



Index of Postal Freedom

Chile - Correos de Chile



Overview

In 1747, the king of Spain decreed a standardization of mail delivery throughout his far-flung empire, which included Chile. As a result, the first Chilean royal superintendent of the mails was appointed.

Today, **Correos de Chile** serves a population of roughly 16.5 million Chileans, the majority of whom still live in the metropolitan area of Santiago and its nearby port, Valparaiso. Chileans receive 30 pieces of mail per year, on average.

One policy making Correos unique among world posts is that it charges both sender and recipient. Senders must place stamps on their letters, while recipients must pay a small fee to their mailman to receive a letter.

Structure & Regulation

The Chilean Post Office has been an autonomous but wholly state-owned company since 1982. It is managed by a five-member Board of Directors. These directors are appointed by the nation's public enterprise system (SEA).

As of 2006, Correos had approximately an 80 percent share of the market for regular mail and a roughly 17 percent share of the domestic package and courier market. It reported a profit of roughly US\$4 million for that year. The company has over 5,000 employees, 200 post offices, and 300 authorized agents stationed throughout the 2,500-mile-long mainland and the country's insular possessions in the Pacific, which include Easter Island.

Chile is divided into 13 mail zones (designated by roman numerals) plus the Metropolitan Region (MR). Pickup from mail drops (*buzon*) is once a day.

In 2007, Correos delivered over 400 million pieces of mail, including 6 million parcels. The



company's 2,300 letter carriers operate a fleet of 1,480 bicycles, 400 vans, and 100 motorbikes to deliver mail and packages. Until recently, mail volumes were inching up, but the average Chilean receives only 30 pieces of mail per year. In 2008, Correos experienced an abrupt contraction of volumes. In October 2008, mail deliveries plunged 5 percent. Further declines have been projected, which has caused Correos to scale back its plans for expansion.

Notably, Correos maintains mail service to the South Pole.

Liberalization & Privatization

The radical free-market reforms undertaken during the Pinochet military regime from 1973 through 1990 have left a lasting imprint on Chile's economy. They remain hugely controversial. With the notable exception of the nation's copper production, large swaths of Chile's government enterprises were privatized over those decades.

Aside from Correos, only about 20 firms remain under the nominal control of the Public Enterprise System (*Sistema de Empresas Publicas -- SEP*). Most are regional water, sanitation and port companies, while others include the Santiago subway (*Metro*), tax-free zones (*Zofri*), the state lottery (*Polla*) and the railroad operator EFE.

These public companies are expected to contribute a percentage of their profits to the state budget and to undertake initiatives that impact Chile's social welfare. They are not expected to offer profit incentives sufficient to attract private-sector companies. There is little market scrutiny of internal finances, so it is difficult to gauge whether state companies which claim profitability are actually profitable.

It is common for Latin American governments to appropriate the "terminal dues" paid by foreign posts to cover the cost of delivering foreign mail. It is not clear to what extent these dues are passed on to the national post for delivering foreign mail.

Restructured in 1982 as a government company, Empresas de Correos de Chile was not privatized. Like some other government entities, Correos is authorized to issue bonds which are not guaranteed by the state; this brings limited private capital into play. Further privatization is unlikely because the country's central labor federation (known in Chile as *CUT*) remains so powerful that the "*syndicales*" (unions) are virtually a partner in the national government.



Within Correos, labor relations are good, as the unions are routinely included in management decisions. Working conditions seem almost as important as financial results. For instance, the tasks of mailmen were recently reclassified as "heavy labor" within national regulations, and postmen were granted pay increases as a result. Correos has been able to institute performance-based pay.

Competition

Correos is the universal service provider but has competition in niche markets, primarily in the Metropolitan Region of Santiago. Private companies Envia and WSP each handle roughly five percent of total regular mail volume. Some 100 other companies also are in the mail business. In the more competitive express and package markets, Correos competes aggressively against domestic and international rivals.

According to a 2003 study by SkyPostal, Correos's mail delivery times are subpar. Overall, just 61.7 percent of mail reaches its destination within 30 days of posting. The average transit time for a letter is more than nine days.

Products and Services

In regular mail, Correos offers two delivery options on envelopes up to 500 grams -- 72 hours or five business days. Price is based on weight and delivery time. Certified mail can be sent express (24-48 hours), priority (3 days), or standard (5 days). Registered mail takes 5 days with confirmation of delivery.

Uniquely, since 2004, Correos also charges the *recipient* for each piece of mail delivered. This *distribución y carteros* fee is officially listed at 30 pesos, or roughly 5 U.S. cents. Postmen are authorized to negotiate a target monthly fee with each customer based on the average number of letters that customer receives. If a consumer refuses to pay the postmen to receive his mail, Correos is entitled to suspend mail service to the delinquent person. He must then pick up his mail within 30 days from a Postal Distribution Center.

Correos has been aggressively expanding into the courier, express, and package delivery market (the segment known as CEP). The company had a 15 percent share of this market in 2006 and had hoped to reach a 40 percent share by 2010, but such projections are now in jeopardy. A six-year joint venture with TNT came apart at the beginning of 2009, so Correos



relaunched its own express, document, and package services. TNT, meanwhile, has purchased another established Chilean private carrier (Lit Cargo) to shore up its business in the country. The combined TNT-led firm will control almost 40 percent of the Chilean express-delivery market.

Express "docpak" courier services (*Mensajería*) are available for deliveries up to one kilogram with delivery by motorbike. Telephone delivery confirmation is available for a surcharge. Such deliveries can be insured by value.

Within the Metropolitan Region, there are also package courier services -- up to 30 kilograms -- with several delivery options and online tracking.

Nationwide, Correos's express services (*Servicios Expresos*) delivers within 24-48 hours and offers online tracking and insurance. Non-express packages or *Encomiendas* up to 30 kilograms can be delivered nationwide in three to eight days based on weight, origin, and destination. Volume discounts are available for businesses which ship more than 500 such packages monthly.

Correos also provides International Courier delivery for docpaks up to two kilograms and packages up to 30 kilograms with guaranteed delivery times, online tracking, and included insurance. Correos has state-of-the-art online services such as tracking (*seguimiento*) and pre-shipment price quotes (*cotación*).

Money transfers are also a major market for Correos. In addition to its joint venture with Western Union, Correos is also working closely with Transbank on money transfers (*giros*). In July 2008, Correos signed an agreement with Spain and Uruguay to set up an international electronic money transfer system. Within the country, money may be transferred electronically -- and picked up as cash at a post office -- within 4 hours in most locations.

The company also negotiates large-scale deliveries of pensions, subsidies, and loan repayments. There is even a loan service for customers available upon application (*Facturas y notas de crédito clientes empresa*).



According to a survey of postal services in Latin America conducted by the bank of Thailand, Correos de Chile has not ventured into many of the financial services that other postal services around the world have introduced -- namely savings, insurance, and consumer credit.

Future

Correos de Chile claims to be in a reasonably good position to withstand the economic downturn. There is little expectation that Correos will be privatized. But it is clear that Chile's national post will continue to compete aggressively against both foreign and domestic rivals.

Useful Links

Correos Official Website

(<http://www.correos.cl/english/empresa/index.php>)

POST EXPO 2007 (Barcelona, Spain)

(http://www.cupw.ca/multimedia/website/publication/English/PDF/2007/PostExpo2007_conf_rep_en.pdf)

Survey of Latin American post offices by the bank of Thailand

(<http://www.bot.or.th/Thai/FinancialInstitutions/Highlights/MasterPlan/Documents/ING.pdf>)

Union Postale: Moving the Postal Sector Forward (UPU Report)

(http://www.upu.int/union_postale/2008/en/3.pdf)

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