Evaluation of postal sector reform:

Tanzania

A final report prepared for

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Final Report

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Abbreviations

Abbreviation	Institutions
GDP	Gross Domestic Product
PSRC	Presidential Parastatal Sector Reform Commission
TCC	Tanzania Communications Commission
ToR	Terms of Reference
TPC	Tanzania Posts Corporation
UPU	Universal Postal Union
USO	Universal Service Obligation

Executive Summary

Background

This final report contains a case study of the postal reform process in The United Republic of Tanzania. The main objective of the case study is to provide a detailed analysis of the postal market in Tanzania and the recent developments in that market, with an emphasis on market demand for postal services and how that demand is currently being met.

A complementary case study of the Uruguay postal market has also been undertaken as part of this project and is provided in a separate report. In addition, a *Synthesis Report* has been written that compares and contrasts the reforms in the two countries.

Demographic and geographical characteristics

Local conditions impact on both the demand for mail services and the cost of providing those services.

Tanzania is one of the poorest countries in the world with average per capita annual purchasing power parity income just over US$600. Of its neighbouring countries, only Mozambique has a lower income per capita and all countries in the region are among the poorest in the world.

Its population is spread across a large, mainly rural area. The population in the main urban centre, Dar es Salaam, is much better off than those in rural areas—with higher incomes and better education and literacy. For example, average consumption expenditure per capita is about 2.6 times higher in Dar es Salaam compared to rural areas, controlling for differences in costs.

Furthermore, transport links within the country are poor with only about 4% of all roads paved and an unreliable train service.

Reform programme

A reform programme was put in place with the objective of improving mail services for the population by creating an independent regulatory authority, a commercial public operator and increasing competition in the market.

This reform programme began in 1994 with a set of legislation that established the Tanzania Posts Corporation (TPC) and the regulatory office (Tanzania Communications Commission, TCC). The legal reforms also created the framework under which competitors could enter the market to provide competing and alternative services.

The reforms placed a general duty on TPC to act as universal service provider. The general wording of the universal service obligation ("*provide postal services at a regulated fee to any person who requests for such services at any place in the United Republic'*") has allowed TPC to develop an operational definition that is compatible with its financial constraints, the Licence and the Performance Contract under which it operates. The obligation was funded through the creation of a reserved area, with no direct subsidies provided by government since the inception of the reform.

In addition to the legislation and the licence, the final regulatory tool that was implemented as part of the postal sector reforms is the Performance Contract. This provides targets for TPC across a range of performance indicators, including speed of delivery, security of mail and profitability.

Postal market

The postal market that has developed since the reforms has witnessed entry by private sector operators into the profitable international and inter-urban routes, including some unlicensed competitors providing services within the reserved area. As a result TPC now controls about 85% of the letters market but only about 30% of the courier and express market.

The increased private sector participation, and the associated competition, has led to the development of a wider range of products. This includes expansion by TPC into a wider range of postal and other (e.g. financial) markets. It also includes the development of alternative products by the private operators. The private operators have focused mainly on providing higher quality, faster services.

These developments in the postal market have led the creation of a lower quality, lower priced postal product that is supplied by TPC next to a higher quality, higher priced products supplied by private sector entrants.

Postal sector performance

Performance in the postal sector has improved but remains behind that of many regional comparators:

- ❒ Letters delivered: data available from the public operator indicates mail volumes have remained largely constant since the mid-1990s. Given the new entry by private operators this indicates total volumes have risen but that the public operator has failed to increase the volumes of mail it handles.

- ❒ Coverage: coverage by the public operator has decreased since the reforms because it has closed, sold and franchised some postal offices. As a result, Tanzania ranks behind many regional comparators on the basis of inhabitants per post office. However, it does perform better when compared on the basis of square kilometres per post office.

- ❒ Productivity: productivity has risen, partly as a consequence of the 50% decrease in staff since the reforms. Immediately after the creation of TPC items handled per employee was about 10,000 and by 2002 this stood at about 14,600.

- ❒ Financial performance: the financial performance of the incumbent has improved slightly since it was created. At its inception it was unable to cover its costs. It is currently able to meet its day-to-day cash flow requirements but does not earn sufficient revenue to permit needed new investment.

- ❒ Quality of service: quality of service to customers by TPC has improved since the inception of reforms, with both speed of delivery and security of mail services meeting targets set in the Performance Contract. However, the main avenue through which quality of service has improved for those living in urban areas is from the services offered by new private sector entrants. New operators have been able to offer faster and more secure services and capture significant market share despite charging a higher price than TPC.

Lessons

Several lessons emerge from the case study. Most importantly:

- in a low income country with relatively low demand for postal services, it has been possible to create a new institutional framework with a public operator that does not require government funding and a separate regulatory office;

- the reforms have largely failed to increase mail items handled by the public operator, to improve its universal service provision or to substantially improve its financial performance;

- the enforcement of the reserved area is very difficult because of a number of factors related to the broader difficulty of regulating grey markets (e.g. lack of transparent, well funded, clear enforcement mechanisms); and

- despite relatively low aggregate demand, the reforms have led to private sector entry into profitable parts of the market and the resulting competition has benefited some consumers and forced the public operator to take a more commercial approach to its business

1. Introduction

This final report contains a case study of the postal reform process in The United Republic of Tanzania. It is submitted to the World Bank by Frontier Economics in accordance with the Terms of Reference (ToR) for the project to *Evaluate Postal Sector Reform in Tanzania* an*d Uruguay, and strategic views of the future*.

The main objective of the case study is to provide a detailed analysis of the postal market in Tanzania and the recent developments in that market, with an emphasis on market demand for postal services and how that demand is currently being met.

A complementary case study of the Uruguayan postal market has also been undertaken as part of this project and is provided in a separate report. In addition, a *Synthesis Report* has been written that compares and contrasts the reforms in the two countries.

The research is being undertaken to support the World Bank's development of its postal sector reform strategy.

In addition to this introduction, the report contains five further sections:

- Section 2 provides an overview of the country and characteristics relevant to the postal sector;
- Section 3 discusses the legal and regulatory framework and the recent reforms;
- Section 4 identifies the structure of the postal market;
- Section 5 provides an assessment of the performance of operators and the extent to which customer needs are met; and
- Section 6 evaluates the reforms.

The report also contains three annexes.

- Annex 1 is a copy of the ToR;
- Annex 2 a detailed breakdown of the reports and information gathered as part of the project; and
- Annex 3 provides the details of the people interviewed as part of the project.

1.1 Methodology

The case study is based on research undertaken between March and May 2003. This combined desk research with a visit to Tanzania that was undertaken in April 2003. The desk research reviewed information available in the public domain and, in particular, from the Universal Postal Union (UPU). Gaps in the data were identified, which were then followed-up during the country visit.

A wide range of data sources have been used, from formal, published sources to informal interviews with relevant officials. Consequently, data included in this report varies in its reliability and precision. Where appropriate we alert the reader to the uncertainty associated with particular pieces of information. In particular, our conclusions are of a qualitative nature and are not intended as formal recommendations for future reforms in Tanzania or elsewhere.

2. Country overview

This section provides a brief overview of Tanzania with a focus on characteristics that are particularly relevant to postal service operators.

2.1 Demographics

Tanzania has a population of 34.5 million, about 70% of which lives in rural areas. The population density varies considerably between the main urban centres and the rural regions. The capital and largest city, Dar es Salaam, has a population of about 2.5 million people and a population density of about 1,793 inhabitants per square kilometre. At the other end of the scale, the Southern region of Lindi has a population of about 800,000 and a density of 12 inhabitants per square kilometre. Figure 2-1 and Figure 2-2 provides an overview of the country, its regions and the distribution of population.

Figure 2-1: United Republic of Tanzania

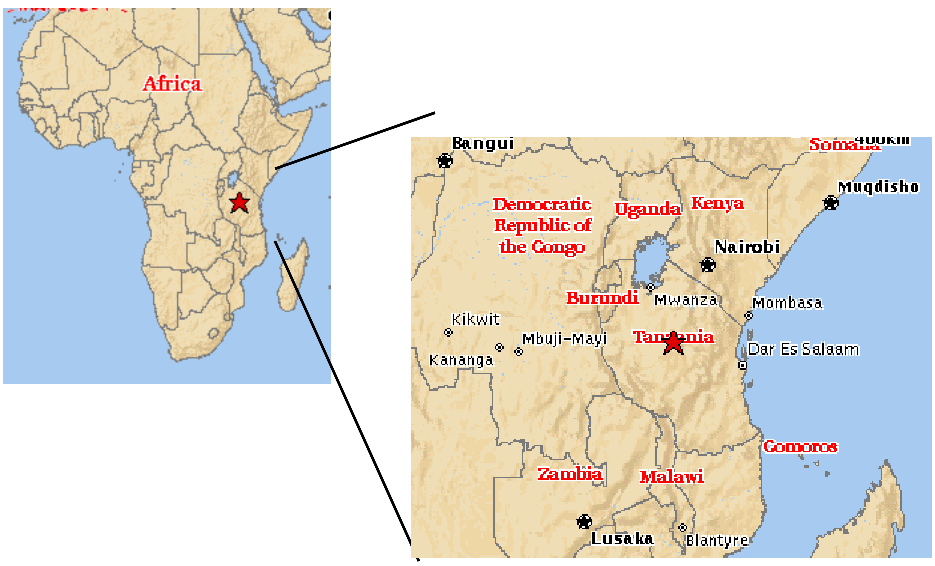
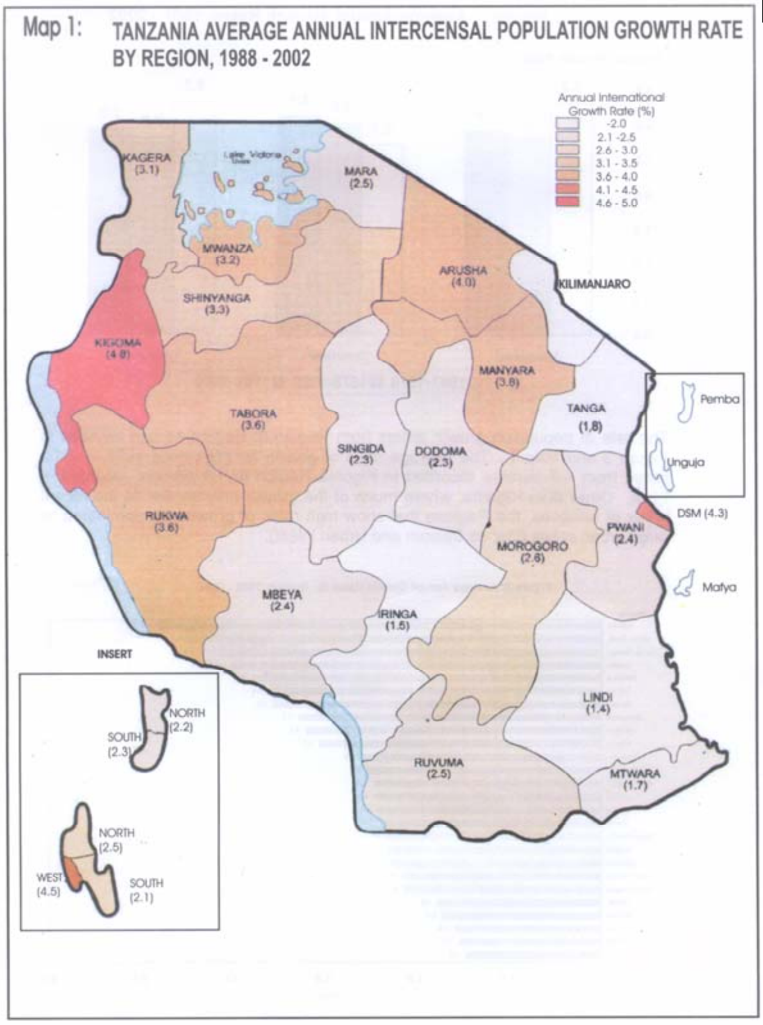


Figure 2-2: Map of Tanzania



Population density (pop/sq. km, North to South)
Kagera: 72
Mara: 70
Mwanza: 150
Shinyanga: 55
Kigoma: 45
Tabora: 23
Arusha: 35
Kilimanjaro: 104
Manyara: 23
Singida: 22
Rukwa: 17
Dodoma: 41
Tanga: 61
Zanzibar: 400
Mbeya: 34
Iringa: 26
Morogoro: 25
Pwami: 27
DSM: 1,793
Lindi: 12
Ruvuma: 17
Mtwara: 68

Tanzania total: 39

Source: Tanzania Census, 2002

Transport links are poor with only about 4% of all roads paved, compared to 90% in Uruguay, and an unreliable train service. `Table 2-1 summarises some key features of the country.

`Table 2-1: Key features of Tanzania	
Population (level)	34,569,232
Area (sq km)	615,876
% of population in rural area	68.3%
% of population in urban area	31.7%
GDP per capita (US$, PPP, 2001 est.)	610

Sources: Tanzania Census 2002, CIA World Factbook 2002, World Bank Development Indicators 2002

2.2 Economic performance

Tanzania is one of the poorest countries in the world with average per capita annual purchasing power parity income just over US$600. Of its neighbouring countries, only Mozambique has a lower income per capita and all countries in the region are among the poorest in the world.[1] Spending in rural areas is about one-sixth of the national average, reflecting the difference in incomes between urban and rural inhabitants.

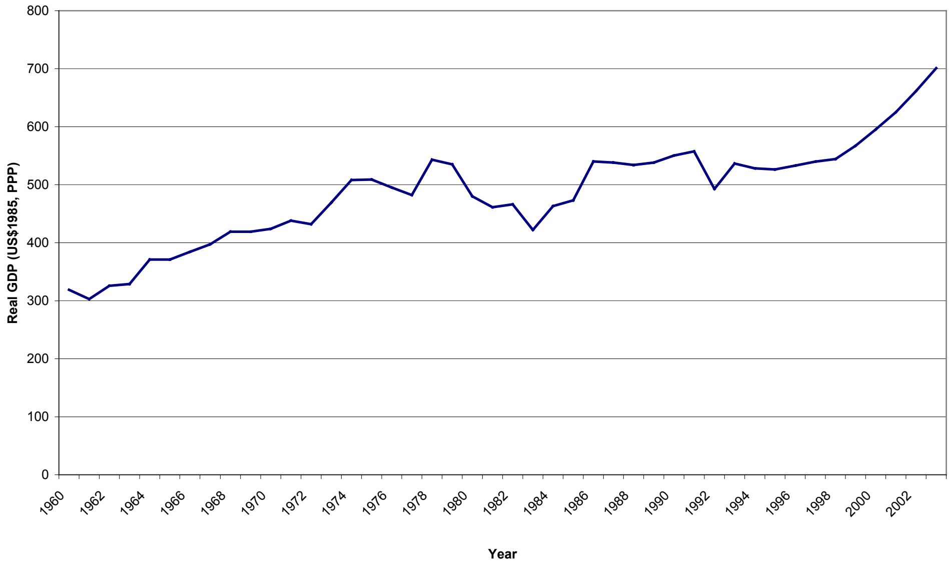
Tanzania's economic performance has improved over recent years with real annual GDP growth averaging about 5% over the past five years and forecast to be 6% in 2003. Figure 2-3 provides an overview of GDP changes since 1960. Over the past five years population growth has been 2% to 3% per year.[2] Consequently, GDP per capita has increased at about 3% per year over the past five years. Inflation has also decreased from over 30% in 1995 to below 5% in 2002. However, the economy is still dependent on agriculture, which accounts for 45% of GDP and the vast majority of employment.[3]

[1] World Bank, Development Indicators, 2003

[2] World Bank, Development Indicators, 2003

[3] World Bank, Development Indicators, 2003

Figure 2-3: GDP (real US$1985)



Source: World Bank, 2003

Disposable incomes, especially in rural areas, are very low. Average monthly consumption expenditure in 2001 was about US$10, of which 65% was spent on food. The poverty is also evident in education and literacy rates. About 30% of the population can neither read nor write and a quarter of the population has never had any formal education.

The population in Dar es Salaam is much better off than those in rural areas—with higher incomes and better education and literacy. For example, average consumption expenditure per capita is about 2.6 times higher in Dar es Salaam compared to rural areas, controlling for difference in costs. Similarly, incomes in Dar es Salaam rose by over 45% between 1992 to 2001, compared to an 11% rise over the same period in rural areas.[4]

[4] See *Household Budget Survey, 2000/01* (2002, National Bureau of Statistics, Tanzania) for details, http://www.tanzania.go.tz/hbs/HomePage_HBS.html.

3. Legal and regulatory frameworks

This section provides an overview of the legal and regulatory frameworks in Tanzania. In Section 3.1, it sets out the laws that govern the main institutions in the postal sector, including the Tanzanian Communications Commission (TCC) and the Tanzania Posts Corporation (TPC). Section 3.2 then provides a general overview of the regulatory framework.

3.1 Legal framework

3.1.1 Separation of Post and Telecoms in 1993

The current legal framework governing the postal sector in Tanzania emerged through a series of laws passed in 1993. These laws divided the existing Tanzanian Posts and Telecommunications Company into two separate institutions overseen by an independent regulatory institution, the Tanzanian Communications Commission (TCC). The main laws used to implement this new structure were:

- **Tanzania Posts Corporation Act, 1993**: this act creates TPC as a government corporation under the Ministry of Communications and Transport, defines the roles of TPC and other institutions (e.g. minister), its duties and structure.

- **Tanzania Communications Act, 1993**: this act creates the TCC to oversee both telecommunications and post and defines its functions, powers, composition and working arrangements.

- **Public Corporations (Amendment) Act, 1993**: this Act creates the Presidential Parastatal Sector Reform Commission (PSRC) which is charged with overseeing and, where appropriate, restructuring and divesting of government organisations. TPC was placed under its control and it has some authority over TPC. For example, it must approve any new funds to be raised by TPC (e.g. debt, equity) and will decide on the future ownership structure of TPC.

- **Tanzania Telecommunications Company Incorporation Act, 1993**: This act defines the structure and workings of the new telecommunications company—the Tanzanian Telecommunications Company Ltd (TTCL). The main impact of this act on TPC is to provide certain guidelines about how assets that were shared between the telecommunications and postal services when they were part of the same entity are to be divided between them.[5]

- **Tanzania Posts and Telecommunications (Vesting and Liabilities) Act, 1993**: this act provides further guidance about the division of assets between the two newly created entities.

The legal framework is in the process of being reformed. The Spring 2003 session of parliament considered a bill that would merge the TCC with the Broadcasting Commission—the regulator responsible for broadcast content. The new legislation was passed at the end of the session and will result in a new body that would regulate both the infrastructure and content of telecommunications providers as well as the postal sector[6].

3.1.2 The regulatory bodies

Table 3-1 provides an overview of the main regulatory institutions that oversee the postal sector. These are discussed in more detail below. The institutions are linked directly to TPC through the legislation, the license and also a Performance Contract. The Performance Contract, signed between TPC and PSRC, includes quality of service and corporate performance objectives. It is discussed in more detail in Section 3.2.3.

Table 3-1: Overview of regulatory bodies

Body	**Main duties**
Government	Sets policy and acts as arbiter in some disputes
Tanzania Communication Commission	Oversees licensing and tariff setting
Presidential Parastatal Sector Reform Commission	A government body that approves borrowing by TPC and will recommend to government whether and how TPC is to be privatised.

5 This has had important financial consequences for TPC. For example, it was allocated the very large and expensive head office and required to pay the government for this asset. This financial obligation was a considerable drain on its resources over the first few years of its existence. We discuss TPC's financial situation in more detail in Section 5.4.

6 A draft of this legislation was not available in time for this study.

Tanzania Communications Commission

The regulation of the post and telecommunications sectors is undertaken by the TCC. A Commission composed of seven members heads the TCC. The Act provides that the President of Tanzania appoints the Chairman of the TCC and the other commissioners are appointed by the Minister for Communications and Transport.

The TCC is responsible for licensing all rival operators to the TPC (i.e. outside the reserved area discussed in Section 3.2.1) and regulate the letter and counters sectors as stipulated in the Act. The licenses are mainly monitoring tools and are not used to control entry above the reserved area.

The license provided to TPC sets out in detail

- its obligations to provide postal, courier and financial services;
- other aspects of its USO commitments (e.g. allows TPC to provide lower levels of services in rural areas);
- process for tariff setting;
- procedure to issue new postage stamps;
- provision and maintenance of post offices and post boxes;
- alliances with third parties; and
- various related matters (e.g. international obligations, payment of licence fee).

The TCC licensed over 14 additional operators.[7] These are much simpler licenses that specify the services the competitor is allowed to offer and the licensing fee. This is discussed in more detail in Section 4.1.3.

Regulation can be divided into several elements:

- *price regulation* of elements of the sector that are not subject to competition (or where, for historical or other reasons, one provider is dominant). This involves the detailed setting of allowed prices;

[7] There are currently 14 licensed competitors to TPC. However, since its creation the TCC has licensed more than 14 operators, some have exited the market. In total it has licensed about 15 operators.

- *universal service obligation* has a significant impact on the requirements for price regulation, the degree of competition that is allowed and the performance of the operator(s) with the obligation;

- *competition regulation* of the elements of the sector that are competitive. This involves mainly monitoring the competitive elements to ensure that activities in the sector (e.g. mergers, pricing strategies) do not prevent ongoing competition and granting licenses (see Section 4.1.3);

- *quality regulation* of the sector. This is mainly focused on the non-competitive elements of the sector in recognition of the fact that one of the easiest ways for companies to reduce costs when faced with the regulation of their prices and no competition is to reduce quality;

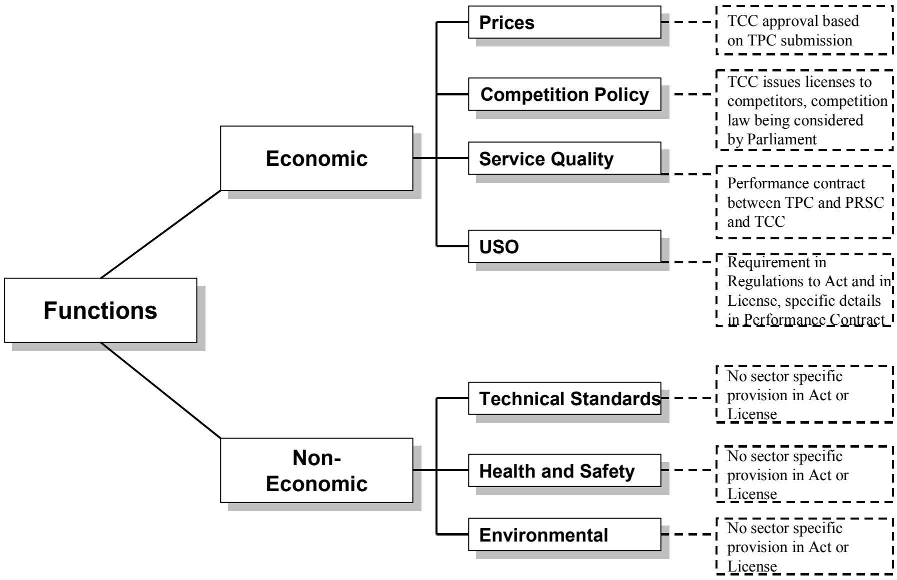
- *technical standards regulation* which is distinct from quality regulation in so far as it applies mainly to the technical, engineering aspects of the sector. This is less important in the postal sector but plays a more important role in telecommunications and other infrastructure industries, such as electricity;

- *health and safety regulation* which is generally not sector specific and covers issues such as the working conditions of employees and ensuring products are safe to consume; and

- *environmental regulation* which, similarly, is usually not sector specific but includes environmental regulations to which all sectors must comply.

The postal sector in Tanzania is subject to regulations in each of these areas. However, so far, sector specific regulations have only been developed for the first four areas of regulation: price, USO, competition and quality. To-date, regulatory supervision has focused on TPC. Its regulation of competitors has been restricted to issuing licenses. The regulatory framework is summarised in Figure 3-1.

Figure 3-1: Regulatory framework



Presidential Parastatal Sector Reform Commission (PSRC)

The PSRC is the government body charged with privatising government owned corporations. It considers that appropriate form of privatisation and is responsible for overseeing the implementation of the agreed approach. In order to allow it to undertake this task effectively it has some limited regulatory powers for corporations that it oversees. The most important of these is that all borrowing by these corporations must be approved by the PSRC. In effect, this means that any future investment by TPC that was supported by borrowed funds would have to be approved by the PSRC.

Consumer representation

There is increasing emphasis around the world on ensuring formal representation for consumers within the regulatory process. This is often achieved through some form of consumer body that has official status within the regulatory process and can intervene to present views on behalf of consumers. No such body currently exists in Tanzania, although discussions indicate that Members of Parliament have assumed this role in the past. However, as part of the new legislation that is being considered (see Section 3.1) it is understood that the creation of a Consumer

Consultative Council is envisioned within the reform of the regulatory framework.

3.1.3 TPC Postal Licence and regulations

Two years after its effective separation, in 1995, TPC was issued a **Public Postal License** by the TCC. This license outlines the specific duties of TPC, the relationship between TPC and other sector institutions (e.g. TCC, Ministry) and sets out the areas in which TPC can operate. An overview of the contents of the license was set out in the previous section.[8]

In 1997, a first **Performance Contract** was agreed between TPC and TCC. It provides the framework through which quality of service targets for TPC are set, monitored and applied together with targets for profitability and mail volume growth.

TCC has issued a series of regulations to clarify various parts of the Act in 2001. Of these regulations the two most important for the postal sector are:

- Tanzania Postal Regulations (2001), which defines the reserved area for TPC (see Section 3.2.1); and
- Tariff Regulations (2001), which provides guidance about how the price control decisions are to be made and implemented (see Section 3.2.2).

3.2 Regulatory framework

This section examines in more detail three elements of the regulatory framework: the universal service obligation (USO) and the reserve area; price regulation and quality regulation.

3.2.1 Universal service obligations and the reserved area

Definition of the USO

The Act that created the TPC requires it to "*provide a national postal services within the United Republic and between places outside the United Republic*"

[8] The License, together with all other legal documents, was collected and provided to the World Bank as part of this project. Specific elements of the license are discussed in relevant sections throughout this report.

(Article 8(1), Tanzania Posts Corporation Act 1993). The Act further requires TPC to provide services by which money can be transmitted in accordance with its general duty to provide a national service.

The License provides further guidance in this area and requires TPC to "*provide postal services at a regulated fee to any person who requests for such services at any place in the United Republic*" (Part 2(1)). Under this part of the license "*postal services"* refers to the conveyance and delivery of letters domestically and internationally. TPC's universal service obligation (USO) applies to all letters, parcels and packets up to 10 kilograms. TPC's USO does require it to provide uniform tariffs for service delivery across the country.

Other parts of the license also require TPC to provide:

- *Courier service*: TPC is designated as the "Basic Courier Service Operator" which requires it to put in place a faster, guaranteed service with a timetable to be agreed between TPC and the TCC (Part 2(2));

- *Financial service*: that includes a money and postal order service, and a postal giro service (Part 2(3)); and

- *Postal boxes*: TPC is required to provide and maintain letter boxes throughout the country to meet penetration rates agreed with the TCC (Part 2(8)).

The License requires TPC to provide all of these services throughout the country unless TCC grants an exemption on the grounds of economy or the lack of service is temporary.[9] There has been no effort to quantify the cost of the USO under these requirements. The main difficulties in quantifying this cost is the lack of detailed cost information and the scarcity of local expertise in the estimation of such a cost, along with the absence of an explicit requirement to do so on either TPC or TCC.

Reserved area

In return for the provision of a universal service, TPC was granted a monopoly over all items weighing less than 500 grams. This allows the universal service provider to cross-subsidise the expensive elements of the USO from its revenues in the reserved and profitable area.

[9] Interviews indicated that no exemptions have been granted.

The TCC has had limited success in enforcing the 500 gram monopoly area for TPC and interviews indicate its infringement has been significant on profitable routes. Difficulties enforcing the weight limit lead it to impose a value limit in 2001 instead –stating that only TPC could charge less than Tsh 1,000 (approx. US$1) for deliver of any given package. This was intended to have a similar effect as the weight limit because TPC charges less than Tsh 1,000 for letters up to 250 grams. However, it does also suffer from difficulties of enforcement.[10] One of the aims of the new communications regulatory act that was passed in the Spring 2003 parliamentary session is to provide TCC with an improved ability to enforce the monopoly area.

3.2.2 Price regulation

The License requires TPC to submit proposed tariff changes to the TCC who will then consider the proposals. Tariffs for domestically delivered letter mail—both economy and priority post, as well as parcels—must be approved by the TCC. Tariffs for express services and charges for financial services do not require regulatory approval.

The TCC has one month to respond to any proposed tariff changes, after which they are deemed to have been approved. If the TCC rejects a particular application for a tariff change then it may request the TPC to make particular changes following which new tariffs can be approved (Condition 6 of License).

There has been some dispute between TPC, TCC and the Government over who has the right to set tariffs. This dispute stems mainly from provisions in the legislation that appear to give TPC the right to set its own tariffs. The Government appears to be satisfied with the current process under which TCC approves tariff changes, and if there is a dispute between TCC and TPC over TCC's decision the Government tries to act as an unofficial arbiter.

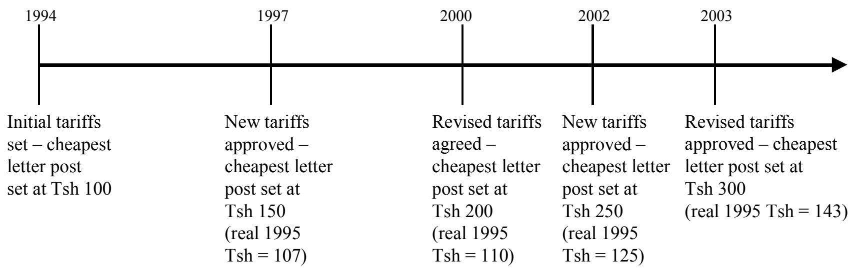
Figure 3-2 illustrates tariff reviews that have taken place since 1993 and the impact on the cost of sending a letter that fits within the lowest weight category.[11] Tariffs have risen by about 43% in real terms since the beginning of the reform programme. These increases were intended to allow TPC to fulfil its USO in the absence of any government subsidies

[10] Local courts process cases slowly and TCC has hesitated to bring formal charges.

[11] Until the 2000 price review the maximum weight for a letter at the price indicated in Figure 3-2 was 10 grams, thereafter it was increased to 20 grams.

and to improve quality of service in line with expectations in the Performance Contract (see Section 3.2.3 below).

Figure 3-2: Tariff adjustments since reform



The timelines indicates the time between tariff adjustments has decreased steadily since the first review: there were three years between the first and second and then between the second and third reviews, then two years to the next review and one year to the latest review.

The legislation, and TPC's license, envision a process of tariff setting that would see the TCC develop a methodology—a form of price cap mechanism—and then apply that to TPC for each of its different letter services.[12] In practice this has not taken place, largely because the TCC feels it does not have access to the information and expertise required to put such a regime in place. Instead, TPC has submitted proposed tariffs to the TCC and the TCC has judged whether the proposed tariffs are appropriate, and if not suggested alternatives. In one instance, in 2001, TPC's proposals were accompanied by its assessment of the costs of providing each of the basic services. However, in all other occasions, TPC simply submitted a proposed tariff schedule.

The latest tariffs were approved based on analysis of TPC of the unit cost of delivering letters. This analysis required TPC to estimate the total cost associated with letter delivery, including an allocation of costs shared with other services, and total letters delivered in order to calculate a per unit cost. Further adjustments were allowed for:

- Inflation—which has averaged between 5% and 6% over past few years but before that between 10% and 20%;

[12] The charges for financial services are not regulated.

- depreciation of the currency; and
- a pre-tax rate of return on turnover (set at 15% by the Performance Contract—see Section 3.2.3).

The resulting unit cost was estimated to be Tsh 250 in 2001. New tariff levels were approved and put in place in February 2002. These were then adjusted again and new tariff levels approved from February 2003.

The adjustment to real 1995 shillings, provided in parentheses in the above figure, indicates that up until 2000 the increases in the tariff were basically just keeping up with inflation and since then have resulted in some more substantive real tariff increases. The 2003 tariff for this basic letter product is now 43% more expensive than in 1994, in real terms.

3.2.3 Quality regulation

The regulatory framework also provides for explicit control of the quality of service provided by TPC. In Tanzania, a common approach to quality of service regulation for parastatal institutions (i.e. government owned but independent companies like TPC) is the creation of a performance contract. In the case of TPC, the legal framework means that the quality of its supply is the responsibility of the TCC. At the same time, if the TPC wants to raise funds required for new investment that support quality of service improvements this must be approved by the PSRC in its position overseeing the divestiture of government institutions. Consequently, the PSRC also has a role in the ability of TPC to maintain and improve its quality of service. Therefore, a Performance Contract was agreed between TCC and PSRC and the TPC. The first contract was signed in 1997 and lasted for three years. A new contract was agreed in 2000 and the third is currently in the process of being negotiated.

This contract specifies (see box below for more details):

- targets in key areas of TPC operations: standard of delivery, security of mail, growth of mail volume, customer satisfaction and profitability;
- bonuses or penalties, for exceeding or falling short of the agreed targets; and
- obligations on other parties that may affect TPC's ability to meet the targets (e.g. on the government, TCC).

Performance is assessed through an independent audit by a third party. In different years audits have now been carried out by the Dutch and New

Zealand postal operators and by PricewaterhouseCoopers. To-date performance has been judged to be satisfactory in each year, neither bonuses nor punishments have been invoked. Section 5 provides a more detailed review of TPC's actual performance.

The Performance Contract provides a transparent framework through which to assess quality of service with clear set of incentives to the management of TPC to meet, and exceed, the agreed targets. However, in practice, the general belief appears to be that neither the bonuses nor the penalties will ever actually be provided/imposed, unless performance becomes truly exceptional/unacceptable.

Performance contract

TPC's quality of service is governed by a Performance Contract that it signed with the PSRC and TCC. The performance contract provides for both a bonus, in the case of out-performance, and penalties, in the case of underperformance.

TPC's performance is judged against five categories:

(1) Speed: an agreed percentage of inter and intra town letters must be delivered within a given number of days outlined in the contract.

(2) Security: theft of mail must be kept below a specified level;

(3) Profitability: TPC must attain a defined pre-tax rate of profitability

(4) Business growth: mail volume must grow year on year by defined percentages

(5) Customer satisfaction: customer complaints, to both TPC and TCC, as a proportion of mail volume must be below pre-defined percentages.

The categories are weighted differently, with profitability given the highest weighting, in order to create an index. The penalties for failing to be awarded a passing grade range from a loss of 3% of salary for management and annual fees of Board members to the dismissal of the Board, Post Master General and their assistants.

3.3 Key findings

The main conclusions from this section can be categorised under three areas:

- **Institutional structure**: the Tanzanian government has put in place a new institutional structure with greater delineation of different roles between the operator, regulator and government bodies.

- **Performance contract:** a main element of the postal reform has been the introduction of a performance contract, aimed at setting clear targets for TPC in terms of performance, both financial and operational. This is independently audited.

- **Regulatory framework:** price reviews undertaken by TCC have resulted in a steady increase in prices that has allowed TPC to increase real prices.

4. Structure of the postal market

This section provides an overview of both aspects of the postal market: the supply and the demand. Section 4.1 considers the supply side, outlining the involvement of the incumbent and new entrants. Section 4.2 outlines the demand side, including demand from large customers.

4.1 Supply side

4.1.1 Overview

Table 4-1 provides an estimate of market shares for each of the main services. In the letter market, TPC is the main provider and supplies about 85% of total domestic mail deliveries (or about 19 million items) in 2002. However, TPC faces increasing competition from bus companies who deliver mail between bus terminals in major urban centres. The largest such competitor is Scandinavia, a domestic private operator (discussed further below). TPC plays a relatively small role in the other markets in which it operates, courier/express mail service (EMS) and money transfer. However, in the courier/EMS market it is the leading distributor within Tanzania because of its established network. The small market share is largely a result of its virtual absence in the international market and competition within Dar es Salaam itself.

Table 4-1: Market Shares (by volume, 2002)

	Mail[3]	Courier & EMS	Money transfer
Incumbent (TPC)	84%	30%[2]	15%
DHL	0%	60%	0%
Scandinavia Bus Ltd.	14%	0%	3%
Other postal operators	2%	10%	<1%
Total	100%	100%	19%[1]

1 Postal institutions do not undertake most of the money transfer, this is mainly done by financial institutions. In rural areas in Tanzania this is mainly the National Microcredit Bank. Estimates in the table are based on interviews with TPC and the Postal Savings Bank. The remaining 81% of transfers are carried out by banks, with the National Microfinance Bank dominating provision outside the urban areas.
2 TPC's share of the international courier market is about 5%, while its share of the domestic market is around 60%.
3 This includes parcels, which account for a small proportion of total traffic.
Source: TPC, based on a survey undertaken by PricewaterhouseCoopers in 2002.

In general, the service provision across the country is divided as follows:

- *outside Dar es Salaam*: the current postal market is the same as TPC's customer base—no operator has a network that is close to TPC's in terms of coverage and all operators rely on TPC to deliver mail they receive that must be delivered outside the main urban centres, including the bus operators;

- *between Dar es Salaam and major urban centres (e.g. Mwanza, Arusha, Tanga)*: the market is covered by TPC, DHL and some bus companies that also transport post; and

- *within Dar es Salaam*: there are a large number of official and unofficial providers that compete with TPC.

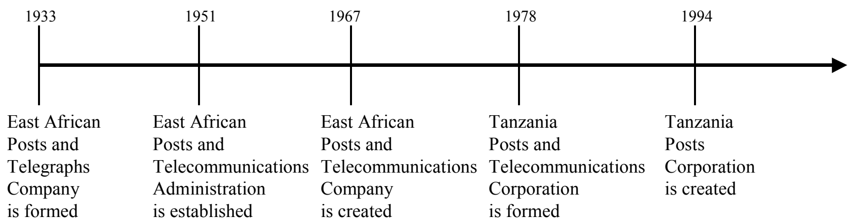
Outside urban areas, there is no duplication of the final, delivery, stage of postal services, although only the couriers provide service to the door. The duplication of the trunking (or transport) stage is consistent with commonly held view that there are constant returns to scale in this stage (i.e. more than one operator can reach the minimum scale of operation).

The limited competition in the postal market is driven by a combination of regulatory limitations and low margins that are available. The regulator will not license any operators to deliver items below 500 grams by regular mail, in order to protect TPC's reserved area that it uses to finance its USO. However, the lack of competitors even outside the reserved area in rural parts of the country suggests that there is a very low level of profitability associated with many of the letters markets.

4.1.2 Incumbent

TPC was created out of previously existing institutions, including the Tanzanian Posts and Telecommunications Corporation and, before that, the East African Posts and Telecommunications Company (EAPTC). A small but significant proportion of TPC's current staff started in the EAPTC. The timetable of major institutional changes is illustrated in Figure 4-1.

Figure 4-1: Emergence of TPC



TPC's current mission statement is "*to provide efficiently universal quality postal services that meet customer expectations*". In practice, this means providing postal and related services that fall under three corporate areas which we discuss in turn.

Mail

TPC provides a regular and priority mail delivery service.[13] Customers must drop their mail at post offices and pick it up at postal boxes or, in some cases, at the counter. It also provides:

- a service through which items can be registered and insured;
- a parcel post service;[14]
- an overnight delivery from post offices to postal boxes within major urban centres, once a day between major urban centres; and
- delivery to rural areas at less frequent intervals, generally within 3-5 days of it being received.

TPC does handle a limited number of large mailings to postal boxes for its biggest customers. The lack of direct mail products appears to be mainly a result of difficulties TPC has faced in developing a more commercial operating framework and organising itself to be able to offer this service.

13 It has never provided a home deliver service, with the exception of deliveries to homes of some ambassadors.

14 without a size or weight limit, the USO requires TPC to carry parcels up to 10 kg..

More recent product developments are discussed below, of which direct mail products are one element.

Prices for letter, parcel and other postal services are based on weight and priority:

- TPC negotiates individual rates with its largest customers. For example, TANESCO, the main public electricity provider posts about 90,000 bills per month within Dar es Salaam.[15] Under the deal negotiated with TPC is pays Tsh 250 per bill, compared to the regular economy rate of Tsh 300; and

- residential customers face uniform tariffs.

Express Mail Service

TPC provides an express courier service to specific business addresses. Within its corporate structure, money-fax and EMS fax services also fall within this service area. These services are all available to household and businesses but express mail deliveries are only made to business addresses. The express mail delivery is overnight within the same urban centre and guaranteed within two days between urban centres. Express services to more rural areas take between three and four days.

Counters

In addition to selling stamps, the counters sell other products (e.g. phone cards) and, there are areas of the post offices linked to the counters-operations (e.g. postal shops selling stationary, photocopying and fax services and internet sites selling internet access). The counters offer a wide range of financial services. Most of the innovation and new product development from TPC is occurring in this area. The newest to be developed is the post-giro system introduced in 1999. The services are described in more detail in the box below.

Franchise units located in rural areas and in small shops offer the following services:

- sale of postage stamps and postal stationary;
- acceptance and delivery of letter and parcel post; and

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15 The electricity network, in common with other utilities, is not connected throughout the country. Therefore, the regions operate reasonably autonomously and many regions do not have centrally dispatched electricity or water networks. Consequently, figures are provided for Dar es Salaam.

- some financial services (e.g. money and postal order, post-giro as described below).

Recent product developments

Across these corporate areas, TPC provides a range of products. The following products were introduced over the past two years:

- semi-giro;
- post cargo;
- priority mail;
- interstate money orders between the three East African countries (Tanzania, Kenya and Uganda);
- advertising mail, whose take-up remains very low; and
- distribution of newspapers and journals.

Post offices are also providing new non-postal products that include:

- stationary;
- internet cafes;
- greeting cards;
- picture cards;
- phone cards; and
- packaging materials.

The box below describes the financial services and their performance in more detail.

This new set of products has been developed as part of an increased focus by TPC management on revenue generation within the perceived constraints in their main postal market. The need to finance their USO in an increasingly competitive postal market means they are looking to exploit some of their advantages (mainly their access to the country through the network of post offices) to enter other markets. At the same time they are trying to develop some postal markets (mainly the market for advertising mail) that do not exist in Tanzania. The choice of areas in which to expand is driven partly by customer research but also, to a large extent, by experience in other countries. The main markets on which they are focusing (advertising mail, giro-banking) have been selected because postal operators elsewhere have developed revenue streams in these areas.

TPC does not provide separate revenue estimates for its financial services. In addition, some of the revenue from financial services is recorded under TPC's income from counter services and other revenue is recorded under its income from the EMS section of its business. Consequently it is difficult to estimate aggregate revenues. However, the box below provides an overview of the level of revenue generated by the most popular services.

These financial services are largely unregulated. TPC's licence requires it to provide basic financial services (e.g. money and postal orders, giro services). Consequently, TCC is responsible for ensuring they are offered but does not regulate their application. Since these financial activities fall short of those defined as banking services, they are not regulated by the Central Bank within the financial sector regulatory framework.

TPC Financial services

TPC offers a wide range of financial products from its counters. The main products on offer are:

- Express money orders which were valued at about Tsh 9 billion (approx. US$9 million) in 2001;
- Postal orders which were valued at about Tsh 569 million in 2001 (approx. US$569,000);
- Inter-state money orders valued at about Tsh 106 million (in-coming) in 2001 (approx. US$106,000); and
- other financial services of smaller values.

The most recent addition to the financial services provided by TPC is a giro-banking service through which allows money to be transferred. It was set up in December 1999 and allows institutions to pay salaries, pensions and dividends to employees and shareholders that may be widely dispersed around the country. It also allows religious organisations to accept donations from their members around the country. It has been relatively successful since its inception and now handles about Tsh 4 billion in transactions annually, on which TPC earns a commission ranging from 6% to 2% depending on the value and volume provided by specific clients. The giro services currently only allow for TPC to act as an agent to distribute money, it does not provide savings facilities.

The banks are the main competitors to TPC for the provision of domestic money transfer services. However, only the National Microcredit Bank (NMB) has a branch network that comes close to matching TPC's national coverage. Consequently, for institutions that have to send funds beyond the major urban centres, TPC provides on of the few reliable options.[1]

1 Although TPC's ability to do this is also limited because most of the financial services are not offered by franchised or employee-owned offices because of difficulties ensuring security of the funds being transferred. Since most of the franchised and employee-owned offices are in the rural regions, TPC's effective network matches that of the NMB quite closely.

The Tanzania Postal Bank was set up as an independent entity in 1991. It now operates separately from TPC. Furthermore, the Postal Bank's main service offering is a savings account. Consequently, it does not compete with TPC's financial services offerings. In 2000, the Postal Bank did begin to act as an agent for Western Union Money Transfer which could compete with TPC. However, the two organisations reached an agreement under which the Postal Bank transfers money internationally and TPC does all domestic transfers.

Their main area of interaction is the use of some TPC post offices by the Postal Bank to sell its products. When the Postal Bank was set up as an independent corporation, TPC was given a free 30% shareholding as compensation for allowing the Postal Bank to use its post offices. This has since increased to 33%. Apart from this shareholding no explicit payments are made to TPC.

4.1.3 Other postal operators for letter services

Types of operators

Competition in the postal market has increased steadily since the creation of the new institutional structure. This is mainly in the provision of express services. In 1994, three express couriers were licensed alongside TPC: DHL, TNT and Skypack. Since then Skypack has withdrawn from the market but a total of fourteen postal operators are licensed to compete with TPC in various areas of express and courier delivery. Three types of licenses have been issued by the TCC:

- *International courier*: licenses to carry traffic throughout Tanzania and across its borders;
- *Domestic courier*: licenses to carry traffic throughout Tanzania; and
- *Transport courier*: licenses to carry traffic between a few pre-defined towns.

In practice there appears to be some overlap between each of these types of licenses and no precise rule about which license is required. For example: one company operating under a domestic license and another under a transport license each deliver mail to Kenya and Uganda.

The letter market has attracted a limited number of entrants reflecting the apparently low margins and limited demand for letter delivery services.

There is some limited self-provision by utility companies. However, this is mainly in areas where they are experiencing problems on non-payment and want to assure themselves that invoices are being received and customers understand their bills.

Table 4-2 summarises the licensed operators as of March 2003 and the core business of these operators.

Table 4-2: Licenses for current operators (2003)

Name	Type of license	Type of company
DHL Worldwide Express	International	Postal operator
TNT Worldwide Express	International	Postal operator
SKYNET Worldwide Express	International	Postal operator
East Africa Courier Ltd	International	Bus operator
Sangare Enterprises Ltd	International	Bus operator
Ndondondo Mwenda MBIO	Domestic	Bus operator
Scandinavia Express	Domestic	Bus operator
World Jet Travel Services	Transporter	Bus operator
Ndeng'aro Agencies and Consultants	Transporter	Bus operator
Akamba Bus Services Ltd	Transporter	Bus operator
M/S John Terry Establishments Ltd	Transporter	Bus operator
M/S Shift Cargo	Transporter	Bus operator
Malai Freight Forwarders Ltd	Transporter	Bus operator
M/S Swift Express Ltd.	Transporter	Bus operator

Product and service range

Those with transporter and domestic licenses provide services between major urban centres. The transporters and domestic licensees largely serve households and small businesses. In general, they provide same-day service between bus terminals: letters must be delivered to the bus terminal by the sender and picked up at the destination terminal by the recipient. The bus operators do not have a national network that can match TPC and operate mainly on the profitable inter-urban routes.

Letters that they receive for other areas are usually handed over to TPC for delivery.

Officially the TCC has not licensed any operator other than TPC for mail delivery under 500 grams. Consequently, all operators offering this service are doing so illegally.

A number of companies are delivering letter mail and some are providing money transfer services without a licence. The largest such competitor, who has taken over 10% of TPC's letter market, is Scandinavia Express. Their services are described in more detail in the box below.

Main competitor: Scandinavia Express

TPC's main competitor for domestic mail delivery is Scandinavia Express. Scandinavia is a bus operator that has been granted a license to operate a courier service. However, in addition to the (licensed) courier service, the company also provides (unlicensed) regular mail deliver and money transfer services. Both of these work in similar fashions: Scandinavia accepts letters or money at bus terminals. The sender must then telephone the recipient and tell them the time the bus is due to arrive at the relevant destination. The recipient must then pick-up the item from the terminal.

Given that its activities are unlicensed and unreported, it is difficult to estimate volumes for these services. However, market research undertaken in 2002 by PricewaterhouseCoopers on behalf of TPC indicated that Scandinavia had managed to achieve about 15% of the domestic letter delivery market. Its prices tend to be slightly higher than those of TPC (around Tsh 1,000 to 1,500 between central towns, compared to Tsh 600 to 900 for TPC depending on weight) and involve the added cost of the telephone call and trip to the bus terminal at both ends (although to TPC's postal charge must also be added the cost for the mailer of travel to and from the post office or post box). The main reason for its popularity appears to lie in its ability to deliver a more reliable and secure service than TPC has managed historically.[16]

TPC's competitors in Dar es Salaam charge significantly more than TPC's basic rate. The main competitors charge two to three times as much, although in some instances they are provided a faster service (e.g. bus operators who provide same day delivery between urban centres compared to TPC's overnight delivery). Their main competitive advantage appears to come from the superior quality of service they offer.

[16] As a point of comparison, a passenger bus fare between Dar es Salaam and Arusha, the second main city, costs between Tsh 20,000 and 25,000 on Scandinavia's buses. The same fare goes down to around Tsh 15,000 on operators that use older, less comfortable buses. The distance between Dar es Salaam and Arusha is about 600 km.

4.1.4 Other operators for counters services

Existing banks provide competition for the provision of financial services. The National Microfinance Development Bank (NMDB) is the only bank with a network nearly as extensive as TPC's and provides many of the same financial services. The NMDB has a much larger market share, taking advantage of its status as an established financial institution.

4.1.5 Technological competition

Internet and e-mail do provide some very limited competition for TPC. However, it is important to note that the vast majority of the country does not have electricity and many of those who do cannot afford computers or internet cafés. In 2000, the latest year for which data are available, there were an estimated 115,000 internet users in Tanzania, less than 0.5% of the population.[17] While this will have grown since 2000, it is unlikely to be higher than 1% of the population by 2003. Consequently, competition from this form of technology is still limited.

4.2 Demand side

Demand for TPC services

TPC does not keep statistics for traffic between business and households. However, it does track the demand of its top 30 customers. From these, and more aggregate data, it is possible to estimate the volume of mail travelling between business and households. These estimates are provided in Table 4-3. There are about 6.9 million households in Tanzania indicating an average of 2.7 items per household. This is in-line with the very low items per capita reported in earlier studies.

Table 4-3: Estimated mail volumes

From / To	Business	Households
Business	870,300 (4.5%)	14,922,900 (76.2%)
Households	3,773,600 (19.3%)	

Source: TPC, 2002

[17] World Bank Development Indicators, 2003. Latest data available on internet usage is for 2000.

Among businesses, the largest demand for mail delivery services is from utilities (water; telecoms; and electricity) and banks. However, less than 10% of the population has access to grid-based electricity so even this demand for mail services from TANESCO is quite low. Equally only about 1.7% of the population have a personal fixed or mobile line.[18] These figures suggest that a small proportion of the population generates most of the mail.

Other large sources of revenue for TPC include: breweries, universities and religious organisations. However, revenue from these entities accrues mainly from their use of financial services (e.g. distribution of dividends, payment of fees), although religious organisations use TPC to distribute donation requests.

TPC express mail services are bought predominantly by business customers at prices that range from Tsh 3,500 to 4,500 (approx. US$3.50 to US$4.50) for the lowest weight bracket (up to 500 grams). The exact price depends on the destination.

Demand for services from other operators

All businesses and clients of TPC use other operators for some postal services. This usage falls into three categories:

- bills in regions where TPC has failed in the past to deliver effectively: in some parts of Dar es Salaam, TPC has not historically provided an effective service. For example, in some regions TANESCO pays its contracted meter readers to also deliver some bills, at a cost that is nearly 100% higher than the TPC charge;

- international express services: all companies tend to use one of the major international companies, usually DHL; and

- government postage: letters posted between government ministries tend to use government employees rather than the postal service. This is another form of self-provision.[19]

[18] *Source*: ITU, 2002.

[19] Total volume of government mail that by-passes because of this is not known.

Future postal demand

A major threat to the volumes of mail handled by TPC is the increased use by the utilities of pre-payment technology which decreases their need to send out bills and receive payments. TANESCO, the electricity supplier, and DAWASA, the Dar es Salaam water company, are both increasingly using pre-payment meters that, like phone cards, require customers to enter money into a meter to receive electricity or water. This could considerably decrease their need to post bills and receive payments.

Impact of internet—e-readiness

To-date there has been limited competition between internet and postal services. The relatively low per capita incomes in Tanzania and associated infrastructure difficulties (e.g. lack of electricity in many areas) mean that internet penetration is not high. For example, there are an estimated 2.8 computers per 1,000 people. By comparison, there are about 61.8 per 1,000 in South Africa and 585 per 1,000 in the USA.[20] Similarly, internet penetration is low. An estimated 115,000 people in Tanzania have access to the internet, compared to 2.4 million in South Africa. Adjusting for the different size populations we would expect Tanzania to have about 145,000 internet users (all else equal), compared to 2.4 million in South Africa.

Even this relatively low level of internet penetration is a recent development and those with access are overwhelmingly concentrated in Dar es Salaam and a few urban centres. Consequently, to-date e-readiness and internet penetration has not played significant role in the historical performance of TPC. In the future, competition from the internet may provide an alternative to some letter post, and TPC is diversifying its product range partly in anticipation of this event (see Section 4.1.2). However, it is likely to take time before basic infrastructure (e.g. electricity supply) and incomes rise to a level where this presents a significant competitive force.[21]

4.3 Key findings

The main conclusions from this section are that:

[20] World Bank, ICT Country Statistics, 2002.

[21] Households represent a small proportion of mail users and so the degree to which e-mail and other internet services compete with postal services is not straightforward even were all the infrastructure in place.

- The domestic mail market is dominated by TPC. However, TPC faces significant competition on the most profitable (inter and intra) urban routes.
- The international market is dominated by the major international courier operators.
- TPC offers a broad range of postal and financial services. However, to-date it has a very small proportion of the financial services market.

5. Economic Performance

Ultimately the success of the postal services in Tanzania will be judged against the ability of the various postal providers to meet their obligations to customers and investors. This section examines these issues in more detail, while Section 6 focuses on more general lessons emerging from the case study. In this section, we draw on some of TPC's requirements under its license and the Performance Contract to develop the framework for evaluating the postal sector. We also examine the performance of competitors and, in particular, alternative tariffs and services available to customers:

- Section 5.1 provides an overview of aggregate performance in terms of volumes delivered;

- Section 5.2 presents national coverage in terms of access to post offices;

- Section 5.3 illustrates the evolution of mail volumes;

- Section 5.4 investigates the financial performance of TPC;

- Section 5.5 analyses some alternative indicators, including affordability, quality of service and customer satisfactory; and

- Section 5.6 looks at the performance on TPC's competitors.

5.1 Performance of the incumbent

Table 5-1 summarises the total number of letters processed by TPC over the past few years. In general, total deliveries have remained constant over the past five years, although national letter deliveries have risen slightly and international delivers have decreased.

Table 5-1: Letter delivered by TPC (millions)

Destination	1997	1998	1999	2000	2001
Domestic	17.6	15.2	17.4	17.2	19.0
International	7.2	7.8	6.6	5.0	5.8
Total	24.8	23.0	24.0	22.2	24.8

This demand does not appear to have changed much since the reforms, and particularly over the last five years for which the most reliable data are available. This is particularly notable given the tariff increases that have taken place (see Figure 3-2). There are a number of potential explanations for this:

- price elasticity of demand is low, although estimates presented below suggest otherwise; [22]
- quality has also risen, therefore the quality adjusted cost of postage has not changed very much; and/or
- income effects (i.e. increase in incomes over the same period) have outweighed the price effects.

Given current data it is impossible to distinguish between these explanations, although a combination of the last two seems most likely.

5.2 Post office coverage

Outside of the main urban centres (i.e. Dar es Salaam, Arusha) there are very limited services beyond those offered by TPC (i.e. there are no significant competitors to TPC for basic postal services outside the main urban centres).[23] There is no mail delivery or pick-up from residential addresses anywhere in Tanzania, by TPC or its competitors, and only limited courier services to business addresses within the major urban centres. TPC's main competitor in the market for regular letter and parcel post, Scandinavia Express, provides delivery between bus terminals only. Consequently, access to mail is determined mainly by the extent of TPC's network of postal offices at which the private post boxes are located.

The number of post offices of TPC has been slowly declining since 1993. There are currently 387 post offices, which is down from about 500 in 1993. The total number of post offices is relatively low when compared to other countries in the region and around the world, see Figure 5-1.

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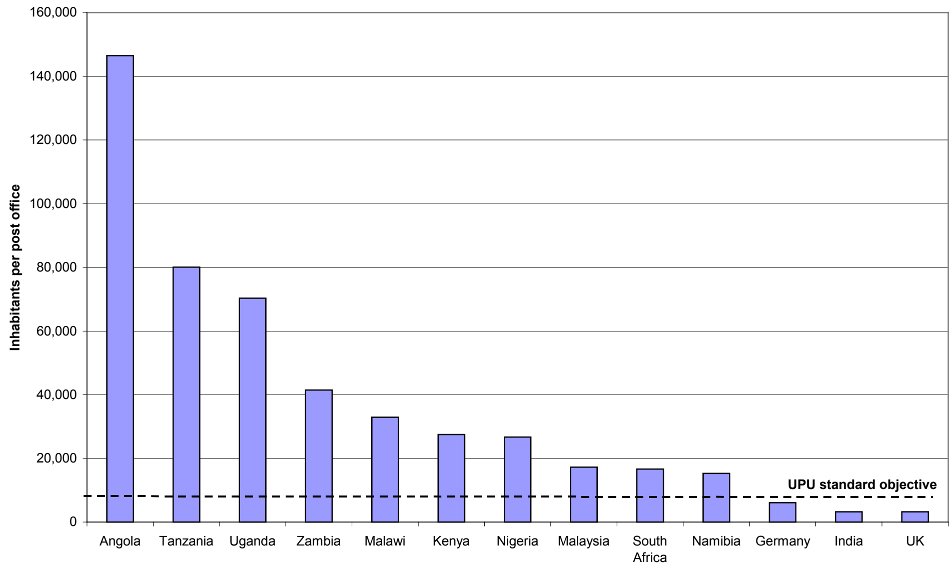
[22] The latest submission by TPC to the TCC suggests that the unit cost of mail delivery is about Tsh 250, compared to current prices of about Tsh 300. The same submission suggests a price elasticity of demand for letter mail of about -0.45. Consequently, if price were to fall to the estimated unit cost an additional 1.43 million letters would be mailed. A decrease in the price to Tsh250 would result in a demand increase of about 7.5% or 1.43 million items, given current demand of 19 million from TPC. There are clearly a number of potential problems with this calculation. In the absence of more detailed studies it is not possible to estimate the potential more accurately. This number is therefore provided simply as an indication.

[23] There continue to be competitors in some of TPC's financial services.

Figure 5-1: Inhabitants per permanent post office



Source: UPU and World Bank Development Indicators, 2001.
Note: to generate a comparable data set this is based on data from 2001, when Tanzania had just over 400 post offices. As indicated above, this has now declined to 387. It should be noted that this is just one indication of accessibility, other measures are also important but more difficult to derive. For example, situating a lot of post offices in urban centres would increase this measure of accessibility but in countries such as Tanzania, where much of the population is located in rural areas, it would not do much to improve service access for the majority of the population. This is discussed in more detail below.

These post offices are divided into three types:

(1) *TPC owned and operated*: there are 153 post offices owned and operated by TPC. These are mainly in large urban centres and relatively large towns.

(2) *Franchised*: there are 80 franchised post offices which have been sold by TPC to their current owners. TPC pays them a commission based on the volume of business they process. These are located primarily in smaller towns and less profitable areas of some of the larger urban centres (e.g. there are 9 franchised offices in Dar es Salaam, alongside 29 TPC operated offices).

(3) *Employee owned*[24]: there are 154 employee-owned post offices. These are mainly located in rural areas and consist of a single individual operating some basic postal services out of their home.

Tanzania's post offices are divided into 14 operating regions that are, in turn, divided into six postal zones. The distribution of post offices and accessibility, as measured by population per office, is reasonably uniform across the country as summarised in Table 5-2 (see also Figure 2-2).

24 These are sometimes referred to as "sub-post offices".

Table 5-2: Distribution and accessibility of post offices, Tanzania (2003)

Zone	Number of Post Offices			Population[2]	Accessibility[1]
	TPC owned	Franchised	Employee-owned		
Coastal zone					
Dar es Salaam	29	9	0	4,477,852[2]	117,838
Mtwara	7	5	4	1,919,829[2]	274,261
Zanzibar zone					
Zanzibar	4	3	1	984,625	123,078
Southern zone					
Mbeya	10	9	10	3,187,212[2]	109,904
Iringa	8	9	13	1,495,333	49,844
Northern zone					
Kilimanjaro	10	8	22	1,381,149	34,529

Table 5-2: Distribution and accessibility of post offices, Tanzania (2003)

Zone	Number of Post Offices			Population[2]	Accessibility[1]
Arusha	16	1	9	2,333,434[2]	89,748
Tanga	9	4	17	1,642,015	54,734
Lake zone					
Mwanza	14	7	11	4,083,891[2]	127,622
Shinyanga	10	1	7	4,174,182[2]	231,899
Kagera	9	3	10	2,033,888	92,450
Central zone					
Morogoro	9	9	4	1,759,809	79,991
Twora	9	7	27	1,717,908	39,951
Dodoma	9	5	19	3,378,105[2]	102,367

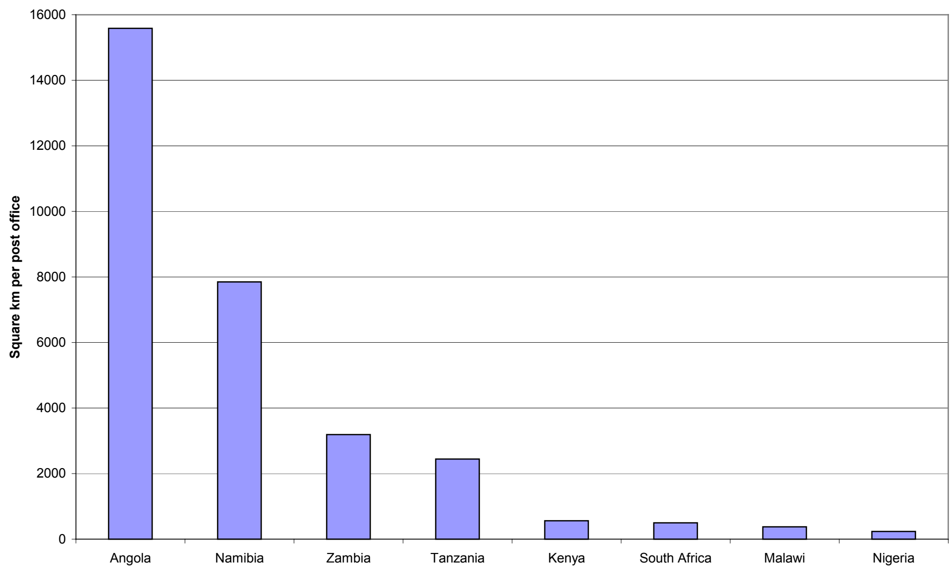
1 measured as total number of inhabitants per post office, see note to Figure 5-1, on limitations to this measurement of accessibility. The census data from which population figures were taken does not match the postal zones exactly therefore population has been redistributed from some census districts to postal districts. Alternative approaches to redistribution will result in slightly different measures of accessibility.

2 In these regions, census population data has been reallocated to conform to postal zones. See Figure 2-2 for corresponding population density measures.

Source: TPC, 2003

Although access per inhabitant in Tanzania is relatively high (see Figure 5-1), evidence from interviews indicates that this probably overstates access in rural areas. Figure 5-2 provides a comparison of area per post office. This does indicate that Tanzania performs worse on this measure compared to its performance measured in terms of population per post office. This does reflect the relatively large area served by TPC and more detailed data on the location of the rural population would be required to provide a more accurate assessment of access.

Figure 5-2: Square kilometres per post office



Source: TPC and UPU, latest year available

Access is further decreased by the absence of a comprehensive national address system and postal codes. As noted in Section 4, other than some express items in urban areas, no deliveries are made to the door. Mail delivery is through private postal boxes located at the post office.[25]

There are currently about 100,000 private postal boxes in use, although TPC has a greater number installed and available. Of this total about:

- 50,000 are in Dar es Salaam and its suburbs;

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25 TPC is introducing "cluster boxes" in large apartment buildings and some street corners to bring the mail closer to the intended recipient. We also understand that a study to determine the feasibility of establishing a national address system is underway.

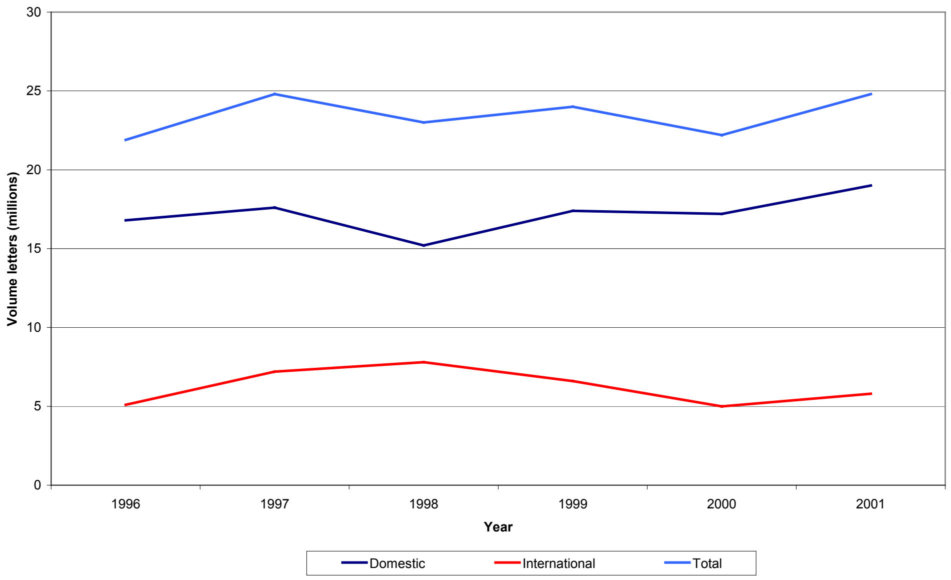
- 7,900 are in Mbeya and its suburbs; and
- 4,000 are in Arusha and its suburbs.

These boxes can be shared by households and so a box may serve more than one customer. Letters can also be delivered to the counters of local post offices and, in practice, rural recipients may not have a private postal box but simply pick their mail up from the local post office.

5.3 Mail volumes

Total mail traffic volumes have varied over the past five years—declining slightly in some years and rising slightly in others. In general, the improved security and speed over the past few years has led to a slight increase in the volume of domestic mail handled by TPC. These trends are illustrated in Figure 5-3. The trend indicates annual changes in mail growth rates, with 1997, 1999 and 2001 witnessing substantial growth in domestic traffic and 1998 and 2000 declines in domestic traffic. However, overall, there appears to be little growth in mail volume. The Performance contract had targeted a 5% annual increase in regular mail volumes and slightly higher annual increase in express mail services. Average annual growth over this period was just over 2% well below the target. In addition, this average growth rate is driven by the relatively large increase in 2001. This is consistent with the relatively flat GDP growth over the same period (see Figure 2-3), and very flat GDP/capita growth. At the time of writing, data was not yet available for 2002 to indicate whether this increase would be sustained or, as in 1998 and 2000, whether volumes would decline again.

Figure 5-3: Total letter traffic handled by incumbent

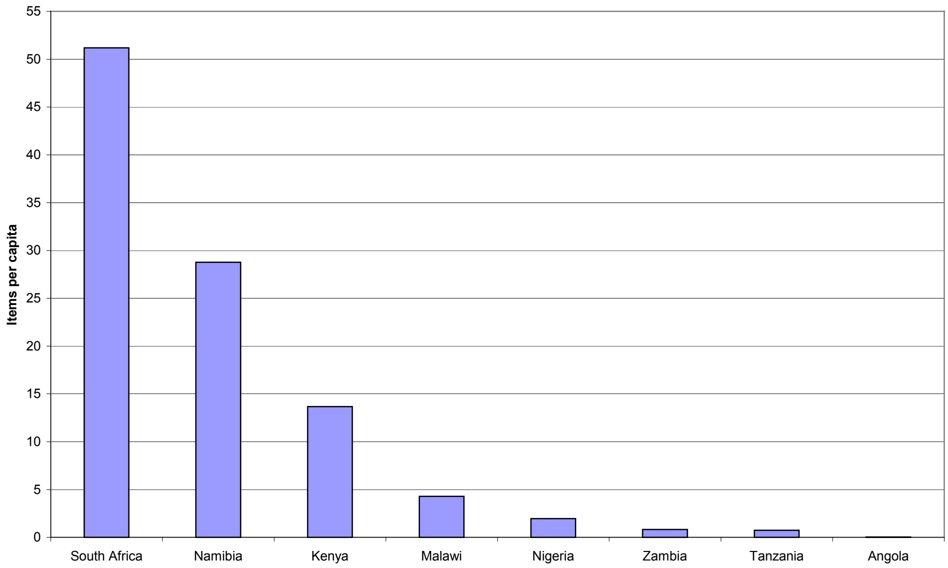


Note: international includes both incoming and outgoing mail.
Source: TPC Annual Reports

The total letters delivered of about 25.2 million items (once parcels and registered mail is included) represents about 0.73 items per capita[26], a very low total, even based on benchmarks within sub-Saharan African where the average is about 0.86 items per capita. Figure 5-4 provides an overview for countries in the region.

[26] The vast majority of these are letters, with a total of about 320,000 registered items in 2001.

Figure 5-4: Items per capita

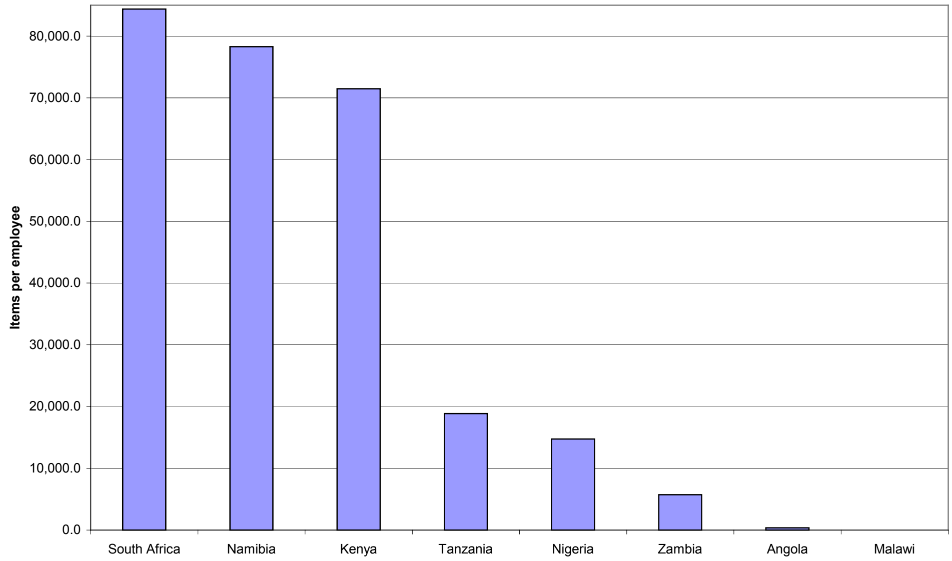


Note: Angola's has 0.03 items per capita
Source: World Bank Development Indicators, various years, latest year for which data is available for each country.

5.3.1 Productivity

There has been effort at TPC to increase productivity in response to the competition it is facing in the market. Since its creation in 1994 it has decreased staff from about 2,600 to about 1,320 in 2003. However, partly as a consequence of the failure of mail volumes to grow at expected rates, its productivity, as measured by items per employee, remains amongst the lowest in the region. This is illustrated in Figure 5-5 and may explain part of the continued underperformance relative to the profitability target in the Performance Contract. Financial performance is discussed in more detail in the next section.

Figure 5-5: Items per employee



Source: UPU and TPC, for each country uses latest year for which data is available

5.4 Financial performance

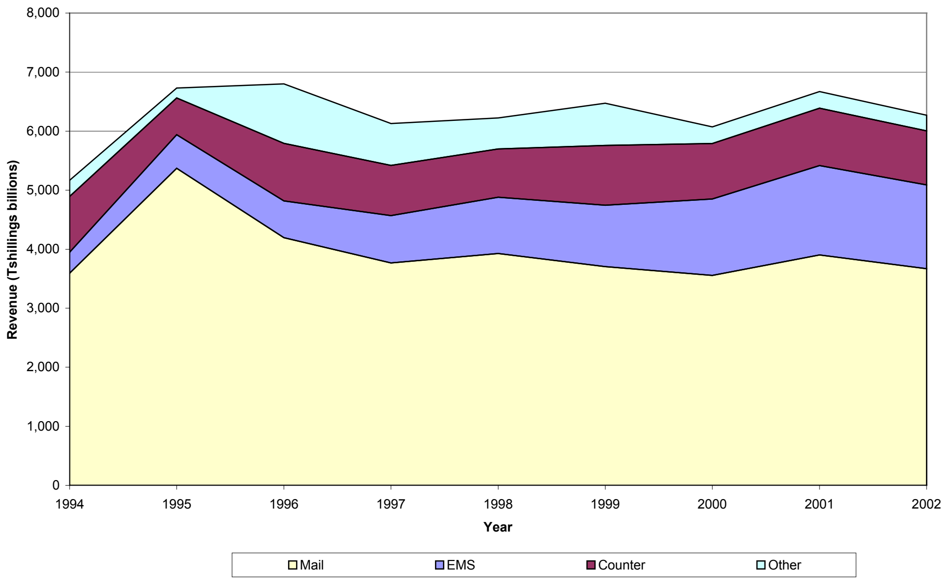
Profitability

In 2001, the last year for which audited accounts have been approved, total (pre-tax) profit was about Tsh 204,000,000 (about US$204,000) but losses carried forward from previous years still amounted to about Tsh2 billion (US$2 million). The profit was earned on a total turnover of about Tsh 13 billion, so profitability as a proportion of turnover was about 1.6%. This compares to 1.8% and 5.5% in 2000 and 1999 respectively. The main reason for the better performance in 1999 was a one-off gain from exchange rate adjustments. This compares to the level of 15% of turnover that was set as a target in the Performance Contract.

Revenue

The mail part of TPC's operations is still the most important service provided by TPC in terms of income. Letters services represent about 60% of TPC's income, with counters representing about 15% of income and express services about 25% of income. However, income earned from counters has been increasing with the creation of services such as the giro-banking services and income for EMS services has been rising, as a proportion of total income, based partly on the success of the money fax service.[27] In 1994, when TPC was created, mail accounted for 75% of income, compared to the current 60% level. In real terms, total income levels since the creation of TPC in 1994 have varied considerably, but, over the period since 1995, have failed to grow significantly. This trend is illustrated in Figure 5-6.

Figure 5-6: Total revenue (real 1995, Tsh billions)



Source: TPC, *Strategic Business Plan 2000-2004*, plus TPC estimates for 2002.
Note: estimates for 2002 based on non-audited preliminary figures. Breakdown of revenue by service area for 2002 based on actual proportions for 2001, see above for discussion of likely evolution of different services.

TPC's audited accounts do not break-out the revenue from new products in detail. However, evidence from the interviews (e.g. see Section 0) suggests that they are currently contributing a small percentage of total revenue but that a few services (e.g. post-giro) have the potential to provide significant revenue over the medium term.

27 As noted above (see "Services") within TPC's corporate structure, money-fax is considered part of EMS. However, it is just another form of counters financial service (money-fax allows the sender to fax a receipt for the collection of money by the recipient to another post office) and its growth reflects the general growth of such financial services, as a proportion of total income, within TPC.

Comparable revenue and volume figures are available for 1996 to 2001 and indicate a decrease in revenue per item since 1996. However, this is due to substantial changes in revenue per item in 1996 and 1997. Since then revenue per item has been fairly constant. This is summarised in Table 5-3. The changes appear to be driven by changes in mail volumes (see Figure 5-3) rather than revenue.

Table 5-3: Revenue per item

Year	Revenue per item (real 1995 TSh)
1996	310
1997	247
1998	271
1999	270
2000	274
2001	269

Source: TPC audited accounts

TPC needs to increase revenue in order to improve its profitability and meet requirements under the USO. Therefore, it has been looking into alternative sources of revenue. These are summarised in the box below.

Alternative revenue sources

Section 4.1.3 emphasised the increasing competition faced by TPC in its core areas of mail delivery. Consequently, it has been investigating alternative means to finance its USO obligation. Most recently, it has introduced three new measures that should help it to recover some of the costs associated with its USO obligations:

- Internet shops: TPC is planning to introduce internet access within its regional offices. As it expands this service, using its existing network of post offices, it should be able to provide increased revenue for local post offices.[1]
- New financial products: most recently it has introduced giro-banking services to take advantage of its network that will allow companies to pay salaries, pensions and dividends to widely dispersed employees, pensioners and shareholders.[2]
- Passenger services: buses carrying mail on more remote routes that are not served by the existing bus operators are now also taking passengers between towns on these routes.[3]

(1) TPC has established a pilot internet café at its General Post Office in Dar es Salaam to being the program.
(2) See box in Section 4.1.2 for more details.
(3) This currently operates on three rural routes.

Costs

TPC is in the process of developing a cost allocation model. Consequently, it is not possible to develop an idea of cost for different services. However, it is possible to examine an alternative measure of total cost: operating expenditure per item delivered.[28] In 1999, this was Tsh485 per item (in real 2001 Shillings). In 2001, the latest year for which audited data are available, the cost was Tsh504 per item (US$0.50).[29]

This compares to tariffs for letter post that, in 2001, ranged from about Tsh200 to about Tsh900, depending on weight and class. However, most items would have been delivered for prices in the range Tsh200 to Tsh550.

As described in Section 3, TPC pays a royalty fee to the TCC. This fee is equal to about 1% of turnover and so was equal to about Tsh5 per item (real 2001TSh) over the period from 1999 to 2001.

5.5 Other performance indicators

Affordability

A breakdown of the current tariffs for letters is provided in Table 5-4.

Table 5-4: TPC Letters tariffs (Tshillings, 2003)[2]

Weight	Economy service	Priority service
≤ 20 grams	300	600
20 grams < X ≤ 50 grams	500	700
50 grams < X ≤ 100 grams	700	900
100 grams < X ≤ 250 grams	800	1,200
250 grams < X ≤ 500 grams	1,600	2,200
500 grams < X ≤ 1 kilogram	2,300	3,200

[28] Where "item" includes all mail items but not financial products.

[29] As a comparison, the average cost per item reported in the Uruguay case study was about US$0.43 in 2003.

Table 5-4: TPC Letters tariffs (Tshillings, 2003)[2]

Weight	Economy service	Priority service
1 kilogram < X ≤ 2 kilogram[1]	3,000	3,700

Notes:
1. Anything above 2 kilograms is considered a parcel and subject to different charges.
2. Divide by 1,000 for rough US$ equivalent price in 2003.

There are many potential measures of affordability. Here we look at two, the cost of postal services compared to: income levels and other basic goods.

There is no comprehensive analysis of income levels in Tanzania. However, the *2002 Household Budget Survey* provides estimates of household expenditure. This indicates an average consumption expenditure per capita per month of about Tsh10,000 in 2001 (approx. US$10). Current tariff levels for basic letter services from Table 5-4 range from Tsh 300 to 900. These would imply that letters cost between 3% and 9% of typical monthly expenditure. However, income levels in Tanzania are very different between rural and urban regions. In the urban regions that create most of the demand for postal services, the equivalent household expenditure is about Tsh 22,000 and so letters would cost between 1% and 4% of per capita consumption. In contrast, rural consumption expenditure stands at around Tsh8,500, making letters relatively more expensive (between 4% and 11%).

An alternative measurement of affordability is to compare the cost of a letter to that of other commodities. This comparison indicates that current postal costs do correspond roughly to the price of some basic commodities and other forms of communication. For example:

- a loaf of bread costs between Tsh 200 and 300;
- half a litre of milk costs about Tsh 400;
- water supply from the network costs about Tsh 400/cubic metre;[30] and
- the cost of 30 minutes of internet access ranges from Tsh 300 to 500.

[30] Most of the population receives water supply from wells and trucks, the latter may cost up to ten times the price of network delivered water.

Quality of service

Detailed data on quality of service was not available. However, interviews indicated that TPC did meet the targets for speed of delivery and security that are set in the Performance Contract in the most recent reviews of its performance. These are summarised in Table 5-5.

Table 5-5: TPC performance measurement (targets for 2001)

Area	Weight in index[3]	Target
	Speed	
Mail intra-town	10%	J+0 (98%)
Mail inter-town – zone A[2]		J+1 (85%)
Mail inter-town – zone B[2]	5%	J+3 (88%)
Mail inter-town – district		J+5 (80%)
Express mail service - zone A[2]	5%	J+2 (98%)
Express mail service - other		J+3 (90%)
Express money order – zone A	5%	J+2 (95%)
Express money order – other		J+4 (90%)
	Security[1]	
Mail		10
EMS	10%	2
Counters		2

1 number of documented staff related thefts

2 Zones reflect population density with Zone A depicting inter-urban traffic and Zone B, more remote, rural deliveries.

3 A single aggregate index across all performance indicators is created under the Performance Contract. The "*weight in index*" reflects the weight of the relevant category within this single performance measure (e.g. intra-town mail has a 10% weight therefore its score in this category would be multiplied by 0.1 and then added to the other scores to create the index).

Customer satisfaction

The target for customer satisfaction set in the Performance Contract is based on the number of complaints received by the TPC and TCC relative to traffic volume. Complaints can be deposited in boxes installed in the post offices or by telephone. TPC also surveys its customers twice a year. TPC has met this target over recent years however it provides an unreliable estimate of customer satisfaction because TPC is largely responsible for deciding whether a complaint should be recorded (i.e. determining whether the fault lay with TPC or another party). The continued use of more expensive competitors would suggest that customers are still not completely satisfied with its service.

Interviews with TPC's major customers indicated that they do have complaints related to the number of items that successfully reach their recipients.[31]

5.6 Competitors

TPC's competitors focus mainly on the key profitable routes: international courier services and domestic letter services between major urban centres. They do not produce separate accounts that would allow an investigation of the profitability of their mail business but their presence, and continued expansion of certain operators, in the market suggests that they are able to operate profitable services.

A comparison of tariffs charged by TPC and its main competitor for the international courier market, DHL, indicates a similar pattern to that discussed in above: tariffs are substantially higher than TPC. Tariffs for selected destinations are presented in Table 5-6. The large difference between tariffs and the very high market share that DHL (about 60%, see Table 4-1) is able to maintain suggests that the quality difference between the two services must be considerable. There are two main components to the potential differences in quality of service:

- delivery time; and
- reliability, including both the probability of arriving within the delivery time and also issues relating to security of items.

[31] There is some disagreement between TPC and their customers over who is at fault for these problems (i.e. whether it is the companies addressing mail incorrectly or TPC not delivering it). There is agreement that undelivered mail is often not properly returned to the companies.

Promised delivery times, which vary based on destination, do not differ significantly between TPC and its competitors. However, actual and perceived reliability are lower for TPC than competitors. Consequently, in practice, few businesses, who are the predominant users of international express services, trust TPC to deliver items on time.

This relationship between tariffs and quality of service is further emphasised when local express services are analysed. For express delivery within Tanzania, DHL charges similar tariffs to TPC. For example, for express delivery within Dar es Salaam DHL charges around Tsh 4,000 compared to TPC's cost of Tsh 3,500. This may reflect the much smaller disparity in actual and perceived quality of service offered for delivery within Dar es Salaam.

Table 5-6: Comparative tariffs for selected countries, 1 kg express document

Destination	TPC (Tsh)	DHL (TSh)
Kenya	18,000	28,500
Uganda	18,000	28,500
South Africa	20,500	35,500
India	24,500	46,800
UK	20,500	42,500
USA	24,500	42,500

Note: DHL does offer customer specific discounts on some routes (e.g. it will discount the price for post destined for major centres such as London).

DHL and the other international courier operators (see Table 4-2) concentrate on mail operations and earn most of their revenue from corporate customers sending mail to and from overseas clients and parent companies. By contrast, the bus operators benefit from economies of scope and the expansion of the number of licensed transporters (see Table 4-2) and the size of their operations indicates that they are able to cover the additional costs associated with adding a mail service and earn a reasonable profit. All of these operators are able to charge tariffs above those of TPC, with the premium largely reflecting better quality of service.

5.7 Key findings

The evaluation provided in this section indicates that, while the reforms have created an independent postal operator with a clear customer focus they do not appear to be reflected into a sustainable improvement in some of the key performance indicators. For example:

- significant improvements in productivity have occurred but TPC's profitability appears to be low;

- real prices have increased substantially and while these may have supported improvements in quality of services, they do not appear to have translated ultimately into meeting customer demand for higher quality and thus an increase in the volumes handled by TPC; and

- access to post offices continues to be relatively low compared to regional comparators.

6. Emerging lessons

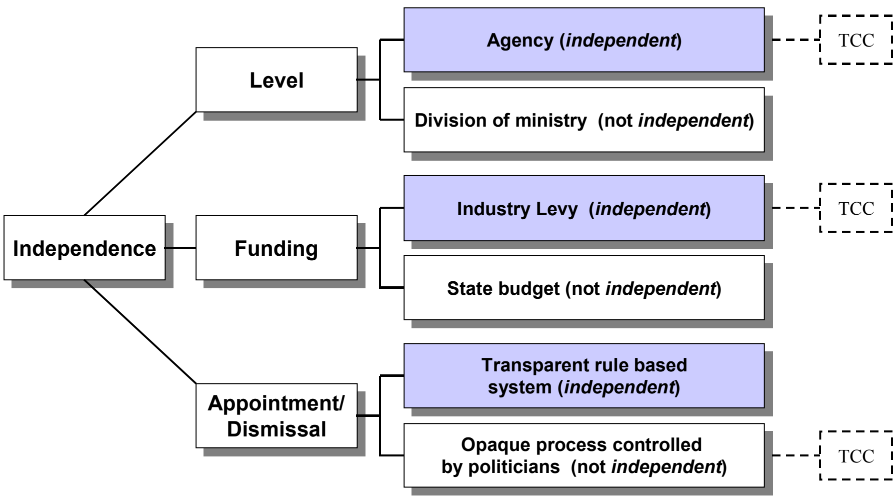
This section provides an overview of the lessons that emerge from this case study.

6.1 Institutional framework

6.1.1 Institutions

A clear set of new institutions has been created, including TPC and TCC. This has increased the transparency of decisions relating to pricing, service quality and operations. However, the regulatory framework is still being developed and the current design may not ensure TCC is able to properly balance the interests of all stakeholders. The TCC's position is summarised in Figure 6-1: on balance TCC can make decisions independently of any stakeholder but the process of appointing and dismissing commissioners may result in a perception that the TCC is not completely independent.

Figure 6-1: Determinants of independence



Source: Frontier Economics, 2003

6.1.2 Performance contract

The Performance Contract is a transparent mechanism for setting, monitoring and evaluating the performance of TPC. It provides a solid framework with which to monitor TPC and provide concrete targets for its management. However, in practice, the incentive mechanisms within the contract appear to have limited influence on the operation of TPC. The main reason for this was noted in Section 3.2.3: common perception is that neither bonuses nor penalties stipulated in the contract are likely to be invoked. This arises because of several clauses in the contract that, under current conditions, would allow TPC to disclaim responsibility for poor performance. Clause 10.2, in particular, states that "*The Government as owner of the Corporation shall take care of proper funding*". Interviews undertaken as part of the project indicate that any penalties for underperformance in the past or over the medium term in the future would not be implemented because TPC can claim lack of proper funding.

The second main problem with the contract is that the targets against which TPC is measured incorporate several different types of measures, some of which reflect customer service objectives, and others performance objectives:

- customer service: speed, security, customer satisfaction; and
- commercial: profitability and mail traffic growth.

The result is that TPC can emerge with a satisfactory performance rating over the past few years despite being unable to finance any new investment required to improve quality of service (i.e. by meeting speed and security targets while falling far short of the profitability target).

6.2 Postal market

Tanzanian reforms have been focused on the public, incumbent operator: trying to ensure it is financially viable and can meet its USO obligations.[32] Consequently, the development of the supply side of the postal market has consisted mainly of a few entrants into profitable market segments (i.e. international courier and some domestic inter-urban routes). This has increased the choice for particular categories of consumers but has not, in

[32] This is in contrast, for example, to the reforms in Uruguay discussed in an accompanying report. In Uruguay the focus is more on the development of a competitive postal market, with no reserved area or price controls imposed by the regulator on the incumbent or other operators.

itself, resulted in more choice or quality of service for most consumers who live in more rural areas.[33]

Demand served by the incumbent has failed to increase substantially over the period since reform—it has risen and fallen from year to year but remained at around the same level over the period. Since TPC has lost some market share to competitors this suggests that aggregate demand has increased, although no data on volumes was available from competitors. Consequently, the increased demand that arises from the reforms (i.e. from permitting new entry) does not necessarily accrue to the incumbent. As a result, TPC is looking to expand its services beyond its traditional letters market and into other forms of mail (e.g. advertising mail) and other services (e.g. financial services). If this succeeds it would be partly attributable to the increased commercial focus instilled in TPC as a result of the reforms.

6.3 Performance of TPC

While the reforms have created an independent postal operator with a clear customer focus they do not appear to be reflected into a sustainable improvement in some of the key performance indicators. For example:

- significant improvements in productivity have occurred but TPC's profitability appears to be low;
- real prices have increased substantially and whilst these may have supported improvements in quality of services, they do not appear to have translated ultimately into meeting customer demand for higher quality and thus an increase in the volumes handled by TPC; and
- access to post offices continues to be relatively low compared to regional comparators.

[33] Their quality of service has improved but this has come from the regulatory controls that are in place (e.g. Performance Contract) and not from competition in the market.

6.4 Nature of entry and maintenance of the USO

Importance of quality of service

Evidence from the inter-city traffic suggests that customers value quality of service and are prepared to purchase more expensive postal services from rival operators than TPC to ensure a better reliability[34].

However, TPC indicated that it has met its inter-town quality of service targets for mail to be delivered next day (at least 85% of the mail is delivered next day). This suggests that customers may not trust TPC or may want still higher reliability. This could again be the result of poor historical performance of TPC or reflect the methods used by TPC to evaluate its quality of service.

Implications for the USO

There has been large entry of international postal operators focused on international courier services.

The rival operators focussing on domestic "normal" letter services have focussed on niche and profitable markets. These operators, mainly bus operators, target the profitable routes for inter-city mail from households and family-run businesses.

The observed entry in the standard letter market is consistent with new operators meeting demand for a higher quality service at a higher price. Rival operators charge higher rates than those of the incumbent.

In terms of financial impact, TPC could be loosing sources of revenue to cross subsidise non-economical areas that it is required to serve under the terms of the USO with the maintenance of an affordable uniform tariff for its basic services.

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[34] This choice of postal providers is only available to customers that sent inter-city mail. For other destinations, mailers must rely on the services of TPC.

Annex 1

Terms of Reference

Terms of reference

Evaluation of the postal sector reform in Tanzania and Uruguay, and strategic views for the future

1. Objectives of the assistance

The World Bank is preparing its postal sector strategy which will set a framework for the reform of the postal sector in developing countries. In order to provide this advise in an effective manner, the Bank is seeking to develop a better social and economic knowledge of the sector, and a better understanding of the postal sector patterns and characteristics in developing countries.

Many postal sector reforms were undertaken during the past decade with different degrees of success. The World Bank is trying to assess some of those reforms to identify some key success factors in terms of sector development and poverty alleviation, and a best practice. Tanzania and Uruguay stand as complementary candidates whose diverse experience can teach interesting lessons. Tanzania offers enough distance, 5 years from the completion of the reform, to assess the middle term impact of the reform. Uruguay on the other hand has not been through a formal postal reform process, however, its postal market does exhibit a high degree of competition.

The World Bank wants to:

(i) obtain a precise understanding of the market dynamics in the postal sector;

(ii) how these dynamics are articulated in the broader economy (on the basis of market-wide data collection and economic analysis);

(iii) provide new data on the postal sector; and

(iv) draw conclusions, lessons learned and recommendations for postal sector development not only for Tanzania and Uruguay, but also with regards to postal sector reform in developing countries in general.

In order to meet these objectives, the World Bank strongly insists on the collection of a data and indicators to support the report analysis; a minimum set of data is suggested in **Annex 1**; these data and indicators must be collected for both countries; the Consultant is warmly invited to expand this set to strengthen his analytical work. Those data will be completed by another complementary questionnaire (**Annex 3**). Lastly, **Annex 2** displays a number of reference that can be of guidance for the Consultant.

2. Scope of work

It should be noted that this study of the postal sector is to be broadly based, i.e. the focus should be on the demand side market definitions, rather than a market defined by the services provided by the historical postal operator.

Because the postal sector in Tanzania and Uruguay differ significantly, it was decided to distinguish the scope of work for the two countries, although in many regards, the analytical framework remains similar. The Consultant will present its analysis distinguishing Uruguay, Tanzania, and the lessons learned and general recommendations relative to postal sector reform in developing countries.

In addition to the strong focus on the market analysis (demand/supply), the Consultant is invited to link postal sector and development. A draft concept paper prepared by an economic team of the World Bank and relative to the issue of postal sector and development will be shared with the Consultant (the document will be provided to the selected firm). The Consultant will comment on this draft and as much as possible follow the same approach in her/his assignment.

There will be three deliverables: one report on the Tanzania postal sector, on report on the Uruguay postal sector, and one report of synthesis that will bring out common problematics met in the two countries and can reflect on the general patterns common to most developing countries facing the challenge of modernizing their postal sector. In particular, the Consultant will identify the most important market failures and limitations to universal access, their consequences on the overall sector performance, and avenues to resolve those failures.

3. Methodology

The consultant will aim at evaluating the performance of the postal sector in both countries at different levels, amongst which:

(i) Demand analysis and product substitution:

- survey of main customer categories: individuals, SMEs, businesses, large mailers, Government; what are their postal service usage, what is their unmet demand, what they would want/need from the historical postal operator;

- what substitute products and services to postal services do customers turn to; and
- relationship between the country's e-readiness (internet penetration, total number of electronic mailbox) and the historical postal operator performance.

(ii) Supply side:

- utilizing existing data and new research, define the postal sector in Tanzania and Uruguay in terms of demand, service providers, and product offerings; evaluate it in economic terms (in order to assess its relative importance within the national economies);
- describe the segment growth distinguishing between the historical postal operator, the private operators, and the informal economy;
- give volume and value growth indications for the different market segments; and
- compare Tanzania and Uruguay postal sector performance to the performance of the postal sector in analogous countries.

(iii) Tariffs:

- tariffs of the universal services and services under exclusivity;
- tariffs of the services under competition (comparison between the historical postal operator and the private operators): cost-oriented, market-oriented, and operating margins.

(iv) Quality of service and customer satisfaction:

- transit time for letters (domestic, international); and
- customer (private/business) satisfaction, both in terms of reliability and diversity of services, qualification of postal staff.

(v) Regulation:

- regulatory framework including scope and effectiveness of the regulator; and
- determine the overall impact which this framework has on sector definition and performance.

(vi) Social and universal access:

- universal access and coverage: has the access to postal, financial and other communication services improved over years through the enhancement of the postal system?
- what measure would be the most relevant to illustrate the actual accessibility by population to basic postal services?
- over the past ten years, has the postal sector seen creation or elimination of jobs.

(vii) Historical postal operator performance:

- corporate strategy and organization;
- level of commercialization achieved;
- management systems and human resources enhancement;
- productivity;
- financial results; and
- investments and adequate financial resources management.

In addition, the Consultant is requested to archive in an annex to the Studies all types of documentation relevant to them (laws, decrees, tariff schedules,…) and provide electronic copies (when possible) or hard copies.

4. Data collection

In order to meet the objectives of this study, the World Bank strongly insists on the collection of a number of data and indicators to support the report analysis; a minimum set of data is suggested in **Annex 1**; these data and indicators must be collected for both countries; the Consultant is warmly invited to expand this set to strengthen his analytical work (as long as they are robust, reliable and consistent enough to allow for relevant analysis).

The Consultant is expected to collect information **beyond** that provided by the Universal Postal Union. As the scope of the studies covers the market as a whole (and not only the historical postal operator), resources will need to be dedicated to collect those sector-wide data. In addition, the Consultant will try to relate the sector data with nationwide economy reference (i.e.: if referring to the postal savings performance, display the part represented by postal savings in the GDP, but equally the importance of national and private savings in the economy, so as to provide us with a more relevant view of the relative importance of the postal system at this level).

The Consultant is invited to gather data from 1990 until the most recent years available; however in the occurrence of data available before 1990, the Consultant should complete the data series so as to provide us with more extended time-series (1980's for instance); those older data will need to be robust, reliable and consistent enough with the newest statistic as to allow for relevant analysis.

In addition, the Consultant will fill up the four-part questionnaire attached in **Annex 3**[35]. This questionnaire covers the legal and regulatory framework description, the market description, the network description, and the operational and financial description of the historical postal operator.

5. Country analysis

5.1. Background information

5.1.1. Tanzania

Postal sector reform in Tanzania was accomplished despite very difficult circumstances: low income per capita, a very poor performing postal sector, and a very weak historical postal operator. This process was accomplished in two phases. The first, a reform of the postal regulatory regime took place within the general restructuring of state owned enterprises in Tanzania from 1992-1995 and led to the creation of Tanzania Post Corporation (TPC), as a state enterprise, fully owned by the Government of the United Republic of Tanzania. The second phase built upon these positive changes to accomplish the commercialization of TPC between 1995 and 1998. Further information can be found in the "Postal Industry in an Internet Age" booklet co-published by the World Bank and the Universal Postal Union downloadable from their websites[36].

5.1.2. Uruguay

The postal market in Uruguay is broadly comparable to other countries

[35] This questionnaire was used last year to build a postal database by the World Bank; at the time, Tanzania answered the Questionnaire; the Consultant will just need to update it. Uruguay had not answered the questionnaire; the Consultant will have to fill it up.

[36] http://www.upu.int/publications/en/internet_age_en.pdf; http://info.worldbank.org/ict/policyPostalService.html

but is more segmented and there is an incentive for self provision. In the market the historical operator does not fare very well and the per capita mail volumes are lower than expected. Total volume figures are difficult to obtain but a close approximation would be 30 million pieces carried by the public operator, Administración Nacional de Correos (ANC). This is an annual average of 8.8 letters per person per year which is significantly below the average for the five countries above and the five countries below Uruguay in GDP per capita, PPP[37]:

Indicator	Income Comparators		Uruguay
	Average Below	Average Above	
GDP per capita, PPP (current international $)	$8621USD	$9391USD	$9035USD
Letters/Staff	27580	52914	15,625
Average letter per inhabitant, 2000	21.6	40.1	8.8

Even if the approximately 20 million pieces carried by private postal operators are added to this total, the average letters per inhabitant only increases to 14.7 Approximately 80% of all mail is business to business or business to individual commercial mail consisting of bills, statements of accounts, credit cards, advertisements, etc. The national distribution of mail appears to be 80% in Montevideo and 20% in the rest of the country.

Segmentation by type of business mailer includes:

- Public sector;
- Financial sector;
- Industrial and manufacturing sector;
- Commercial and service sector; and
- Business and professional associations.

In addition to these markets, there is a unique system in Uruguay through which government utilities and services such as UTE, OSE, ANTEL, BSE, and others use their own staff to deliver their bills and statements of

[37] Croatia, Russian Federation, Costa Rica, Trinidad and Tobago, Mexico, Poland, Malaysia, South Africa, Chile, and Mauritius.

account. Estimates of the volumes for this "mail" range from 40 million to 50 million pieces per year. This portion of the market nearly equals the portion that is legally defined as mail. Adding the low estimate of these volumes (40 million pieces) to the existing mail market would increase average letters per inhabitant figure to 26.4, falling between the two averages shown in the chart above.

There are six basic types of mail service providers in Uruguay:

- The ANC;
- Private postal operators;
- International Couriers (e.g., DHL, Fedex);
- Transportation companies (e.g. bus and truck lines);
- Government service and utility companies delivering their own bills and accounts; and
- Informal services provided by individuals "commissioned" by others to deliver their mail.

In terms of price, private services have a price average of $10 pesos for a simple letter versus that of $12 pesos for the ANC. Both prices are relatively high for a first weight step ($0.36 USD and $0.43 USD respectively).

In summary, while the Uruguayan postal market is extremely competitive and diverse.

5.2. Main outputs

5.2.1. Tanzania

The consultant will:

(i) Define a baseline against which the evaluation will be completed:

- describe the situation of the postal sector before the reform was initiated; this description will be both qualitative and quantitative (see Annex 1 for the list of indicators);
- summarizing the reform project objectives (regulatory and institutional wise, as well as the main market drivers); and

- commenting on the relevance of the objectives as regard to the initial situation described before; suggest alternative objectives that could have been pursued.

(ii) Describe the different actions completed during the project implementation

(iii) Assess the success of the reform against the baseline and the project objectives, using both qualitative and quantitative views; identify the key success factors to the reform; compare with analogous postal reforms in other countries

(iv) Describe the economic benefits and impacts achieved by the reform with specific emphasis on non postal sectors such as transportation, financial services, advertising.

(v) Suggest avenues that could have secured better success for the reform and its long-term impact, similar characteristics to Tanzania.

(vi) Analysis the market organization and identify source of competition distortion (such as dominant position, favourable tax treatment for the historical postal operator…)

(vi) Suggest avenues for further sector strategic development through an in-depth economic market study, that will look at both supply and demand (see Annex 1).

5.2.2. Uruguay

The consultant will define the overall performance the postal sector and the level of support it provides in terms of:

(1) Service provision:

- Universal access and coverage, access to postal, financial, and other communication services;
- Tariffs for universal services and services under exclusivity; comparison of these tariffs to other basic commodities;
- Tariffs of the services under competition: cost-oriented, market-oriented, and operating margins.
- Coverage, quality of service, and relative levels of customer satisfaction

(2) Responsiveness existing and latent demand

- Level of usage of direct mail as a means of advertising;
- Viability of the postal network as a financial network channel for distributing bills, statements of accounts, etc.
- Viability of the postal network for making payments; and
- Relative cost of maintaining sector as demonstrated by price levels, subsidies, etc

(3) Network efficiency

- Economies of scale relative to other networks
- Interaction and support provided for other sectors (e.g., transportation, financial services, etc.)

The Consultant will also:

(1) Describe strategies that could maximize this performance over the long-term; and

(2) Suggest avenues for further sector strategic development through an in-depth economic market study, that will look at both supply and demand (see Annex 2). This analysis will encompass the draft concept paper prepared by an economic team of the World Bank and relative to postal sector and development (document will be provided to the selected firm); the Consultant will comment on this paper and relate it to the analytical work prepared under this assignment.

4. Schedule and deliverable

The total time of the assignment is 12 weeks. This assignment will require a first phase of desk research and analytical work (2 weeks), then individual missions to each country (3 weeks each), then a report preparation period of 4 weeks. The consultant will share the draft reports with World Bank staff who will comment and suggest changes. Final report should be completed 1 week after transmission of the World Bank final round of comments. No more than 6 weeks should separate the transmission of the draft report and the transmission of the final report.

Contract signature + 2 weeks	Desk research, including comments on World Bank Draft concept note on postal development
Contract signature + 5 weeks	Field visits
Contract signature + 9 weeks	Intermediary Reports 1 and 2: Tanzania and Uruguay
Contract signature + 10 weeks	Intermediary Report 3: Synthesis report
Contract signature + 12 weeks	Final reports (1, 2, 3) taking into account World Bank suggestions

The final complete report will be the collection of the three previously described reports (Tanzania, Uruguay, Synthesis). It should contain no less than 60 pages. Each of the individual country treatments should contain sub-chapters covering the sub-sections as described in paragraphs 5.2.1. and 5.2.2., following the methodology framework (paragraph 3) and the data collection requirements (paragraph 4).

10% of the payment will be made at the start of the assignment, then 40% after the mission on the field, then 20% at the transmission of the draft Synthesis report, then 30% at the transmission of the final report.

5. Profile of the consultant

The consultant will have a strong economic background with large exposure to the postal industry, both in industrialized and developing countries, for at least 10 years. The ideal consultant will have conducted or participated to postal reforms in developing countries. The ability to work in English and Spanish is required.

ANNEX 1

POSTAL INDICATORS

NB 1: The Consultant will present those data under an excel spreadsheet form. The tables will specify each component of the indicator (for example: "number of inhabitants per permanent postal office" will show "number of inhabitants" and "number of permanent offices"

NB 2: The Consultant will provide definition of the various component, as well as source of information

NB 3: Those data are meant to be publishable; in case some data and indicators are considered sensitive or confidential, the Consultant will clearly signal it.

Universal service / Access

- Number of inhabitants per permanent postal office (1990-2002 and/or most recent years) UPU readily available
- Number of inhabitants per permanent postal office + secondary post offices + franchise (1990-2002 and/or most recent years) UPU readily available
- Percentage of the population unserved (do not refer to the UPU indicator; build up your own indicator)
- Map of population repartition over the territory, together with postal network (1990-2000)
- Break-down by administrative-unit level (national, regional, sub-regional, district…) of population, post offices, postal agencies, postal volumes
- Mail items per inhabitant (1990-2002 and/or most recent years) UPU readily available
- % of households and businesses (dwellings as registered at the national statistical level) that receive door delivery: urban / rural (1990-2002 and/or most recent years)
- % of the population who drop and collect their mail from a postal establishment (1990-2002 and/or most recent years) UPU readily available
- Affordability: first-class stamp price as a percentage of general consumption price index, and compared to income level comparable countries (1990-2002 and/or most recent years); the Consultant will run a regression analysis which illustrates that at a certain level of income, some countries have more expansive stamps.

Quality of service

- Transit time: intra-city, inter-city, city-rural; end-to-end; international survey (1990-2002 and/or most recent years)(precise whether it is an internally-run or outsourced survey)
- Number of lost items (1990-2002 and/or most recent years)
- Consumer satisfaction (1990-2002 and/or most recent years)
- Consumer trust in the national postal system (the Consultant will build up her/his own analytical tool)

Monopoly

- Exclusive rights: weight limits (1990-2002 and/or most recent years)

  Postal Market: taking into account the privately operated postal services

- Postal sector economic importance within the national economy (postal sector product as a % of GDP)
- Segments analysis: letters, direct mail, express, parcels, newspaper: growth in volume and value (1990-2002 and/or most recent years)
- Segments opened to competition and competitors market share by segment –volume, value- (1990-2002 and/or most recent years)
- Customer segments: mail volumes flowing from one customer segment to another (B-to-B, B-to-C, C-to-C) (1990-2002 and/or most recent years)
- Market growth: volume, value (1990-2002 and/or most recent years)
- Posts and the Internet: number of electronic mail boxes provided by the historical postal operator (1990-2002 and/or most recent years); number of actually utilized postal electronic mail boxes compared to national number of mail boxes (postal market share)
- Postal financial services: market share of the postal operator in: transfers, giro, savings (1990-2002 and/or most recent years) both volume (number of transactions, amount of deposits, number of accounts) and value
- Postal savings as a % of GDP (analyze also the gross savings and private savings as a % of GDP, in order to evaluate the actual importance of the postal network relative to private savings on a national level)

<u>Incumbent operator</u>

- % weight of the 5 major mailers and their share in the incumbent's total revenue (1990-2002 and/or most recent years)
- evolution of main mailers representing the top 50% of the incumbent's total revenue (1990-2002 and/or most recent years)
- Mail: evolution by weight category (1990-2002 and/or most recent years), price evolution (1990-2002 and/or most recent years), operational costs evolution
- profit and loss tables (1990-2002 and/or most recent years) (receipts and expenditure UPU readily available)
- productivity (items per postal employee) (1990-2002 and/or most recent years) UPU readily available
- efficiency: revenue/employee UPU readily available
- financial performance: % of loss/profit to sales, loss/profit to social capital (1990-2002 and/or most recent years)
- solvability: social capital to liabilities (1990-2002 and/or most recent years)

ANNEX 2 – REFERENCE LIST

World Trade Organization

Postal and Courier Services, Council for Trade in Services (1998) (http://www.wto.org/english/tratop_e/serv_e/postal_courier_e/postal_courier_e.htm)

European Commission - Internal market (http://www.europa.eu.int/comm/internal_market/en/postal/stud/index.htm)

Report from the Commission to the European Parliament and the Council on the application of the Postal Directive (97/67/EC) - November 2002

Study on employment trends in the European Postal sector

(PLS Rambøll - October 2002)

Study on the cost accounting systems of providers of the universal postal service (CTcon, July 2001)

Study on the conditions governing access to universal postal services and networks (CTcon, July 2001)

Study on the impact of certain aspects of the application of the Directive 97/67 EC on the postal sector (Omega Partners, August 2001)

Modelling and quantifying scenarios for liberalisation (MMD - Feb 1999)

Study on the impact of liberalisation of community cross-border mail (PriceWaterhouseCoopers - Dec. 1998)

Study on the impact of liberalisation of direct mail (Arthur Andersen - Nov. 1998)

Study on the impact of weight and price limits of the reserved area in the postal sector (CTcon - Nov. 1998)

Costing & financing of universal services in the postal sector in the European Union (N/e/r/a - Oct. 1998)

Liberalisation of clearance, sorting and transport (CTcon - Aug. 1998)

Employment trends in the European postal sector (Price Waterhouse - May 1997)

Impact of electronic mail on postal services (Coopers & Lybrand - Dec. 1996)

Liberalisation of incoming and outgoing intra-community cross-border mail (PricewaterhouseCoopers - December 1998)

OECD (http://www.oecd.org)

Promoting Competition in Postal Services - 1999 (http://www.oecd.org/pdf/M000015000/M00015219.pdf)

ILO (http://www.ilo.org/)

Social Dialogue in Postal Services in Asia and the Pacific - 2000

(http://www.ilo.org/public/english/dialogue/sector/papers/postelcm/bangkok_sem00.pdf)

UPU (http://www.upu.int)

Post 2005 -Core Business Scenarios

Post 2005 -Follow-up and trends

Postal Industry in an Internet Age

Summary of the main amendments to the UPU Acts (Beijing 1999)

Center for Research in Regulated Industry - Rutgers Business (http://crri.rutgers.edu/pub/)

Competition and Innovation in Postal Services, edited by M.A. Crew and P.R. Kleindorfer, Kluwer Academic Publishers, 1991

Regulation and the Evolving Nature of Postal and Delivery Services, edited by M.A. Crew and P.R. Kleindorfer, Kluwer Academic Publishers, 1992

Commercialization of Postal and Delivery Services: National and International Perspectives, edited by M.A. Crew and P.R. Kleindorfer, Kluwer Academic Publishers, 1994

Managing Change in the Postal and Delivery Industries, edited by M.A. Crew and P.R. Kleindorfer, Kluwer Academic Publishers, 1997

Emerging Competition in Postal and Delivery Services, edited by M.A. Crew and P.R. Kleindorfer, Kluwer Academic Publishers, 1999

Current Directions in Postal Reform, edited by M.A. Crew and P.R. Kleindorfer, KluwerAcademic Publishers, 2000

Future Directions in Postal Reform, edited by M.A. Crew and P.R. Kleindorfer, Kluwer Academic Publishers, 2001

Postal and Delivery Services: Pricing, Productivity, Regulation and Strategy; edited by M.A. Crew and P.R. Kleindorfer, Kluwer Academic Publishers, 2002

Postal and Delivery Services: Delivering on Competition; edited by M.A. Crew and P.R. Kleindorfer, Kluwer Academic Publishers, 2002

WIK (http://www.wik.org/)

"Liberalization of postal markets", G. Kulenkampff, H. Smit, Papers presented at the 6th Königswinter Seminar, 2001

"Cost of universal service" Ulrich Stumpf, Wolfgang Elsenbast,. Papers presented at the 6th Königswinter Seminar, 1995.

Postcomm (http://www.postcomm.gov.uk/)

Promoting Effective Competition in UK Postal Services: a Consultation (June 2001)

An Assessment of the Costs and Benefits of Consignia's Current Universal Service Provision: a Discussion Document (June 2001)

Postinsight (http://www.postinsight.com)

OTHERS

"Liberalising postal services" John Dodgson, NERA, The Beesley Lectures, 2001

"Measuring the success of postal regulators: what should be best practice in postal deregulation" Ian Senior, IEA, The Beesley Lectures, 2002

"Delivering Economic Development: Postal Infrastructure and Sectoral Reform in Developing countries", Walsh, Tim (2001), Consignia plc, London, UK.

"Comparing postal and telecommunication networks: similarities and differences" V. Visco Comandini, C. Leetieri - Journal of Network Industries, no2, vol.2, 2001, p.163-206

"Disaggregated letter traffic demand in the UK", Nankervis, J, Richard, 5, Soteri, S, and Rodriguez, F (2001)

"The impact or post office closures in the rural community - UK" Postwatch, 2002

"Meeting the universal service obligation in posts" Reay, I, and Rodriguez, F (2001)

"Alternative approaches to estimating the cost of the USO in posts" Rodriguez, F, and Storer, D - Information Economics 11, pp.285-299 (2000)

"The Mail Monopoly: Analysing Canadian Postal Service", Adie, Douglas. Vancouver:

Fraser Institute 1990.

"Postal Reform in the UK - The Postal Services Bill 2000." Agar, Stephen, and Catherine Churchard. Paper presented at the Conference on Regulatory Economics, Vancouver, June 2000.

"Experiences from Liberalizing the Postal Market in Sweden."Andersson, Peter, and Mats Bladh. Paper presented to the Conference on Postal and Delivery Economics, Vancouver, June 2000.

"Overview of the International Postal Reform Movement" Campbell Jr, James.

(1998)

"Symbolic Regulation: The Case of Third Party' Regulation of Canada Post," Campbell, Robert M. - Canadian Public Policy, 19, 3 (1993): 325-39.

"The Politics of the Post: Canada's Postal System from Public Service to Privatization" - Peterborough, Ont.: Broadview Press 1994.

"Post Serving Business and New Consumers: Tomorrow's Purchasing Cycle". Menlo Park, California, 1997.

"Ensuring Universal Service at Affordable Rates". Canada Post. Ottawa: 1996

"Why the British Post Office Should Not be Privatized." Communications Workers Union. London (1996)

"An Evaluation of the Independent Publicly Owned Corporation and its Applicability to the Post Office" London Economics (1998)

"The Coming Transformation of Mail: Competition, Technology and the New Consumer" - Institute for the Future. Menlo Park (1996)

Post and Telestyrelsen (PTs). "The Deregulated Swedish Postal Market." Stockholm: February 1999

"Postal Liberalization." Selander, Sten. - lEA Conference on the Future of European Postal Services, io March 1999, 2-3.

"Reining in the Dinosaur: Behind the Remarkable Turnaround of New Zealand Post."- Smith, Vivienne. Wellington, Nz: New Zealand Post 1997.

"The Economics of Universal Service: Practice." Economic Development Institute Discussion Paper." World Bank: Washington DC Cremer, Helmuth, Farid Gasmi, Andre Grimaud, and Jean-Jacques Laffont. 1998

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"Regulating infrastructure for the poor: Perspectives on regulatory system design." Smith, Warrick.. Infrastructure for Development: Private Solutions and the Poor. World Bank: Washington DC. 2000

"Postal Services in the Arab Republic of Egypt." Central Agency for Public Mobilization and Statistics (CAPMAS) (1999/2000),

"Postal services in a rapidly developing IT and telecommunications world - The case for postal sector reform in Egypt" - Sahar Tomahy, The Egyptian Center for Economic Studies, 2002

"Review of Postal Law in Leading Postal Reform Jurisdictions"- PricewaterhouseCoopers 2000

Annex 2

Documents consulted

Table A2-1: Documents received (see also note below)	
Document	**Publication information**
Annual reports	
TPC Annual Report 1994	1994, TPC
TPC Annual Report 2000	2000, TPC
TPC Annual Report 2001	2001, TPC
Tanzania Postal Bank, Annual Report 2001	2001, TPB
Tanzania Communications Commission, Annual Report, 2001	2001, TCC
TPC Statistics	
Five year evolution of profit and losses	2001, TPC
Five year evolution of assets employed	2001, TPC
Mail volume for large customers	2002, TPC
Rules for Commission on Giro banking	2003, TPC
Inventory of postal boxes	2003, TPC
Volume of International Inbound Items	2003, TPC
Volume of International Outbound Items	2003, TPC
Comparison of unit costs and tariffs, 2000	2003, TPC
Annual Statistics, 1997-2001	2002, TPC
TPC Tariff schedules/Regulatory documents	
Tariff Review for Domestic Mail Distribution, 2001	2001, TPC submitted to TCC
Tariffs effective from 1st February, 2003	TPC
Tariffs effective from 15th April, 2002	TPC
Tariffs effective from 1st April, 2000	TPC

Table A2-1: Documents received (see also note below)	
Document	**Publication information**
Tariffs effective from 1st December, 1997	TPC
TPC Strategic/Market documents	
Strategic Business Plan, 2000-2004	2000, TPC
Strategic Marketing Plan, 2000-2004	2000, TPC
Performance audit, 1997	1997, TPC/Nepostal
Performance audit, 1998	1998, TPC/New Zealand Post
Legislation/Regulations	
Public Corporations (Amendment) Act, 1993	Government of Tanzania
Appellate Jurisdiction (Amendment) Act, 1993	Government of Tanzania
Tanzania Communications Act, 1993	Government of Tanzania
Tanzania Posts Corporation Act, 1993	Government of Tanzania
Tanzania Telecommunications Company Incorporation Act, 1993	Government of Tanzania
Tanzania Posts and Telecommunications (Vesting of Assets and Liabilities) Act, 1993	Government of Tanzania
List of licensed postal operators, 2003	TCC
Public Postal License for TPC	1995, TCC
Regulation under 18(1993): Consumer Protection	TCC
Regulation under 18(1993): Tanzania Postal Regulations, 2001	TCC
Regulation under 18(1993): Tariff Regulations, 2011	TCC
Regulation under 18(1993): Communication operators (licensing)	TCC

Table A2-1: Documents received (see also note below)	
Document	**Publication information**
Performance Contract for TPC	1999, TCC/PSRC/TPC
Miscellaneous	
Third Telecommunications Project, Staff Appraisal Report, 1993	World Bank
Third Telecommunications Project, Implementation Completion Report, 2001	World Bank
2002 Household Budget Survey	2002, Tanzania Bureau of Statistics
Product, transit and tariff guide	2003, DHL Worldwide Express
Factors Affecting Provision of Postal Services	2003, TPC paper
2002 Population and Housing Census Newsletter	Tanzania Census Bureau

Several documents were viewed by the consultants but their confidential nature meant they could not be copied and brought out of the country. These include:

- TPC's review of current postal legislation and recommendations for changes;
- PricewaterhouseCooper's market study to identify the market share of TPC in specific markets and opportunities for expansion; and
- the draft National Postal Strategy currently under consideration by the Cabinet.

Annex 3

People met

Table A3-1: People met	
Name	**Position**
Tanzania Posts Corporation	
M.S. Sengo	Chief, Mails and Counters
J.N. Msofe	Chief Postal Controller, Post Giro
G. N. Said	Manager, Legal Services
J.A. Mazoko	Principal Marketing Officer, Analysis and Costing
S.P. Mlay	Principal Marketing Officer, Product Development
J.K. Kihenge	Manager, Human Resources
B.S. Mpulule	Finance Manager
J.M. Segeja	Principal Postal Controller, Research and Equipment
B.J.M. Kapelega	Director Operations
D.S. George	Principal Marketing Officer, E-business and Advertising Mail
V.G. Mgaza	Principal Postal Controller
L. Mwasikili	Principal Controller, International Postal Affairs
B.E. Mallogo	Director, Corporate Services
D.K. Mndeme	Manager, Marketing and Sales
S. Shirima	Manger, Productivity and Services Improvement
B.I.M. Ngaiza	Chief Customer Service and Sales
H.L. Mwakitalu	Principle Customer Service and Sales
Other organisations	
M. Msela	Assistant Registrar, Ministry of Finance
F.B. Msumali	Finance Manager, DHL Worldwide Express
F.F. Kapinga	Manager, Regional Support Centre, Universal Postal Union
G.J. Kessy	Principal Economic and Financial Analyst, TCC

Table A3-1: People met	
Name	**Position**
H.B. Lemanga	Assistant Director, Postal Affairs, TCC
F.A.J. Msungu	Assistant Director, Human Resources and Administration, TCC
G.M.J. Temba	Principal Consultant, PSRC
A.R. Kihwele	Managing Director, Tanzania Postal Bank
F.P. Kayombo	Principal Supplies Officer, Bank of Tanzania
J. Chale	Senior Manager, Dar es Salaam Water and Sewerage Authority
R.E. Shemhiliu	Principal Accountant, Tanzania Electricity Supply Company