



Market Review
postal sector in Botswana

BOCRA

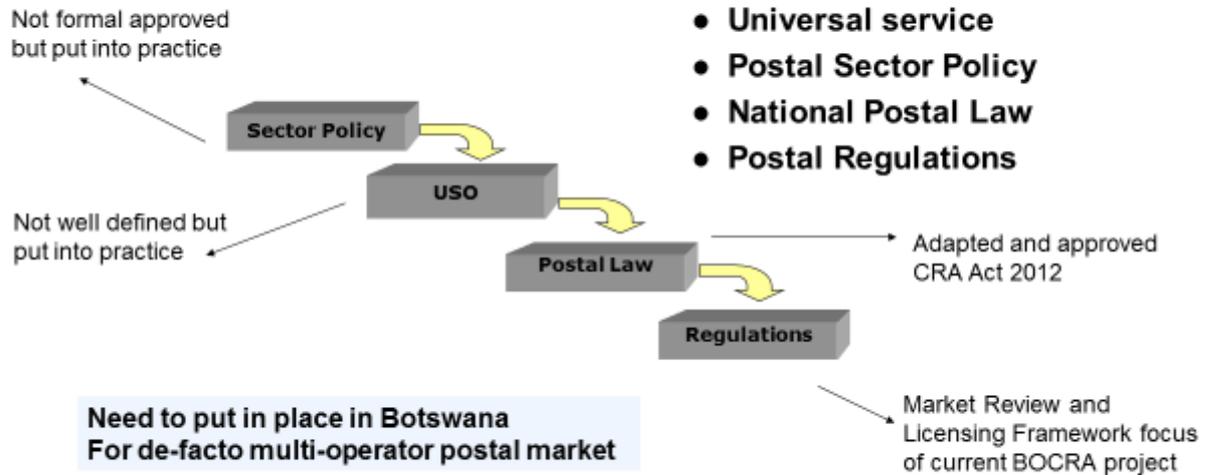
by
Hans Kok
Director Business Consult
The Netherlands

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Attention points

- **Main issues for Postal Reform and actual situation in Botswana**
 - UPU Convention and Art. 12 for definition of postal services
 - Differentiation between ordinary and value-added mail services
 - Focus of postal regulations and Art. 71 and Art. 72 of the CRA Act 2012
- **Market segmentation Mail, Express and Logistics and Freight**
 - Best practice and situation in Botswana
- **Market Review Botswana**
 - DPO BotswanaPost and CPO's in Botswana
 - Overview main focus CEP operators
 - Main flow of volumes, market-share, coverage, employment and turnover
- **Main issues Licensing Framework: next phase**

UPU Regulatory framework



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Postal Services UPU Convention Art. 12

Reference in CRA Act 2012

▪ Letter-post items

- Priority items and non-priority items, up to 2 kilograms
- Letters, postcards, printed papers and small packets up to 2 kilograms
- Literature for the blind, up to 7 kilograms
- Special bags (M bags), up to 30 kilograms

▪ Parcels (Mandatory supplementary services)

- Parcels up to 20 kilograms
- Registration service for outbound priority and airmail letter-post items
- Registration service for outbound non-priority and surface letter-post items to destinations for which there is no priority or airmail service
- Registration service for all inbound letter-post items.

- Mandatory implies that the designated postal operator for universal postal services has to offer these services nationwide, while other (private sector) postal operator are free to undertake such services without obligations for national coverage.
- As applicable in Botswana. Within the framework of the UPU countries may deviate from these suggested standards.

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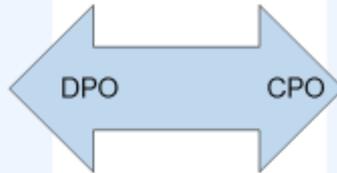


This is Article 12 of the UPU Convention underlying the UPU Treaty signed by all countries in the world to assure mail exchange between the designated postal operators providing the indicated universal postal services.

Assessment postal market : main differences service provision

▪ Basic and ordinary mail services:

- UPU agreements to provide universal postal services
- With access for all inhabitants, affordable pricing and reasonable quality of services at universal conditions



▪ Value-added mail services

- Commercial offer with specific conditions for segmented markets
- Focus on business customers and larger mail categories without focus on individual citizens
- Focus on improved services with better margins

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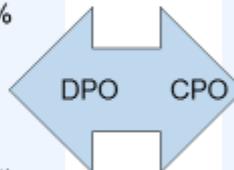


For the purpose of postal regulations a differentiation is needed between both categories of services. More understanding of the impact of this differentiation is provided in the slide hereafter detailing the differences between ordinary and value-added mail services.

Assessment postal market : Differentiation DPO versus CPO

▪ Basic and ordinary mail services:

- Lower QoS (speed) standards for domestic mail and (D+ 1 to D+ 5)
- Idem for international mail (85% D+5)
- No track and trace
- No guarantees for delivery
- Insured and registered as (cost) value added (cost) category
- More extended access to all citizens/inhabitants nation-wide



▪ Value-added mail services

- END – to – END CONTROL (Liability)
- Time –definite QoS (speed)
- More extended range for time definite delivery (early morning, noon, afternoon, evening etc.)
- Faster customs clearance
- Track & Trace of single items
- Insured services (standard)
- Guarantees for service and delivery in contractual arrangements
- Approach business entities and more limited focus on individual citizens nation-wide.

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Each country may detail the category of reserved services fit to the local market environment and need to assure universal service provision. This is recently done in Art 71 of the CRA Act 2012 in Botswana.

Article 71 CRA Act 2012

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71. (1) Reserved postal services are reserved for the public postal operator and relate to the following parts of the universal postal services —

- (a) the conveyance of domestic and cross-border items of correspondence of up to a weight of 100 grams and delivered through a P.O. Box;
- (b) the conveyance of cross-border mail conveyed through the UPU mail exchange system;
- (c) subject to subsection (5), the provision of P.O. Boxes in communities with at least 5000 inhabitants;
- (d) the issuing of stamps bearing the word “Botswana” or imprinted with the effigy of the Head of State of Botswana; and
- (e) the placing of street letter boxes for mail collection.

(2) Subject to subsection (5) no person, other than a public postal operator, shall provide reserved postal services under subsection (1) except for the self-delivery of postal services.

(3) Any person who contravenes the provisions of subsection (2) commits an offence and is liable to a fine of not more than P20 000, or to imprisonment for a term not exceeding 12 months, or to both.

(4) The Minister may direct the Authority to grant such postal operator as he may specify in his written direction, an exemption from the provisions of subsection (2) with respect to the delivery of mail at P.O. Boxes at operations of the concerned postal operator.

Art. 72 provides the space for commercial postal operators in Botswana in details fir to the Botswana situation.

Article 72 CRA Act 2012

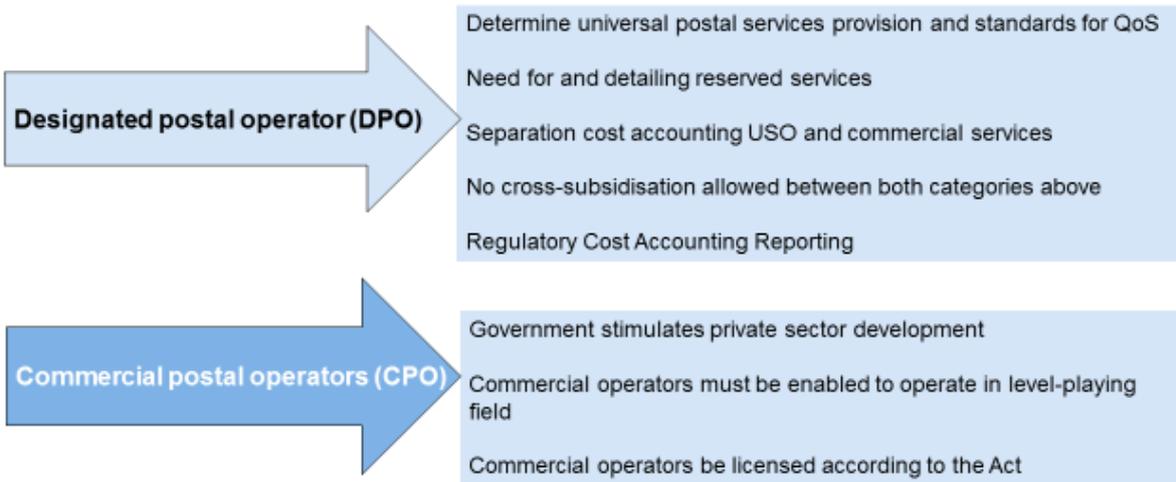
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72. (1) A licensed postal operator including the public postal operator shall be entitled to provide commercial postal services throughout Botswana.

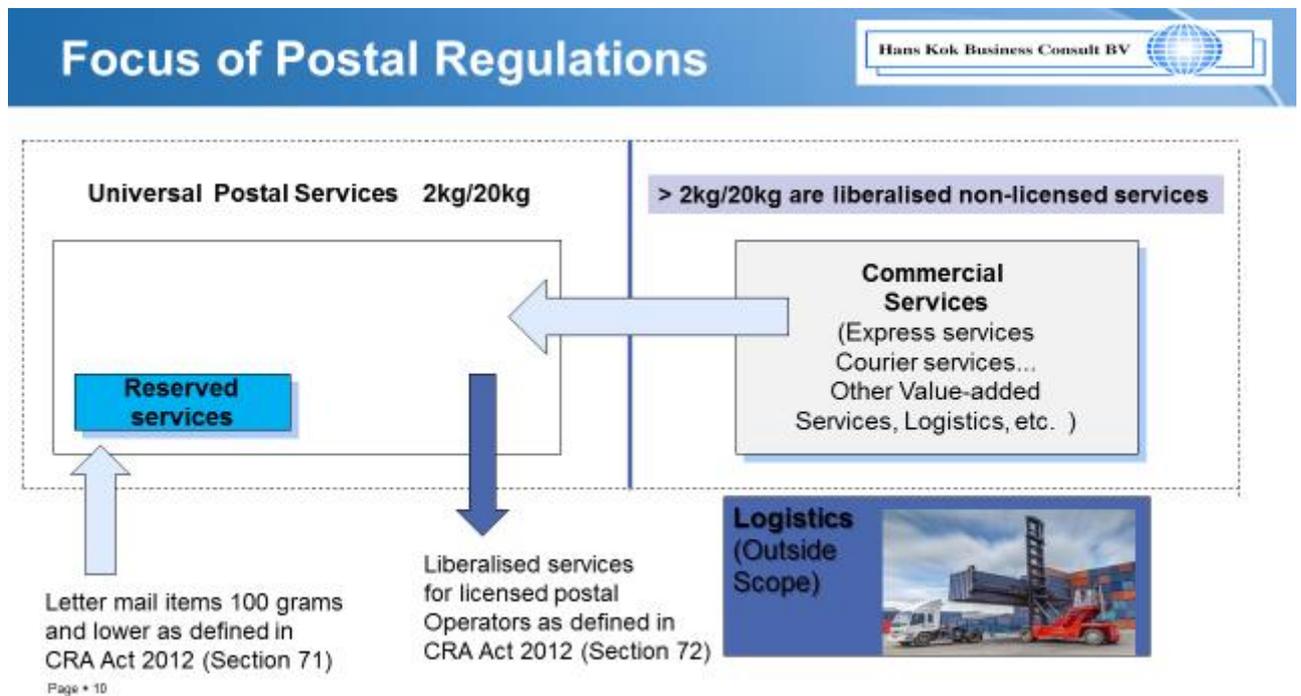
(2) For purposes of this section, “commercial postal services” includes the following postal services

- (a) the conveyance of addressed mail not delivered through a P.O. Box but delivered directly to the addressee as a value added service;
- (b) the conveyance of advertising mail;
- (c) the conveyance of incoming cross-border mail not to be delivered to a P.O. Box;
- (d) the conveyance of postal packages and postal parcels;
- (e) express and courier postal services delivered directly to the addressee as a value added services, supplemental including extra services such as bar-coding, tracking and tracing, insured terms and guarantees on delivery; and
- (f) all other value added postal services not being part of the universal postal services and the reserved postal services, such as pre-mailing services.

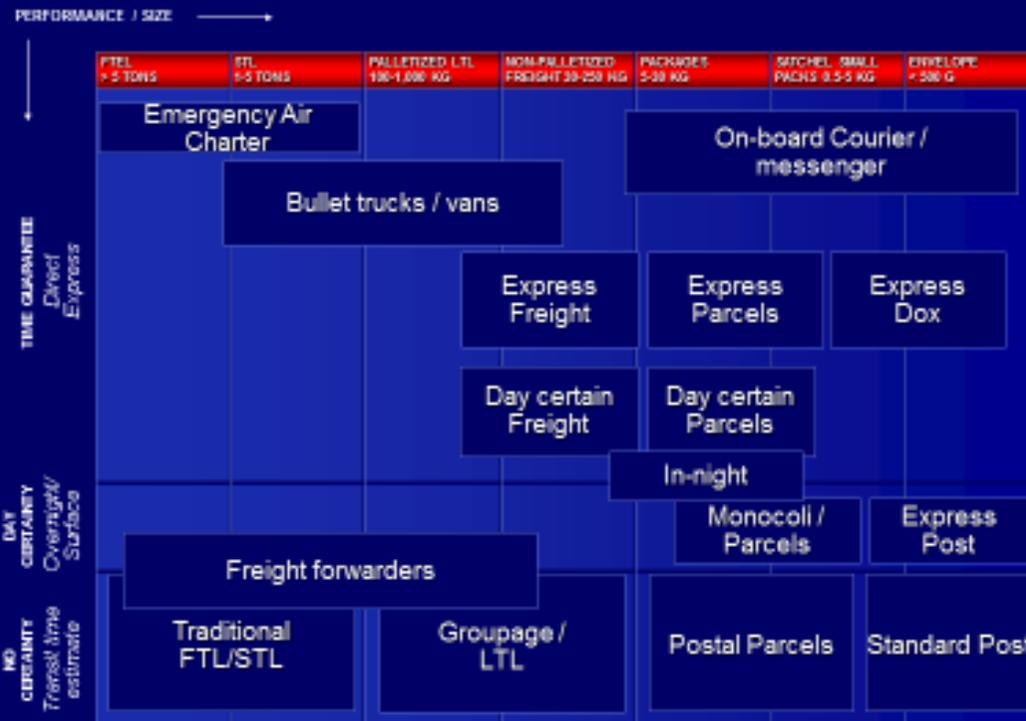


The differentiation has great impact on the postal regulations as indicated above.

Based on this separation of ordinary and value-added mail services the following view may help in understanding the focus of postal regulations (universal postal services) and those services falling outside the scope of the postal regulations.



Market segmentation: Mail – Express & Logistics - Freight



source: McKinsey and Company



June 1999 no. 11

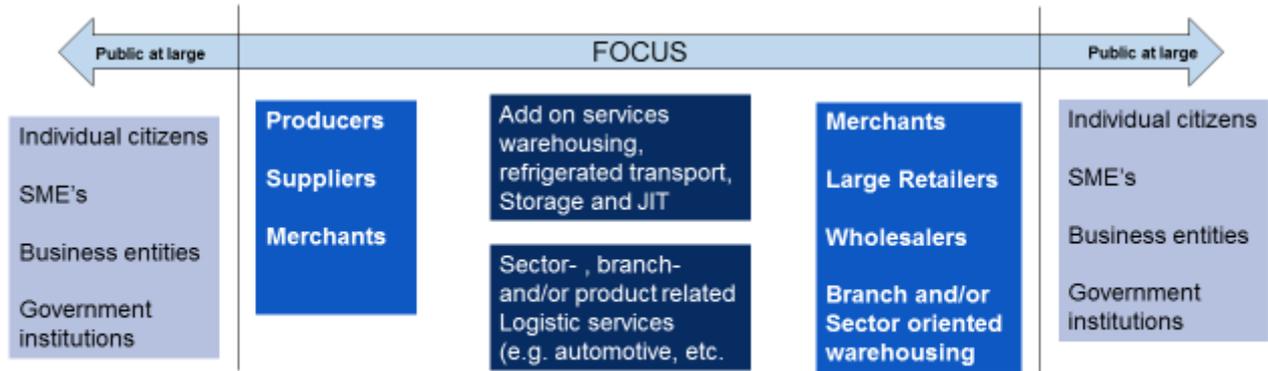
The analysis above provides the main differences between **Post, Courier Express and Parcels (CEP) , Logistics and Freight.**

The focus of postal regulations is at the right side of the overview while Logistics and Freight.



Determined by UPU policies, guidelines and legal framework **Parcels Maximum 20 kg**

Determined by operations within the supply-chain: **aiming at individual households or beyond?**



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As many operators in Botswana are active in the CEP area and Logistic area a further differentiation need to be provided as done above.

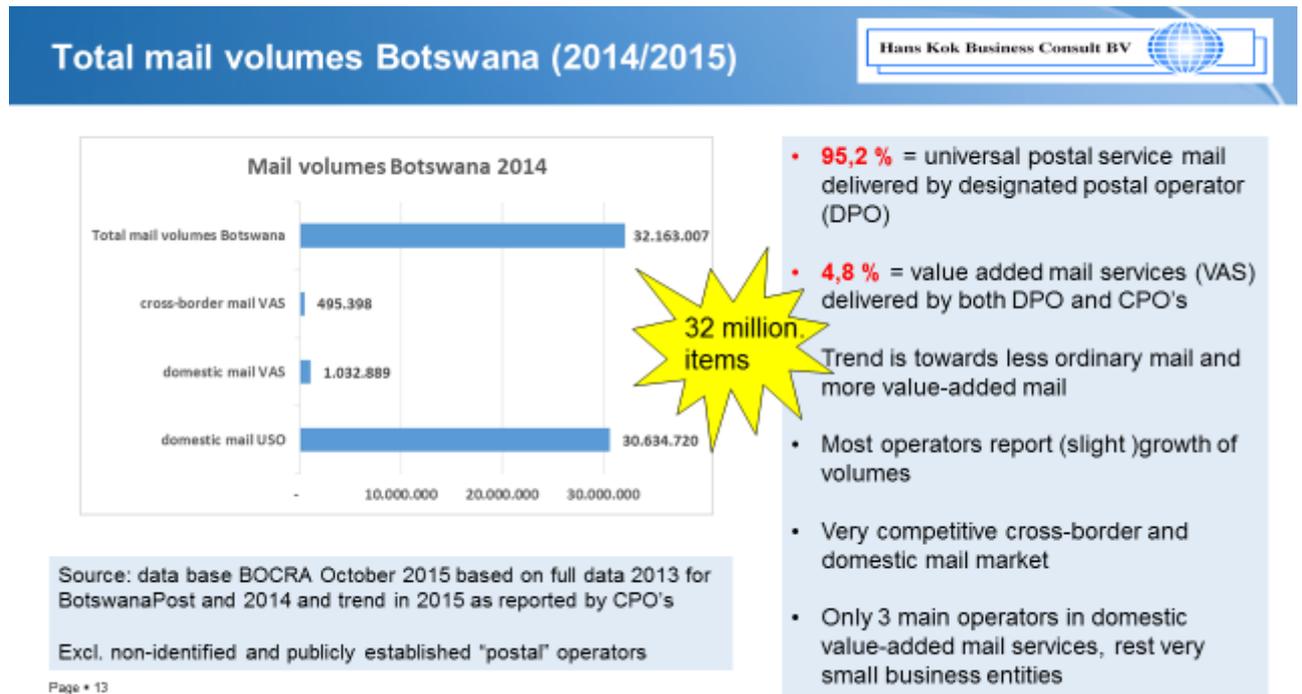
CEP operators are aiming at the public at large, such as individual citizens, households, SME's (shops and shopping malls, and government institutions (ministries, parastatals).

Logistic services do not have this end-to-end objective at public at large, but are focused on the business entities (producers, Suppliers, Merchants, etc.) and offering business oriented value-added services as indicated.

The range of Logistic services is usually provided for certain branches and commercial sectors such as Health and Sanitation, Automotive, etc. as different requirements are needed for each of them. A typical Logistics provides focused services for a limited range of clients.

This is less relevant for the global operators aiming at more branches and sectors but very important for smaller operators aiming at services for very limited branches and sectors and having a smaller customer base for dedicated Logistic Services.

The following overview is provided on the total mail volumes falling within the scope of postal regulations in Botswana with a total of 32 million items per year in 2014.



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The dominant mail volumes are processed for ordinary mail by the designated postal operator in Botswana which is BotswanaPost.

BotswanaPost Ordinary Mail (USO)



BotswanaPost	2013	
Letter mail (domestic)	24.000.000	Estimate UPU data
Letter mail (cross-border)		
inbound	1.202.128	
outbound	66.804	
Registered mail (domestic)	297.386	
Registered mail (cross-border)		
inbound	18.608	
outbound	16.946	
Insured mail (domestic)	16.864	
Insured mail (cross-border)		
inbound	92	
outbound	318	
Hybrid mail (domestic)	5.013.915	
Hybrid mail (cross-border)	1.659	
	30.634.720	



Main trends:

- Substitution ordinary mail by electronic media such as mobile telecommunications and Internet
- Increasing hybrid mail solutions for bulk mailers
- Increasing e-Commerce and e-Government
- Increased competition in multi-operator Postal market

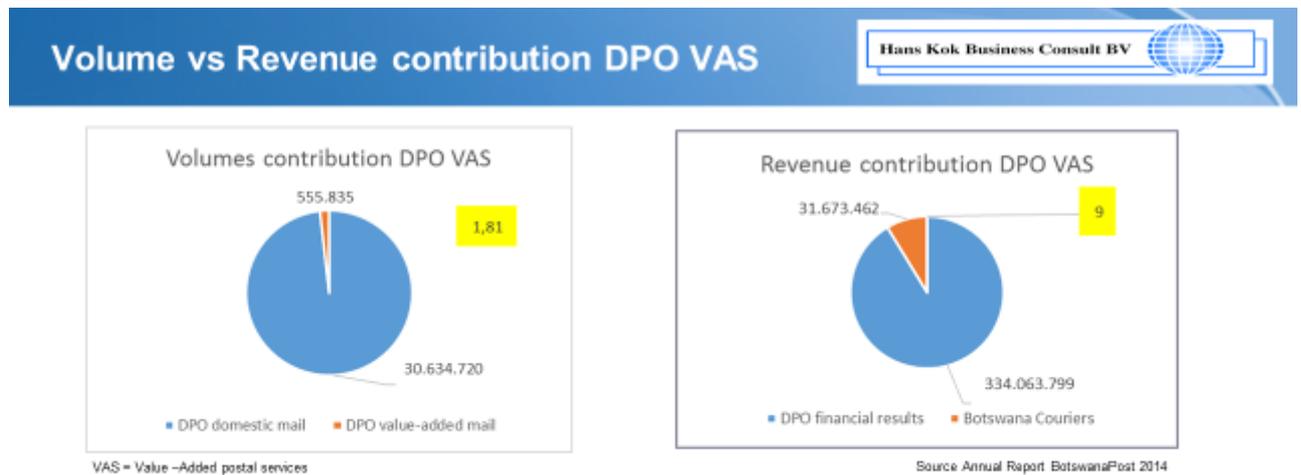
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If all volumes are put in the differentiation made for postal regulations between the DPO (designated postal operator) and CPO (commercial postal operators) it can be observed that 95 % of the mail volumes are ordinary mail volumes and the rest (3-5%) are value-added mail services provided by CEP operators in Botswana.



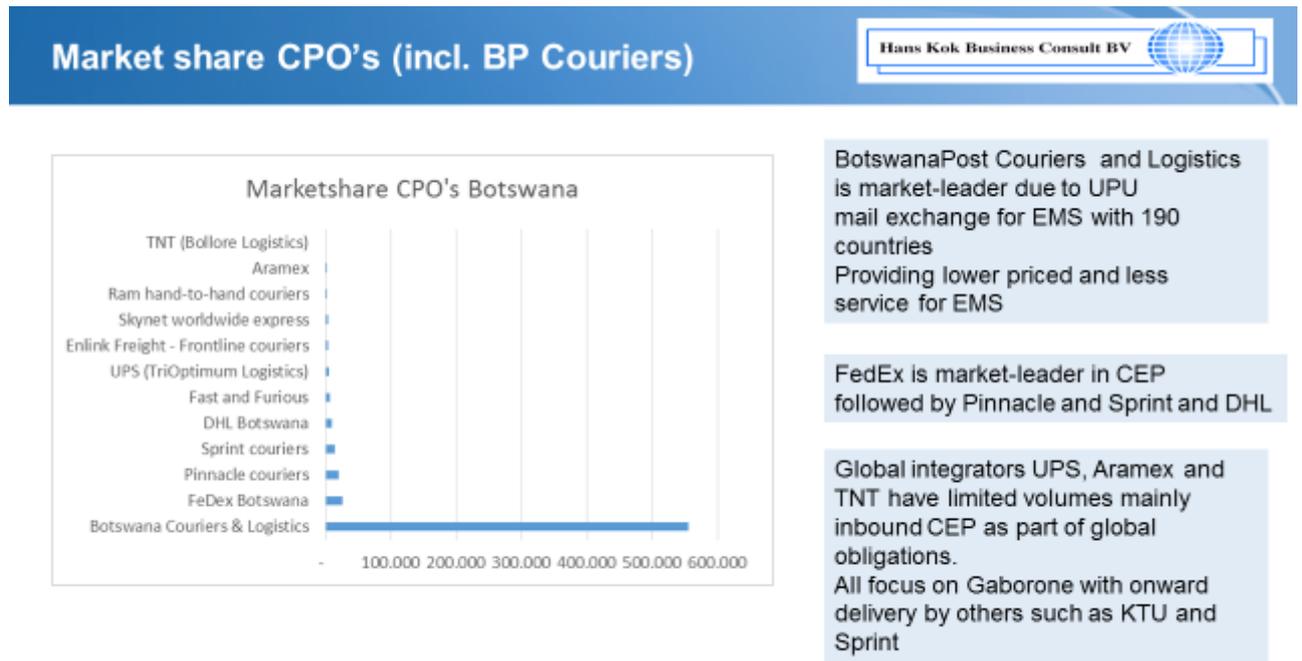
Conclusion Ordinary mail (USO) is dominant in Botswana

Within the designated postal operator, value-added services are app. 2 % of the volumes and 9 % of the revenues, to be explained because value-added services come with higher margins.



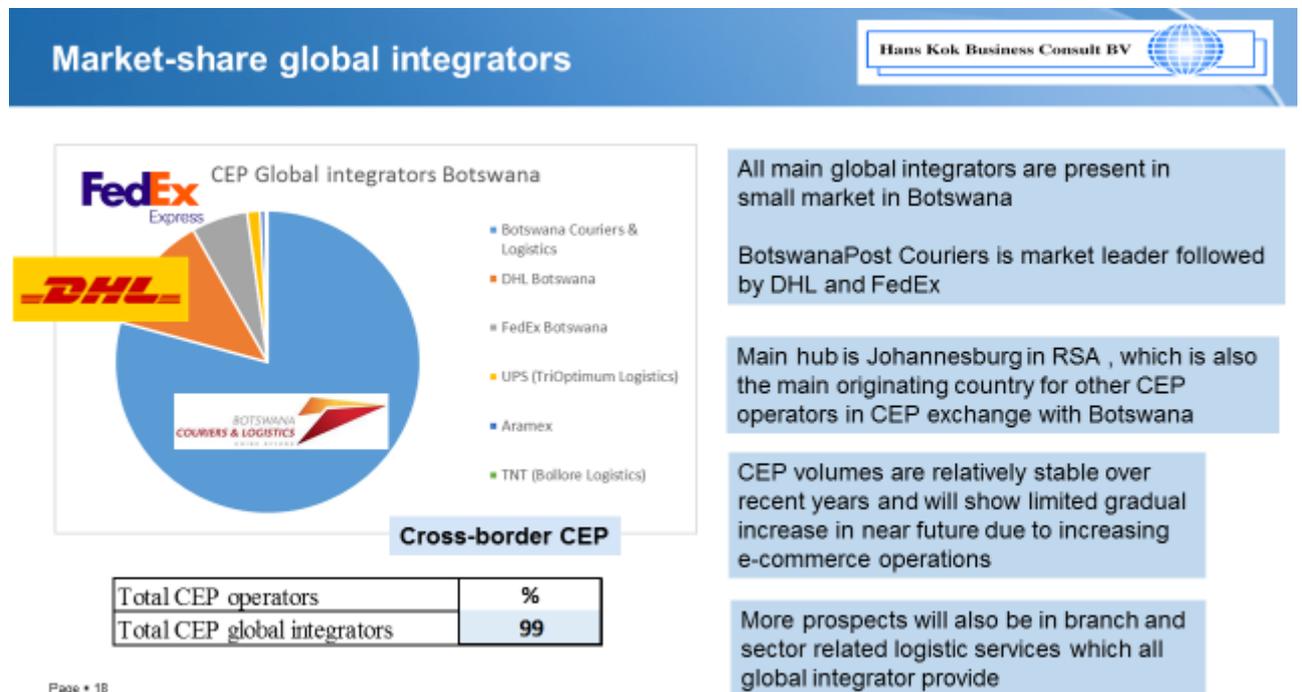
1. Volume contribution vs Revenue contribution = < 2 % vs 9 %
2. VAS needs to be provided in level-playing field for all operators (UPU policies)
3. Revenue contribution depends on full and transparent separation of cost accounting between universal and commercial postal services as required in UPU policies and guidelines since Bucharest Congress 2014

In terms of overall mail volumes within the scope of postal regulations, the following overview is provided for market-shares in Botswana.



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Within the category of value-added mail services , the 6 global integrators as indicated provide 99% of the mail volumes.

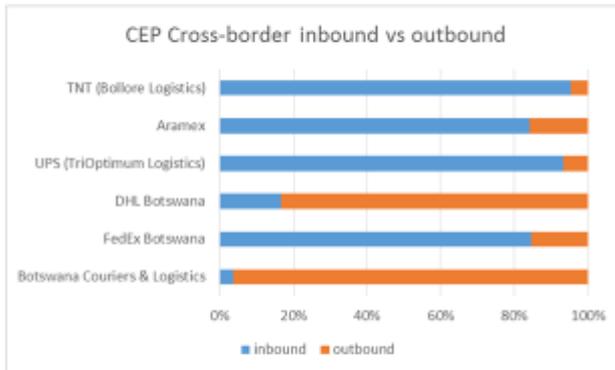


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Most global integrators have more inbound than outbound CEP services with 2 exceptions DHL and Botswana Couriers also having a relatively higher outbound mail volume.

CEP cross-border inbound and outbound

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Most CEP integrators report dominant share of inbound vs outbound volumes

Except Botswana Couriers and DHL reporting more outbound than inbound volumes with main focus on RSA

DHL has however also a strong supplemental Logistic services customer base in Botswana

The mail operators in Botswana (DPO and CPO's) can be further differentiated in the focus of their activity as provided hereafter. The category of Domestic CEP operators also provide cross-border mail services but have a stronger focus on domestic CEP operations.

Focus of CEP operators in Botswana

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Aramex
Bollore Logistics (TNT)
BotswanaPost
Botswana Couriers & Logistics
DHL Botswana
Fast and Furious
FeDex Botswana
Enlink Freight - Frontline couriers
KTU Express
Omega couriers
Pinnacle couriers
Ram hand-to-hand couriers
Skynet worldwide express
Sprint couriers
TriOptimum Logistics (UPS)

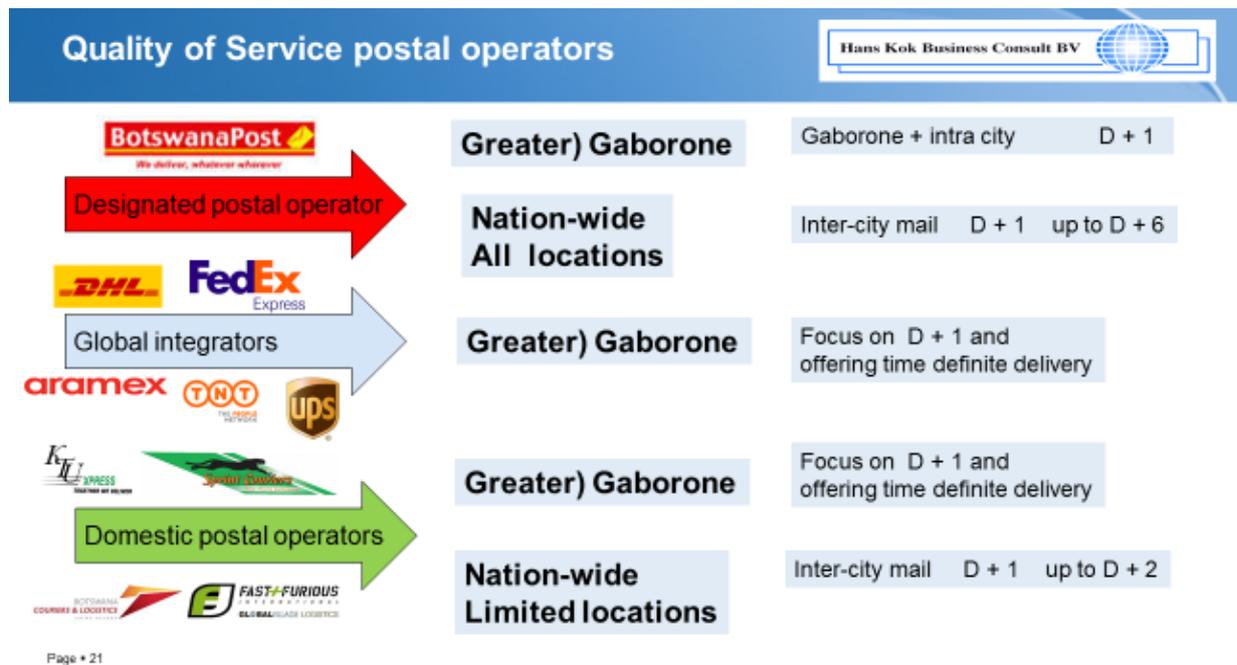
Global CEP operators
Aramex
DHL
FedEx
TNT (Bollore)
UPS (TriOptimum)
Botswana Couriers & Logistics (UPU)

Regional CEP operators with RSA focus and global links
RAM hand-to hand couriers
Pinnacle couriers
Enlink Freight - Frontline
Omega couriers

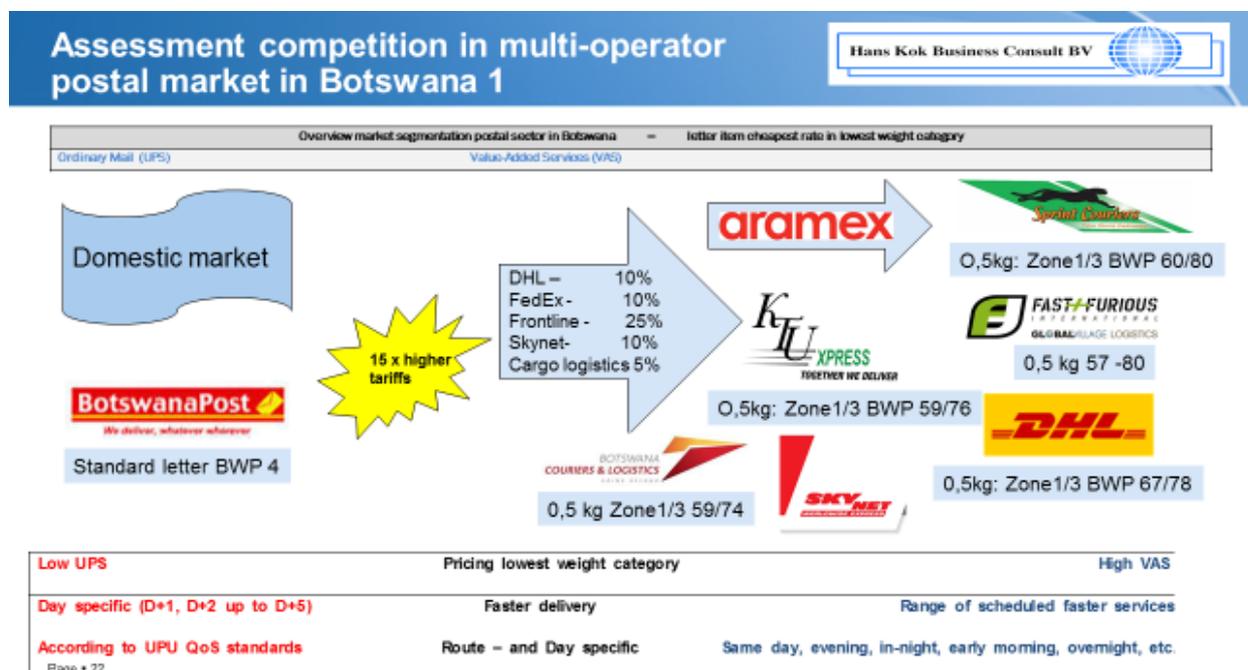
Designated Postal Operator
BotswanaPost
Domestic USO
Cross-border USO

Domestic CEP operators
Sprint couriers
Fast and Furious
KTU Express
DHL
Skynet worldwide express
Botswana Couriers & Logistics

The postal and CEP operators in Botswana provide different quality of services with main differentiation provided hereafter.

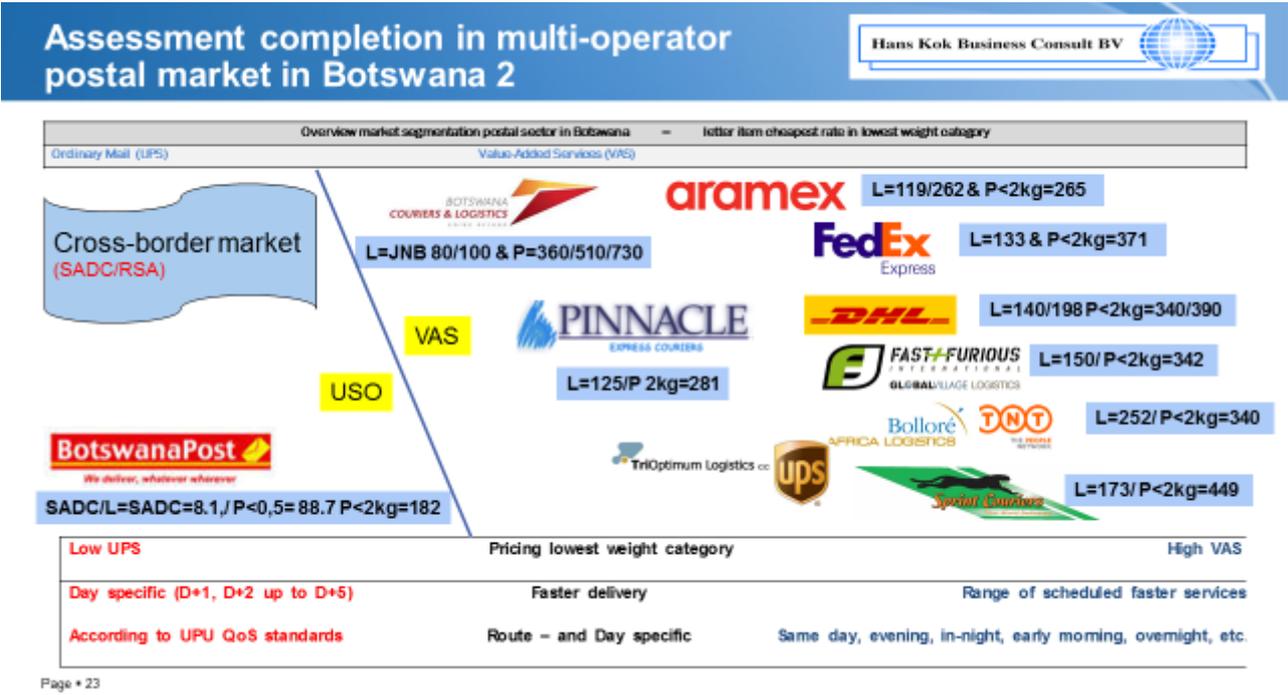


It must be kept in mind that the DPO has the obligation to provide nation-wide mail services in Botswana while commercial operators are allowed to operate in commercially viable parts of the country only.



The overview above provides the main players in the competitive domestic market in Botswana.

The overview below provides the main players in the competitive cross-border market in Botswana.



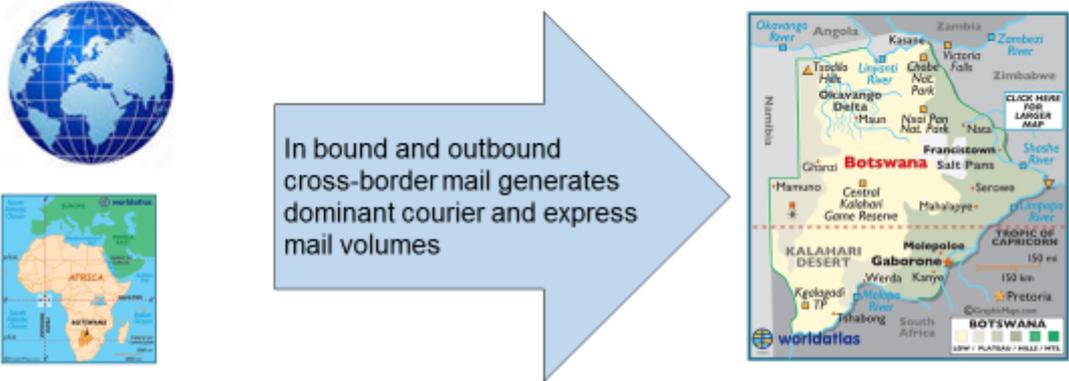
The comparison is focused on the most important mail category which is the lowest step in the price/weight category of all operators relevant to benchmark with ordinary and universal postal services by the DPO. Other categories are more important for the business entities which have more opportunities to compare services and pricing before entering into contracts with CEP operators.

Basic tariffs compared

Lowest tariffs CEP operators compared					
CEP Cross-border	outbound	Letter 0,5 kg		Parcels 2 kg	
		min	max	min	max
Botswana Couriers	RSA	80	100	500	per kg 5.3
ArAmex	8 zones	119	262	265	811
Pinnacle couriers	focus RSA	125		275	per kg 3
FedEx	9 zones	133	277	371	888
DHL	RSA docs	140	292	340	795
Fast and Furious	minimum rates	150		342	
Sprint couriers	8 zones	173	477	449	1182
Frontline	focus RSA	185	per kg 1.85	188.70	per kg 1.85
DHL	RSA non-docs	198	403	390	935
TNT	zone 1	252		340	

The data of all operators show that the in- and outbound cross-border mail volumes are very important for land-locked Botswana mainly processed from the business entities in RSA and through the Johannesburg hub for global mail processing as well.

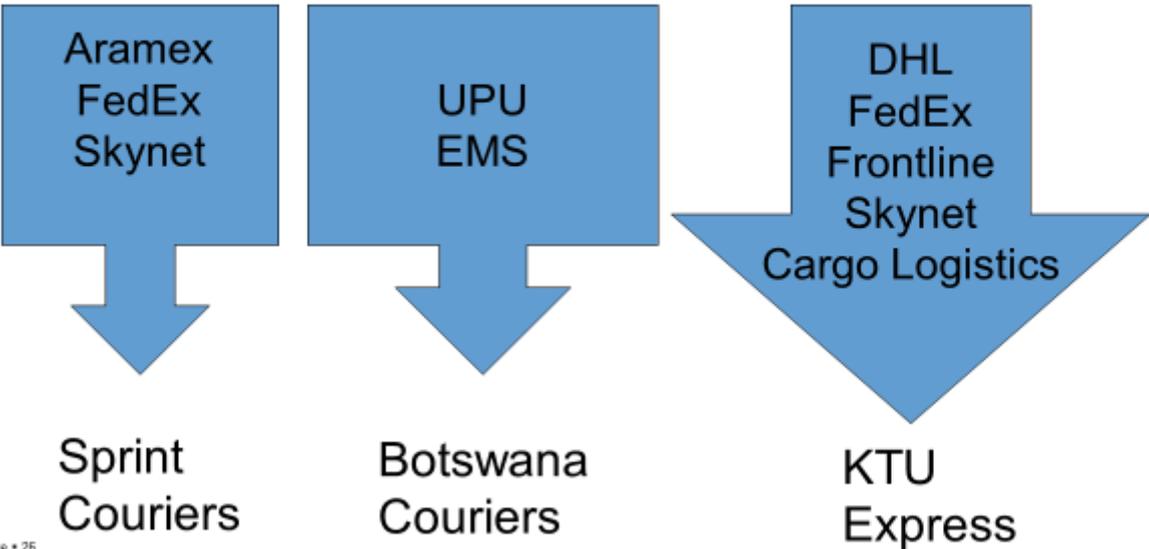
Cross-border mail is dominant Hans Kok Business Consult BV 



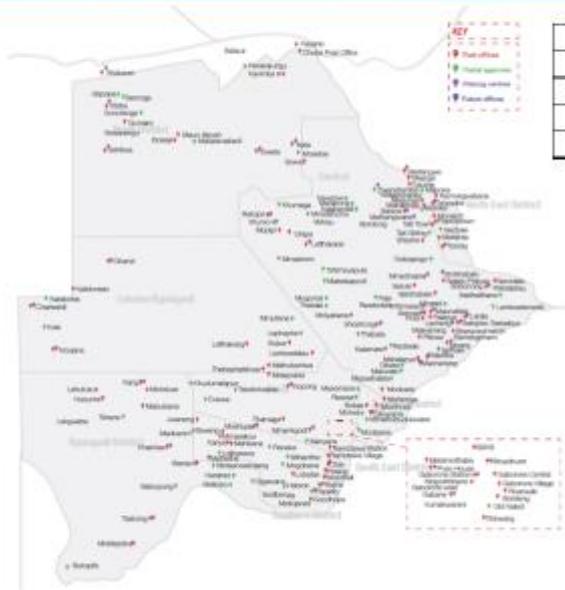
Domestic courier and express operators mainly focused on delivery within Botswana outside Gaborone on behalf of global integrators (DHL/FeDex/UPS/TNT/Aramex) and regional operators mainly generating mail from/via RSA to Botswana

Also must be taken into account that domestic CEP operators provide services for other operators mainly global integrators as indicated. This implies that domestic and cross-border operations are very much related and domestic operators could have a less viable business without cross-border mail volumes processed for others.

Domestic CEP operators: Cooperation inbound Hans Kok Business Consult BV 



Coverage DPO Access to postal network



BotswanaPost	1990	2015
Post offices	123	124
Agencies	43	86
Kitsong centres	0	58
total service points	166	268



We deliver, whatever wherever

REGION	Total Cost	REVENUE	PROFIT
NORTH	35,285,293	14,427,775	20,857,518
LK	30,913,947	5,698,720	25,215,228
CENTRAL	21,969,947	8,274,992	13,694,956
GABORONE	35,750,519	19,103,782	16,646,737
Total	123,919,707	47,505,268	76,414,438

A major difference exist for the (obligated) coverage of mail services for the DPO and CPO's as proved hereafter. This is of course very important for the viability of the mail operations and room granted to all operators to establish a viable business entity in Botswana. However it has a negative impact on the DPO having to provide mail services up country for “affordable” pricing.

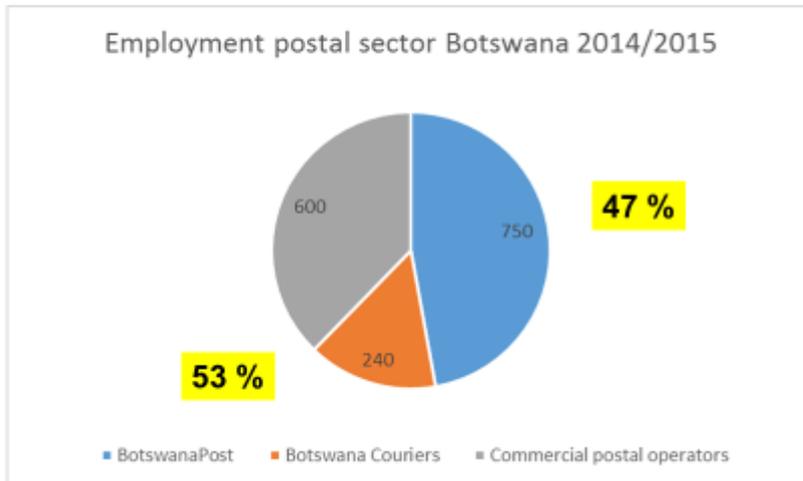
Coverage DPO vs CPO



While politicians tend to protect the employment provided by the designated postal operator it is highly relevant to note that the commercial operators together already provide more employment.

Employment postal sector in Botswana

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Development of the socio-economic environment and business sector must come from private sector involvement in all sectors of activity including the postal sector

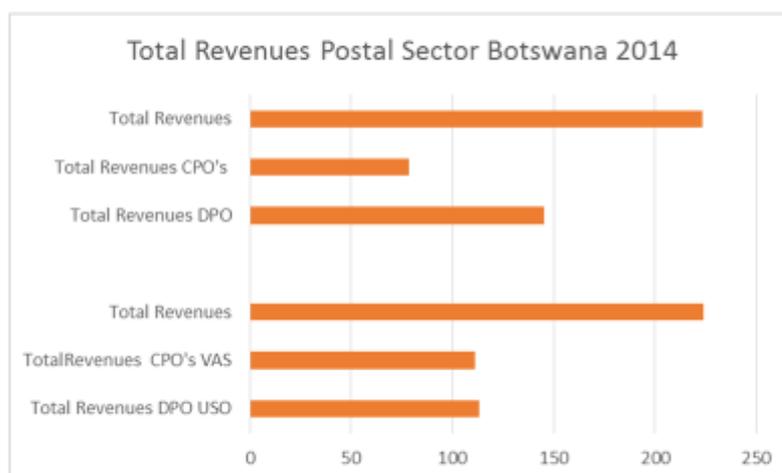
New business activities, such as value added mail services provided by private sector postal operators account for over 53 % of employment in the sector

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Also it is highly relevant to note that while total revenues are in balance between DPO and CPO's but Value-added mail (VAS) services provide much more income than universal postal services (USO) due to political constraints on the DPO.

Revenues Mail Sector Botswana

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DPO vs CPO's

50 : 50

Difference: Pricing VAS

USO vs VAS

65 : 35

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In terms of macro-economic impact , the indicators turnover and employment are provided hereafter, with the main conclusion that the impact is relatively smaller than in other countries meaning a barrier to development of the sector in Botswana.

For a country that aims at more involvement of the private sector this is a signal to have a review of the postal sector policy for the country.

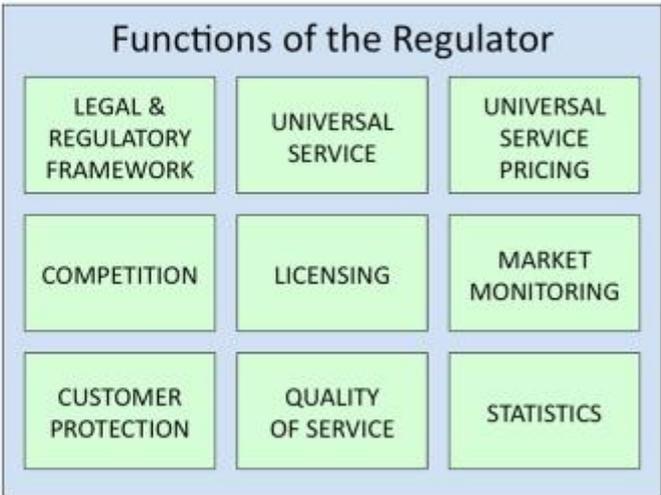
In % of macro-economic data Hans Kok Business Consult BV 

Macro-economic data	BWP
GDP	15.810.000.000
GDP per capita in PPP	7.730
Turnover postal sector in % of GDP	224.000.000
Turnover postal sector in % of GDP	1
Employment	400.000
Employment postal sector in % of total	1590
Employment postal sector in % of total	0,40

Conclusions:
 Turnover is modest compared to other countries (2 – 3 %)
 Employment is limited compared to other countries (2%)

In the next phase of the project, all implications of the Market review will be taken into the establishment of the regulatory and licensing framework for the postal sector in Botswana, with main subjects indicated hereafter.

Functions of the regulator Hans Kok Business Consult BV 



Next phase:
 Set up Licensing Framework