

# EGYPT



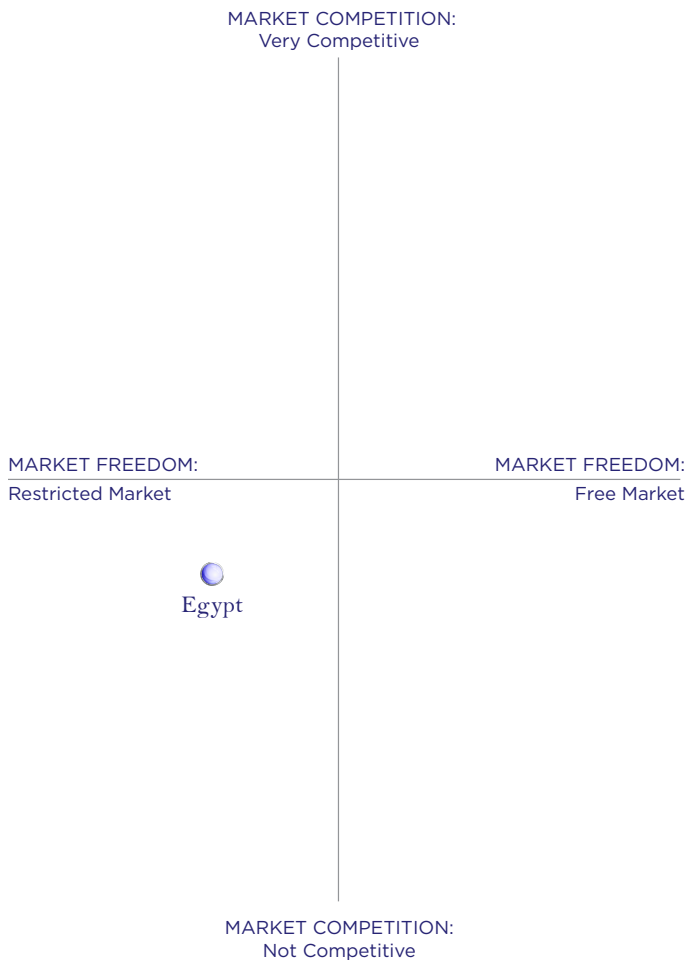
## OVERVIEW

A 2008 paper written by Egyptian government officials posited that the international postal sector has changed more in the last 20 years than it had in the preceding 150. Egypt’s own postal sector is no exception. Those changes will no doubt accelerate as the country’s leaders move toward standardizing postal regulation and liberalizing the postal market.

Egyptian postal leaders are pegging their hopes for growth on “increasing overall levels of private-sector investment in the postal market through open and fair competition and progressive regulation.” Officials would also like to make Egypt into a regional hub for logistics by marshaling the assets of the state-owned Egypt Post (EP), various government agencies, private postal operators, and other interests.

The earliest organized mail systems in human history actually have their roots in Ancient Egypt. Records of a cuneiform post date back to 1364 B.C. More than 2,000 years later, in the 12th century A.D., Egyptians created a primitive airmail network using carrier pigeons.

The modern-day Egypt Post traces its lineage to 1865, when Viceroy Ismail purchased Posta Europea, the dominant private postal service in Egypt at the time, from its Italian owners. In 1874, Egypt became one of 22 countries that contributed to the founding of Universal Postal Union.



## STRUCTURE

Today, Egypt Post operates under the National Post Authority, which is controlled by the Ministry of Communications and Information Technology (MCIT), established in 1999. EP employs nearly 50,000 people. As government employees, postal workers are not unionized.

EP maintains 4,600 branches. All of Egypt’s commercial banks combined do not have as many outlets. But mail services account for only 40 percent of the post’s revenues; financial services provide about 50 percent.

Due to high migration rates from rural to urban communities within Egypt, EP handles a significant amount of personal correspondence between separated family members as well as local money orders sent home as remittances. Additionally, Egypt is one of the top three providers of foreign laborers in the rich countries bordering the Persian Gulf. Many of these workers use EP to remit money to their families back in Egypt.

## STRUCTURE

Per-capita mail volume in Egypt is only 3.2 pieces per person per year. That's low by international standards, as its peers in terms of GDP per inhabitant exhibit much higher rates of mail utilization. The country immediately above Egypt in this category exhibits mail volume of 5.8 pieces per person per year; the country immediately below, 5.0 pieces per person per year.

On average, EP delivers once a day in urban areas and once a week in rural areas. Domestic delivery times outside of major commercial routes remain erratic. Service standards are practically nonexistent.

International mail comprises an increasingly important part of Egypt Post's mail stream. The volume of EP's inbound and outbound international letter mail today is approximately equal to its domestic volume.

## LIBERALIZATION & PRIVATIZATION

Nominally, Egypt Post holds a monopoly on letters and parcels smaller than 2 kilograms and on national money orders. However, the postal market is relatively dysfunctional. According to a strategy document from the MCIT, "the postal market in Egypt is performing below potential and not fully meeting the needs of individual and business mailers."

MCIT has called for a bolder liberalization program but cautions that "liberalization needs to be accompanied by enhancement of public operators' efficiency and effectiveness." There is no serious discussion of dismantling or privatizing the EP.

## COMPETITION

Despite EP's monopoly, MCIT characterizes the Egyptian postal market as having a "high level of competition with 12 operators providing various forms of postal services." Competition within the high-value parcels, express mail, and logistics sectors is vigorous.

## REGULATION & UNIVERSAL SERVICE

Egypt's postal market is loosely regulated. By law, the Egyptian National Postal Organization (ENPO) issues licenses to postal operators. But ENPO also competes in the postal marketplace as Egypt Post. In other words, Egypt Post is both postal regulator and state-owned postal operator. MCIT characterizes the situation as one where "there's simply no effective licensing regime to legitimize competition in the market." Many private postal operators function without licenses. Those entities that are licensed tend to offer services beyond the scope of their licenses.

MCIT notes that the regulatory structure must be fixed. According to its strategy document, "the significant lack of transparency concerning the separation between the regulatory and operator functions of ENPO has affected the predictability of the sector and thus the level of private sector investment."

Egypt Post is considered the universal service provider. But according to MCIT, "there are no regulations concerning fulfillment of universal service obligations."

## FUTURE

EP is working to bring domestic delivery up to international standards. But with mail volumes worldwide continuing to decline, that effort may have minimal impact on EP's prospects. Strategists project that growth -- both for EP specifically and for Egypt's postal sector as a whole -- will flow from improved parcel delivery and expansion of the Post's financial services offerings, particularly digitally, through the existing post office network. Managers see these initiatives as a way to generate additional revenue for EP, given the likelihood that consumers will not readily pay more for traditional mail delivery.

Ninety-seven percent of Egyptian transactions are still made in cash, and only 10 percent of Egypt's population has bank accounts. Planners see the EP network as a development tool for extending government services to the public and drawing more Egyptians -- especially the poor and marginalized -- into the civil and economic life of the country. This vision includes a wide range of services. Already, Egyptians can deposit savings, withdraw cash, draw down pensions, pay certain bills and taxes, buy airline tickets, and process certain licenses at many post offices. Egypt Post's leaders would like to expand these services.

These efforts are well underway. For instance, the EP unit GiroNil, a joint venture with Egypt's Banc Misr and a Dutch processing firm, is rapidly developing an extensive network of internet hubs, ATMs, and mobile banking capabilities.

Partnerships like these are at the heart of MCIT's plans for developing Egypt Post. Given the rapid pace of change that has characterized Egypt's postal market over the past two decades, Egypt Post has momentum to proceed apace with further significant changes to its operations and business strategies in the years to come.