



Index of Postal Freedom

Mexico – Sepomex



Overview

Servicio Postal Mexicano (Sepomex) is the national postal service of Mexico and officially retains a monopoly on all mail items under one kilogram. It delivers relatively little mail, however, and is widely distrusted by Mexican businesses and consumers.

Indeed, Sepomex handles some 700 million pieces of mail per year; that equates to just seven letters per Mexican per year. The equivalent number in Brazil, for example, is forty-six per citizen. For further comparison, New Zealand Post delivers about one billion pieces of mail per year, and the U.S. Postal Service some 200 billion.

Sepomex has struggled since a 1982 economic collapse and subsequent earthquakes. Even in recent years, despite the Mexican economy's enormous potential and booms in some sectors, Sepomex has not been able to regain public confidence. With a few notable exceptions, delivery of the mail has passed to more than 4,000 private -- and generally more expensive -- delivery and courier companies, which have sprung up to fill the gap.

Regulation and Universal Service

The mail is regulated under Mexico's Transport and Communications Ministry, and postal service -- supposedly universal service -- is reserved by the state under Mexico's Constitution. But universal service in Mexico has an odd ring because Sepomex delivers so little mail compared with other countries. The monopoly on letters below one kilogram is loosely enforced.

In an effort to renew its fortunes, Sepomex has been calling for legal reform that would give it a strictly enforced monopoly on packages weighing 350 grams or



less and require private couriers to charge up to seven times Sepomex's prices. Sepomex also has been pushing for the Mexican legislature to create a new regulatory organization to investigate postal violations.

To date, the government has done little to move ahead on this front. Instead, Sepomex has been forced to increase its own prices, mainly on its remaining corporate clients.

Ownership and Structure

Sepomex's status as a government-owned entity dates back to 1580, when its colonial precursor was charged with communicating with the rulers in Spain.

The mid-1980s were watershed years in the history of the Mexican Postal Service, as economic crisis and natural disasters destabilized the agency. Many of its primary mail processing buildings were destroyed in the earthquakes which hit Mexico City in 1984. These centers have only been partially rebuilt. Mail volumes since that time have continued to trend downward, although accurate statistics are hard to come by.

In 1986, Sepomex was formally created as an autonomous agency to provide postal service. It was also allowed to create a higher-priced courier service, Mexpost, to compete with foreign express delivery services. Little else has been done to restructure the organization.

As of 2007, Sepomex employed but 9,619 mailmen nationwide and a total staff of 19,665 -- a decrease of roughly 10,000 from twenty years ago. The agency has a fleet of 1,000 trucks -- 500 less than rival DHL. Mailmen, paid around \$3,500 a year, trudge around with an average of 500 letters a day. For the many below-average employees, mail routes have deteriorated to a "fistful of letters."

In 2004, Sepomex operating losses reached the point where calls emerged for restructuring to push the entity towards financial self-sufficiency. Technically, Sepomex is responsible for financing itself, but the government does subsidize the agency if there's insufficient revenue. In recent years, state subsidies have been needed to make up for fiscal losses.



As part of its restructuring efforts, Sepomex targeted income of US\$189 million in 2004. The government sought to make additional subsidies contingent on cutting costs and increasing income to lower the annual operating deficit to US\$26.5 million -- US\$3.5 million less than its typical deficit. To that end, over the last five years Sepomex has entered into consulting, training, and systems contracts with the United States Postal Service.

In 2007, Sepomex declared total revenue of 607.9 million pesos, or about US\$61.3 million.

Competition

Sepomex suffers from a serious lack of confidence among its potential customer base. In 2005, Mexican pollster Parametria found that 29 percent of Mexicans had never even heard of Sepomex. Of those familiar with the agency, 32 percent considered it slow. About one third preferred to use private messengers to hand-deliver documents. It's reported that in some areas, mail boxes are widely used as garbage bins.

Each year, 80 percent of the mail sent is letters, bills, and account statements; 14 percent is advertising, and another 4 percent is publications like magazines. Packages constitute the rest of Sepomex's annual volume. The agency processes some 13 million statements for Telmex, the Mexican telephone giant, every month.

Private delivery of pieces under one kilogram is officially illegal, but exemptions are given for companies which offer some kind of additional value, like confirmation of delivery.

Despite Sepomex's shortcomings, mail markets are reasonably robust in Mexico. The National Mexican Association of Courier Businesses represents some 30 private couriers who serve more than 400,000 clients, with sales running close to US\$925 million a year.

People have simply gotten used to conducting commerce absent a functioning mail service. The millions of Mexicans working in the United States who



regularly send money home won't risk putting anything in an envelope that will pass through the regular Mexican post office. They find other ways, like the Mexican-created, multi-million-dollar Houston-based Estafeta USA courier service or even informal hand-to-hand delivery over the border.

Future Prospects

Internet communications and wireless telephony have cut deeply into paper (letter and document) mail's market share in Mexico. Political and economic pressure has drawn most of Mexico's available resources into what are seen as the communications systems of the future, consigning improvement of the postal network to the back burner. Over 22 million Mexicans already use the Internet, according to the CIA's World Fact Book.

In contrast to most other national postal systems, Sepomex, even with its monopolies, has not been able to find ways to pull itself onto this bandwagon of growth. It has introduced some advanced systems with the help of contracts with the US Postal Service and others, but these have been attempts to serve relatively small niche markets more efficiently, not to improve mail service for all Mexicans.

Liberalization and privatization of postal markets are not on the agenda in Mexico in the same way they are in other countries because Sepomex is so dysfunctional and because the government faces far more pressing political issues.

Useful links

[Sepomex Official Website](#)

[USPS/Sepomex Partnership](#)

[Sepomex Article in *Latin Trade*](#)

[Sepomex Article in *Business Mexico*](#)



OECD Paper on Competition in Postal Markets

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