



# *Index of Postal Freedom*

## **Brazil – Correios/ECT**



### *Overview*

Brazil's far-flung postal service was restructured as a state company in 1969. Empresa Brasileira de Correios e Telégrafos (Brazilian Post and Telegraph Company) is commonly referred to as Correios/ECT or simply ECT. Although modestly reconfigured in 1978, ECT remains solidly in federal control. Its government-appointed board reports directly to the Minister of Communications in Brasilia, the country's capital.

Traditional mail delivery is becoming a smaller part of ECT operations and revenues. As elsewhere in the world, mail volumes are trending downward. Brazil's vastness makes the country an ideal setting for electronic communications, which are increasingly replacing paper mail.

On the foundation of its 83,000 full-time staff and its extensive network of 12,200 post offices, ECT has been reinventing itself as a "bank of services" for Brazilians, contracting its distribution infrastructure to other government agencies and private businesses. Through joint ventures and contracts, ECT has also moved aggressively into banking services of all kinds. Correios and Brazil's largest bank, Banco Bradesco, entered into a 10-year joint venture in 2001 whereby Bradesco could use ECT post offices as bank branches, especially in remote areas. The new venture, Banco Postal, has been so successful – offering deposits, loans, credit cards, bill payment, direct deposit, tax and social security payments, as well as phone and internet banking on Bradesco's network – that ECT is thinking of cancelling the deal and setting up its own more closely held banking operation.

Banco Postal, as a unit of Banco Bradesco, is regulated by the Brazilian central bank.



The revenues from these “non-mail” services are making traditional mail service somewhat of an afterthought, even though delivering the mail with reasonable promptness across Brazil remains a formidable undertaking.

### *Liberalization and Competition*

Although competition is allowed in express mail, ECT continues to hold a monopoly in traditional letter mail, as well as in small parcels, telegrams and mail bags. Proposed sunset dates for ending the monopoly range out to 20 years. ECT itself maintains that the monopoly is not a privilege, but a “financing mechanism” to fund the nation’s universal service requirement throughout Brazil’s huge hinterland. It also claims not to have received direct subsidies from the government since 1986.

Transportation of larger parcels and physical goods, however, has been fully opened to both domestic and international players. ECT is very active in this highly profitable sector, where the competition from the likes of DHL, FedEx, TNT and UPS is fierce. ECT says “it will transport almost anything to any of Brazil’s over 5,000 cities.”

In the late 1990s, there was a series of studies and proposals aimed at liberalizing -- but not privatizing -- ECT. These recommendations have been blocked by interest groups, hung up in litigation, or simply overwhelmed by the rush of economic development. Only ECT faces the universal service obligation.

### *Privatization*

ECT enjoyed the fruits of the “Brazilian Miracle” of pronounced economic development in the 1960s and 1970s with rising delivery volumes and increased investment. But when the economy turned sour in the early 1980s and foreign investment dried up, ECT undertook a unique experiment to expand its network -- it sold mail franchises to private investors in major cities.

Postal operators could buy in for an initial fee under \$500, use the widely recognized Correios logo, and compete with both each other and ECT-owned units. These franchises were never seen as replacing post office units, but they



did introduce a certain element of service competition into the system. Some 1,700 franchises were established between 1993 and 1994, and many remain today. Franchise purchasers are owner-managers who are required to purchase services from ECT, and revenues are passed back to ECT after royalty payments, service costs, and a profit.

### *Financial and Other Government Services*

In response to economic troubles in the early 1990s, Brazil launched a countrywide liberalization program -- the Real Plan. ECT, however, managed to avoid many of the liberalization program's efforts.

Instead, as the new, technologically driven economy took off, politically connected ECT found ways to position itself in new banking and finance ventures through joint partnerships and concessions.

Before long, the bulk of ECT's revenues were coming from its burgeoning banking ventures. In partnership with Bank of Brazil, ECT built up a web of banking enterprises which turned post offices into banking service centers. Banco Postal -- a joint venture with Banco Bradesco, Brazil's largest private bank -- opened its doors in 2002 and already has many millions of customers. Some 5,000 of ECT's 12,000 branches nationwide are to become selling points for Banco Postal services.

In addition, ECT has expanded contract services both for other government agencies and for private businesses -- bill processing, tax registration, online access, forms and documents, auto registration, passports, voting, collecting fees and more. These contract services amount to over 20% of ECT revenues.

### *Regulation*

The bicameral National Congress, which sits in Brasilia, ultimately arbitrates postal policy through Brazil's 26 states. ECT has a government-appointed Board of Directors that reports directly to the Minister of Communications.

A tangle of reform proposals is currently floating through the legislature. Some say a portion of basic delivery will be outsourced through concession. All proposals mandate the government retain at least 51% of ECT voting shares.



ECT has also been ordered to maintain at least its current number of employees.

It has also been proposed that yet another regulatory agency “linked to the government,” ANAPOST, be established to set rates for basic postal services, complement regulatory policies, and check compliance. Insiders and competitors say that such agencies, in the context of Brazilian politics and government, are more likely to be another source of corruption than a fair and impartial arbitrator.

Indeed, charges of corruption within ECT have been frequent. In 2005, a postal procurement/kickback scandal resulted in ongoing televised investigations and multiple dismissals of managers.

### *Universal Service and Pricing*

ECT fulfills the universal service requirement, and each postal operator in Brazil is assessed 0.5% of its revenues for a fund for Postal Service Universalization.

Rate controls only apply to the traditional mail sector, and controlled rates are held low by the government. The monopoly consists of letters, postal cards, telegrams and special mail bags. Express mail, packages, printed matter including newspapers and magazines are not part of the reserved area and are open to competition.



## *Useful links*

[Correios](#) (in Portuguese with limited English)

[Article from Inter-American Development Bank](#)

[Article from Consultative Group to Assist the Poor](#)

[World Bank Paper on Postal Networks and Microfinance](#)

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