Regular market reviews, combined with public

consultations, help ensure that regulatory rules remain relevant and responsive to evolving market conditions.

Another critical aspect of market regulation is the development and enforcement of pricing policies. This includes setting prices, requiring operators to notify the regulator of price changes, and approving or rejecting proposed prices based on their alignment with regulatory objectives.

In exercising its regulatory function and authority under the postal act, regulators may choose to use multiple and mixed pricing schemes in line with the legal framework for service operation (see also Module B), as outlined below:

**Price control:** Under the pricing mechanism, the regulatory authority sets the prices of service offerings. This mechanism is generally used for reserved postal services operated exclusively by the designated operator.

**Monitoring free market pricing of non-reserved universal postal services:** This competence applies to pricing used for all non-reserved universal postal services open to competition and thus applies to services provided by the designated operator as well as private operators. If the regulator deems intervention necessary, it may impose price control measures on these services.

**Free market pricing:** Applicable to all services other than universal postal services. Prices are set by free market forces.

*Table X. Various forms of price regulation*

Type of postal service	Regulatory approach
Price cap regulation	<ul style="list-style-type: none"> <li>• Sets a ceiling for price increases;</li> <li>• Typically is linked to or includes inflation and productivity factors;</li> <li>• Provides flexibility within the cap.</li> </ul>
Notification and approval	<ul style="list-style-type: none"> <li>• Operators must notify price changes to the regulator;</li> <li>• Regulators can approve or reject proposals;</li> <li>• Balances flexibility with regulatory oversight</li> </ul>
Safeguard price cap	<ul style="list-style-type: none"> <li>• Sets a high ceiling on allowable prices;</li> <li>• Ensures prices remain reasonable;</li> <li>• Provides significant flexibility for operators.</li> </ul>

When intervening in setting prices for reserved services or universal postal services, such prices must be cost-oriented. Cost models should follow sound economic criteria and be audited periodically, with results fed into the performance-evaluation framework.

Fostering innovation and efficiency within the postal sector is another key regulatory aim. By encouraging competition, regulators can incentivize operators to improve service quality, adopt new technologies, and enhance operational efficiencies. For example, regulators might introduce sandbox environments for testing new delivery models. This not only benefits consumers but also strengthens the overall resilience and adaptability of the postal sector in a rapidly changing digital landscape.

Hence, the role of postal regulators in market regulation and competition is multifaceted and essential for ensuring a competitive postal market.

### 2.C1.3 Consumer protection and complaint handling

Ensuring effective consumer protection and complaint resolution is yet another core function of modern regulation. The regulator must ensure that all operators, public or private, entrusted with USO or not, provide transparent, accessible, timely, and fair complaint mechanisms. This includes:

**Mandating user-friendly complaint channels (both digital and physical):** The regulator should mandate multiple channels for consumers to submit complaints, including online forms, phone lines, email, chatbots, and physical service centers, ensuring that the process is straightforward and user-friendly.

**Ensuring timely and fair dispute resolution, with performance benchmarks:** Implementing systems to track the progress of complaints and provide updates to consumers enhances transparency and trust in the process. Leveraging advanced technologies can streamline the submission process, deliver instant responses, and reduce resolution times. Likewise, setting and adhering to reasonable timelines for resolving complaints ensures prompt and effective action.

**Tracking and analyzing complaint data to identify systemic problems:** Clear rules for monitoring and reporting help ensure the effectiveness of consumer protection and complaint handling. The regulator should thus collect and analyze data on complaints to identify common issues and areas for improvement. This data-driven approach is essential for addressing systemic inefficiencies, service gaps, and recurring challenges. Establishing metrics for evaluating the effectiveness of complaint handling processes, such as resolution rates and consumer satisfaction levels, helps assess performance.

**Publishing regular reports on complaint volumes, resolution rates and user satisfaction:** Regularly reporting on complaint handling performance, including statistics on the number of complaints received, resolved, and outstanding, in consumer-friendly formats like public dashboards or summaries, would demonstrate the regulator's commitment to transparency and accountability.

These functions not only protect individual consumers but also ensure broader accountability within the postal ecosystem (For more detailed information on consumer policies see Module E).

Effective consumer protection requires also collaboration with operators, joint consumer education efforts, and integration of public feedback into rulemaking. Regular meetings with postal operators to review complaint trends, along collaborative initiatives (such as joint consumer education campaigns and partnerships with consumer rights organizations), create a feedback loop that drives service improvements. Integrating survey results and other direct consumer input into rulemaking ensures that the regulatory process remains responsive and evidence-based.

## 2.C1.4 Policy advice and development

Often, the postal regulator acts as a neutral, technical advisor to the government, offering independent, data-driven input into postal policy, legislative reform, and long-term sector planning, thereby helping to ensure that national strategies align with global trends while remaining grounded in domestic priorities and in the statutory legal framework, as set out in module A of this focus area. Responsibilities relevant for this function include:

**Conducting policy research and market studies:** to identify existing and emerging trends and challenges in the postal sector. By leveraging data analytics, consumer surveys, and market intelligence, the regulator can identify emerging risks, such as the carbon footprint of last-mile delivery, and propose evidence-based recommendations. These should be presented without undue delay.

**Drafting proposals for regulatory or legal amendments;**

**Participating in national development planning** (i.e. digital transformation, public service delivery, sustainability).

Regulators should maintain or participate in a structured process for policy input, including:

**Ex-ante impact assessments** of proposed reforms, comparing various policy options against social, economic, and environmental criteria.

**Stakeholder consultations on draft policies:** Regular consultations with postal operators, consumer organizations, trade unions, technology suppliers and international bodies (UPU, ITU, OECD, World Bank, etc) help align national rules with best practice and promote coherence across network industries, particularly where multi-sectoral authorities exist (see Chapter 3).

**Horizon-scanning to anticipate emerging trends** (as an example, see EU (2024) Prospective study on the future of the postal sector).<sup>12</sup>

By providing timely, empirically grounded advice, the regulator helps shape a resilient and forward-looking postal sector. Performance indicators used by the regulator should feed into the ex-post evaluation cycle (see Postal Reform Plan (PRP) in particular the PRP results framework), reinforcing a culture of continuous improvement. Moreover, this advisory function contributes PRP principle 7 of evidence-based practice as it reinforces the regulator's role as a knowledge-based, forward-looking institution.

### 2.C1.5 International cooperation

Postal regulation operates within a global framework governed by international agreements, such as the UPU, which play a pivotal role in ensuring consistent standards, interoperability, and collaboration across national postal systems. Since formal diplomatic representation between sovereign nations remains a government function, delegates attending the meetings of such international organizations must be duly accredited by their respective governments, ensuring that their participation is officially approved. In the context of the UPU, only delegates attending Union Congresses must hold plenipotentiary powers. However, postal regulators and designated operators actively participate in the work of the Union bodies and various project teams responsible for periodic or ongoing Union activities. Their involvement ensures that national priorities are well-represented while aligning with international best practices.

Drawing from the experiences of countries with established regulatory agencies, the postal regulator's responsibilities in international relations are comprehensive and coordinated with the designated operator and the national government.

To ensure transparency and accountability, the regulator's international responsibilities must be clearly defined in applicable regulations. These include outlining procedures for participating in global postal organizations, fulfilling financial obligations, and maintaining effective coordination with relevant national and international stakeholders. This regulatory clarity not only reinforces the regulator's credibility but also ensures the due and proper performance of its functions.

Thus, proactive and informed international engagement, strengthens institutional learning, supports harmonization, and helps position the country as an active and credible player in global postal governance.

### 2.C1.6 Environmental and social responsibility

Sustainability has become a critical priority for national development agendas and UN SDGs. Recognizing this, several countries across the world are either considering expanding or have already expanded the role of national postal regulatory authorities to include environmental and social considerations. However, such an expansion presents certain challenges that need to be carefully considered in the process of creating new or reforming an existing regulatory authority.

In the context of sustainability, the postal sector undoubtedly plays a dual role. On one hand, it generates environmental impact through operations such as last-mile delivery and long-distance

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<sup>12</sup> European Commission, Prospective study on the future of the postal sector (2024), <https://op.europa.eu/en/publication-detail/-/publication/c518ad7f-a722-11ef-85f0-01aa75ed71a1/language-en>

transport. On the other, it has the potential to drive positive change by adopting green technologies and reducing carbon footprints. Thus, the inclusion of sustainability considerations in postal regulation requires a balance between achieving environmental goals and maintaining efficient, reliable services.

To better understand the institutional and operational implications of integrating environmental and social sustainability into postal regulation, the table below outlines the main categories of challenges that national regulatory authorities may encounter.

*Table X. Key challenges in integrating sustainability into postal regulation*

<b>Category</b>	<b>Challenge</b>	<b>Details</b>
Resource limitations	Financial constraints	Expanding regulatory scope to include sustainability requires additional funding, which is often difficult to secure for regulatory authorities that often operate within constrained budgets.
	Human resources	There is a need for skilled personnel with expertise in environmental science, sustainable practices, and regulatory compliance.
Technical complexity	Data collection and analysis	Monitoring environmental impact and ensuring compliance with sustainability standards requires sophisticated data collection and analysis tools. Developing and maintaining these systems can be technically challenging and resource-intensive.
	Technological adaptation	Keeping up with rapid technological advancements and integrating new sustainable technologies into the regulatory framework requires continuous learning and adaptation.
Regulatory and legislative framework	Legal mandate	Expanding the regulator's role to include sustainability may require new laws or amendments to existing ones, a process that can be lengthy and complex.
	Consistency and harmonization	Aligning sustainability regulations with existing national laws and international standards is critical but can be challenging, especially in countries with complex regulatory environments
Stakeholder coordination	Engagement and collaboration	Effective initiatives require the cooperation of various stakeholders, including postal operators, government agencies, consumers, and environmental groups. Coordinating these efforts and managing diverse interests can be challenging.
	Resistance to change	Postal operators and other stakeholders may resist new regulations due to perceived costs and operational disruptions. Overcoming this resistance requires effective communication and the demonstration of long-term benefits
Economic considerations	Cost-Benefit Analysis	Implementing sustainable practices often involves upfront costs. Balancing these costs with the long-term economic benefits of sustainability is crucial and can be difficult to quantify and communicate.
	Maintaining service levels	Sustainability measures must not compromise the quality, accessibility, and affordability of postal services. Regulators must find ways to ensure sustainability goals without negatively impacting service delivery.
Monitoring and	Effective compliance	Regular audits, reporting, inspections, and assessment are

enforcement	mechanisms	necessary to monitor adherence to sustainability standards but require robust systems and expertise.
	Enforcement and penalties	Ensuring that non-compliance is met with appropriate penalties and that these penalties are enforced consistently can be difficult. Regulators need to have clear and enforceable sanctions to maintain regulatory integrity.

The strategic recommendations that follow provide actionable steps to not only mitigate challenges discussed above but also transform them into opportunities for innovation and growth.

Strategic Recommendations:

**Recommendation 1 – focus on collaboration:** Postal regulators should work closely with environmental authorities and industry stakeholders to ensure alignment and avoid duplicative efforts. This division of regulatory labour would allow postal regulators to integrate environmental considerations into operational efficiency without overextending their expertise.

**Recommendation 2 – data-driven decision-making:** Postal regulators could develop systems to collect and analyze data on carbon emissions, energy use, and sustainability metrics. Tools like geospatial mapping for delivery routes and carbon footprint calculators can provide actionable insights.

**Recommendation 3 – promote green technologies:** Postal regulators should collaborate with operators to incentivize investments in green infrastructure while balancing affordability of universal postal services.

**Recommendation 4 – enhance regulatory clarity:** Ensure that expanded sustainability roles are clearly outlined in legislation. For instance, regulations should specify whether sustainability is integrated in universal service obligations.

By addressing these challenges and leveraging opportunities, postal regulators can play a pivotal role in driving environmental sustainability. Clear mandates, strong collaboration, and a focus on innovation are essential for achieving sustainability goals without compromising service quality or economic efficiency.

Arcep, the French regulatory authority for telecommunications and postal services, illustrates how a sectoral regulator can integrate environmental sustainability into its regulatory framework. Although Arcep’s sustainability initiative focuses on the telecom sector, it provides a valuable blueprint for postal regulators. This case demonstrates how data-driven insights, collaborative stakeholder engagement, and expanded regulatory mandates can support the development of environmentally sustainable practices in networked industries.

#### **Arcep’s Approach: A progressive and collaborative data collection framework**

In 2020, Arcep has implemented a robust framework for collecting environmental data from France’s largest telecommunications operators, which it has been publishing in its annual ‘Achieving Digital Sustainability’ survey. Over time, the role of Arcep and the scope of the survey have steadily evolved to include:

**Expanding data collection:** Initially focused on telecom operators, the data collection has expanded to include device manufacturers, data center operators, and soon mobile and fixed network equipment suppliers.

**Stakeholder engagement:** Arcep adopts an inclusive process, consulting industry and the public to refine its indicators. The authority uses public consultations to gather feedback and ensure buy-in, creating a cooperative approach to data collection and sustainability.

#### *Relevance to postal regulation*

Arcep’s work on digital sustainability has direct implications for the postal sector, particularly as postal services increasingly integrate digital tools and technologies, such as electronic tracking systems and automated sorting facilities. Like telecom, postal operations face challenges related to emissions, energy consumption, and waste from physical and digital resources. By adopting a similar approach, postal regulators can integrate sustainability considerations into their work.

Key lessons for postal regulators

**Expanded regulatory mandate:** Arcep's expanded authority, granted under the *'Chaize Act'*, allows it to collect environmental data from diverse stakeholders. This precedent suggests that postal regulators could advocate for similar legislative frameworks enabling the collection of environmental data across the postal ecosystem, including delivery vehicles, sorting facilities, etc.

**Data-driven decision-making:** The metrics Arcep collects provide actionable insights into environmental impact, enabling the regulator to design policies that encourage greener practices. Postal regulators could implement tools like a Green Barometer to measure the sector's environmental footprint, such as emissions from last-mile delivery and energy consumption in sorting centers.

**Stakeholder collaboration:** Arcep's success is rooted in its consultative approach, ensuring that indicators are both methodologically sound and aligned with stakeholder capacities. Postal regulators could adopt similar strategies, engaging operators, logistics companies, and technology providers to establish relevant sustainability benchmarks.

**Addressing cross-sector impact:** By expanding its data collection to include fixed and mobile network equipment suppliers, Arcep recognizes the interconnected nature of modern industries. If postal regulators are to contribute to promoting sustainability in the sector subject to their regulatory purview, they, too, must address cross-sector impacts, such as the intersection of e-commerce and logistics, to ensure comprehensive sustainability strategies.

### 2.C1.7 Regulatory oversight and enforcement

Finally, regulators must be empowered to enforce compliance, using a mix of monitoring, investigation, and sanctions. This role involves developing comprehensive enforcement and compliance frameworks, including powers to:

- Monitor the provision of universal postal services;
- Investigate violations: Enforcement actions can be initiated:
  - ex officio, based on the regulator's own monitoring and investigation, or
  - in response to complaints received from consumers and other stakeholders.
- Issue administrative decisions, imposing regulatory obligations, fines, etc;
- Revoke or suspend licenses, where necessary;
- Conduct regular inspections;
- Publish enforcement decisions.

The regulator should also implement mechanisms for monitoring market conditions and responding to emerging issues promptly. Effective oversight and enforcement not only uphold regulatory standards but also create market environment conducive to innovation and continuous improvement within the postal sector.

In addition, regulatory frameworks must address the challenges introduced by service diversification, as explored in Focus Area 4, module D. As operators expand into areas such as e-commerce logistics and financial services, compliance frameworks must be updated to ensure service quality, prevent cross-subsidization, and safeguard consumer interests while fostering innovation.

In discharging all the functions discussed in this section, postal regulators must continuously adapt to changes in the postal market, driven by technological advancements, consumer behaviour, and economic shifts. This means that they need to review and update regulations to reflect current market conditions and anticipate future trends. This adaptability ensures that postal regulations remain relevant and effective in a dynamic market environment.

## 2.C2 Legal and institutional foundations

Establishing an effective postal regulator is a vital part of the postal sector reform. By ensuring regulatory independence and a clear delineation of responsibilities, the regulator can address market failures, uphold universal service obligation as outlined in focus area 3, and adapt to the challenges of service diversification, as discussed in focus area 4, module D.

Once the government has decided to adopt an appropriate regulatory framework for the postal sector through the enactment of applicable legislation, it becomes the responsibility of designated officials to implement the necessary measures for setting up the regulatory structure.

The functions and various aspects of the regulatory agency can be outlined in the legislation and assigned to specific units within its organizational structure, as established by its statutory rules. However, practical issues related to postal regulatory functions are best addressed in a regulatory instrument, which generally offers greater flexibility and speed should amendments be needed.

The process of setting up a regulatory authority can take several months to years, depending on the country's legal system, political environment, existing postal structure, and available financial and human resources. The exact steps and their order may vary based on local circumstances, but typically involve mapping out certain core issues, as illustrated in the table below.

*Table X. Core issues to be defined while creating a postal regulatory authority*

Issue	Description
Legal status	Define the legal framework and status of the regulatory authority, ensuring its independence and compliance with national laws
Affiliation	As part of its legal status, determine also its affiliation, and in particular its relationship with government ministries or its position as an independent body
Funding	Establish the sources of funding for the regulatory authority, including government allocations, licensing fees, and other revenue streams to ensure financial independence
Powers/ Function	Specify the powers and functions of the regulatory authority, including its responsibilities

## 2.C2.1 Legal basis and statutory mandate

The establishment of a postal regulatory authority must be grounded in a clearly defined in a legal mandate that authorizes it to regulate the postal sector. Such a mandate also provides clarity on the regulator's roles and the scope of responsibilities, helping to prevent overlaps and conflicts with other governmental bodies and contributing to building a stable and coherent regulatory environment. A well-defined legal structure also fosters accountability and transparency in the regulatory process. By prescribing the boundaries of the regulatory mandate and establishing clear processes for decision-making, the framework enhances public trust and ensures that regulatory decisions are made impartially and transparently.

The legal basis for the regulatory authority is typically provided through primary legislation, most often the postal law, which establishes the regulator's functions, powers, responsibilities, and institutional status. Often, this primary legal framework is complemented by secondary legislation, which allows for the operationalization of the regulator's functions and the introduction of more detailed rules in a flexible and adaptive manner.

A well-structured legal framework should address the following minimum elements:

**Mandate and scope of responsibilities:** The law should clearly define the regulatory authority's mandate, including its scope of activities, powers, and limitations. This ensures the authority is equipped to enforce universal service obligation (focus area 3), regulate designated operators and non-designated competitors, if needed, (focus area 4, module D) and monitor the impact of service

diversification on USO and the financial viability of the designated operator. These responsibilities must be assigned in a manner that avoids overlap or ambiguity with other public bodies.

**Independence:** The law must ensure the authority's operational and decision-making independence from political and market influences (see Section 2.2. Separation of regulatory and operational functions).

**Governance (organizational status):** Whether the regulator is established as an independent authority, part of a multi-sectoral body, or a specialized unit within a ministry, its legal status must be explicitly defined, including how its leadership is appointed and removed, how decisions are adopted, and how the institution is governed internally (see Chapter 3). While the specific institutional form of the regulator may vary across contexts, these legal foundations are essential to enable the regulator to exercise its role with clarity, authority, and legitimacy.

**Enforcement powers:** The regulator must be equipped with clearly defined powers to necessary to ensure compliance with postal regulations and standards. These powers should be proportionate and their execution subject to judicial review.

**Transparency and accountability:** The law must also include provisions for public accountability, such as annual reporting obligations, performance evaluations, and mechanisms for parliamentary or judicial review, ensuring transparency and legitimacy without infringing on operational independence.

## 2.C2.2 Legal basis and statutory mandate

The clear separation between regulatory and operational functions is a foundational requirement for ensuring fair, transparent, and effective governance of the postal sector. In some countries, this historical integration of these functions (where the entity performing regulatory roles simultaneously acts as a designated operator) continues to persist but should be seen as an institutional anomaly.

This legacy arrangement undermines regulatory neutrality, distorts competition, and creates institutional conflicts of interest that are increasingly untenable in liberalized, competitive, or diversifying postal markets.

This section examines the rationale for separating these functions, outlines the risks posed by institutional overlap, and presents international best practices that support an independent and impartial regulatory authority.

**Ensuring fair competition:** In a modern postal market with numerous operators, it is essential to guarantee that the same ground rules apply to all participants. When a single entity is responsible for both regulating the market and operating within it, there is an inherent conflict of interest. This dual role can lead to biased decision-making, where the regulatory body might favour its own operations over those of competitors. By separating these functions, countries can ensure a level playing field where all operators are subject to the same regulations and standards, thereby fostering efficient competition benefiting consumers, fostering innovation, and promoting national economic development.

**Enhancing regulatory independence:** Regulatory bodies must be independent to make unbiased decisions that benefit the entire market and consumers. When the same entity handles both regulation and operations, its independence is compromised. This can lead to regulatory capture, where the operator uses its regulatory power to stifle competition and maintain its market dominance. An independent regulatory authority can oversee the market more effectively, implement fair policies, and ensure compliance without undue influence from operational interests.

**Improving regulatory efficiency and accountability:** Separating regulatory and operational functions can lead to more efficient and accountable governance. Regulatory authorities can focus on creating and enforcing policies that promote market efficiency, consumer protection, and service quality. Meanwhile, operational entities can concentrate on improving their service delivery and competitiveness. This clear division of responsibilities enhances accountability, as each entity can be held responsible for its specific role without conflicts of interest.

In other words, structural separation is not only a matter of formal legal condition, but also a precondition for regulatory credibility, investment confidence, and market fairness. It is thus not surprising that almost

all international players, including the UPU, World Bank, the Organisation for Economic Co-operation and Development (OECD), and the European Commission support the separation of service operational and regulatory functions. These organizations emphasize that separating these roles is a best practice that aligns with global standards for market regulation.

Table X. Benefits of the separation of regulatory and operational functions

Stakeholder	Benefits
Regulatory authority	<ul style="list-style-type: none"> <li>• Better supports its objective of protecting the customer or user.</li> <li>• Strengthens the perception of neutrality among the various operators</li> <li>• Enables the universal postal service and public service obligations to be effectively guaranteed</li> </ul>
(Designated) operator	<ul style="list-style-type: none"> <li>• Releases material and human resources previously assigned to regulatory functions</li> <li>• Enables it to assume corporate status, whereby it can manage itself without bureaucracy and adopt a "culture of competence" and a customer/user-focused approach in delivering its services</li> </ul>
Users	<ul style="list-style-type: none"> <li>• Provides greater protection and impartial service</li> <li>• Better protection of basic services</li> </ul>
Market	<ul style="list-style-type: none"> <li>• Creates a better balance between designated and private postal operators</li> <li>• Avoids situations in which the regulating body becomes both "judge and jury"</li> <li>• Helps ensure fair competition and equal opportunities among the different economic operators.</li> </ul>

### 2.C2.3 Ensuring regulatory independence

Regulatory independence plays a vital role in ensuring effective regulatory oversight in any regulated sector. In the postal sector, it is critical due to the sector's dual role: it encompasses both a universal service provision, typically by a designated operator, and competitive, non-universal postal services. In such a context, independence allows the regulator to uphold universal service obligation, ensuring accessible and affordable postal services for all citizens, while also fostering competition, innovation, and protecting consumer rights.

For example, when monitoring designated operators, the regulator must balance the operator's financial sustainability with its obligation to deliver universal services, free from undue political influence or industry pressure. Similarly, as designated operators diversify into areas such as financial services or e-commerce, independent oversight is essential to prevent anti-competitive practices, ensure consumer protection, and promote service innovation.

Ultimately, regulatory independence enhances public trust and institutional credibility, ensuring that regulatory actions are guided by evidence and are aligned with long-term national goals rather than being shaped by short-term political considerations or market pressures. An independent regulator is also better equipped to address long-term global challenges, such as digital transformation or sustainability, which require long-term planning and collaboration with international stakeholders.

Regulatory independence is not a binary attribute. It consists of multiple interdependent dimensions: legal, financial, and operational. All of them must be carefully embedded in the regulatory framework and institutional design of the postal authority. These include:

### 2.C2.3.1 Legal independence

Legal independence provides the foundation for the regulator's autonomy. A strong legal framework must clearly define the regulator's mandate, powers, and responsibilities, ensuring its ability to operate free from undue influence. While regulatory decisions must remain subject to judicial review, they should not be influenced by ministerial or stakeholders' pressure, preserving impartiality and fairness.

Legal independence also requires structural safeguards in the regulator's governance, including:

- fixed terms of office for board members or directors,
- transparent and merit-based appointment process procedures, and
- conflict of interest policies and incompatibility clauses.

These safeguards reduce the risk of regulatory capture and preserve the credibility, impartiality, legitimacy, and predictability of the regulator's actions and promote public interests.

### 2.C2.3.2 Financial independence

Financial independence is equally critical for shielding the regulator from undue influence by funding bodies, whether public or private. A regulator that solely on government appropriations or contributions from regulated entities may face implicit or explicit pressure, undermining its impartiality. To avoid such risks, the regulatory framework should establish diversified, stable, and predictable funding mechanisms that protect the regulator's autonomy while ensuring transparency and accountability.

Key elements of financial independence include:

- adequate and secure budget allocations;
- budgetary autonomy allowing the regulator to manage its own budget and internal resources; and
- financial reporting and accountability.

Since financial independence is inherently tied to the broader question of funding, including the identification of reliable funding sources and mechanisms.

### 2.C2.3.3 Operational independence

Operational independence ensures that the regulator can carry out its daily responsibilities without interference from political authorities, postal operators, or other stakeholders. This includes the ability to prioritize enforcement actions, monitor market dynamics, or revoke licences, impose fines or other measures for non-compliance.

Key elements of operational independence include:

- organizational autonomy (i.e. internal rules of procedure);
- authority over human resource management;
- transparent and impartial decision-making processes;
- control over access to and management of regulatory data and information systems

#### *Challenges to regulatory independence*

Despite its normative importance, maintaining regulatory independence can be difficult to sustain in practice. Several challenges frequently arise:

**Balancing independence and accountability:** While regulators must be free to act impartially, they are also public institutions and must remain accountable to the public and democratic oversight bodies, such as parliament or the judiciary. Clear mechanisms such as public reporting, legislative hearings, and stakeholder consultations can ensure accountability without compromising regulatory independence.

**Resource constraints:** Underfunding can weaken a regulator’s ability to perform its duties independently and may create dependence on political actors. Thus, building a sustainable funding model and ensuring transparent financial management is critical to addressing this challenge.

**Unavoidable political and market pressures:** In reality, complete insulation from political and commercial interest is rarely achievable, especially where regulatory decisions have significant economic, strategic, or social implications. However, a well-defined legal framework combined with transparent governance mechanisms and ethical standards can help mitigate this risk and safeguard the regulator’s impartiality.

## 2.C3 Regulatory remit regulatory authorities

In a rapidly changing sector, it is critical to adapt the regulatory framework to align with the dynamic market circumstances of the digital age. The influence of digitalization has created a shift in how postal services are perceived, delivered, and consumed. This transformation is requiring Governments, regulatory authorities and other stakeholders to rethink the role and competences of the regulatory authority and to adjust their roles to ensure the postal industry’s relevance, efficiency, and sustainability.

Regulatory authorities remain entrusted with the competences to oversee the postal sector and to monitor the compliance of the (incumbent) postal operator in meeting the requirements set out in postal legislation. Market access and price regulation as well as the issuing of licenses to operate postal services, whether within or outside the scope of the universal postal service, are other key functions of the regulatory authority.

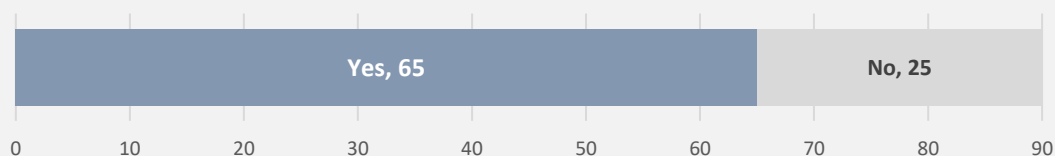
A number of regulatory authorities have been expanding their functions to include functions such as monitoring compliance with environmental sustainability or labour protection laws.

In this context, postal sector definitions are also critical as market entrants, such as vertically integrated platforms and other players may fall within the scope of providing (postal) delivery services. See more in focus area 1, module A (definitions).

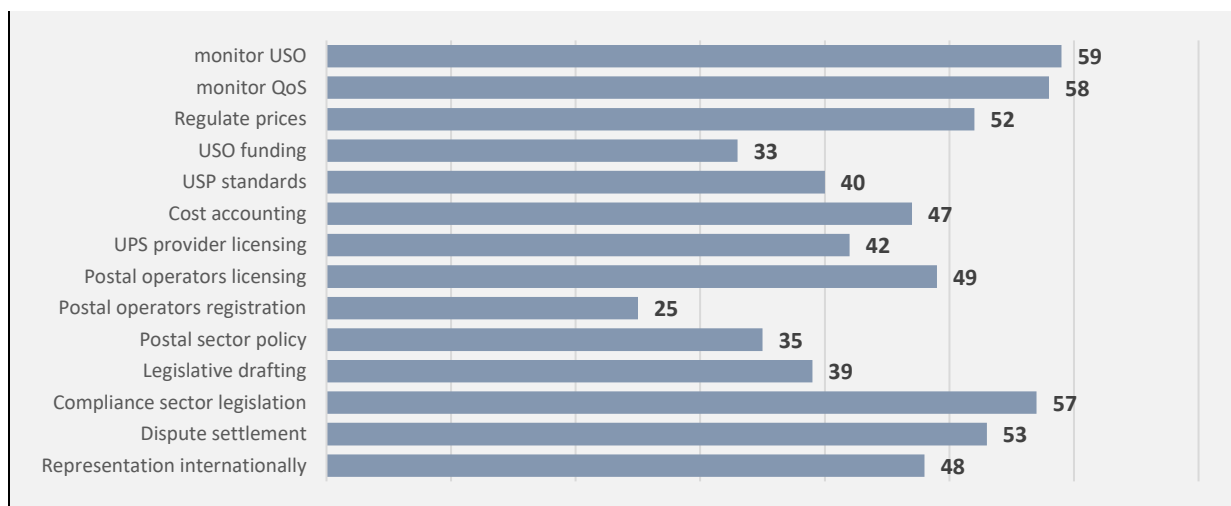
### Competences of the postal regulator

According to the UPU survey on the provision of the universal postal service, cumulative responses collected from member countries up to 2022 showed that 65 among 90 respondents (57 survey respondents did not answer this question) have an independent postal regulator that is independent from the government entity responsible for the postal sector.

*Chart X. Countries which have an independent postal regulator*



Among the 65 countries with an independent postal regulator, most of the regulatory authorities are attributed with the competences of monitoring compliance with the universal postal service (91%), monitoring compliance with quality of service standards (89%), monitoring compliance with relevant sector regulation (88%), dispute settlement between customers and postal operators (or between postal operators) (82%) and price regulation (80%).



## 2.C4 Institutional models

The UPU does not prescribe a specific institutional model for the postal regulatory authority, as the optimal choice depends on a country's unique circumstances. Therefore, each country must tailor the structure of its regulatory authority to its legal traditions, sectoral priorities, institutional capacity, and market maturity. What matters is not the model itself, but whether it ensures effective regulation grounded in a clear legal mandate, sufficient operational and financial autonomy, and accountability to the public interest. These factors can differ widely from one country to another, making a one-size-fits-all approach impractical.

This section presents the main institutional models used globally for postal regulation and examines their advantages and limitations. It also outlines country examples and provides comparative guidance for policymakers.

### 2.C4.1 Affiliation of the regulatory authority: Considerations and key models

The legal framework establishing a postal regulatory authority must include a clear, realistic, and well-contextualized policy decision regarding its institutional affiliation and model. This decision is foundational to the regulator's functional independence, credibility, and effectiveness, and must align with national administrative traditions, sectoral needs, and available institutional capacity.

While international best practice favours independent regulatory bodies, no single model is universally applicable. The affiliation of the regulator should reflect the complexity of its mandate, the maturity of the postal market, and the government's ability to resource the regulator effectively.

There is a compelling argument for establishing the regulator as an independent public authority, particularly from a transparency and accountability standpoint. Independent agencies are better positioned to operate with greater impartiality and are less susceptible to political or market influence, thereby enhancing public trust and regulatory effectiveness. However, from a practical perspective, this model requires robust legal safeguards, sufficient budgetary autonomy, and qualified human resources to function effectively.

Institutional models of postal regulatory authorities generally fall into three broad categories:

**Ministry-based (Model A):** Regulatory functions are assigned to and carried out by a department or unit within a government ministry.

**Multi-sectoral/multi-mandate regulatory authority, with several sub-models (Model B):** A stand-alone regulator with responsibilities for the postal sector alongside other sectors (i.e. telecommunications, energy, or competition).

**Post-specific regulatory authority (Model C):** An independent authority with a mandate exclusively over postal service.

Each of these can be adapted to local circumstances. The discussion below describes their main variants, contextual drivers, and implications for regulatory capacity.

## 2.C4.2 Assignment of regulatory functions to the Ministry (Model A)

When a regulatory body is established for the first time, the common practice is to create regulatory administrative units within the structure of a ministerial department. These units, which can take various forms, such as general directorate or sub-directorate, can further be categorized into two types:

### a) A postal regulatory unit within the department to which the designated operator reports

This model places the postal regulatory unit within the same ministerial department that oversees the designated postal operator. While this approach may offer some advantages, it raises concerns about the impartiality and independence of the regulatory body, as when the same entity is responsible for both regulating the market and overseeing the operations of the primary market player, there is a risk of conflict of interest that can compromise the fairness and objectivity of regulatory actions. For example, if the regulatory unit needs to enforce a penalty or policy change that negatively affects the operator, it might face internal resistance that can either delay its actions or block them completely.

### b) A postal regulatory unit within a department to which the designated operator DOES NOT report

This model aims to mitigate conflicts of interest by placing the regulatory unit in a department different from that which oversees the designated operator. By separating these functions, this model fosters a more transparent and fairer regulatory environment as the regulatory body can operate with greater independence and focus primarily on promoting market fairness and enforcing regulations without direct influence from the operational concerns of the postal service.

For example, in the late 1990s and early 2000s, the EU Member States have gradually transitioned from the ministerial model to independent regulatory authorities for both the postal and telecommunications sector. This shift, which has been driven by several key motives and facilitated by various reforms and directives at both the EU and national levels, has been part of broader efforts to liberalize postal and telecommunications markets. By creating a level playing field and removing barriers to entry, these reforms aimed to foster competition, innovation, and improved quality of service. In the context of these reforms, independent regulators have been seen as essential to managing the complexities of liberalized markets and ensuring that all operators adhere to the same rules and standards.

However, transitioning from a ministerial model to an independent regulatory authority requires significant structural adjustments, including legal reforms, the establishment of new institutions, and the reallocation of resources. These changes tend to be complex and time-consuming, but advisable in the context of the modernization of the regulatory framework. Moreover, the successful implementation of such a transition requires the engagement and cooperation of all stakeholders, including government bodies, postal operators, and consumers.

Irrespective of whether a postal regulatory unit sits within the department to which the designated operator does or does not report, ministries often lack robust mechanisms for collecting and analyzing market data. This can result in poorly informed regulatory decisions and inability to accurately assess market conditions and performance.

Where independent regulatory authorities have not been established, and the ministry does not have the power to collect comprehensive data about the postal market, the lack of a data-gathering role typically played by the regulator can be partially mitigated through collaboration between the ministry and the national statistical office. This collaborative approach, while not as extensive as having a dedicated regulatory body, can provide valuable market insights and data. Additionally, postal regulators in their initial years existence or those with limited resources and expertise can also benefit from such partnerships, enhancing their regulatory capabilities through the expertise and data management resources of the national statistical office.

While the creation of regulatory units within ministerial departments is a common initial step, there is a growing recognition of the benefits of independent regulatory authorities. These include enhanced impartiality, regulatory effectiveness, and alignment with international best practices.

### 2.C4.3 Multi-sectoral/Multi-mandate Regulatory Authority (Model B)

Following recommendations from various international institutions, including the OECD, the World Bank, and the European Union, many countries have transformed their traditional regulators, previously integrated within ministerial hierarchies, into independent regulatory bodies. However, establishing an independent regulatory authority requires choosing from several possible models, each with its own set of advantages and challenges. Model B is indeed quite heterogenous as it includes a variety of institutional settings that group postal regulation with other sectors or mandates:

- a) Functionally related sectors (i.e. postal and telecommunications)
- b) Infrastructure-based sectors (telecommunications, energy, transport)
- c) Combination with cross-cutting mandate (in particular competition, consumer protection).

These key models are discussed in detail below.

#### 2.C4.3.1 Communications regulator

In this model, an independent regulator oversees both telecommunications (or electronic communications) and the postal sector. This integration allows for better coordination and efficiency, leveraging the synergies between these closely related sectors.

In many countries, the postal and telecommunications sectors often fall under the competence of the same regulatory authority. Such choice is due to several key reasons:

- *Historical context:* Historically, both sectors and other utilities like railways and highways were managed by government administrations due to their relevance to the state. This historical overlap has influenced the modern regulatory landscape, where it is still common to see a single authority managing both postal and telecom sectors. This is particularly true for all the EU Member States.
- *Universal Service Obligation (USO):* Both the postal and telecommunications sectors share a foundational commitment to USOs, aimed at ensuring that all citizens have access to basic services at affordable prices, regardless of location or income. In the postal sector, this typically involves the regular delivery of letters and parcels to all parts of the national territory, including even the most remote areas. In telecommunications, USO focuses on guaranteeing that all citizens have access to adequate broadband and voice telephony at a fixed location. While the specific modalities and universal services differ, both sectors have in common the coexistence of universal service obligation and services provided in competitive segments of the sector. This dual structure requires regulators to carefully balance the protection of universal service obligations with the need to foster fair competition and innovation in liberalized markets.
- *Legal and regulatory frameworks:* The regulatory frameworks for both sectors have evolved similarly, even if at different speeds, particularly in regions like the European Union. The

telecommunications sector often led the way in liberalization and regulatory reform, serving as a model for the postal sector.

- *Network industry characteristics:* Despite some important differences, both postal and telecommunications services are considered network industries. This means they rely on extensive infrastructures to deliver their services.
- *Technological convergence:* Technological advancements and digitalization have blurred the lines between postal and telecommunications services, in particular with respect to letters and digital communication. This convergence requires a coherent regulatory approach to address overlapping issues such as data privacy, cybersecurity, consumer protection, and service quality.
- *Market dynamics:* Both sectors face similar market dynamics, such as the need to foster competitive markets, prevent monopolistic behaviour, and ensure the efficient supply of services. Regulatory authorities aim to create a favourable environment for investment and innovation while protecting consumer interests. A single regulatory body can more effectively balance these objectives across both sectors.
- *Efficiency and consistency:* A single regulatory authority in charge of overseeing both sectors can lead to more efficient and consistent regulatory practices. It allows for reduced administrative costs and coherent policy implementation. This is particularly important in addressing issues like market competition in regulated sectors, pricing, and universal service obligations, which are relevant in both sectors.

Overall, the communications regulator model is seen as a balanced institutional option, combining both sectoral expertise with broader regulatory oversight. However, experience has also revealed notable challenges. When postal regulation is integrated into a telecommunications-focused regulator, there is a risk that regulatory practices developed for the primary sector (i.e. telecoms) are inappropriately applied to the postal sector, overlooking the unique features and different universal service criteria inherent to postal services. Therefore, careful consideration is required to ensure that the regulatory framework adequately addresses the specific needs of both the telecoms and the postal sector.

### 2.C4.3.3 Multi-sector regulator

A multisectoral regulator extends its jurisdiction beyond postal and telecommunications to include other typically network sectors such as energy, gas, and transport. This model has been adopted in several EU Member States, aiming to create efficiencies and consistent regulatory practices across different infrastructure sectors. For example, Germany's Federal Network Agency (Bundesnetzagentur) combines regulatory functions for energy, telecommunications, the postal sector, and railways, enabling a coordinated approach to infrastructure regulation.

Importantly, multisectoral models are not limited to Europe, but can be found also outside. For example, Rwanda's Regulatory Authority (RURA) oversees a remarkably wide range of sectors including:

- Telecommunications, broadcasting, and internet services;
- Postal services;
- Renewable and non-renewable energy;
- Water and sanitation;
- Transport;
- Radiation protection; and
- Other public utilities as deemed necessary.

Similar considerations apply to the multisectoral model as those that apply to communications regulators (see section 2.C3.3.1 above). However, multisectoral regulators, which broaden the scope of oversight by including multiple critical network sectors beyond communications, require more

complex internal structure and governance mechanisms to ensure that sector-specific oversight is maintained, and that technical expertise is not diluted. Where well implemented, multisectoral regulators but might offer greater potential for policy alignment and resources pooling, promote data sharing across sectors, and foster innovative regulatory responses to the convergence of digital, energy, transport, and communications services.

#### 2.C4.4 Postal sector regulatory authority (Model C)

A post-specific regulatory authority is an independent institution dedicated exclusively to the regulation of the postal sector. The narrow sectoral focus allows for specialized expertise, regulatory clarity, and greater alignment with the specific operational, social, and legal characteristics of postal services. However, while a dedicated postal sector regulator may be ideal from the standpoint of regulatory precision and public accountability, particularly in markets where postal services remain strategically or socially critical, in practice, this model is rarely adopted or maintained. It is often viewed as institutionally costly and administratively inefficient, especially in countries with limited resources or where postal regulation does not require a full-time, stand-alone authority. The lack of cross-sectoral synergies, unlike in communications or multisectoral regulators, also makes it harder to justify a separate structure in an increasingly integrated service economy. One notable example is the United States, where the Postal Regulatory Commission (PRC) functions as an independent authority overseeing solely the U.S. Postal Service (USPS).

In Europe, this model has largely disappeared. Spain and the United Kingdom were the last Member States to move away from the exclusively postal regulator model in favour of a communications regulator (Ofcom) or a multisectoral regulator (CNMC) models respectively.

#### 2.C4.5 Comparative analysis of models

As outlined in the previous sections, countries around the world adopt diverse institutional models for their national regulatory authorities, shaped by their legal traditions, regulatory trajectories, administrative capacities, and market maturity. While no single model is universally optimal, the chosen arrangement can significantly affect the regulator's effectiveness, independence, the use of resources, and ability to coordinate with other stakeholders. This section presents a comparative overview of existing practices across countries, followed by an analytical overview of the main strengths and limitations associated with each model.

Table X. Global examples of regulatory authority models in the postal sector

Regulatory authority			Ministry
Communications regulator (Model A)	Multi-sector authority (Model B)	Postal regulatory authority (Model C)	
<ul style="list-style-type: none"> <li>• Argentina (ENACOM)</li> <li>• Botswana (BOCRA)</li> <li>• Kenya (Communications Authority)</li> <li>• Morocco (ANRT)</li> <li>• Qatar (CRA)</li> <li>• Zambia (ZICTA)</li> <li>• Zimbabwe (POTRAZ)</li> </ul>	<ul style="list-style-type: none"> <li>• Germany (BNetzA)</li> <li>• AMC (Netherlands)</li> <li>• Rwanda (RURA)</li> <li>• CNMC (Spain)</li> </ul>	<ul style="list-style-type: none"> <li>• United States (Postal Regulatory Commission)</li> <li>• Ghana (Postal and Courier Service Regulatory Commission)</li> <li>• Switzerland (PostCom)</li> </ul>	<ul style="list-style-type: none"> <li>• Canada</li> <li>• Israel</li> <li>• Japan</li> <li>• South Korea</li> <li>• Thailand</li> <li>• Vietnam</li> </ul>

Table X. Comparative overview of regulatory models

Model	Advantages	Disadvantages/ challenges
Ministry	<ul style="list-style-type: none"> <li>• Simpler and faster to establish, especially in early reform contexts</li> <li>• Facilitates coordination with government policies</li> <li>• Potentially quicker decision-making process</li> <li>• Lower start-up costs</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of conflict of interest and potential bias due the lack of separation between regulatory and operational functions</li> <li>• Reduced independence and potential for political interference</li> <li>• May lack sector-specific expertise compared to specialized agencies</li> <li>• May result in the lack of data as ministries often do not have the robust mechanisms for collecting and analyzing market data.</li> <li>• Potential difficulty in attracting and retaining specialized staff</li> <li>• Transition challenges: Moving from a ministerial model to an independent authority requires significant structural adjustments and stakeholder engagement.</li> </ul>
Communications regulatory authority	<ul style="list-style-type: none"> <li>• Synergies with telecommunication regulation</li> <li>• Historical context of legal frameworks supports integration</li> <li>• Consistent regulatory practices and reduced administrative costs</li> </ul>	<ul style="list-style-type: none"> <li>• Telecom-centric bias may neglect postal sector specific characteristics</li> <li>• Postal expertise may be diluted</li> <li>• Requires careful consideration to address sector-specific needs</li> </ul>
Multi-sector regulatory authority	<ul style="list-style-type: none"> <li>• Economies of scale in administrative and support services that can also lead to cost savings and efficiency</li> <li>• Transfer of regulatory know-how between sectors enhancing overall regulatory capacity</li> <li>• Flexibility: ability to manage peak periods by reallocating resources across sectors</li> <li>• Reduced risk of industry and political capture due to broader oversight</li> </ul>	<ul style="list-style-type: none"> <li>• Dilution of sector-specific technical expertise</li> <li>• Greater complexity in establishing the legal framework</li> <li>• Potential delays in the reform process</li> <li>• Merging existing agencies may be problematic.</li> </ul>
Multi-mandate with sectoral and competition oversight	<ul style="list-style-type: none"> <li>• Enhanced regulatory coherence</li> <li>• Potential for a comprehensive approach to competition law enforcement</li> <li>• Can create a favourable environment for investment and innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Complexity due to overlapping mandates</li> <li>• Risk of overburdening the regulatory body and diluting its mandate</li> <li>• May face initial resistance from established sector-specific regulators</li> </ul>
Postal regulatory authority	<ul style="list-style-type: none"> <li>• High specialization and deep postal sector expertise</li> <li>• Clear accountability and mandate alignment</li> <li>• Specialized oversight can help in ensuring compliance with postal laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of synergies with other infrastructure/network sectors leading to higher operational costs</li> <li>• High administrative costs</li> <li>• Rarely adopted due to inefficiencies</li> </ul>

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Suitable for large and complex postal markets</li> </ul> |  |
|---|--|

## 2.C5 Organizational design and capacity

A well-functioning postal regulatory authority must be underpinned by sound organizational design and adequate institutional capacity. These elements determine not only the regulator's ability to fulfil its mandate but also its credibility. Building such an institution requires more than a formal legal framework; it demands careful attention to internal structures, human resources, budgeting mechanisms, and governance principles.

This section outlines the key components of institutional design and the operational conditions necessary to ensure that the regulator performs its core functions efficiently. These elements complement the legal and institutional foundations described in section 2.C2 and the institutional models discussed in section 2.C3. The structure and resources of the regulatory authority must be adapted to the model chosen (i.e. ministerial, multi-sectoral, or post-specific) and aligned with the broader principles of good regulatory governance, including independence, accountability, and technical competence.

### 2.C5.1 Organizational and management structure

The internal structure of a postal regulator is a key determinant of its operational capacity. While primary legislation should provide a foundational structure, it should also leave the regulator sufficient autonomy to organize itself in a way that supports the effective fulfilment of its responsibilities, whether related to market supervision, universal service oversight, consumer protection, or international coordination. Indeed, internal organization and procedural rules are often laid down in secondary legislation or internal statutes.

#### 2.C5.1.1 Governance and leadership

The management and governance arrangements typically cover the composition and appointment of the leadership body (i.e. board, commission, or single leadership model), their terms and conditions of service, procedures for removal, conflict of interest rules, and accountability mechanisms.

Regulatory authorities generally operate under a board-led governance model, which can be referred to as well as a commission or council. This body may be collegial or headed by an executive chair or director-general, depending on the legal and administrative traditions of the country.

**Board-based structures** involve collective decision-making, often with a designated chairperson and vice-chairperson.

**Single-leadership models** concentrate executive authority in a chief executive, president or commissioner. This model offers streamlined decision-making but requires robust oversight to balance power concentrated in a single person.

The board typically defines regulatory strategy, approves key decisions, and oversees the authority's compliance with its legal mandate. This structure offers several advantages:

**Diverse expertise:** in particular, in multi-sectoral and multi-mandate bodies, board members can represent different regulated sectors or areas, ensuring a breadth of knowledge and perspective in

decision-making. Their selection should be based on their technical knowledge and ability, which should help ensure that the regulator is professional and free of political bias.

**Collective decision-making:** A board structure facilitates collective decision-making, which can lead to more balanced regulatory actions.

**Checks and balances:** Several board members can provide internal checks and balances, reducing the risk of arbitrary or biased decision-making.

Where the postal sector is subject to the ministerial oversight (see section 2.C3, Model A), internal governance may be limited to administrative heads of units. In such cases, it remains important to ensure internal professionalism and procedural safeguards.

### 2.C5.1.2 Appointment, tenure and integrity

Policy decisions concerning leadership models are central to the regulator's independence, legitimacy, and continuity. Appointment procedures and tenure safeguard must strike a balance between professional merit, institutional stability, and democratic oversight.

Fixed-term appointments are recommended, often ranging between 4-6 years, with the possibility of a single renewal. This approach promotes long-term vision while reducing susceptibility to short-term political pressures. Ideally, the duration of appointments should exceed the national electoral cycle, reinforcing the regulator's insulation from political shifts. Moreover, board members should be selected based on their technical knowledge, regulatory experience, and understanding of postal market dynamics.

To uphold institutional credibility, all regulatory decision-makers (board members, executives, and key staff) must be bound by strict rules of integrity and ethical conduct. These should include:

- Mandatory disclosure of financial or professional interests;
- Prohibitions or limitations on simultaneous or recent employment;
- Cooling-off periods (typically 12-24 months) before assuming role in regulated entities after leaving office.

Dismissal of board members or senior executives should be permissible only under narrowly defined circumstances, such as proven misconduct, incapacity, or conflict of interest, and must follow a transparent, rules-based procedure. The process should include due process guarantees, such as the right to a hearing and access to appeal or judicial review, to protect against arbitrary removal.

Disqualification criteria should be clearly stated in law or internal statutes to prevent undue influence and regulatory capture. These may include prior employment with regulated entities, criminal convictions, or other personal or financial conflicts.

Adopting such appointment and removal safeguards promotes trust in regulatory integrity, continuity of leadership, and informed, impartial decision-making.

### 2.C5.1.3 Accountability and oversight mechanisms

While operational independence is essential, regulatory authorities must remain subject to accountability mechanisms that ensure transparency, legality, and responsiveness to the public interest. Accountability mechanisms typically include:

**Parliamentary oversight**, including submission of annual reports, financial statements, and the obligation to appear before legislative committees;

**Ministerial policy guidance**, limited to general policy directions and explicitly excluding intervention in individual decisions and enforcement actions;

**Judicial review**, ensuring that regulatory actions comply with the law, administrative procedures, and the rights of regulated parties.

Public consultation processes and regular performance assessments further enhance transparency and stakeholder trust. Publishing regulatory decisions, reasoning, and impact assessment contributes to evidence-based policymaking and strengthens the legitimacy of regulatory outcomes.

Maintaining this balance between independence and accountability is crucial to ensure that the regulator operates in a manner that is both autonomous and aligned with the rule of law and democratic governance.

#### 2.C5.1.4 Organizational structure

Beyond high-level governance, the internal structure of the regulatory authority should reflect the nature and scope of its mandate. While the exact organizational structure varies between countries, the core areas described in the table below are typically present in some form within national postal regulatory authorities.

Table X. Core areas within the structure of a postal regulator

Area	Description	Main duties
Legal	Responsible for drafting regulatory proposals, legal analysis, dispute resolution, enforcement actions, and monitoring of cross-sectoral legislation affecting postal services	<ul style="list-style-type: none"> <li>• Drafts postal regulations;</li> <li>• Conducts enforcement proceedings and investigates violations of postal law;</li> <li>• Settles any postal-related claims filed by postal operators or users/consumers;</li> <li>• Examines and makes recommendations on consumer, user/customer and service-related legislation and regulations liable to directly or indirectly impact the postal sector.</li> </ul>
Economic and financial	Oversees market analysis, price control and setting, cost modelling, and financial sustainability of universal service. Also responsible for internal financial management of the regulatory authority.	<p><b>Economic analysis:</b></p> <ul style="list-style-type: none"> <li>• Conducts market studies</li> <li>• Performs cost-benefit analysis and regulatory impact assessment to address sector-specific needs</li> </ul> <p><b>Pricing regulation:</b></p> <ul style="list-style-type: none"> <li>• Reviews and approves tariff proposals, develops and applies price regulation frameworks</li> <li>• Monitors pricing strategies of postal operators to ensure affordability to consumers and prevent anti-competitive pricing strategies.</li> <li>• Price monitoring: Develops pricing frameworks and guidelines for universal service obligations to ensure that basic postal services remain affordable.</li> </ul> <p><b>Financial monitoring:</b></p> <ul style="list-style-type: none"> <li>• Collects data and monitors performance of postal operators against regulatory benchmarks and performance indicators</li> <li>• Prepares and oversees authority's internal budget</li> </ul>

Technical	<p>Monitors service quality and supports network development, modernization, and performance benchmarking.</p> <p>The effectiveness of established regulatory mechanisms significantly depends on the expertise and analyses provided by this unit.</p>	<ul style="list-style-type: none"> <li>• Monitors the quality of postal service in general and, more specifically, of the universal postal services entrusted to the designated operator;</li> <li>• Conducts postal market research;</li> <li>• Develops programmes for expanding, improving and continuously modernizing the postal network maintained by the designated operator;</li> <li>• Studies conditions in the postal environment and the market shares of postal operators.</li> </ul>
Inspection	<p>Ensures compliance with postal laws through audits and inspections.</p> <p>Inspection personnel must have special nationwide powers and sufficient authority enabling them to carry out their assigned duties. This issue will need to be clearly addressed in postal legislation.</p>	<ul style="list-style-type: none"> <li>• Conducts scheduled and ad hoc inspections of postal operators to monitor and ensure their compliance with postal legislation and regulations;</li> <li>• Inspects and monitors universal postal service delivery by the designated operator.</li> <li>• Investigates complaints, including verifying their legitimacy by carrying out on-site inspections.</li> </ul>
Licensing and registration	<p>Manages authorization of market participants and maintains an updated operator registry</p>	<ul style="list-style-type: none"> <li>• Arranges for the licensing of private postal operators;</li> <li>• Regularly updates the register of postal operators;</li> <li>• Issues certificates with respect to the status of postal operators recorded in the register of postal operators;</li> <li>• Studies, analyzes, and draw conclusions with respect to data generated by the register of postal operators.</li> </ul>
International	<p>Manages institutional coordination and representation in international postal and regulatory bodies.</p>	<ul style="list-style-type: none"> <li>• Advising on international postal policies and strategies</li> <li>• Budget management</li> <li>• Coordination with relevant authorities</li> <li>• Preventing adverse impacts from international negotiations</li> </ul>

## 2.C5.2 Funding and budget

The establishment of a national regulatory authority, whether as an independent agency or a department within government, requires a clearly defined and sustainable funding framework. Both the initial allocation of assets (for start-up and institutional development) and the definition of a long-term revenue stream are essential to ensure uninterrupted and effective regulatory performance. Therefore, it is essential to clearly outline anticipated expenses and the necessary income to cover them.

Wherever feasible, a national regulatory authority should aim to operate on a financially self-sustaining basis. While some degree of public funding may be necessary during its formative stages, the medium-term goal should be to reduce reliance on government funding and avoid undue exposure to political pressures.

Sufficient and stable funding is fundamental for ensuring regulatory independence. Inadequate or unpredictable funding may compromise the regulator's ability discharge its functions effectively. By ensuring financial stability, the regulator can allocate resources effectively to key areas, without being constrained by political priorities or external influence.

The sources of funding for postal regulatory authorities can vary but typically include some of those that are presented in the table below.

Table X. Sources of funding for postal regulatory authorities

Stakeholder	Benefits
Fees and charges levied on postal operators	<p>These can include:</p> <ol style="list-style-type: none"> <li>Licensing fees: one-time or periodic charges, linked to market entry.</li> <li>Regulatory fees: ongoing fees that postal operators must pay to cover the costs of regulatory oversight and compliance monitoring.</li> <li>Service fees: charged for specific services provided by the regulatory authority, such as the registration of new services or approval of tariffs.</li> </ol> <p>These fees and charges should be clearly defined, proportionate, and predictable. They should apply to previously identified firms (normally all the operators entered in the register of postal operators), rate (fixed sum or variable amount based on a percentage of revenue), and payment schedule (normally on annual basis). As these fees and charges do not come from a single, dominant operator, they can ensure greater operational independence for the regulatory authority.</p>
Government funding and budget allocations	<p>In many countries, postal regulatory authorities receive funding directly from the government. This can come in the form of:</p> <ol style="list-style-type: none"> <li>Annual budget allocations: Regular financial support allocated through the national budget to cover operational costs.</li> <li>Special grants: one-time or periodic grants for specific projects or initiatives aimed at improving regulatory capabilities or infrastructure.</li> </ol>
Fines and penalties	<p>Fines and penalties imposed on postal operators for non-compliance with applicable laws and regulations may also contribute to the authority's budget. When used appropriately, such revenues can support enforcement efforts, market supervision, and consumer protection functions. However, this source of funding must be approached with caution. Relying heavily on fines risks creating a perception of perverse incentives, i.e. that the regulator might prioritize revenue generation over impartial adjudication or proportional enforcement.</p> <p>In some jurisdictions, fines are not retained by the regulatory authority but transferred to the state treasury or earmarked for broader public interest purposes. For example, in the UK fines levied by Ofcom go directly to HM Treasury. While in such case they do not contribute to the regulator's running cost, they could still be assigned by the Ministry/the State to the activities related to the postal sector.</p>
International funding and assistance	<p>In some cases, postal regulatory authorities may receive financial assistance from international organizations or development agencies. This can include:</p> <ol style="list-style-type: none"> <li>Grants and loans: financial support for regulatory reforms, capacity building, and infrastructure development;</li> <li>Technical assistance: funding for expert consultations, training programs, and technical support from international bodies such as the UPU and the World Bank.</li> </ol>

To ensure impartial regulation and to avoid conflicts of interest that could undermine regulator's credibility, regulatory authorities must maintain financial independence from the entities they regulate. This can be challenging if a significant portion of their funding comes from fees levied on postal operators, in particular from fines and penalties.

To safeguard independence and public confidence, the funding mechanism must be governed by clear rules on budget transparency, auditing, and accountability. Funding should be subject to:

- Parliamentary and/or board oversight;

- Independent external audit;
- Public reporting, including breakdowns of revenue and expenditure by activity area.

### 2.C5.3 Human resources and capacity building

To effectively discharge its functions, a postal regulator must be equipped with sufficient financial, material and human resources. In particular, institutional capacity depends heavily on the quality, expertise, and continuity of its personnel. Regulatory authorities should therefore enjoy full autonomy in the recruitment, management, and retention of staff, including the authority to define job profiles, determine remuneration structures, manage mobility, and impose disciplinary measures in accordance with applicable civil service or public agency rules.

Given the technical and evolving nature of postal regulation, regulators must be able to attract professional with a wide range of competencies. Core expertise should include legal, economic, and accounting disciplines, particularly in cost modelling, price regulation, and competition law, as well as sector-specific knowledge of universal service and market operations. In light of emerging regulatory challenges, new profiles such as data analysts, cybersecurity specialists, sustainability experts, and digital transformation advisors are increasingly essential.

In many jurisdictions, regulators seek to address initial capacity gaps by recruiting experienced staff from the designated operator. This approach offers important advantages, including institutional memory and deep sectoral expertise. However, it also raises governance risks that must be carefully managed. One of the most widely recognized risks is the so-called 'revolving door' phenomenon, where individuals move between regulatory bodies and the entities they oversee. This can lead to real or perceived conflicts of interest, regulatory capture, or the misuse of confidential information.

To safeguard regulatory integrity, it is advisable to establish formal 'cooling-off' periods and post-employment restrictions for regulatory staff. These measures, often specified in legislation or internal ethics policies, help preserve public trust and prevent undue influence.

Building and sustaining institutional capacity is not a one-time effort. Continuous professional development, knowledge exchange with other national regulators, and participation in international networks (such as the UPU, International Telecommunication Union (ITU), or regional postal bodies) can significantly enhance staff competence and institutional resilience.

#### **New competences**

Notably, with the increasing adoption of privacy laws and open government data strategies, the appointment of roles such as Chief Data Officers (CDO) is becoming increasingly essential. For example, in February 2022, the US PRC appointed its first CDO to lead open data and data governance efforts, emphasizing the importance of data management and compliance with legislation such as the OPEN Government Data Act. Incorporating such roles within the regulatory authorities can significantly enhance the efficiency and transparency of the regulatory process.

### 2.C6 Regulatory coordination

In liberalized or transitioning postal markets, sector-specific regulation is justified when general legal frameworks, such as those governing competition or consumer protection, prove insufficient to address sector-specific market failures. As explained in focus area 2, module A (section 2.A1.1), these failures include natural monopolies in delivery infrastructure, information asymmetries, and the under-provision of universal services. Where such failures persist, targeted regulatory interventions are warranted.

Moreover, the postal sector's evolution from traditional mail delivery to a complex network of communications, logistics, and other diversified services has fundamentally changed the regulatory landscape. As industries evolve, regulatory boundaries increasingly overlap, requiring inter-agency cooperation to prevent duplication, conflicting rules and inconsistencies, or enforcement gaps.

This chapter addresses the need for regulatory coordination, both domestic and international, as a mechanism to ensure coherent oversight across sectors, and provides guidance for policymakers on establishing effective frameworks for such coordination.

## 2.C6.1 Domestic coordination with other public authorities

The modern postal sector interacts with a broad range of regulatory domains, including telecommunications, transportation, data protection, cybersecurity, consumer rights, and competition law, to name just the most relevant ones. As such, effective domestic coordination between the postal regulator and other relevant regulatory bodies helps prevent regulatory gaps, address overlaps, and align objectives across sectors, thereby reducing the risk of conflicting regulations and ensuring a comprehensive approach to market oversight.

Coordination between the postal regulator and other authorities becomes necessary in the following scenarios:

**Functional overlap and mandate interdependence:** For example, as postal operators start offering financial products, coordination between postal, financial, and anti-money laundering (AML) becomes necessary. Similarly, e-commerce and parcel delivery require coordination between postal regulators, customs, transport authorities, and digital market supervisors, where such exist.

**Technological convergence and platformization:** As postal operators expand into other areas (i.e. digital payments, e-commerce fulfillment, data-driven logistics), regulatory coordination with other authorities becomes increasingly relevant.

**Cross-cutting public policy goals:** Issues of market competition may simultaneously involve the postal regulator and competition authority, while data protection concerns may engage both postal and privacy regulators. Coordination is also vital when postal regulation intersects with national priorities such as digital inclusion, sustainable development, or rural connectivity.

Clear frameworks for addressing these overlaps not only help prevent regulatory confusion and ensure consistent policy implementation but also contribute to uniform implementation of applicable laws.

Primary legislation should empower relevant authorities to engage in inter-institutional cooperation. Such legislation may include provisions that:

- Explicitly identify specific authorities with which a postal regulator is required to collaborate
- Provide a general foundation for collaboration with other relevant authorities, without naming them explicitly.

The need for coordination often manifests in relationships with specific authorities, such as competition, consumer protection, data protection, or environmental agencies. While the following subsections use these examples to illustrate typical coordination needs, they are not exhaustive. Effective collaboration may extend to a wider range of institutions depending on national circumstances.

### German Postal Act 2024

Section 85 of the German Postal Act (2024) explicitly lists the German competition authority, data protection authority, and the authorities responsible for occupational safety as authorities with which the postal regulator should cooperate. Moreover, section 86 lays down a general obligation for the postal regulator to cooperate with the competent authorities of other states in the case of cross-border information or audits, to the extent necessary for the performance of its tasks under the Postal Act.

### 2.C6.1.1 Competition authority

Collaboration between postal regulatory and competition authorities, due to their complementary mandates, helps foster competitive and dynamic markets. Such collaboration helps prevent anti-competitive practices and can be particularly useful when assessing mergers. For example, a regulatory authority can assist the competition authority in the review of mergers in the postal sector, ensuring that market dynamics are considered from multiple perspectives.

In case of a multi-mandate authority, where competition and postal regulatory functions are integrated within the same institution, collaboration is managed internally, provided that institutional silos do not obstruct information flow or joint actions. In such cases, the effectiveness of coordination depends on whether internal governance arrangements facilitate cross-departmental collaboration. Functional integration, such as shared case teams or joint review processes, can ensure that competition policy and sector-specific regulation are applied in a mutually reinforcing manner.

Regardless of institutional model, sustained collaboration between postal regulators and competition authorities is highly relevant in liberalized and convergent postal markets. It enhances the quality of regulatory decisions, ensures consistency across enforcement regimes, and contributes to a level playing field that encourages innovation and investment.

### 2.C6.1.2 Consumer protection authorities

Consumer protection is a fundamental aspect of postal regulation (see Focus Area 2, module E). Depending on the regulatory model, postal regulators may need to collaborate closely with a separate consumer protection authority to develop and enforce consumer rights policies, efficient complaint-handling mechanisms, and transparent service standards. In a multi-mandate setting, consumer protection functions are often part of the same regulatory body, facilitating more effective integration of consumer protection measures into postal regulation.

### 2.C6.1.3 Environmental protection authorities

Environmental sustainability is becoming increasingly critical in the postal sector as postal operators face growing pressure to reduce their environmental footprint and contribute to global sustainability goals (see section 2.C1.6). Collaboration between postal regulators and environmental protection agencies is vital for promoting sustainable practices, monitoring environmental impacts, and ensuring compliance with environmental standards.

Such collaborations can be adapted in other jurisdictions, enabling postal regulators to work with environmental agencies to reduce emissions from transport and delivery operations, promote the adoption of green technologies, and ensure alignment with national climate commitments.

The need for domestic coordination extends beyond regulatory bodies. Engagement with other governmental departments, such as those responsible for infrastructure, transportation, or digital economy, is crucial for developing comprehensive policies that address the complexity of modern postal services. Such a whole-of-government approach ensures that postal regulation remains better aligned with broader national objectives and plans (see focus area 1, module A).

At the same time, the global and interoperable nature of postal services demands strong international coordination. Regulatory issues increasingly transcend borders, making engagement with international and regional organizations, such as the UPU, ITU, and relevant trade and data protection bodies essential for aligning national frameworks with evolving international norms and obligations. Engagement with such bodies facilitates the exchange of best practices, harmonization of standards, and the development of innovative solutions to global challenges in the postal sector (see section 2.C5.2).

Article L32-1, II, 8 of the French Post and Electronic Communications Code requires the French regulator Arcep to implement “reasonable and proportionate measures to achieve a high level of environmental protection jointly with the ministers responsible for health and the environment”. Recognizing the increasing significance of the social issues linked to networks, Arcep has been investigating the carbon footprint of digital technologies within its “Networks of the Future” project. In addressing environmental concerns related to digital technology, Arcep collaborates with the ADEME (French Environment and Energy Management Agency). While so far this approach has focused mostly on digital and telecom networks, given that Arcep acts as both telecom and postal regulator, its commitment to sustainability already included in the French Post and Electronic Communications Code and collaboration with ADEME could be easily extended to the postal sector as well (see also case study in section 2.C1.6).

### 2.C6.1.4 Mechanisms for effective collaboration

Effective regulatory cooperation and coordination depends not only on high-level commitment and a legal mandate but also on well-defined implementation or procedural mechanisms. While primary legislation is likely to simply establish a clear legal mandate for cooperation, either by identifying specific counterpart institutions or by granting general powers for inter-agency collaboration, operational details are typically set out in secondary or soft law instruments. These mechanisms ensure that coordination is not ad hoc or leadership-dependent but embedded within institutional procedures.

#### *Mechanisms for cooperation*

Several mechanisms can support inter-agency collaboration:

**Memoranda of Understanding (MoUs):** MoUs, often in the form of soft-law instruments, outline the roles, responsibilities, and procedures for cooperation between respective authorities. They can include provisions on joint investigations, referral systems, consultation procedures, and information sharing.

**Joint Committees or Working Groups:** These settings provide structured forums for regular coordination, particularly on cross-cutting issues (i.e. e-commerce, competition enforcement, data protection). They can facilitate joint planning and knowledge exchange between regulators.

**Data sharing protocols:** Information exchange is often essential to identify systemic issues, conduct market surveillance, or evaluate the performance of regulated entities. These protocols should define responsibilities for data handling, processing, and retention and ensure confidentiality and security of exchanged information. Such mechanisms are particularly important when regulators operate under distinct legal regimes or when information has cross-sectoral relevance.

#### *Resource and capacity implications*

Coordination imposes resource demands that must be accounted for in regulatory planning. Policymakers must ensure that regulatory authorities have sufficient funding to participate in coordination activities, have dedicated staff to manage liaison functions and participate in working groups, and maintain necessary technical systems to support secure and timely data exchange.

To avoid the marginalization of coordination functions, it is advisable that legislation or internal policy explicitly recognize coordination as a core responsibility of the regulator. Moreover, funding mechanisms should allow regulators to allocate sufficient resources to these functions without undermining their core regulatory mandate.

#### *Drawing lessons from collaborative regulatory models*

The effectiveness of a postal regulatory authority can be greatly enhanced through active collaboration with other regulatory bodies. The scope and intensity of this collaboration often depend on the regulatory model adopted, as well as the unique challenges and opportunities present in the postal sector. Collaborative efforts not only promote consistency and efficiency in regulation but can also help address cross-sectoral issues, such as competition, consumer protection, the impact of disruptive innovation, or environmental sustainability.

A valuable reference model for cross-sector coordination. Is the International Telecommunication Union (ITU)'s model of collaborative regulation. While originally developed for the ICT and telecommunications sector, the ITU's framework might be increasingly applicable to converging sectors such as postal, e-commerce, and logistics. The ITU framework distinguishes between regulatory generations, with G4 (Integrated Regulation) and G5 (Collaborative Regulation) representing the most advanced forms. This model emphasizes collaborative mechanisms, data sharing, and an integrated approach across sectors, which can be instrumental in creating more resilient and effective postal regulation systems.

#### **ITU's Model of Collaborative Regulation**

The ITU's model foresees a framework for classifying different generation of ICT regulation, with G4 and G5 representing the most advanced stages. G4, known as Integrated Regulation, is characterized by its focus on economic and social policy goals, an integrated approach across sector, emphasis on consumer protection and empowerment, and evidence-based decision making. It features regulatory frameworks that address convergence, collaborative regulation across sector such as ICT, audiovisual, and e-commerce, and adaptive, flexible regulation to accommodate technological changes. G4 also places a strong emphasis on digital inclusion and bridging the digital divide. Its regulatory tools include impact assessments, public consultations, data-driven decision making, and cross-sector collaborative mechanisms.

G5, termed Collaborative Regulation, takes these concepts further. It is characterized by a holistic and harmonized approach across sectors, inclusive and collaborative decision-making process, agile and future-proof regulatory frameworks, and a focus on digital transformation and innovation. G5 features fast-paced, collaborative decision-making, high-level principles and outcome-based regulation, regulatory sandboxes for testing innovative services, and a strong focus on sustainability and ethical considerations. Hence, the key differences between G4 and G5 lie in their scope, decision-making processes, approach to innovative use of technology, focus on sustainability, and level of stakeholder involvement. While G4 focuses on integrated regulation within the ICT sector, G5 extends to a broader digital ecosystem. G4 emphasizes evidence-based decisions, while G5 promotes fast-paced collaborative decision-making. The latter also places a stronger emphasis on fostering innovation through tools like regulatory sandboxes and incorporates more advanced technologies in the regulatory process itself.

It is important to note that these generations represent an evolving continuum rather than discrete stages. Many countries are in transition between these generations, adopting aspects of more advanced regulatory approaches while still maintaining some characteristics of earlier generations.

These generations should be seen as an evolving continuum, not static models. It is possible for countries to transition between them, selectively incorporating more advanced tools while maintaining elements of earlier regulatory practices.

## **2.C6.2 International coordination and harmonization**

Given the inherently global nature of postal services, international coordination is essential for maintaining seamless cross-border operations and ensuring compliance with international legal frameworks and technical standards. Harmonization with global and regional instruments helps address operational bottlenecks such as customs clearance delays, inconsistent service standards, and emerging privacy and safety challenges.

Postal regulation should therefore explicitly recognize international obligations and empower national regulators to actively participate in the work of multilateral and technical bodies, including the Universal Postal Union (UPU), the International Telecommunication Union (ITU), and the International Civil Aviation Organization (ICAO).

International regulatory coordination extends beyond formal agreements. It includes:

- Technical cooperation (joint safety programmes),
- Data sharing (i.e. for security or trade facilitation), and
- Participation in standard-setting bodies and working groups.

Policymakers must ensure that their national regulatory framework enable participation in international working groups, technical committees, and capacity-building initiatives. This participation should be supported by adequate resources and clear mandates for international engagement.

Well-designed international engagement can also enhance regulatory credibility, improve the quality of domestic oversight, and help align postal sector reform with broader national development and trade agendas. It is also key to ensuring that national interests are adequately represented in global standard-setting forums and negotiations.

## 2.C7 Guidelines for independent regulatory authorities

This section contains guidelines and recommendations for the establishment and management of regulatory authorities, including a guide for the content to be included in the Postal Act specific to the regulatory authority. The third set of guidelines are further recommendations to enhance and/or ensure the operational independence of the postal regulator.

### 2.C7.1 Creation and management of regulatory authority

A credible, well-structured, and operationally independent postal regulatory authority is essential for ensuring effective regulation and fostering a competitive, inclusive, and sustainable postal market. While each country's institutional, legal, and political context varies, certain foundational principles and practical steps can guide the establishment or reform of postal regulatory institutions. Summarising this module, these guidelines offer a structured roadmap for policymakers seeking to create or modernize a postal regulatory authority, in alignment with international best practices.

#### 1. Strategic planning and reform roadmap

##### **Define the mandate and objectives**

Establishing a regulatory authority begins with a clear articulation of its core mission: ensuring universal service, fostering fair competition, protecting consumer rights, and supporting sectoral innovation and sustainability (see Chapter 1). These objectives should be anchored in the national postal policy and aligned with cross-sectoral strategies such as digital transformation, financial and digital inclusion, and sustainability.

##### **Develop a sequenced implementation roadmap**

Design a structured roadmap with defined milestones, timelines, and performance indicators. The roadmap should identify required legal reforms, institutional milestones (i.e. regulator setup, recruitment of leadership and staff), and transitional arrangements. A phased approach is particularly important in contexts transitioning from embedded regulatory arrangements (i.e. regulation by the ministry) to more independent structures.

#### 2. Legislative and regulatory frameworks

Establishing a robust legal framework is essential for empowering the regulator to perform its functions effectively. Lay down the framework that will provide the regulator with a clear mandate, enforcement powers, operational and financial independence, and mechanisms for transparency and accountability.

#### 3. Institutional setup and management

**Governance structures:** The governance model should balance autonomy with accountability. This involves setting clear roles for board members, establishing conflict-of-interest policies, and defining decision-making processes.

**Operational independence:** To maintain credibility and impartiality, the regulator must operate independently from political and market influences. Operational independence includes autonomy in decision-making, prioritization of enforcement actions, and management of resources.

#### 4. Human resources and capacity building

**Qualified personnel with a right set of skills:** The regulator should be able to attract and retain highly qualified personnel with expertise in areas such as law, economics, engineering, cybersecurity, data analysis, and sustainability. Ensure continuous professional development for the staff and the inclusion of new roles, such as Chief Data Officers, which are essential to the regulator's ability to respond to market and technological evolutions.

#### 5. Budget and financial independence

**Diversified and stable funding mechanisms:** Financial independence is critical for ensuring the regulator's autonomy and effectiveness. Establish diversified and stable funding mechanisms, which can include licensing fees, regulatory charges, and fines. Put in place transparent budgeting processes and accountability measures to maintain public trust and avoid conflicts of interest.

By following these guidelines, policymakers can establish a postal regulatory authority that is efficient, transparent, and adaptable to changing market dynamics. Such an authority will not only support the sustainable development of the postal sector but also contribute to broader national economic, social, and environmental goals.

## 2.C7.2 Governing provisions for regulatory authority in Postal Act

A comprehensive postal act should include clear and enforceable provisions that define the mandate, powers, structure, and safeguards applicable to the national postal regulatory authority. The following recommendations outline the key content areas that should be addressed in the primary legislation.

### Recommendation 1: Establishment and legal status

- **Designation of the authority:** Explicit legal provision identifying the competent regulatory body (i.e. and independent regulator or ministry).
- **Legal personality:** Recognition of the regulator as a separate legal entity with the capacity to enter into contracts, hold property, and sue/be sued.
- **Affiliation:** Clarification of whether the authority is independent or affiliated to a ministry (with corresponding safeguards for autonomy if the latter).

### Recommendation 2: Independence and accountability

- **Operational independence:** Explicit provisions affirming the regulator's autonomy from both political authorities and market actors.
- **Financial independence:** Legal basis for autonomous budgeting, multi-source funding (i.e. licensing fees, regulatory charges, fines), and safeguards against undue influence.
- **Transparency and accountability mechanisms:**
  - Obligations for annual reporting to parliament or an oversight body.
  - Public consultation requirements for key regulatory decisions.
  - Publication of regulatory decisions and justifications.

### Recommendation 3: Governance structure and decision-making

- **Internal structure:** Governance model (i.e. board- or single-leadership model)
- **Appointment and terms:** Provisions on appointment procedures, qualifications, terms, and dismissal of board members or senior officials.
- **Conflict of interest rules:** Rule preventing participation in decisions where conflicts exist, including post-employment restrictions.

- **Decision-making processes:** Procedures for deliberation, voting, public disclosure of decisions, and appeal rights.

**Recommendation 4: Mandate, function, and powers**, such as:

- **Rulemaking authority:** Powers to issue secondary legislation (i.e. regulations, standards, guidelines).
- **Licensing and authorization:** Competence to grant, amend, renew, suspend, or revoke operator licenses.
- **Market monitoring and data collection:**
  - Powers to require periodic reporting.
  - Authority to investigate market behaviour and public findings.
- **Tariff regulation** (if applicable): Authority to review and approve tariffs, particularly for universal services.
- **Service quality setting and performance monitoring:** Setting of service standards and monitoring of compliance with such standards and consumer obligations.
- **Dispute resolution and complaint handling:** Legal basis for resolving disputes between operators and users or between operators.
- **Enforcement powers:**
  - Issuance of decisions.
  - Imposition of administrative sanctions or fines.
- **International role:** Mandate to represent the country in international postal forums (i.e. UPU) and implement international obligations.

**Recommendation 5: Inter-institutional coordination**

- **Legal basis for collaboration:** Mandate to coordinate with specific authorities or a general provision for collaboration with other relevant authorities as and when needed, without naming them explicitly.

**Recommendation 6: Human and financial resources**

- **Staffing powers:** Authority to recruit, manage, and train personnel.
- **Budgeting and financial management:** Clear procedures for budget adoption, resource allocation, and financial reporting.

**Recommendation 7: procedural safeguards and legal remedies**

- **Due process guarantees:** Right of affected parties to prior notice, hearing, and reasoned decisions in enforcement actions.
- **Appeal mechanisms:** Access to administrative/judicial review of regulatory decisions.

### 2.C7.3 Operational independence of the postal regulator

Once established, these are further recommendations to enhance and/or ensure the operational independence of the postal regulator.

**Declaration of the regulator's independence**

- Specific provision declaring the independence of the organization and its members.
- The capacity to act, in pursuance of its objectives, with organizational and operational autonomy and full independence from public authorities and market operators.
- Its own legal personality separated from that of the state.
- Can be attached to a ministry, but not under its supervision or control.

**Attachment to a ministry**

- The regulatory body should not be attached to the ministry responsible for the management.
- appointments or lodging of shares of the designated operator.

#### **Appointment and removal of members**

- Conditions of appointment stipulated in advance and approved by parliament.
- Appointment by the government and not by an official of the ministry to which the regulator is attached.
- Establishment of a non-renewable term of office for the management bodies, which exceeds a parliamentary term (political disassociation).
- Specific grounds for removal.

#### **Independence of members**

- Certify the independence of its members, substantiating their lack of financial, political or personal interests in the sector.
- The chair, board members, directors and employees who retain the right to reserve or restore professional relations or economic benefits with entities within the regulated market should notify the regulator's governing body accordingly, as board members are obliged to disclose this fact.
- Members should be individuals of recognized standing and professional competence accredited by parliament or the legislature.
- Periodic monitoring should be carried out by an elected democratic body such as parliament, to ensure their impartiality and enhance their credibility.

#### **Commitment and incompatibility**

- Directors should be fully committed to carrying out their duties and subject to the rules on incompatibility.
- Directors should receive financial compensation for refraining from carrying out private professional activities relating to the regulated sector.

#### **Board meetings**

- Members of the government and senior public officials may not attend board meetings.
- Neither staff members nor members of the governing bodies may seek or accept instructions from any public or private body.

#### **Regulatory advisers**

- Advisers or administrators from the supervisory ministry or the postal regulator may not sit on the designated operator's management board.

#### **Decision-making**

- Transparency in the decision-making process (clear rules setting out responsibilities)
- Make decisions publicly, giving clear reasons for them.
- Important decisions should be taken by a collective body.
- Ensure that decisions can be revised or suspended through legal channels only and not by other administrative bodies.

## **Module 2D    Licensing**

Licensing is a foundational component of postal sector regulation. It defines the rules of market participation by setting conditions for entry, establishing operator obligations, and clarifying the scope of permissible activities. Through licensing, regulators not only ensure legal certainty but also embed public interest objectives into the operational rules of the postal sector. As postal markets diversify and

new firms enter the field, licensing remains a key tool for monitoring market structure, preserving service quality, and supporting broader policy goals, such as universal service, competition, and consumer protection.

## 2.D1 Key objectives and guiding principles

The design of a licensing regime should be guided by clear objectives that reflect national policy priorities and sectoral needs. Beyond controlling market access, licensing enables regulators to promote fair competition, safeguard user rights, and maintain oversight of market developments. To achieve these aims, licensing systems must be proportionate, so they should not create unnecessary barriers to market entry or innovation. They should also be structured around well-defined principles that balance regulatory effectiveness with administrative feasibility.

The **key objectives** of licensing are:

**Objective 1 – regulating essential public services:** Establishing controls to ensure the provision of essential public services while supporting the public interest.

**Objective 2 – Promoting universal service coverage:** Facilitating the expansion of network coverage and meeting universal service obligations.

**Objective 3 – Monitoring market structure:** Monitoring the number of market participants, their roles and market dynamics to promote healthy and sustainable competition.

**Objective 4 – Establishing a framework conducive to competition:** Creating a level playing field in the sector to promote competition.

**Objective 5 – Generating revenues:** Raising funds for governments and regulatory bodies through licensing fees, thereby contributing to a diversified source of funding for regulatory authorities.

**Objective 6 – Protecting consumers:** Reinforcing consumer protection by embedding necessary conditions in licenses.

**Objective 7 – Defining rights and obligations:** Clarifying the rights and responsibilities of operators to ensure regulatory certainty.

To deliver these objectives, the licensing framework must follow certain **principles**:

- **Simplicity:** The licensing process should be transparent and straightforward to ensure that it does not hinder the sector's growth and obstruct competition.
- **Certainty:** Licenses should include precise and reliable conditions to ensure regulatory certainty and predictability, which are fundamental for promoting long-term investment.
- **Non-discrimination:** The licensing regime must create a level playing field by treating all operators transparently and fairly.
- **Flexibility:** While the licensing regime must provide certainty, it must also allow operators to adapt to dynamic changes in the postal sector without undue regulatory constraints. The length of licences will be fundamental in this respect (see section **Error! Reference source not found.** below).

## 2.D2 Types of licenses

Many developing countries employ some form of licensing, though the names given to such systems, specifics, and procedures can vary significantly:

- The establishment of a countrywide licensing system is closely linked to the existence of a regulatory agency or market regulatory management efforts.

- Indeed, in many countries, the regulatory agency is vested with the power to grant licenses.
- Where licensing systems do exist, corresponding regulations form an integral part of the postal sector's regulatory framework.
- There are diverse administrative procedures for the registration of service operators.
- Regulations concerning the obligations of different service operators are quite similar.

While licensing systems vary across countries, generally they include the following types, distinguished by the nature of services provided:

**General license:** Issued for the provision of non-universal postal services. It allows operators to offer commercial postal services on a competitive basis.

**Special license:** Granted for the provision of non-reserved universal postal services. It allows operators to provide specific universal postal services that are not exclusively reserved for the designated postal operator.

**Universal service license:** Issued to the Designated Operator who has an obligation to provide universal postal services to all citizens, regardless of their geographical location.

The terminology and scope of these licenses vary, with some countries adopting terms like 'permits' or 'concessions'. Moreover, distinctions are also made between national and international service licenses.

#### Regulatory remit – Ireland

Ireland's regulatory authority ComReg's remit to regulate the postal sector comes directly from legislation, in particular from the Communications Regulation (Postal Services) Act 2011 ("2011 Act"), which transposed the European Postal Services Directive (97/67/EC) which established a regulatory framework for European postal services, into national law.

There are three categories of postal services which are subject to regulation under the 2011 Act.

*Universal postal service* – as defined by the Postal Act and ComReg regulation, which must be provided exclusively by An Post for the period to 2023 – Read More;

*Postal services which fall within the scope of the universal postal service* – they meet any one of the three criteria set out in section 37(1) of the Postal Act and by reference to ComReg's guidelines; and

*Postal services (Other)* – a residual category comprising postal services that are not part of the previous two categories.

## 2.D3 Licensing criteria and procedures

A streamlined and transparent licensing process is critical for both regulators and operators. This section outlines the key steps and requirements:

1. **Application:** Interested parties must submit a formal application, typically to the regulatory authority or competent ministry, including necessary documentation such as business plans, proof of technical and financial capability, and details of intended services. Application form should be standardized and publicly available on the competent authority's website.
2. **Evaluation against a set of clearly defined criteria:** The regulatory authority evaluates license applications against a set of clearly defined criteria to ensure that postal operators meet the necessary standards for service delivery, consumer protection, and regulatory compliance. These criteria include:
  - **Technical and financial capability:** Applicants must demonstrate sufficient technical expertise and financial stability to provide reliable postal services.

- **Appropriate qualifications and practical experience** in postal service operations are necessary to ensure operators are well-equipped to meet industry demands.
  - **Regulatory and licensing compliance:** Applicants must agree to comply with all terms and conditions set in the licensing agreement and with applicable laws and regulations. This includes:
    - Commitment to fully respect the service area reserved for the designated operator, ensuring that universal services obligations are upheld.
    - Commitment to maintaining high service quality standards and adhering to consumer protection.
    - Inviolability of letter mail obligation: Operators must protect the confidentiality of personal communications, all transmitted or stored data, personal information, and uphold customer privacy rights.
    - Provision of performance and back-up guarantees to address claims and compensation, demonstrating accountability in service delivery.
    - Non-disclosure and security: Strict adherence to regulations aimed at preventing fraud, terrorism, drug trafficking, and other illegal activities.
3. **Fees:** Applicants are required to pay various non-refundable application fees throughout the licensing process:
- *Initial license fee:* A one-off fee paid when the license is granted.
  - *Annual license fee:* Typically determined as a percentage of annual turnover from services provided under the license.
  - *Renewal license fee:* Paid close to the expiration of the original license in order to renew it.
4. **Registration and transparency:** Licensed operators must be recorded in a publicly accessible register maintained by the competent authority (i.e. regulator or ministry). The register should include essential information on each operator and any modification to their license.

In countries that require licensing, operating without a valid license can result in penalties, including fines or jail time. Such provisions, if effectively enforced, promote compliance and help maintain the integrity of the postal service market.

Some countries have moved towards lighter touch regulation replacing licenses with general authorizations or notifications, while others maintain stricter licensing requirements, especially for universal service provision. Under the general authorization system, operators merely need to notify the regulator of their intention to provide services, making it less burdensome for the operators and for the regulatory authority than individual licenses. This approach is often favoured in more liberalized markets.

Indeed, the move towards lighter touch regulation, which often includes a shift towards general authorizations or notifications, is not universally appropriate and can be advisable only under certain conditions. It is typically suitable:

- for mature markets where competition is well established and where existing operators consistently meet quality standards;
- strong consumer protection laws, technological maturity, and low risk of market failure also favour this approach.

Accordingly, this lighter regulatory approach is not advisable where concerns about maintaining universal service arise or where there is a risk that essential services might not be provided without strict regulatory oversight. A history of market abuses, a complex market structure where the postal sector is intertwined with other critical services or state functions, or a lack of alternative regulatory tools to ensure quality and fair competition are other factors that might discourage a move to lighter regulation.

## 2.D4 Licensing duration

The duration of postal licenses plays a strategic role in shaping market behaviour, regulatory flexibility, and investment decisions. Licensing periods vary significantly across countries, reflecting different regulatory priorities and market conditions. To better understand their respective implications, this section distinguishes between short- and long-term licenses, providing an overview of their potential advantages and drawbacks. This division is intended to assist policymakers in assessing what type of licensing duration best suits their national context, regulatory capacity, and sectoral development goals.

### Licences with short duration (up to 5 years):

- Encourage frequent review and adaptability but may discourage innovation and long-term investments due to shorter guaranteed operational periods and increased investment uncertainty.
- Incentivize high performance, encouraging operators to maintain high standards to secure license renewal.
- The more frequent renewal processes (in particular if done on an annual or bi-annual basis) increase the administrative burden for both operators and regulators, leading to higher costs, a concern that is particularly relevant for resource-constraint regulatory authorities.

### Licenses with long duration (10+ years or indefinite):

- Provide more certainty and encourage infrastructure development, thereby fostering a market environment more conducive to innovation and strategic planning.
- However, they reduce flexibility to address market changes, potentially locking authorities in outdated license terms for extended period.
- There is also a risk of complacency by licenced operators who might become less innovative and responsive to market demands.
- Reduced frequency of renewals implies lower administrative costs for both regulators and operators.

The choice between short and longer licensing periods depends on the specific market conditions, regulatory goals, and the state of the postal sector in a country. In more mature and stable markets, where licenses have not yet been replaced with authorizations or notifications, longer license periods might be preferable to encourage investment and stability. Conversely, in rapidly evolving markets or those undergoing significant reforms, shorter periods could provide temporarily the necessary flexibility to adapt to changes.

Considering this, a middle ground can be:

- to use medium-term licenses (5-10 years), which help strike a balance between regulatory flexibility and investment stability,
- to include provisions for periodic reviews or adjustments for long-term licenses, or
- to employ a hybrid approach, granting longer licenses for universal service providers and shorter ones for specialized operators.

Table X. Postal service licensing periods in selected countries

Region	Country	Duration
Africa	Botswana	<ul style="list-style-type: none"> <li>• <b>Long:</b> 15 years (public postal operator)</li> <li>• <b>Medium:</b> 10 years (private postal operator)</li> </ul>
	Eswatini	<ul style="list-style-type: none"> <li>• <b>Medium:</b> 10 years (individual license for designated operator)</li> <li>• <b>Short:</b> 5 years (general license for national and international courier services)</li> </ul>
	Kenya	<ul style="list-style-type: none"> <li>• <b>Long:</b> 25 years (public postal operator)</li> </ul>

		<ul style="list-style-type: none"> <li>• <b>Long:</b> 15 years (private postal operator)</li> </ul>
	Nigeria	1 year (courier licence)
	South Africa	<ul style="list-style-type: none"> <li>• <b>Long:</b> 25 years (reserved postal services)</li> <li>• <b>Short:</b> 5 years (unreserved postal services)</li> </ul>
Asia-Pacific	Malaysia	<ul style="list-style-type: none"> <li>• <b>Long:</b> 20 years (universal postal service)</li> <li>• Short: 3 years (non-universal postal service)</li> </ul>
	Viet Nam	<ul style="list-style-type: none"> <li>• <b>Medium:</b> maximum 10 years</li> </ul>

Ultimately, the goal in determining license duration is to strike a balance between market stability and investment certainty on one side, and the flexibility to adapt to changing circumstances on the other. Regulators must carefully weigh these factors to maintain a competitive postal sector that fulfills the needs of both operators and consumers while aligning with broader economic and societal objectives.

## Module 2E    Transversal policy issues

In time, consumer policy has become one of the most transversal policies, covering product safety, digital market, financial services, food safety and labelling, telecommunications, energy, travel and transport. Consumer protection is very important in the realm of public services. Regulatory authorities therefore aim to safeguard universal provision of public services.

Key consumer protection issues in the postal sector include ensuring fair competition, particularly in the parcel market, and adapting regulations to new technologies like e-commerce and artificial intelligence. Transversal policy issues involve maintaining a high-quality universal postal service for all users, protecting vulnerable consumers, and ensuring transparency, proper complaint procedures, and compensation for issues like loss, damage, or delay.

Data protection are fundamental rights in many jurisdictions. In the context of the postal sector, data protection can be seen as complementary to the prior existing protection of postal secrecy.

**Postal secrecy:** anyone who provides postal services as a business or is actively involved in those services is obliged to maintain postal secrecy. Anyone with these obligations is prohibited from procuring, for themselves or for other parties, any information regarding the content or detailed circumstances of postal services beyond what is necessary for the provision of postal services

**Data protection:** the guarantee of postal secrecy is supplemented by detailed regulations on data protection in postal services. Both areas have comparable protective functions. In addition to postal item content, data protection includes all personal data related to postal services (eg traffic data, delivery data, billing data and address data).

### 2.E1    Consumer protection

Effective postal regulation must lay down basic user rights and include adequate consumer protection mechanisms, particularly considering evolving market dynamics, the growing importance of e-commerce markets, and the increasing complexity of postal and delivery ecosystems. Modern postal transactions often involve cross-border deliveries, multi-operator logistics, and advanced technologies, which increase both complexity of postal operations and consequently the potential for disputes. These evolving trends require regulatory measures to safeguard consumer interests, build trust, and maintain service reliability.

Modern postal consumers expect timely, reliable, and affordable services, along with meaningful avenues for redress when service failures occur. At the same time, postal operators must be held accountable through clear and enforceable obligations. Regulatory frameworks must therefore lay down not only general consumer protection principles but also specific instruments for monitoring, redress, and public transparency.

Accordingly, postal laws must at least provide the following:

**Primary legislation** should:

- Define key terms such as ‘consumer’, ‘user’, ‘addressee’, etc., ensuring inclusion of all relevant parties, including recipients who may not have direct contractual relationships with operators.
- Define basic user and consumer rights (see Section 4.2)
- Ensure access to remedies for complaints and disputes.
- Provide a mandate for regulatory oversight, including enforcement powers and obligations for public reporting by operators

**Secondary legislation** should further specify the modalities for implementing these guarantees, requiring transparency across all communications channels, including digital ones.

By upholding these rights, regulatory authorities foster trust and confidence in the postal system, ensuring that consumers feel confident and well-informed when using postal services.

## 2.E1.1 Definitions

Historically, postal services were state monopolies with a narrow focus on providing basic postal services. Individuals using postal services, often referred to as ‘postal users’, had limited rights and little or no influence over service quality. In other words, the rights of these ‘users’ were limited simply to basic access to the postal network.

Today, with multiple and diverse operators and increasingly competitive markets, the concept of a ‘postal customer’ has evolved to represent a more robust relationship in which individuals contract services from postal operators, whether designated national operators or private companies, and in doing so acquire specific rights.

However, this concept alone does not fully capture all parties involved in postal transactions as ‘the addressee’ is missing as a participant in the postal process. While addressees do not directly contract postal services, they are consumers of the service and therefore should be afforded certain rights. The term ‘postal services consumer’ helps address this gap by including addressees.

The legal framework must also address the needs of vulnerable consumers. These typically include elderly persons, persons with disabilities, individuals with low income or digital literacy, residents in rural or remote areas. While in most jurisdictions, general consumer protection laws are likely the primary source for definitions of ‘vulnerable consumers’, postal laws should ensure operators proactively identify and support these groups through tailored service obligations and enhanced accessibility.

## 2.E1.2 Postal service user rights

It is important for the postal law to include a specific section on the basic rights of all postal users. These rights become binding obligations on operators.

**Inviolability of postal items:** prohibiting the arbitrary or unlawful withholding and retention of postal items or their intentional misrouting, opening, removal, retention or concealment and, in general, any shortcomings in their safekeeping.

**Confidentiality of postal items:** guaranteeing that no information concerning the contents, existence, class, address, or any other external aspect of postal items will be provided to third parties.

**Ownership of postal items:** express recognition that items are the property of the sender until they are delivered to the addressee. Therefore, the sender can request a change to the address of destination or the forwarding of items that do not reach the addressee. It also has implications as to the rightful claimant in the event of an incident involving a mail item.

**Information on the postal service:** to be informed of the conditions of service provision offered by postal operators (e.g. rates, delivery times, procedures for claiming compensation) (See Section 4.3)

**Proper treatment of inquiries by postal services:** The right to submit inquiries concerning any postal service to operators and to receive a response from them: this should include circumstances likely to give rise to inquiries, the time limit for a response, and an appeal body in case the user does not accept the resolution of the inquiry. (See Section 4.4)

**General rights of consumers and users:** The law should include a reference to the fact that the general regulations on consumer and user rights apply to postal service users.

## 2.E1.3 Service quality standards

Ensuring consistent service quality in postal services is essential to maintaining consumer trust and meeting the demands of modern commerce. Poor service quality can disrupt businesses, frustrate consumers, and harm the reputation of postal operators. As e-commerce grows, consumers expect faster deliveries, real-time tracking, and high reliability, making service quality more relevant than ever.

Accordingly, postal laws must at least provide the following:

**Primary legislation** must establish clear obligations for postal operators to meet minimum service quality standards, including delivery timelines, reliability, and customer satisfaction. These laws should empower regulatory authorities to develop mechanisms for setting and monitoring these standards through regular audits and performance evaluations to ensure adherence to established benchmarks. This continuous monitoring helps identify areas where postal operators may fall short, enabling regulators to take corrective actions promptly. By maintaining stringent service quality standards, regulatory authorities ensure that postal services meet the expectations of consumers and contribute to the overall efficiency of the postal system.

**Secondary legislation** should specify methodologies for measuring service quality, including customer surveys, independent evaluations, and real-time monitoring systems. Provisions for public reporting on service performance can also enhance accountability, allowing consumers to make informed decisions.

To accommodate diverse market structures and type of services, postal laws may adopt a tiered approach to service quality standards. This would involve, for instance, setting quality standards as follows:

**Universal services:** Priority should be placed on accessibility, affordability, and reliability, reflecting the public service obligations of designated operators;

**Premium and value-added services:** These should focus on speed, real-time tracking, enhanced security capabilities to meet the expectations of business and e-commerce customers.

This tiered approach ensures that standards are both attainable and reflective of different goals of specific postal services.

To enhance transparency, service providers should be required to publicly report their performance against these standards, allowing consumer to make informed decisions.

## 2.E1.4 Complaint handling and liability frameworks

A comprehensive and transparent system for complaint handling and compensation is essential for protecting consumers and ensuring accountability in postal service provision. As postal markets become complex, especially with cross-border transactions, robust complaint mechanisms are critical to resolving disputes and maintaining consumer confidence.

With respect to the regulatory framework:

**Primary legislation** should require all licensed postal operators to establish transparent and accessible complaint-handling procedures, covering issues such as delays, lost items, or service failures. Operators should be required report complaint statistics publicly, covering volume, resolution times, and outcomes.

**Secondary legislation** should specify detailed procedures for submitting, investigating, and resolving complaints, including deadlines for each stage. While complaints concerning domestic services typically involve simpler logistics and single jurisdiction, cross-border postal transaction are inherently more complex. As a result, it is reasonable for regulatory frameworks to allow extended timelines for resolving cross-border disputes compared to domestic ones.

A postal act should also outline clear liability rules for postal operators for service failures, specifying conditions under which consumers are entitled to compensation for lost, damaged, or delayed items.

These laws should:

**Define minimum compensation thresholds** to guarantee consumers receive adequate redress in cases of service failure.

**Outline the step-by-step procedure for filing claims**, including required documentation, submission channels, and verification process. Secondary legislation can elaborate on the practicalities of compensation mechanisms, detailing timelines for claims submission and resolution. For cross-border disputes, extended timelines may be necessary due to higher complexity.

**Consider establishing tiered compensation models**, which align liability limits with service levels. For example:

- **Basic services may have standards liability limits.**
- Services with tracking and insurance could offer higher compensation caps based on declared item value.

This differentiation ensures fairness while allowing consumers to choose service levels that match their risk tolerance.

**Narrowly define force majeure provisions**, absolving operators from liability only in extraordinary, clearly specified circumstances. Such narrowly defined provisions protect operators while preventing misuse and maintaining consumer confidence in cases of unavoidable disruptions.

**Establish regulatory oversight and penalties** that would empower regulatory authorities to monitor compliance with compensation obligations. This includes the authority to impose penalties on operators failing to adhere to liability frameworks or resolve disputes within mandate timelines. Regulatory

authorities should not only ensure that compensation systems exist but also verify their accessibility, fairness, and actual use by consumers.

## 2.E2 Postal Security and Integrity

Postal security, integrity, and privacy are fundamental for a resilient and trustworthy postal system. These concepts cover a broad spectrum of regulatory, operational, and technical measures and practices aimed at protecting the security of mail services, the integrity of postal infrastructure, and the privacy of users. Together, they ensure that the postal network remains a reliable means of communications and commerce, while also addressing emerging threats in an increasingly digital world.

Security and privacy measures are not just a matter of operational necessity or public trust. They are deeply rooted in the protection of fundamental human rights. International conventions, such as the Universal Declaration of Human Rights (UDHR) and the International Covenant on Civil and Political Rights (ICCPR), recognize key rights that are directly relevant for postal operations. These include:

**The right to privacy (Article 12, UDHR; Article 17, ICCPR):** Postal services must protect the confidentiality of correspondence, a cornerstone of the right to privacy. Without robust security measures, the confidentiality of mail could be compromised through theft, tampering, or unauthorized access to communications. Ensuring postal security directly upholds this right by safeguarding against breaches of personal data and correspondence.

**The right to freedom of expression (Article 19, UDHR; Article 19 ICCPR):** A reliable and secure postal system allows individuals to communicate freely without fear or interception, tampering, or censorship. The protection of postal integrity ensures that people can express themselves and share information, whether through letters or parcels, without interference.

**The right to security of person (Article 3, UDHR):** Threats such as terrorism, bioterrorism, and trafficking of dangerous materials through the postal system not only undermine public safety but can also endanger the lives of postal workers and recipients. Postal security measures address these risks, protecting individuals from harm and contributing to the overall public safety.

**The right to economic participation (Article 23, UDHR):** The postal system is integral to commerce, particularly facilitating e-commerce, trade, and financial transactions. Postal security safeguards the integrity of these operations, ensuring that businesses and consumers can trust the postal network as a secure channel for economic activity.

**The right to health and safety (Article 12, ICCPR):** By addressing the trafficking of dangerous goods, such as narcotics or hazardous materials, postal security contributes to the protection of public health and safety. This responsibility is particularly significant for cross-border operations where unsafe goods may be transported.

Despite differences in legal systems, there is a common trend of strengthening postal security and privacy. Typically, primary postal laws criminalize mail theft and unauthorized tampering, and most have formal procedures for dealing with dangerous mail. Data protection is universally recognized, though it might be implemented in different ways: some countries might have explicit postal law clauses, while other might rely on general privacy laws. Cybersecurity provisions are rarely if ever included in primary postal legislation: as postal services become increasingly digital, countries rely on broader cyber laws that also apply to postal operators.

This Chapter discusses the relevance of security, integrity, and privacy concerns, exploring the interplay between horizontal laws and sector-specific provisions unique to postal services.

Postal security and integrity have evolved significantly over time together with technological advancements, globalization, and the emergence of new threats. The role of postal services has

expanded beyond the delivery of traditional mail to encompass parcel logistics, cross-border trade, and digital services. As a result, security measures must address both traditional and modern risks, ensuring the sector's adaptability and resilience.

**Traditional threats:** Historically, postal security primarily focused on preventing theft, tampering, and mail fraud. These measures are aimed at ensuring that letters and parcels reach their destination intact and safeguard trust in the postal system.

**Modern threats:** Today, the threats to postal security are more complex. While not all of them are new, their relevance has increased due to globalization, digitalization, and growing cross-border commerce.

**Cybersecurity:** With digital tracking, customer service platforms, and online financial services becoming standard, postal networks face increasing cyber threats. Breaches could compromise vast amounts of sensitive consumer data, disrupt logistics, and undermine trust.

**Terrorism and bioterrorism:** Postal services are vulnerable to being exploited for delivering harmful substances or materials intended for illegal, violent acts or acts of terrorism.

**Drug trafficking:** The postal system is often targeted for the illegal transportation of narcotics, requiring sophisticated detection and enforcement mechanisms.

**Counterfeit goods and identity fraud:** Fraudulent use of postal networks, including the distribution of counterfeit goods or identity theft schemes, has increased, posing challenges to regulators and operators.

Also, the COVID-19 pandemic demonstrated the critical role of secure postal services and networks in maintaining economic and social connections during times of crisis. It also further accelerated the shift towards digital postal services, bringing new security challenges. In response to these evolving threats, the importance of postal security has grown exponentially, which might require revisions of legal frameworks and significant enhancements in mail screening and handling procedures worldwide.

Given that today, postal security touches upon national security, public health, and digital privacy, it requires balancing between rigorous security measures and the need to maintain efficient, accessible postal services that respect customer privacy.

## 2.E2.1 Regulatory measures for ensuring postal security

Ensuring postal security involves a multifaceted approach, encompassing both physical and procedural measures aimed at protecting postal facilities, employees, and items. Regulatory authorities play a crucial role in establishing and enforcing security standards adaptable to the evolving nature of threats.

Internationally, the UPU's Convention and its Postal Security Standards provide a global framework for postal security measures. In particular, the 2017 Extraordinary Congress in Ethiopia codified Postal Security under the UPU Convention adopting the minimum-security standards required for designated operators, which focus on both physical and procedural measures. The UPU's Postal Security Group (PSG) is instrumental in developing these standards, which aim to protect postal employees, assets, and mail from fraud, theft, and misuse.

Key measures are defined in the UPU's Postal security - General security measures document, which defines the minimum physical and process security requirements applicable to critical facilities within the postal network.<sup>13</sup>

### Universal Postal Convention – Article 8.1

Member countries and their designated operators shall observe the security requirements defined in the UPU security standards and shall adopt and implement a proactive security strategy at all levels of postal operations to maintain and enhance the confidence of the general public in the postal services provided by designated operators

<sup>13</sup> UPU, Postal security – General security measures, <https://www.upu.int/UPU/media/upu/files/postalSolutions/programmesAndServices/postalSupplyChain/Security/securityStandards/s58-4En.pdf>

[...]. This strategy shall include the objectives defined in the Regulations, as well as the principle of complying with requirements for providing electronic advance data on postal items identified in implementing provisions [...]. The strategy shall also include the exchange of information on maintaining the safe and secure transport and transit of mail between member countries and their designated operators.

Key measures discussed in this document include:

**Regular risk assessment** to identify vulnerabilities in postal facilities and security plans that must be developed, incorporating design, standards, perimeter barriers, and access control measures. By prescribing such measures, regulators help to create a secure environment that deters unauthorized entry and protects both postal assets and the broader public.

**Personnel security and training** stresses the importance of hiring processes, background checks, and ongoing security training to minimize risks posed by new or redeployed employees.

**Transportation and conveyance security** concerns the security of mail during transportation, which requires the use of resilient vehicles and maintaining strict access controls.

**Compliance audits** should be conducted to ensure adherence to security protocols, with findings reported to executive management for corrective action.

The dynamic nature of security threats, particularly in times of rapid technological changes, requires that postal security regulations be frequently reviewed and updated if necessary. Also, addressing cross-border security in an increasingly interconnected world in a harmonized and effective manner requires international cooperation.

Ultimately, the goal of postal security regulation is to create a resilient and secure postal network that can withstand both traditional and emerging threats. By treating security as one of the key issues in the regulatory agenda, governments can ensure that postal services remain a safe and reliable means of communication and commerce, thus improving public trust and contributing to national and international stability.

## 2.E2.2 Preventing illegal and prohibited items in the mail stream

Preventing the circulation of illegal and prohibited items is crucial for ensuring the integrity, security, and reliability of the postal system. The postal network, which facilitates the movement of billions of items annually, must be protected against exploitation by individuals and organizations for illicit purposes. Illicit items, that may be sent by mail range from dangerous to counterfeit products, posing significant threats both to public safety and the credibility and reliability of the postal service.

Accordingly, governments and postal regulators are responsible for adopting and implementing strict measures to prevent the use of the mail stream for illegal purposes.

Effective prevention starts with a clear and comprehensive primary legislation that defines:

**Prohibited items:** A detailed and regularly updated list of items prohibited from postal circulation, such as hazardous substances, illegal drugs, counterfeit goods, and weapons. This framework must be regularly updated to reflect emerging threats. For example, the growing concerns around the trafficking of synthetic drugs and hazardous materials require specific regulatory responses to mitigate these risks effectively.

**Enforcement powers:** Competent authority must collaborate with law enforcement and customs agencies and it must also have adequate powers to impose penalties on those who violate applicable provisions.

**Obligations for postal operators:** Postal operators must put in place effective internal controls, screening protocols, and reporting mechanisms to prevent the transportation of illegal goods.

Secondary legislation must operationalize the relevant provisions in primary law by specifying:

**Screening protocols:** Procedures for screening postal items at different stage of the mail stream, from acceptance to delivery, leveraging complementary technologies. Advanced technologies such as X-ray machines, chemical detection devices, and automated screening systems all help to identify prohibited items without causing significant delays in the postal process.

**Reporting requirements:** i.e. obligations for operators to report suspicious shipments to relevant authorities.

**Collaboration mechanisms:** Standards for cooperation with customs, law enforcement, and international bodies to combat cross-border trafficking effectively. Preventing illegal and prohibited items from entering the mail stream requires also collaboration between postal authorities, law enforcement agencies, and customs organizations. This collaboration allows to share information about potential threats in real time, enabling a coordinated response. Given the international nature of many postal items, cross-border cooperation and harmonization of regulations and inspection protocols is particularly important.

In addition to adopting adequate legal provisions, advocacy actions aimed at educating the public and businesses about regulations governing postal services is equally important. Awareness campaigns can help ensure that individuals and businesses understand what constitutes a prohibited item and the legal consequences of attempting to send such items through the mail. This proactive approach can not only help reduce the number of illegal shipments but can also improve the public's trust in the postal system.

Finally, postal workers who play crucial role in the prevention process must be equipped with the knowledge and training to identify suspicious items and act appropriately. Regular training programs and clear reporting protocols are necessary to equip postal workers with the skills and knowledge needed to act effectively.

## 2.E3 Cybersecurity in postal services

Cybersecurity threats are a growing concern for postal operators globally, regardless of the level of market maturity. As postal operators handle significant amount of personal data, such as names, addresses, and payment information, cyberattacks might result in severe consequences for both customers and the operators themselves. Indeed, operators in both advanced and developing economies have experienced severe cyberattacks that have disrupted service continuity, compromised data, and undermined public confidence.

These incidents underscore the importance of having in place adequate legal frameworks and integrating robust cybersecurity measures, which are not just a necessity for risk mitigation but can also serve as a critical part of the modernization efforts of designated operators (see focus area 4) and postal operators in general.

From a policy and regulatory perspective, cybersecurity is often addressed in horizontal laws, which aim to harmonize cybersecurity practices across critical sectors, which typically include postal and courier services, ensuring resilience in the face of cyber threats.

### The application of the EU NIS-2 Directive to the postal sector

The Network and Information Systems (NIS) 2 Directive, adopted by the European Union in 2022, represents a significant step forward in cybersecurity regulations. Its application to the postal sector highlights the critical role that postal services play in national and international infrastructure.

**Scope, application, and classification:** The Directive applies to public or private entities operating in critical sectors within the EU. These entities must meet specific size criteria, typically being medium-sized or large, but some may be covered regardless of size, if they provide a critical service. Under the Directive, postal and courier services are listed in Annex II (Other Critical Sectors).

**Cybersecurity risk management measures:** Since they fall under the scope of the Directive, postal and courier operators must implement appropriate and proportionate technical and organizational measures to manage risks in their network and information systems. These measures should include at least the following:

- Incident handling;
- Business continuity (such as backup management and disaster recovery) and crisis management plans;
- Supply chain security assessments (for postal and courier operators, this means ensuring that their partners, from logistics companies to digital service providers, also maintain high cybersecurity standards).
- Policies and procedures regarding the use of cryptography and, where appropriate, encryption.

**Incident reporting:** Postal and courier operators must report significant cybersecurity incidents to the competent authorities without undue delay. This includes incidents that:

- Cause substantial operational disruption;
- Affect a large number of users;
- Result in financial losses;
- Threaten data confidentiality.

**Supervision and enforcement:** Competent national authorities are empowered to assess the compliance of postal and courier services with the Directive. This includes the ability to conduct security audits and request information. Non-compliance can result in significant fines.

## 2.E4 Data protection and privacy

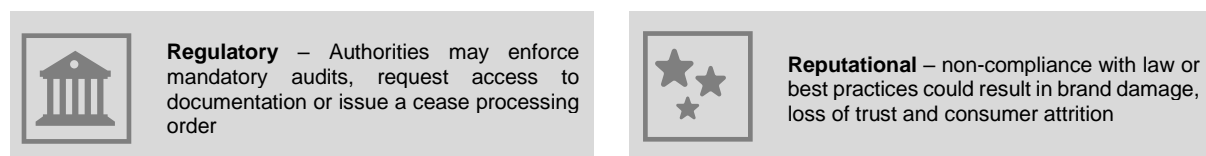
Like other industries, postal services have become data-driven organizations that are reliant on data to meet expectations of the market for seamless and quality end-to-end postal services. The declining cost of data collection, processing and storage, combined with the rapid accumulation of new data sources and tools have led postal operators to use data for many different purposes, including tools that enable route optimization, quality diagnostics, inquiries and strategic decision-making. Data is also collected to meet the needs of various supply chain stakeholders and to ensure operational and customer visibility of items travelling through the postal network.

As postal services continue to evolve in the digital age and result in the collection of vast amounts of personal data, robust data protection and privacy regulations are essential for maintaining public trust. While some countries may still lack comprehensive privacy regulations, global trends clearly indicate a strong shift toward adopting such laws.

Postal items are increasingly equipped with barcodes and significant amounts of information is collected on the items prior to their injection in the postal network. The total amount of electronic data comes in the form of billions of electronic data records generated by the physical movement of mail within and across borders.<sup>14</sup>

In a rapidly changing market and regulatory environment, data protection is critically important for the postal sector. At the national level, postal operators that do not comply with the national laws and regulations on data protection may face financial penalties or be placed under regulatory oversight. Consumers and businesses set high expectations in terms of the protection of their personal data and any breaches of the security or unlawful disclosure of their personal data to third-parties, may result in damage to brand and reputation.

*Figure X. Various risks of an ineffective data protection management programme*



<sup>14</sup> In this context, exclusively international mail



**Financial** – Fines and other types of sanctions could be enforced, depending on the violation. Other costs may include loss of revenue and litigation and remediation costs

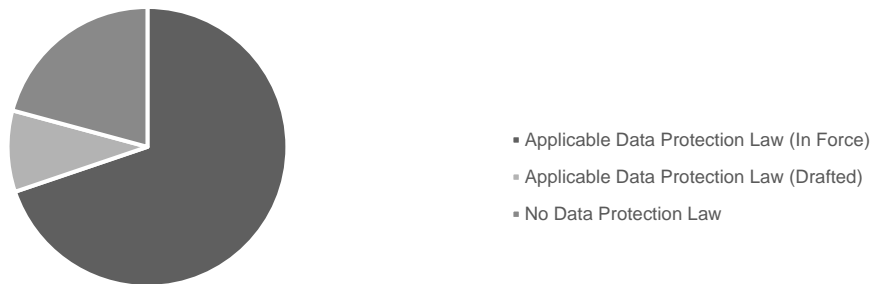


**Management** – data protection laws give data subjects more control over their data. The management of these requirements need to be managed and operationalized efficiently

## 2.E4.1 Data Protection Laws and Regulations

A majority of the UPU member countries, representing 69.8%, or 134 member countries, have enacted data protection laws and regulations. 18 Union member countries, or 9.4%, have data protection laws and regulations drafted, but these regulations have not yet entered into force. In total, 152 member countries, have legal frameworks dedicated to data protection either in force or pending adoption and/or implementation.

Figure X. Distribution of Data Protection Laws and Regulations



Approximately 20.8% of UPU member countries currently do not have applicable data protection laws and regulations. This indicates that roughly 40 countries either lack a formal legal framework for data protection or are in the very early stages of developing such laws. The absence of applicable data protection laws and regulations suggests that personal data in these countries are not subject to the same level of protection as in countries with established data protection legislation.

### UPU study on Data Collection and Protection Policies and Regulations in the International Postal Service

The 2024 study<sup>15</sup> provides an overview and analysis of the data protection practices and challenges within the postal sector as well as best practices. These recommendations aim to ensure that all UPU member countries are bound by a minimum level of data collection and protection regulations, at least in respect of the postal sector, particularly with a view to safeguarding the safe processing and transmission of personal data between UPU member countries in the context of international postal operations.

The report furthermore reviews the existing UPU policy and regulatory framework, in particular the provisions relating to the protection of personal data in the UPU Acts (more specifically those contained in the Universal Postal Convention, the Regulations to the Convention and the Postal Payment Services Agreement (PPSA)) as well as other instruments that relate to data protection, such as the Multilateral Data Sharing Agreement (MDSA), and the UPU Guidelines on the Exchange of Electronic Advance Data (EAD). The report highlights areas within the Convention, the Regulations to the Convention, and the MDSA that require further development or clarification, such as the definitions of security incidents and data breaches, data retention and deletion periods, the roles and responsibilities, the definition of data processing, and proposes specific amendments to those instruments.

The study contains two sets of recommendations. The first set of 29 recommendations concern recommendations for member countries and their designated operators to develop or enhance their effective data protection

<sup>15</sup> Universal Postal Union (UPU) (2024), Data Collection and Protection Policies and Regulations in the International Postal Service, <https://www.upu.int/UPU/media/upu/documents/042025DataCollectionAndProtectionPolicies.pdf>

management programme based on best practices. Another set of 13 recommendations concern the further improvement and development of the various legal instruments of the UPU's own policy and regulatory framework.

The study illustrates that the regulatory landscape of data protection and privacy laws among UPU member countries is diverse and evolving, with varying degrees of alignment with international standards and practices. The data protection practices of UPU member countries are also varied, with some countries demonstrating a high level of compliance and accountability, while others face challenges in implementing and monitoring data protection measures.

Postal operators handle sensitive personal data across various stages of the postal operational and delivery process, including:

- Sender and recipients' details (name, address, contact information);
- Parcel tracking and delivery records (timestamps, geolocation data, digital signatures);
- Employee and contractor data (staff assignments, biometric data, surveillance recordings);
- Third-party service providers and cross-border data transfers (logistics partners, customs authorities).

Therefore, privacy obligations in the postal sector extend beyond consumer protection and must also safeguard other stakeholders, including postal employees, contractors, and third-party service providers.

#### **Data Protection and Privacy Legislation Worldwide**

According to UNCTAD, to date, 137 out of 194 countries have adopted laws safeguarding data and privacy (see UNCTAD, Data Protection and Privacy Legislation Worldwide).<sup>16</sup> The European Union's General Data Protection Regulation (GDPR) has set a global benchmark, with various countries introducing GDPR-inspired laws. This global shift underscores the growing recognition of data privacy as a key right for maintaining trust in modern services.

To support an innovative and trustworthy postal system, policymakers need to address the unique challenges of the postal sector while aligning with broader data protection principles. This requires striking the right balance between protecting individual privacy and enabling operational efficiency and innovation in postal services. Timely reviews and amendments of relevant regulations will be necessary to keep pace with technological advancements and evolving privacy expectations.

In the years to come, various trends and challenges will shape the application of data protection regulations in the postal sector, such as:

**Digitalization and digital transformation:** With the ongoing adoption and integration of digital tools, such as tracking systems, automated delivery, new privacy risks will need to be monitored and addressed.

**Cross-border mail:** International mail services require compliance with multiple data protection regimes, requiring harmonized standards to facilitate safe and lawful data transfers.

**The use of AI applications:** These must comply with ethical guidelines and privacy impact assessments.

**Diversification of postal services offered by the designated operator:** As designated postal operators expand into adjacent areas, such as financial services, e-government, healthcare logistics, or identity verification, they increasingly process sensitive and diverse categories of personal data. This expanded role requires a robust legal framework and IT systems that ensure purpose limitation, informed consent, data minimization, and adequate cybersecurity protections across all service lines.

<sup>16</sup> UN Trade and Development (UNCTAD), Data Protection and Privacy Legislation Worldwide, <https://unctad.org/page/data-protection-and-privacy-legislation-worldwide>

## 2.E4.2 Fundamental principles of data protection

To align with best practices, postal data protection frameworks should be built on certain principles, including:

**Lawful basis for processing:** Postal operators can process data only on clearly established legal grounds, such as performance of a contract (i.e. delivering mail or package), legal obligations (i.e. customs declarations), or legitimate interests (i.e. fraud prevention).

**Purpose limitation:** Personal data must only be used for its original purpose (i.e. delivery services) and cannot be repurposed without explicit user consent;

**Transparency:** Postal operators must provide clear, accessible privacy notices explaining what data is collected, why, how it is stored, and who it is shared with;

**Data minimization and retention policies:** Only necessary data should be collected, and retention data must comply with applicable national laws. Data retention policies must be clearly defined, with different categories of data stored for appropriate durations based on legal and regulatory requirements. For example, financial and customs data may require longer retention periods due to audit, tax, and regulatory obligations, whereas recipient/addressee data should be deleted as it is no longer necessary for postal processing and tracking purposes.

**Privacy by design and by default:** Privacy measures must be embedded at every stage of service design to mitigate risks before data breaches occur.

## 2.E4.3 Key obligations of postal operators

Postal operators have several specific obligations to ensure compliance with data protection regulations:

**Data subject** (consumers, employees, recipients) must be able to exercise their rights including:

- a) Access: Right to know what data is held and how it is used;
- b) Rectification and deletion: Right to ask inaccurate data to be corrected or to delete data;
- c) Objection: Right to opt-out of certain processing activities, such as marketing profiling.

**Data breach notifications:** Postal operators must promptly notify supervisory authorities and affected data subjects of data breaches involving personal data.

**Third-party data processors:** When sourcing tasks to third parties, operators must establish clear contracts to ensure compliance with data protection laws and monitor these processors' adherence to obligations.

**Employee privacy:** Ensure that employee data is handled in line with privacy regulations, balancing operational needs with individual rights.

To ensure compliance with data protection laws, postal operators are also responsible for implementing measures such as regular audits, employee training, and where required, the appointment of Data Protection Officers (DPOs).

### German Data Protection Authority

The German Data Protection Authority in its document [Data protection and postal service providers: What postal service providers need to consider in data protection](#)<sup>17</sup>, highlights key issues that postal operators need to comply with under the GDPR and national postal laws.

<sup>17</sup> Federal Commissioner for Data Protection and Freedom of Information (2024), Data protection and postal service providers: What postal service providers need to consider in data protection, [https://www.bfdi.bund.de/SharedDocs/Downloads/EN/Flyer/Datenschutz\\_Postdienstleister.pdf?\\_\\_blob=publicationFile&v=9](https://www.bfdi.bund.de/SharedDocs/Downloads/EN/Flyer/Datenschutz_Postdienstleister.pdf?__blob=publicationFile&v=9)

- a) The role of the postal operator as a data controller: Postal operators are considered data controllers and must ensure legal compliance in all data processing activities, including consumer, customer, and consumer data.
- b) Mandatory appointment of Data Protection Officers (DPOs): Postal operators meeting certain thresholds must appoint DPOs to oversee compliance and act as liaisons with supervisory authorities.
- c) Notification obligations: Operators are required to notify the Federal Commissioner for Data Protection and Freedom of Information (BfDI) in cases of data breaches or significant incidents.

## 2.E5 Workers' rights

The postal sector operates within the broader framework of national labour and employment law while facing unique operational challenges. As the sector undergoes significant transformation driven primarily by digitalization and growing e-commerce, a key question that emerges is the extent to which postal and delivery services require sector-specific regulations beyond existing general labor frameworks.

### 2.E5.1 General labour protection framework

General labour and employment law typically govern key aspects of the employment relationship, such as basic rights, working hours and rest period, minimum wage, occupational safety, anti-discrimination protections, and collective bargaining rights. These frameworks have historically provided adequate protection for workers across various sectors, including postal services.

Relying on general labour law offers several advantages:

- It guarantees a baseline of protection for all workers, irrespective of a sector, and avoids regulatory fragmentation.
- It promotes legal certainty and administrative efficiency by applying consistent rules across diverse employment contexts.
- It supports flexibility and innovation in service delivery while preserving minimum labour standards.

However, several distinctive characteristics of postal operations may justify supplementary regulation or targeted policy measures. Historically, postal operators in many countries have been one of the biggest employers in the public or semi-public sector, offering relatively stable employment, often with strong union representation and comprehensive benefits packages. Postal workers operate across diverse work environments, from sorting facilities and processing centres to delivery routes, often handling sensitive items and confidential items, under varying physical and logistical conditions. Moreover, the sector's universal service obligation, combined with its critical role in national infrastructure, impose unique service continuity and accessibility requirements that shape employment patterns, including weekend shifts, work in remote areas, and exposure to variable workloads. These factors distinguish, albeit less than in the past, postal employment from other sectors and may require tailored regulatory responses, especially in relation to public service ethic and job security.

Primary postal legislation seldom provides detailed sector-specific labour standards, though it may include general clauses requiring compliance with national employment laws. Where more targeted provisions exist, such as in Germany's 2024 Postal Law Modernization Act, they are likely to appear in the form of dedicated chapters or enabling clauses authorizing regulators to address specific issues like heavy parcel handling or worker complaints procedures.

*Changing corporate ownership and contractualization of employment*

The liberalization of postal markets and restructuring of national postal operators have brought significant changes to employment models. In many countries, the transition from state-owned monopolies to competitive markets has led to:

**Corporate restructuring:** Transformation from formerly state-owned postal services into publicly traded or privately owned entities has entailed a shift in organizational culture and operational priorities, with a strong focus on cost-efficiency and competitiveness.

**Shift from public to private employment contracts:** The restructuring has resulted in the ‘contractualization’ of employment relationships, moving many postal workers from public-law employment contracts to private-law contracts governed by collective bargaining agreements. In several cases, this shift has created a dual system of employment:

- a) Legacy employees retain public-law protections, including enhanced job security and benefits.
- b) New hires are employed under private-law contracts with conditions aligned with those in the private sector.

**Diverse impacts on employment conditions:** In countries where strong collective bargaining mechanisms exist, private-law contracts may still offer competitive wages and protection. However, in less regulated markets, newer workers may experience precarious working conditions.

#### *Platform-based delivery services and gig economy challenges*

The transition from state monopolies to competitive postal markets has also introduced complexities in labour dynamics, affecting job security and employment conditions. The rise and growing importance of platform-based delivery services further complicates this regulatory landscape. These new business models often operate at the intersection of traditional postal services and the gig economy, challenging conventional employment classifications and regulatory frameworks.

This classification brings challenges such as:

**Unclear employment status:** For example, platform-based delivery providers often classify their workers as independent contractors rather than employees, potentially exempting them from traditional labour protections.

**Unstable income and limited benefits:** Platform workers consequently face distinct challenges, including a lack of clear employment classification, unstable incomes and compensation, and limited access to social protection.

**Algorithmic management:** Platform workers are subject to automated systems that may prioritize efficiency over workers’ well-being.

It is these operational realities that raise important questions about the adequacy of general labor protections in addressing sector-specific challenges. Consequently, policymakers must strike a delicate balance between fostering adaptability and competitiveness in the postal sector and ensuring robust protections for all workers, including platform-based ones.

## **2.E5.2 Occupation Safety and Health (OSH) standards**

Occupational health and safety standards play an important role in labour-intensive sectors like postal services. Postal workers face diverse risks across different operational phases, from repetitive physical injuries in sorting facilities, road accidents during deliveries, and the pressures of public interaction. For platform workers, risks are compounded by factors such as algorithmic management, which can prioritize efficiency over workers’ safety. Hence, while general workplace safety regulations provide essential protections, the specific demands of postal operations may require additional consideration.

Effective safety protocols must therefore account for the full range of workplace environments and tasks encountered in postal services. This includes risks associated with manual handling, vehicle operation, weather exposure, and public interaction. The integration of new technologies and delivery models

further complicates the safety landscape, requiring regular assessment and adaptation of protective measures.

Primary postal legislation might either not address occupational safety and health standards at all or it might include a general obligation for postal operators to comply with national labor laws and general workplace safety regulations. However, considering the variety of existing national approaches, such provisions might occasionally be found. For example, Chapter 9 of the German Act on the Modernisation of Postal Law, adopted in July 2024, includes sector-specific provisions to protect postal workers. Among others, it foresees:

**Package weight classification and marking:** Suppliers must ensure that parcels exceeding specific weight threshold (more than 10 kg but not exceeding 20 kg) must include a clearly visible and understandable indication of their increased weight; and

**Two-person delivery or technical aids:** parcels weighing over 20 kg must be delivered by two workers, unless a suitable technical aid is available to a single person for delivery.

Where neither primary postal law nor secondary regulations include sector-specific provisions concerning OSH standards, collective agreements negotiated with trade unions tend to fill this gap, covering areas such as:

- Detailed OSH standards tailored to the specific risks inherent in postal operations;
- Provisions for regular medical check-ups and ergonomic support, particularly for those engaged in physically demanding or high-risk tasks.
- Mandatory training programs on workplace safety protocols, proper use of safety equipment, and hazard identification. Training may also cover new technologies and work practices to adapt to an evolving operational environment.

### 2.E5.3 Training and skill development requirements

The technological transformation of postal services has elevated the importance of continuous professional development. Workers need to adapt to new technologies, changing operational processes, and evolving customer demands. While the primary responsibility for training rests with postal operators, policymakers should promote adequate attention to workforce development and encourage investment in professional development

## Module 2F Design, implementation and enforcement

Policy design, implementation, and enforcement are sequential stages in the policy process. Design involves creating the policy by identifying a problem and developing solutions; implementation is the execution of the policy through practical actions, resource allocation, and coordination; and enforcement is the process of ensuring compliance with the policy through monitoring and sanctions. These stages are interconnected, and success often depends on designing with implementation in mind and using enforcement to guide future policy adjustments.

### 2.F1 Guidelines for design and implementation

As explained in module A of this focus area, the content, structure, and level of detail of national postal acts vary considerably depending on the specific needs of each country, reflecting its unique characteristics, the maturity of its postal market, and its regulatory priorities. The aim of drafting or revising postal legislation is not only to regulate postal market effectively but also to ensure alignment with broader economic and legal systems.

The following principles and recommendations should guide the design and implementation of postal legal reforms:

**Recommendation 1:** when drafting the postal law, establish criteria for deciding what content should be included in the development of the regulations. Bear in mind that the higher a regulation is in the hierarchy of laws, the more difficult it will be to amend it.

**Recommendation 2:** differentiate between primary and secondary legislation.

- Include only foundational provisions in the primary law (Postal Act);
- Delegate operational and procedural details to secondary legislation, which are more adaptable to changing conditions.

**Recommendation 3:** Conduct a comprehensive legal and institutional assessment before initiating reforms:

- Identify gaps, overlaps, and inconsistencies in the current legal framework;
- Map interactions with related legislation (i.e. competition law, consumer protection, customs, e-commerce, financial services);
- Review institutional mandates and the capacity of the regulatory body,

**Recommendation 4:** Anticipate the broader impact of proposed legal changes:

- Understand how they may affect actors outside the postal sector;
- Recognize that amending multi-sectoral laws (i.e. data protection, customs) can be procedurally complex and politically sensitive;
- Plan for inter-ministerial coordination and cross-sectoral consultation where needed.

## 2.F2 Enforcement mechanisms

An adequate and comprehensive regulatory framework is essential to ensure that the objectives of postal reform are not only established in law but are effectively pursued. While sound policies and clear market rules form the foundation of postal regulation, they must be backed by credible and well-calibrated enforcement mechanisms. It is the regulator's capacity to monitor compliance, investigate breaches, and apply appropriate sanctions that ultimately safeguards the integrity of the postal sector. Without strong enforcement powers, even the most carefully designed postal law and regulatory framework risk being weakened by persistent non-compliance, regulatory arbitrage and evasion, and a loss of public trust.

### 2.F2.1 Enforcement powers

To ensure compliance with legal and regulatory obligations, primary postal legislation should provide a clear legal mandate for regulatory enforcement and equip competent authorities with a comprehensive and proportionate set of enforcement powers. These powers must be sufficient to deter misconduct, correct non-compliance, and ensure accountability across all market participants, including the designated operator.

The following categories represent the core enforcement functions that must be clearly defined and authorized by postal legislation.

**Investigative powers:** These are foundational for any enforcement regime. Regulators must be at least empowered to:

- Request and inspect information and documents from postal operators;
- Access and inspect business premises and infrastructure;
- Monitor service quality and compliance with reporting obligations.

**Remedial and corrective actions:** These actions aim to rectify breaches and ensure future compliance. Legislation should at least authorize:

- Issuance of compliance orders or directions;
- Requirement for corrective action plans;
- Suspension of specific services until compliance is achieved.

**Sanctions and penalties:** Where violations of postal laws are established, the regulator should be able to:

- Impose administrative fines;
- Suspend or revoke licenses or authorizations;
- Publish non-compliance decisions;
- Proceed with criminal prosecution, where foreseen, for serious or repeated violations.

## 2.F2.2 Procedural safeguards

The legitimacy and effectiveness of any enforcement framework depend not only on the scope of regulatory powers but also on the existence of clear, fair, and transparent procedures governing their application. Postal laws must include adequate procedural safeguards that protect the rights of the affected parties and enhance the credibility of enforcement actions.

Accordingly, postal laws should include at least the following core safeguards:

### 1. Right to prior notification and response

Before imposing penalties or sanctions, regulators should be legally required to notify the affected operator of the alleged non-compliance, the evidence supporting the claim, and the intended enforcement action. Operators must be given a reasonable opportunity to respond and submit additional evidence.

### 2. Transparency and reasoned decisions

Regulatory decisions, particularly those involving sanctions or license modifications, should be based on clearly stated reasons and documented evidence. The law should require that decisions be made in writing, include the legal and factual basis, and be communicated to affected parties in a timely and accessible manner.

### 3. Appeal and review mechanisms

Effective enforcement also requires legal avenues for redress. Affected parties must have the right to challenge regulatory decisions through an administrative appeal or judicial review. Postal legislation should:

- Clearly establish the right to appeal enforcement actions;
- Identify a competent and independent tribunal or court with jurisdiction to review the regulator's decisions.

By embedding these procedural safeguards into postal legislation, governments can ensure that regulatory enforcement is consistent with international standards of administrative justice.

## 2.F2.3 Cross-border and inter-agency enforcement

Given the increasing complexity of postal markets, driven by digitalization, e-commerce, and service diversification, effective oversight and enforcement increasingly require coordination across both

domestic institutions (such as data protection, consumer protection, competition, or customs bodies) and international jurisdictions. Such coordination ensures consistency in enforcement and enables regulators to address systemic issues that may fall outside the traditional scope of postal law but affect service quality, consumer rights, or market functioning.

At the international level, cross-border collaboration presents distinct challenges and should be addressed in bilateral agreements, regional frameworks, and international standards, including those developed by the UPU.

To support these efforts, national postal legislation should explicitly allow for:

- Cooperation protocols, including information sharing and mutual assistance mechanisms; and
- Participation in regional and international postal and other relevant bodies and organizations.