BASELINE SURVEY FOR POSTAL AND COURIER SERVICES IN KENYA

DRAFT REPORT

MARCH 2022

Table of Content

List of Tables

List of Figures

List of Abbreviations

CA	:	Communication Authority of Kenya
CAPEX:		Capital Expenditure
CEO	:	Chief Executive Officer
CS	:	Cabinet Secretary
D+1	:	Delivery of a postal/ courier item one day after posting
D+2	:	Delivery of a postal/ courier item two days after posting
DPO	:	Designated Postal Operator
FGD	:	Focus Group Discussions
GIS	:	Geographical Information Systems
ICT	:	Information and Communication Technology
ICTA	:	The Information and Communication Technology Authority
IFRS	:	International Financial Reporting Standards
IoPT	:	Internet of Postal Things
IoT	:	Internet of things
ITU	:	International Telecommunication Union
KICA	:	Kenya Information Communications Amendment Act
KICR	:	Kenya Information and Communications Regulations
KII	:	Key Informant Interviews
MDA	:	Ministries Departments and Agencies
MOICT:		Ministry of Information, Communications and Technology
NAS	:	National Addressing System
NCPWD:		National Council for Persons with Disabilities
NCS	:	National Communications Secretariat
NGO	:	Non-Governmental Organization
OPEX	:	Operational Expenses relating directly to provision of service
ORE	:	Operational Readiness for e-commerce
P&C	:	Postal and Courier
PAPU	:	The Pan African Postal Union
PCK	:	Postal Corporation of Kenya
PPP	:	Public Private Partnership
PWDs	:	Persons with Disabilities
QoS	:	Quality of Service
RFID	:	Radio-Frequency Identification
SDG	:	Sustainable Development Goals
SPIL	:	Sigmund Peak International Limited
SPSS	:	Statistical Package for the Social Sciences
ToR	:	Terms of Reference
UPU	:	Universal Postal Union
USAC	:	Universal Service Advisory Council
USF	:	Universal Service Fund
USO	:	Universal Service Obligation
USOF	:	Universal Service Obligation Fund

Glossary

Basic postal services: Connote a defined set of postal services that are essential for public use including postage stamps, private letter boxes, acceptance, conveyance and delivery of letters weighing up to three hundred and fifty grams and postal financial services.

Courier services: Any specialised service for the collection, dispatch, conveyance, handling and delivery of postal articles.

Reach: A measure which synthesizes global connectivity by evaluating the breadth and depth of the postal operators' international network. The number of partner networks and the volumes of international exchanges measure these, respectively, across all the key segments of physical postal services;

Relevance: The intensity of demand for the full portfolio of postal services relative to the best performers in each category of postal activity, also taking into account elements such as the number of international transactions and the number of post offices;

Reliability: Reflects performance in terms of speed and predictability of delivery, across all the key segments of physical postal services (letter post, parcel post and express);

Resilience: The level of diversification of revenue streams and the capacity to innovate, deliver inclusive postal services, and integrate sustainable development targets into postal business operations.

Universal postal services: The Kenya Information and Communications (Postal and Courier Services) Regulations, 2010) define **"universal postal services"** as the consistent supply of basic postal services at affordable prices at all points within the country;

Universal service: the permanent provision of quality basic postal services at all points in a member country's territory, for all customers, at affordable prices'

EXECUTIVE SUMMARY

Purpose and objectives

Access to postal and courier services is crucial for socio-economic development in both urban and rural areas of Kenya. In order to ensure wide coverage and access to these services, the postal and courier services sub-sector is liberalized and comprises the Designated Postal Operator, Postal Corporation of Kenya and private courier service providers. However, there still exist geographical areas and people that are not covered by these services and cannot access the services. Meanwhile, "with the rise of digital technologies and e-commerce, customers expect postal operators to modernize their services and improve quality, making innovation a necessity"[1]. This calls for the postal sub-sector to increase coverage and adopt technology as an enabler of efficiency of services. Against this background the Communications Authority of Kenya commissioned this baseline survey to:

   i.   Identify gaps in service coverage and access to postal and courier services
   ii. Identify challenges faced by postal and courier operators in rolling out services
   iii. Identify the challenges that users face in accessing services including but not limited to postal and courier services.
   iv. Formulate strategies to bridge the identified gaps (service provider, consumer perspectives and regulatory); and to
   v.   Provide training on financing models and Geographic Information Systems (GIS

Situational analysis and Gaps

The status of postal and courier services and the discerned gaps from both a supply and demand perspectives are as follows:

Supply Side

The aspects on supply side of postal and courier services are; coverage of service, the policy, legislation and regulation that underpin the sub-sector, capacity building, and business model which are summarised here.

1.   Coverage

Besides the designated postal operator, Postal Corporation of Kenya, there are currently 263 licensed courier service providers in Kenya. There are 1426 sub-locations with neither postal or courier service coverage. The sub-locations are at average distance of 37.71 km from the nearest postal/courier outlet with longest distance being 156km from a post/courier outlet. Postal and courier service coverage is inadequate especially in rural areas because the distance to a post office or courier outlet is beyond international benchmark of 9 km. Private courier services are mainly available in towns and cities hence the need to further extend these services to rural and remote areas through universal service fund interventions. Further, there nationwide addressing infrastructure is required in addition to enhancement of security especially in far-flung areas to encourage more operators to expand their network.

2.   Policy, legislation and regulation

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[1] ibid

Overall, the policy, legal and regulatory environment is enabling. Enforcement of existing legal and regulatory frameworks however requires continuous attention. Furthermore, ensuring that emerging postal and courier services do not operate in unregulated spaces is another priority area which continues to pose a significant challenge to existing policies, legislation and regulations as these grey areas are usually exploited to the detriment of incumbents and consumers. There is also need to continuously build capacity on best practice regulation processes at CA in view of the dynamic postal and courier sub-sector; and enhance enforcement of existing regulations.

3.   Capacity building

There slow adoption of emerging technologies that can positively impact performance in the sub-sector due inadequate ICT skills   in the sub-sector. including e-commerce and innovative service delivery methods such as partnerships for last mile delivery logistics.

4.   Business model

There is opportunity for the postal and courier sub-sector to innovate, improve efficiency, reduce costs and ultimately improve affordability of services. Specifically, an interconnection model is proposed between service to eliminate duplication of efforts and infuse efficiency. Further, with emerging technologies, there is need for postal and courier service providers to:

a) Implement e-solutions for operational efficiency by leveraging emerging technologies such as AI, Bigdata, IoT, robotics among others.
b) Diversify products and add value to traditional products while focusing more on new market segments that have not been erstwhile served effectively in an efficient manner, including enhanced delivery to the home.
c) Improve service delivery efficiency including through strategic partnerships for extension of services in underserved areas including for effective last mile delivery logistics through interconnection arrangements.

Demand side

Demand side aspects postal and courier services sub-sector are all the factor that have implication for access to and use of the services. In this baseline survey, these factors include distance to a postal/ courier outlet, access devices, quality of service, consumer protection and affordability. The demand factors are as follows:

1.   Distance to a postal/ courier outlet

The average distance to a courier outlet in Kenya is 40 km while that for the postal services gap areas is 37.71 km on average. In addition, the access gap sub-locations are those in which the population in beyond 15 km distance away from a post office. This includes 1426 sub-locations that neither have a post office nor a courier outlet. The international benchmark is a post office with 5 miles (9 km) reach of the population. There is thus need to improve accessibility to the postal/courier outlet by deploying outlets in areas with gaps mainly in rural areas.

2.   Access devices and facilities

a) Postal Corporation of Kenya provides literature for the blind free of charge locally, the same should be done across all courier operators.

b) Access devices and facilities constitute an access barrier to postal and courier services. In particular, PWDs requirements are inadequately mainstreamed in the postal and courier subsector service. In the framework of barrier-free access to services by PWDs, this needs improved including through provision of ramps and rails, special devices to aid in communication with people with special needs.

c) The price of such devices is high and the courier operators may not have prioritized this as a key focus.

d) Various assistive technologies including mobility aids, closed captioning on digital media, voice recognition and screen readers on products are required at the postal and courier services outlets to ensure that PWDs are sufficiently catered for.

e) Collaboration between postal and courier service providers, accessibility experts and representatives of the PWDs community is proposed to personalize unique devices to cater for the different needs of PWDs.

3.   *Quality of service*

Postal and courier service providers have developed quality of service standards that are published to create awareness to consumers. However, there are gaps in the quality of service as indicated by level of satisfaction with the services (postal: 50%; courier services: 67%). Therefore, enforcement of service standards needs to be enhanced especially in last mile delivery in the far-flung areas. It is proposed that collaborative logistics to increase efficiency, and consumer awareness which creates a more discerning consumer capable of demanding their rights, can improve the quality of service.

4.   *Consumer protection*

There is limited awareness by postal and courier services consumers of the terms and conditions printed on the waybills, and where to seek redress in case the service provider takes long to respond to an enquiry or compensate for a lost or damaged item. The service providers take long to compensate and resolve customer complaints hence the need for the industry to follow and implement the quality of service standards and best practices. Regulation 7(5) of the Kenya Information and Communications (Consumer Protection) Regulations, 2010 provided that licensees shall resolve all complaints made by its customers within a reasonable time; this should be within 30 days. Though there are provisions in the regulations, consumer protection needs to be enhanced by creating awareness to consumers of their rights and obligations.

5.   *Affordability*

The charges for private courier services were reported to be higher compared to those of the postal services. However, consumers are willing to pay an extra fee by the postal and courier operators for doorstep delivery. This implies that there is opportunity to reduce charges and provide more value-added services at premium.

Though charging higher for their services, there are instances of private courier services charging below the statutory tariff for reserved (350 grams and below) services or manipulating the requirement through 'discounts' and 'promotions'. This implies the

need to enforce compliance to ensure effective competition especially for items weighing 350 grams or less.

Proposed Strategies to improve coverage and access to postal and courier services
In order to increase the coverage and access of postal and courier services, the following recommendations are made:

Supply side interventions
Based on the identified supply side gaps, the following interventions are covering proposed service coverage, access, capacity building, and business model are proposed:

a) Provision of postal and courier outlets in the under/ unserved areas including through partnership with agents to extend postal and courier services beyond the current locations in both urban and rural areas with government support through USF

b) Implementation of a nationwide addressing system to ease last mile delivery logistics

c) Provide an integrated open access postal and courier infrastructure in collaboration with, or modelled on Huduma centre concept

d) Establishment of formal collaborations with County governments to designate some loading zones for essential courier services to ease access to these services

e) Introduction of customized digital postal and courier services for the general public and for PWDs

f) Strengthening of collaboration with security agencies to provide security in areas which are not covered as a result of insecurity

Access

There is need to increase access to postal and courier services hence the service providers should:

a) Promote introduction customized products and services for PWDs, and nomadic communities including having sign interpreters in the banking halls, use of Braille, door-to-door deliveries and targeted incentives such as discounts to promote usage of services and free of charge literature for the blind.

b) Promote adoption of appropriate technology that enhances the existing traditional products to remain relevant by adding value such as tracking and tracing.

c) Support acquisition technology such as, assistive technologies for access by PWDs including mobility aids, closed captioning on digital media, voice recognition and screen readers on products, automation of letter and parcel sorting, use of robotics in postal logistics e.g. in loading/unloading procedures, 3D printing, delivery by drones.

d) Improve affordability of postal and courier services including by enhancing efficiency of operations through interconnections, and promoting competition.

e) Offer reliable, and easily accessible products and services to existing consumers.

Capacity building

a) Promote capacity building in postal and courier sector with focus on operations, quality of service, customer service, interdependencies, emerging innovations including e-commerce, enhanced logistics, and new methods of delivery

b) Create public awareness of services, consumer rights and obligations with regard to postal and courier services

Business model

a) Implement consolidated rural/remote area parcel deliveries in order to reduce high last-mile costs. This should take the form of, for example, a last mile logistics service provider aggregating deliveries for various postal/courier service providers to common destination

b) Introduce mini-hubs to avoid forwarding all shipments including letters and cargo to the city which is costly to the consumer

Sustainability

a) Adopt measures to reduce CAPEX and OPEX by implementing partnerships/ collaborations and using efficient energy sources that also reduce emissions in service outlets

b) Mainstream technology through increased digitisation of services and processes to improve efficiency hence lower costs

Demand side interventions

Quality of service

a) Enhance the enforcement of quality of service regulations in the postal and courier services subsector

b) Adopt other technology-based innovations in the postal and courier sector such as web-based re-sellers to enhance consumer choice and enable comparison of prices and services, and offer lower prices by consolidating volumes to secure discounts from parcel carriers[2]

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[2] https://www.wik.org/fileadmin/Studien/2016/WIK-Consult_CitA_Impact_of_technology_executive_summary.pdf

Affordability

Postal and courier prices are still high and can go lower. The cost drivers for courier services include license fees, fuel costs, poor road infrastructure, and parking fees. In this regard, there is thus need to

a) Promote operational efficiency to reduce costs across the postal and courier service delivery value chain hence the prices charged to consumers

b) Promote effective competition including by discouraging unlicensed courier operators through enhanced surveillance and sector supervision; the realised market efficiency will drive the prices lower

c) Provide regulatory incentives to service providers in areas that are not economically viable to reduce operational costs hence the prices of services

Consumer protection

Consumer protection should be enhanced by

a) Dissemination of information by carrying out sustained campaigns and stakeholders' forums.

b) Enforcement of quality of service standards and best practices in the sub-sector.

c) Enacting new service-specific consumer regulations specifying complaint handling duration to replace the now revoked regulations.

Devices

a) Provide ramps, hearing aids, sign language interpretation, and mobility devices for PWDs.

b) Promote affordable acquisition of postal and courier services devices for consumers of these service.

Access

Promote availability and accessibility of postal and courier services by the whole population by providing postal/ courier outlet within at most 15 km of reach of the population in rural areas

With regard to access by PWDs,

a) Promote availability and accessibility by PWDs including provision of ramps and rails, and other assistive technologies in all postal and courier outlets

b) Support PWDs inclusion through continuous monitoring, enforcement and participation in review of policy, legislation and regulations to address the needs of PWDs including through special measures[3] proposed in The Persons with Disabilities (Amendment) Bill, 2020 to continually respond to the changing needs of the PWDs.

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[3] "special measures" means legislative, executive, administrative and other regulatory instruments, policies and practices, including outreach or support programmes, allocation or reallocation of resources; preferential treatment; targeted recruitment, hiring and promotion; numerical goals connected with time frames; and quota systems designed, adopted and implemented in order to fulfill equal enjoyment of rights of persons with disability;

Capacity building

    a) Regularly build capacity among the citizens through public forums and workshops on availability of postal and courier services including the access possibilities for PWDs and the available devices that facilitate access

    b) Sensitize customers on terms and conditions of services, their rights and obligations

Five-year action plan budget

It is estimated that proposed interventions will require a total budget of KES 12.17 billion over the five-year action plan period.

Monitoring and Evaluation for the Action plan

In order to ensure the implementation of the proposed five-year action plan, monitoring is proposed to be done quarterly and an evaluation performed annually; the mid-term evaluation is proposed for the third year.

1. INTRODUCTION

Postal and courier services are a key part of the global communications services with high economic and social importance. Mail volumes globally are however on the decline, though Universal Postal Union (UPU) statistics (2015) show growth in global weights. Revenue is still on the downward trend. In Kenya, the general trend of postal service indicators from 2016 to 2020 as recorded in the Kenya Economic Survey 2021 shows that the number of post offices continued to reduce falling further by 1.7 per cent from 585 in 2019 to 575 in 2020. Total registered and insured items posted decreased by 76.4 per cent in 2020. The volume of parcels handled decreased by 23.2 per cent largely due to a 60.6 per cent drop in international parcels posted in 2020. Domestic parcels posted however, rose by 30.4 per cent. This drop is mainly due to digitalization and substitution away from physical letters towards electronic alternatives. On a positive note, however, the number of private courier outlets increased by 18.3 per cent from 666 in 2019 to 788 in 2020 while licensed operators increased by 14.8 per cent from 229 in 2019 to 263 in 2020.

Letter volume declines have important implications for postal operators. In particular, a large share of joint and common costs in mail delivery implies that unit costs increase disproportionally as letter volumes fall. In cases like this, postal operators could have two alternative strategies to cut costs in order to reduce or limit increases in unit costs. On the one hand, postal operators can aggregate volumes in order to maintain the number of items per drop. This can be done by reducing delivery frequency or via price incentives to increase the share of non-priority mail. On the other hand, postal operators can scale down the postal network, e.g., by reducing the geographical coverage or by shifting delivery to cluster mailboxes or post offices instead of doorstep delivery.

The presence of a universal service obligation, however, prevents the postal operator carrying this obligation from undertaking these types of changes. Kenya provides the basic postal services through the Designated Postal Operator, the Postal Corporation of Kenya and courier services through the Designated Postal Operator and other licensed private courier operators to meet these communication needs of the citizens.

Kenya has tried to comply with USO, though its compliance has not been as stringent as it is in developed countries. It is also noted that in many countries, the obligation is rather imprecise or undefined. For example, while over 83% of the world population receive mail at home, the obligation in Kenya has not involved home delivery. Home delivery largely depends on a robust National Addressing System (NAS) which is in the process of being developed in Kenya. Nonetheless the general business model holding in Kenya is that the country's postal service ensures one-price letter delivery across its national territory, funding loss-making delivery routes with the revenues that it is guaranteed from monopoly and reserved services over delivery on profitable routes.

In ranking designated operators on the digital economy and digital postal activities, the UPU index has ranked Kenya number 42 globally and number 6 in the African continent. The best ranking designated operator attains a normalized minimum score of 1 while the lowest performer acquires a normalized minimum score of 0. Switzerland has the highest score of 1.00 while Kenya has a score of 0.30 and Morocco has a score of 0.84 while Tunisia has a score of 0.59 (though these two countries are grouped under

the Arab region). Without the two countries, the Africa average is 0.17. Three digital services were used to arrive at these scores: e-government and e-post, e-commerce, and e-finance and support services. On e-post and e-government, Kenya scored 0.21 at position 32 globally, e-commerce 0.14 at position 59 and digital and payments at position 26 with a score of 0.40. The scores in each of the three digital services gives an indication on where the gaps could be as regards the DPO's digital products' offerings.

Further, the level of development of the postal and courier sector is assessed using the Integrated Index for Postal Development (2IPD). It encapsulates the definition high performing postal and courier sector and provides policy makers, regulators and operators with tools to assess a country's level of postal and courier sector development. Kenya ranks 78 with a 2IPD measure of 34.144 with an improvement of +0.43 on the 2018 figure. It lags behind Nigeria, Mauritius, Tanzania, Senegal, Ethiopia and Ghana in its postal development measure. Switzerland, is at the first position with the 2IPD measure of 100 on a scale of 0 to 100. The 10 countries in the top 10 leading countries are 1- Switzerland 2- Netherlands 3 -Germany 4- Japan 5- France 6- Austria 7- United Kingdom 8- United States of America 9- Canada, and 10-New Zealand.

In this regard, Kenya performs unfavorably on all the four pillars of the postal and courier service development yet the country is one of the best performing in the digital infrastructure in Africa. The performance the postal and courier sub-sector can be partly improved through interoperability of network infrastructure which can be improved by ensuring quality of service in the value chain, efficient and secure supply chains, the development of standards and of information and communication technologies (ICTs), and streamlined operational processes and regulations.

1.1 Background

The Kenya postal service dates back from the early 17th century when a Portuguese governor was installed in Mombasa in 1592 and official correspondence between the town and the outside world began. The first transmission is however recorded from 1610 when letters were carried by ship to Arabia and India and then transmitted to Europe by an overland route. The first postage stamp used in Kenya was in 1890 belonging to the British East Africa Company up to 1895. This was followed by the one by British East Africa (1895-1903), East Africa and Uganda Protectorates (1903-1922), and then Kenya, Uganda (1922-1935), and then Kenya, Uganda and Tanganyika/Tanzania (1935-1976) stamps. The first stamps of independent Kenya were issued on 12th December 1963. These stamps were valid in Uganda and Tanzania until 1976 when the East African Posts and Telecommunications Corporation was disbanded.

From 1948 to 1977, the East African Posts and Telecommunications Corporation (EAPTC) provided postal services in Kenya, Tanzania and Uganda. The dissolution of the first East African Community then forced Kenya to establish its own monopoly, the Kenya Posts and Telecommunications Corporation (KPTC).

New government economic policies supported by the International Monetary Fund (IMF) and the World Bank in the mid1990s recommended a process of separating of postal

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[4] See UPU Postal development Report, 2019 (Table 1: 2IPD 2019 ranking) Available online at:
https://www.upu.int/UPU/media/upu/publications/postalDevelopmentReport2019En.pdf

services from telecommunications operations. The Legislation, the Kenya Information and Communications Act, (KICA) 1998 and the Postal Corporation Act, 1998 were passed in Parliament to effect the separation. The Postal Corporation of Kenya (PCK) commenced operations as a separate state enterprise on 1st July 1999 and was designated the Public Postal Licensee pursuant to Section 50 of the KICA, 1998. The KICA 1998 gave birth to the liberalization of the postal sub sector hence the emergence of licensed postal operators. Previously, operators such as Securicor were operating in an unregulated market. Now the postal and courier market has one Public postal licensee with the Universal service obligation, 263 licensed private courier operators and a number of unlicensed players. The combined number of licensee outlets is 1363 spread across the country providing postal and courier services.

However, there are populations that are either not covered or inadequately covered by these services. For such areas, interventions that are not purely commercial are necessary to ensure their access to these services. In recognition of this imperative, the Communication Authority of Kenya (CA) commissioned a baseline survey to collect evidence to guide development of this sub-sector.

Part of the strategy to extend services to these unserved and/or underserved areas is the use of universal service fund (USF). The purpose of the USF is to ensure that areas that may be uncovered due to purely commercial consideration are ushered into the information and communication technology services – the information society using the USF interventions in the broad framework of universal service access to the population. It is noted that erstwhile, there has been focus on telecommunication services coverage particularly the mobile telephony, which has been deployed to majority of citizens in Kenya. However, this has not been the case with regard to postal and courier services. The Kenya Information Communications Amendment Act 2009 (KICA 2009) establishes the universal service fund (USF) to support widespread access to, support capacity building and promote innovation in information and communications technology services and imposes a universal service levy on all licensees under the Act.[5]; the objectives of the USF are set out in Appendix III.

The KICA 1998 outlaws operation of postal services without a license and prescribes a fine not exceeding two hundred thousand shillings or to imprisonment for a term not exceeding one year or to both upon conviction under Section 61.

In order to further strengthen the USF legal and regulatory framework there is need

i) to include a requirement for the provision of basic postal services in rural, remote and under-served areas by licensed private courier companies.

ii) to introduce license conditions mandating operation a specified number of outlets in an underserved/unserved part of Kenya by licensees.

iii) utilize USF in establishing a citizens' service center (modelled from the current Huduma Centers) at the location chiefs' camps where all licensed postal and courier operators will have space to provide their services. The DPO will manage the centers.

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[5] Section 84J

iv)   to enhance the penalty for his illegal activity that distorts the market to a more deterrent sentence and fine

In conclusion, the USF, as intended, needs to support universal provision of postal services, among others by bridging the identified gaps and by enabling presence in far-flung and remote areas. This will also bring closer other community services that are not necessarily postal in nature; the Huduma Centre concept.

1.1.1 Trends in postal and courier sector

Technological changes have confronted postal operators with new forms of competition from other communication services (e.g. e-mails), but also presented new opportunities, such as the use of technology in the just-in-time shipment of goods by express delivery companies. Consequently, postal and courier operators have to claim relevance in the digitalized global economies. In Kenya, the designated operator has been ranked averagely in the UPU Index on digital economy and digital postal activities. Though with a comparatively good score in e-finance and support services, e-government and e-post, and e-commerce are far below in an economy with a very impressive technology uptake globally. Here below are some examples Kenya can benchmark with in respect to the USO obligation, where relevant, to be where it ought to be.

In 2014 Australia Post stated that it will need to reform to deal with the 30% decline in letter volumes over five years. It also introduced a slower class of service for business customers in addition to its priority service of next day delivery (D+1) within metropolitan areas of capital cities or within the same city or town; day three delivery (D+2) between metropolitan areas of capital cities and country locations and between country locations).

In December 2013, Canada Post announced plans to move a third of addresses that still received deliveries to the door to community mailbox delivery within five years. Canada Post says that these changes are necessary to adapt to lower letter volumes. It estimates that the move to community mailboxes will save CAN$400m to CAN$500m per year. Two-thirds of addresses in Canada already have mail delivery to a centralized point such as an apartment lobby box, a post office, to a community mailbox, or to a rural mailbox. New Zealand Post negotiated a new postal Universal Service Obligation (USO). From July 2015, the basic postal delivery service was to be not less than three days per week in urban centres and not less than five days per week to PO boxes and in rural areas. New Zealand Post said that these changes were necessary given the decline in mail volumes from 1.1bn items in 2002 to 771m items in 2013. In the United States, US Postal Service (USPS) has made losses of $26bn over the past three years, primarily as a result in declines in volumes. USPS has proposed a reduction in the number of days of delivery to five per week and the introduction of delivery to community mailboxes.

1.1.2 Postal and Courier Sector Development

According to the Postal Development Report (UPU, 2019), the postal and courier sector is intrinsically linked to socioeconomic development6. Affordable, efficient and universal postal services substantially reduce transaction costs between economic agents,

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[6] https://www.upu.int/UPU/media/upu/publications/postalDevelopmentReport2019En.pdf

granting them access to a vast communications and infrastructure network. In this sense, the postal sector actively contributes to the achievement of the United Nations Sustainable Development Goals (SDGs)7. The UPU being the specialised UN agency on postal services, has developed its new strategy for the 2021-2024 cycle. Titled the 'Abidjan Postal Strategy', the strategy was approved at the August 2021 UPU Congress in Abidjan. The SDGs have had a central role in this strategy.

Based on the overarching aim of promoting socio-economic development and contributing to the achievement of the UN SDGs, the vision of the postal sector for 2030 relies on four key areas; reducing gaps, harmonizing regulation, enhancing operational performance, and integration of other stakeholders. The Postal Vision allows for the SDGs to be expressed right from the high-level vision to the detailed indicators at country level. This allows for measurement of the postal sector's impact, both direct and indirect, in delivering the SDGs.

Performance of the postal and courier sector can be defined by the ability of a country's postal and courier network to perform on a wide range of factors that enable socio-economic development. In particular, e-commerce development and strengthening of operational efficiency are top-level priorities in all regions of the world.

> *"With the rise of digital technologies and e-commerce, customers expect postal and courier operators to modernize their services and improve quality, making innovation a necessity"[8].*

In this regard, postal networks can be considered as high performing if they offer a *reliable* service, have *good connectivity*, have a high level of *demand from citizens*, and their operations are *resilient* to external shocks.

1.1.3 Overview of the Policy, Legal and Regulatory Framework

The National ICT Policy Guidelines 2020[9] acknowledges that rapid technological advancement in the ICT sector has occasioned changes in the legal and administrative frameworks including challenges on cybersecurity and harmonization of frameworks both regionally and internationally. It aspires to utilize the universal access fund to ensure that both public and private ICT services and the knowledge necessary for their deployment and utility are available including by prudent management of the fund to drive universal access.

1.1.3.1 Postal Services

Under section 47 of the Kenya Information and Communication Act, the functions of the Authority include ensuring postal services are provided throughout Kenya and developing postal systems in accordance with international standards and public demand (the function of CA with regard to postal services are set out in Annex XV)

Public Postal Licensee. The KICA, 1998 also defines the Postal Corporation of Kenya established under the Postal Corporation of Kenya Act, 1998 (No. 3 of 1998) as the public postal licensee. Under Section53, the public postal licensee has exclusive

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[7]UPU Postal development Report, 2019
[8] ibid
[9] https://ca.go.ke/wp-content/uploads/2020/10/National-ICT-Policy-Guidelines-2020.pdf

rights to issue postage stamps and provide private letter boxes subject to such conditions as the Authority may specify.

Section 5 of the Postal Corporation of Kenya Act, 1998 enshrines the functions of the Corporation; as to provide and promote postal services, and perform incidental services relating to the receiving, collecting, sending, dispatching and delivering of postal articles and electronic mail; and the National Payments System.

Through Statute Law (Miscellaneous Amendments) Act No. 14 of 2014, the functions of the Corporation were expanded to include postal financial services, and incidental services relating to the issuing, receiving, and paying of mobile e-money, mobile payments, money remittance business, money and postal orders, postal drafts, postal cheques, postal travellers' cheques, giro services, cash on delivery, collection of bills, virtual savings services, general electronic online agency services and registration and for delivery of newspapers and periodicals, and electronic retail transfers. Section 48 of the KICA, 1998 empowers the Authority to grant to the public postal licensee the exclusive right to provide private letter boxes or bags and postal services. The exceptions are included as Appendix III.

Reserved postal services. Reserved postal services are defined under Regulation 2 of the Kenya Information and Communications (Postal and Courier Services) Regulations, 2010 as;

a) the collection, transportation, sorting, and delivery, for hire or reward of letters and postcards weighing up to three hundred and fifty grams, but not including exempted letters sent by licensed courier, letters accompanying goods at the time of delivery, newspapers, magazines, books, non-addressed leaflets, catalogues, and trade announcements letters delivered otherwise than for reward, letters delivered by an employee of the sender, letters containing any writ or proceeding from court or any legal instrument of any kind and, letters carried to the premises of a provider of electronic mail service for the purpose of transmission by electronic mail;

b) the production and issuance of postage stamps, pre-stamped envelopes, aerogram, and international reply coupons bearing the official national coat of arms or the words Republic of Kenya, Kenya, or Kenya Post‖; and

c) the rental or lease of private letter boxes or bags including use of postal addresses and post codes;

In its Strategic Plan (2019-2022), PCK has indicated that the Corporation got a financial support with exemption from value-added tax (VAT) for stamps and rental post boxes in the Finance Bill 2018/19. This should be ring-fenced in the law and in regulations to avoid the exemption being an annual request to the National Treasury. This will go a long way in making these basic services affordable.

Under Article 17 of the UPU Convention Manual, 2018:[10] on basic services, provides that member countries shall ensure that their designated operators accept, handle,

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[10]

https://www.upu.int/UPU/media/upu/files/UPU/aboutUpu/acts/manualsInThreeVolumes/actInThreeVolumesManualOfConventionEn.pdf

convey and deliver letter-post items up to 2KGs. The UPU provisions for basic services are shown as Appendix IV.

Articles 3(1) and (2) of the UPU Convention Manual, 2018 provide that:

> *In order to support the concept of the single postal territory of the Union, member countries shall ensure that all users/customers enjoy the right to a universal postal service involving the permanent provision of quality basic postal services at all points in their territory, at affordable prices, where member countries shall set forth, within the framework of their national postal legislation or by other customary means, the scope of the postal services offered and the requirement for quality and affordable prices, taking into account both the needs of the population and their national conditions.*

1.1.3.2 Courier services

Kenya Information and Communication Act, 1998 defines **"courier services"** as any specialised service for the collection, dispatch, conveyance, handling and delivery of postal articles (defined as any article or thing transmissible by post, including but not limited to letters, aerogrammes, postcards and parcels but does include such article or thing as the Authority determines not to be transmissible by post).

Under Section 51 of the Act, the Authority is empowered to grant licenses to provide postal services (any service by **"post;"** any system for the collection, dispatch, conveyance, handling and delivery of postal articles;) to operators subject to the conditions of license stipulated under Section 52. The continuous entry of new licensees is a sign of growth in this sub-sector. The increase by 14.8 per cent from 229 in 2019 to 263 in 2020 is noteworthy.

The upsurge in electronic commerce has exponentially increased demand for courier services in Kenya. This demand for express and doorstep delivery has further been driven by the covid-19 pandemic that significantly curtailed movement. Today therefore, most consumers prefer to transact online and have their purchases delivered to them; another 'new norm'. As a result, the need for more service providers has also ensued. Rapidly, the incumbents have been forced to compete with new entrants and this has crystalized the need for the regulators to ensure that the market is level especially through licensing and enforcing compliance.

On the other hand, section 84J of the KICA 1998 creates the Universal Service Fund whose object and purpose shall be to support widespread access to, support capacity building and promote innovation in information and communications technology services and more particularly fund existing communications service provision gaps in unserved /underserved parts the country. A fallback to this funding is necessary where other funding is unavailable.

In conclusion, the areas in law which need to be strengthened include an Amendment of Section 48 of the Kenya Information and Communications Act, 1998 on basic services and Regulation 2 of the Kenya Information and Communications (Postal and Courier Services) Regulations, 2010 (definition of reserved services) including:

    i.   to include small parcels of a weight up to 2 kilograms as reserved

ii.   to set the base rate for postal services based on the UPU Convention Regulations (Regulation 32)

iii.   To ring-fence in the law and regulations, the Tax exemption granted to PCK in the Finance Bill 2018/19 for basic postal services to avoid the exemption being an annual request to the National Treasury.

1.1.4 Services to Persons with Disabilities

There are constitutional, legal, regulatory and institutional framework which deal with PWDS matters.

1.1.4.1 Constitutional and legal provisions on access to services by Persons with Disabilities

Section 11 of the Persons with Disabilities Act NO. 14 of 2003, mandates the Government to take steps to the maximum of its available resources with a view to achieving the full realization of the rights of persons with disabilities. The Persons with Disabilities (Access to Employment, Services and Facilities) Regulations, 2009 mandates the National council for Persons with Disabilities (NCPWD) in collaboration with the relevant Government departments, research institutions, development partners and local authorities to undertake, promote and sponsor research development of assistive devices including their psycho-social aspect.

By virtue of Article 2(6) of the Constitution, the government is enjoined under the Convention on The Rights of Persons with Disabilities, 2006 to, among others; take appropriate measures to ensure to persons with disabilities have access, on an equal basis with others, to the physical environment, to transportation, to information and communications, including information and communications technologies and systems, and to other facilities and services open or provided to the public, both in urban and in rural areas. These measures, which shall include the identification and elimination of obstacles and barriers to accessibility, shall apply, inter alia, to Information, communications and other services, including electronic services and emergency services.[11]Detailed provisions for barrier-free access to services is presented as Appendix II (see also Box 1)

> **Box 1. Access to ICTs by Persons with Disabilities**
>
> By virtue of Article 2(6) of the Constitution, measures, which include the identification and elimination of obstacles and barriers to accessibility, also apply to Information, communications and other services, including electronic services and emergency services.[12]These measures include those to[13]:
>
> - develop, promulgate and monitor the implementation of minimum standards and guidelines for the accessibility of facilities and services open or provided to the public.
> - provide training for stakeholders on accessibility issues facing persons with disabilities.
> - promote access for persons with disabilities to new information and communications technologies and systems, including the Internet;
> - promote the design, development, production and distribution of accessible

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[11] Article (9)(1)(b)
[12] Article (9)(1)(b)
[13] Article (9)(2)(a, c, d & e)

information and communications technologies and systems at an early stage, so that these technologies and systems become accessible at minimum cost

Under the NCPWD Strategic Plan 2018 – 2022[14], the following policy priorities were identified to drive the strategic vision of a barrier-free society for Persons with Disabilities under the mission: *To promote and protect equalization of opportunities and realization of human rights for PWDs to live decent livelihoods.* This is to be realized through:

a) Data and statistics – regular collection and reporting of disaggregated data on PWDs to inform policy decisions that are responsive to the range of needs of PWDs.

b) Empowerment of PWDs – to complement affirmative initiatives by training and funding PWDs to leverage on their abilities and thereby create and add value.

c) Disability mainstreaming - scaling up and availing funds for PWDs initiatives and robust institutional collaboration in PWDs programmes.

d) Institutional capacity – strengthen capacity of stakeholders through training and awareness creation.

The proposals for best practice on inclusion of PWDs in all aspects of development is presented in Box 2.

Box 2. Best Practice for including PWDs in Development

The following are the United Nations Best Practices for including persons with disabilities in all aspects of development efforts are as follows:

(i) Adopt a rights-based approach promoting barrier removal and inclusion in all sectors

(ii) Ensure that disability-sensitive indicators or markers are provided for and applied in development strategies and road maps.

(iii) Promote, enable and facilitate the meaningful participation of persons with disabilities, including children with disabilities.

(iv) Ensure disability-inclusive responses in situations of risk and humanitarian emergencies.

(v) Invest in capacity development of staff involved in matters related to the rights of persons with disabilities.

(vi) Strengthen statistical capacity to produce reliable disaggregated data on persons with disabilities. Resources should be allocated to the collection and analysis of reliable and disaggregated data by sex and disability in national statistical systems in order to support the design and the monitoring of better programmes, policies and emergency responses and to promote the awareness of persons with disabilities as a heterogeneous and internally differentiated group.

Source:

https://www.un.org/disabilities/documents/best_practices_publication_2011.pdf

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1.1.4.2 Postal Corporation of Kenya: Improving access for Persons with Disabilities

The Executive Committee of the Universal Postal Union (UPU), adopted the recommendation inviting all national postal administrations to improve access to their

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[14] http://ncpwd.go.ke/images/NCPWD-2018-2022-Strategic-plan.pdf

facilities for disabled persons. Under the World Programme of Action Concerning Disabled Persons, it is noted that:15 .

There is an urgent need, as the first priority, to help developing countries to develop demographic policies to prevent an increase in the disabled population and to rehabilitate and provide services to the Executive Committee of the Universal Postal Union (UPU), adopted the recommendation inviting all national postal administrations to improve access to their facilities for disabled persons. Under the World Programme of Action Concerning Disabled Persons, it is noted that:[16]

There is an urgent need, as the first priority, to help developing countries to develop demographic policies to prevent an increase in the disabled population and to rehabilitate and provide services to the already disabled.
The DPO in Kenya has made great strides in mainstreaming PWDs. The Postal Corporation of Kenya for instance has:
  (i)   Purpose-built counters for PWDs at some of their service areas;
  (ii) Built ramps into their premises for wheelchair and other users
  (iii) By affirmative action, deliberately reserved employment slots for PWDs
  (iv) As part the government procurement (AGPO) programme, has reserved certain categories of tenders for PWDs and other marginalized groups.

Due to the enormous network of outlets countrywide however, PCK has not put these measures in every outlet. There is need therefore for the USF to affirmatively support/supplement the work of the DPO in mainstreaming PWDs.

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  (v)   Due to the enormous network of outlets countrywide however, PCK has not put these measures in every outlet. There is need therefore for the USF to affirmatively support/supplement the work of the DPO in mainstreaming PWDs.

1.1.4.3 Courier Service Operators and Access for Persons with Disabilities

Courier services are not in the basic services space; they are value adds that have to be paid for. However, as part of the society, the operators need to appreciate and take necessary action to make PWDs who visit them comfortable as their basic right. This perhaps, in compliance with and support of the existing laws on PWDs, the regulations to postal and courier licensees need to incorporate basic actions to be taken, at a minimum at the operator premises.

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[15] https://www.un.org/development/desa/disabilities/resources/world-programme-of-action-concerning-disabled-persons.html
[16] https://www.un.org/development/desa/disabilities/resources/world-programme-of-action-concerning-disabled-persons.html

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> *There is an urgent need, as the first priority, to help developing countries to develop demographic policies to prevent an increase in the disabled population and to rehabilitate and provide services to the already disabled.*

In conclusion, the PWD law as it is, needs to be operationalised in the postal and courier Regulations including by introducing license requirements for structures and systems that ensure persons with disabilities access services as a way of strengthening and enforcing the ease-to- access by PWDs.

1.2 Purpose and Justification of the Survey

In the context of both the demand and supply sides of the postal and courier services sub-sector in Kenya, the purpose of the baseline survey was:

(i) To identify gaps in service coverage and access to Postal & Courier services
(ii) To identify challenges faced by Postal & Courier operators in rolling out services
(iii) To identify the challenges that users face in accessing services including but not limited to postal and courier services
(iv) To formulate strategies to bridge the identified gaps (service provider, consumer perspectives and regulatory)
(v) To provide training on financing models and Geographical Information Systems (GIS)

This survey addresses both demand and supply sides of the postal and courier services in Kenya. This baseline survey was justified by the fact that a survey (CA 2016) on information and communications technology (ICT) access gaps study recommended a baseline survey for postal and courier services to guide further development of the postal and courier sub-sector, and that Kenya ranked 78th on the 2IPD score behind Nigeria, Mauritius, Tanzania, Senegal, Ethiopia and Ghana. There is a supply and demand side perspective to the coverage, access and use of postal and courier services in Kenya as follows:

Supply side perspective

In any designated operator scenario regulation and cost of provision of basic service come into play. There is always a set of products that must be offered under regulated prices and standards. In return there is expectation of a compensatory benefit which often times is hard to come. It is a familiar story in Kenya. PCK, the designated operator, through reserved services is expected to meet the costs of providing basic postal services to all corners of the country on behalf of the government. The government on the other hand must create and be seen to have a level playing ground for provision of those and other associated services for socio-economic development of the country. The DPO's

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[17] https://www.un.org/development/desa/disabilities/resources/world-programme-of-action-concerning-disabled-persons.html

business model must always factor USO mandate as they also balance the cost and benefit, while courier operators have a single motivation which is profit. Whereas potential benefits pertaining to special rights to marketing of letters below 350 grammes, stamp issuance and private letter boxes do apply, they mainly in theory. The actual monetary value stemming from these benefits is low and also very uncertain. Consequently, they cannot be included as benefits in practice. Therefore, these actual unaddressed 'patriotic' national costs create actual supply gaps on the DPO who would otherwise have innovated 'profitable' products to the delight of the customer.

Further, benefits relating to ubiquity, demand complementarities and economies of scale/scope are relevant in the Kenyan context. However, the ubiquity benefit is remotely an opportunity especially for the DPO when this presence everywhere could be positioned as a national infrastructure for use by providers looking for 'reach' at a fee. Innovative e-government, e-post, e-finance and e-commerce offerings are hence going closer to the rural, underserved or unserved populations who will now enjoy less distance (within 15kms) to a postal or courier outlet.

Kenya has areas that are neither covered by postal nor courier services within reasonable reach (the international bench mark is within 9 km however within 15km can be a starting point for Kenya due to the prevailing infrastructural challenges). In terms of the population, it is required that there be a post / courier outlet for every 6,000 people. It is thus envisioned that interventions targeting underserved and unserved areas will lead improve coverage. The interventions include flexible policy, structural and operational changes necessary to fulfil the coverage objectives, regulations that are technology and service flexible (neutral) and use of funds for targeted ancillary/complementary coverage and access objectives. The coverage infrastructure include; postal and courier outlets equipped to provide the full range of postal and courier services.

Further, the enforcement of universal service obligations will further augment efforts toward universal access. Specifically, a robust policy, legal and regulatory environment is also necessary for the rapidly evolving market to address the challenges resultant of market changes.

Demand-side perspective

Understanding the cost and demand structures of mail delivery is important in order to understand how market developments and regulation may affect the postal and courier sector. The global demand for mail has been declining in the last years due to digitalization. This trend is often referred to as e-substitution and has created a situation where letter volume declines have led to increasing unit costs and declining revenues for mail delivery. This, in turn, has created financial challenges for many postal operators who then turn to cost cutting measures that end up negatively affecting the quality and hence demand for services. There are a range of factors which discipline the behaviour of designated postal service providers. These are, for example, electronic communication, alternative advertising media, alternative delivery networks, and the universal service obligation. Amongst these factors, the competitive pressure from e-substitution is particularly constraining on demand for postal services and the postal operator's conduct.

On the one hand, a high share of business customers in the postal sector implies a high degree of buyer power. This is in contrast to other network industries such as telecoms, where business customers are less and less predominant and individual consumers make up a larger share of the market.[18] Businesses often make their spending decisions – including on postal services – based on cost benefit analyses of the expected outcome of using different services to serve their needs (i.e., contacting clients for marketing or transactional purposes). Nowadays, these cost benefit analyses also include electronic communication options. This cost benefit rationale puts ongoing pressure on postal operators worldwide, since for many businesses the cost benefit assessment points to the use of e-communications instead of letter mail.

On the other hand, there are still a (small and declining) group of consumers, often referred to as vulnerable users, who are dependent on postal services. These users have a very low degree of buyer power and are often dependent on USO regulation securing that their needs are ensured (e.g. though affordable postal tariffs and uniform prices). This customer structure implies that postal operators often face large differences in price sensitivity from different customer groups.

Further, on the demand side there are persons with disabilities (PWDs) including physical, hearing and visual disabilities who respectively need physical access facilities (eg., rails and ramps) at the posts and at courier service delivery points, and prosthetics in order to access and utilize a range of postal and courier services and braille services at the postal and courier outlets. Assistive technology to enable independent living such as mobility aid, orthotics and braces, personal care assistants when they look for services, physical accessibility facilities. In this regard, there is need for appropriate facilities and technologies for people with special needs. In this regard, there is need for appropriate systems and technologies for people with special needs.

Consequently, this baseline survey responds to the need for a strategy to provide universal postal and courier services in Kenya.

1.3 Methodology

A mixed methods survey was conducted for postal and courier service providers and consumers. This comprised questionnaire surveys, key informant interviews. Both qualitative and quantitative data was collected from consumers, service providers, associations, and government agencies. Data was analyzed using both descriptive and inferential statistics.

Sample

Data was collected from licensed Public Postal Operator, National and International courier service providers. Out of 156 national and international licensees that were targeted 52 operators responded representing 33% response rate (n = 156). Further, data was collected from 940 postal and courier services consumers across the 47 counties were surveyed representing a response rate of 57% (n=940).

Key informant interviews

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[18] Copenhagen economics – Report-on-uso-net-cost in-iceland

A total of 13 key informant interviews were conducted and conclusions made based on both the quantitative survey and qualitative interviews results. Though the survey faced the following challenges, they were mitigated to ensure that the objectives of the study were met:

i. *COVID-19:* to ensure the safety of the researchers, survey respondents and interview participants, interviews were conducted online using zoom, google meet and Teams; the questionnaire to service providers was administered through email using KOBO Collect.

ii. *Low response rate by service providers*: There was low response by service providers resulting in a response rate of 33%. In particular, some of the service providers were not found at the address that had been provided in the official records. However, the number of responses were sufficient for analysis. Further, the quantitative survey results were complemented with interviews and triangulated to draw conclusions and recommendations.

2. SUPPLY SIDE: SITUATIONAL ANALYSIS

Postal and courier service penetration should be within the reach of the population. In this section, the supply side factors comprising coverage of and access to these services are assessed.

2.1 Nature of Postal and Courier Services

2.1.1 Postal and Courier service penetration

Some communities are far removed from the post office locations and have to move for long distances to access these services. According to CA access gap study of 2016[19], on average a post office outlet served an area of 943 km^2. The postal and courier sector is important because it provides services such as disbursement of retirement benefits, sending of letters and parcels, and is some cases access to public internet services by the communities that it serves. The absence of this infrastructure constitutes a significant economic disadvantage to the affected communities. Consequently, though it is generally understood that there are areas that are not adequately serviced by the postal and courier services facilities ancillary services such as provision of internet access can improve customer experience and enhance service delivery.

Some of the reasons for lack of coverage of postal and courier services are poor/lack of roads, insecurity and high operational costs such as in the unserved areas which include North eastern Kenya. The Postal Corporation of Kenya has 575 post offices coverage. However, the closure of more offices that are not viable is on the rise. Recently five offices in the coast - three in Mombasa, one in Malindi and another one in Kilifi counties respectively, were closed. These closures deprive the customer a right to basic postal services in an accessible manner and at an affordable price. This where the government (CA) intervenes using the USF.

2.1.1.1 Coverage of postal services

The study assessed the coverage of postal services across the country and generated GIS maps presented in Figure 1.

Figure 1 further provides a distribution of postal coverage by population.

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[19] https://ca.go.ke/wp-content/uploads/2018/02/ICT-Access-Gaps-Report-April-2016-.pdf

Figure 1: Coverage of postal services by population
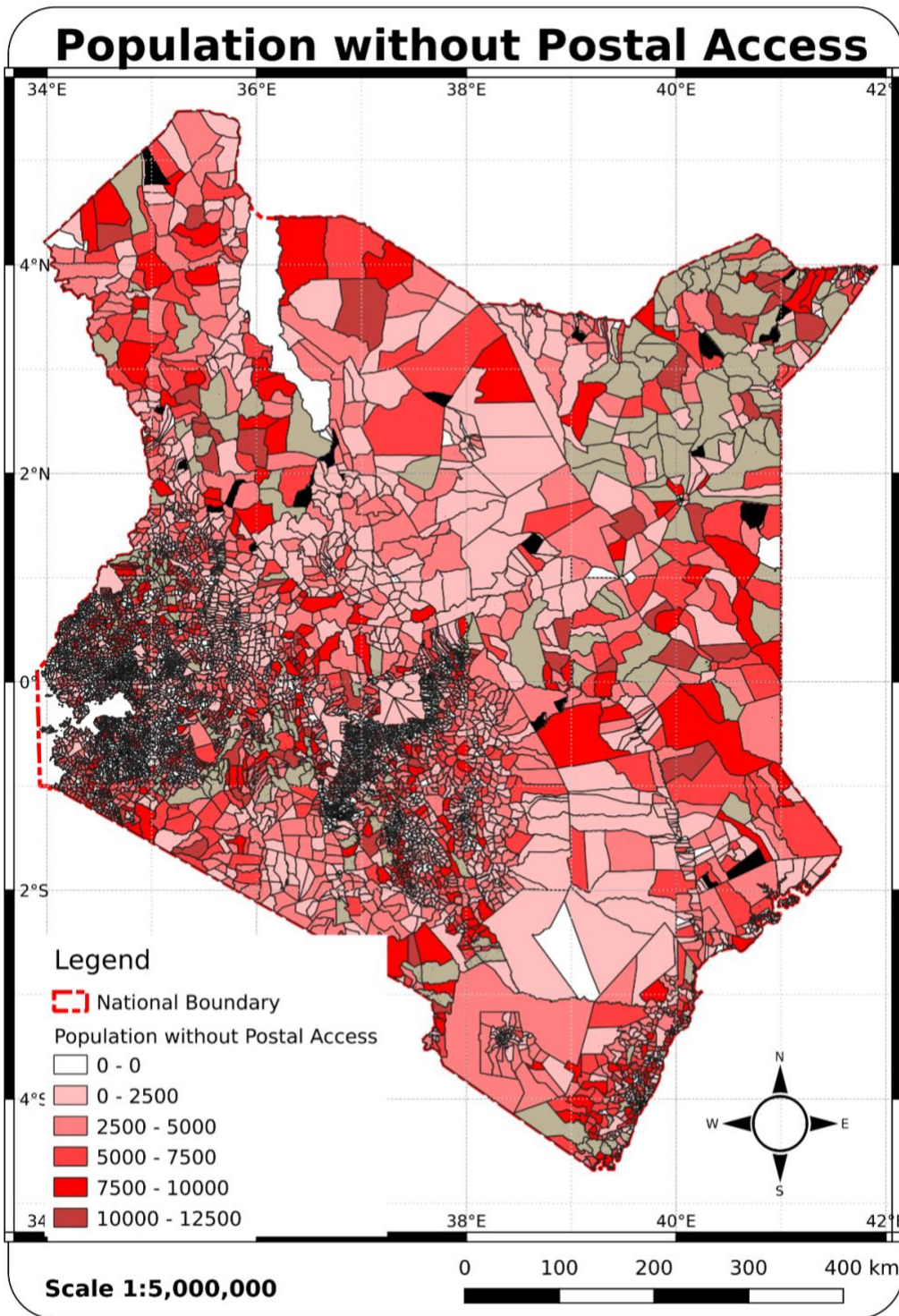
From the postal services coverage maps, the less covered counties hence sub-locations are those in the northern, eastern and some of the southern parts of the country including the coastal areas. These are the areas that need priority attention in the expansion of postal service coverage.

2.1.1.2 Coverage of courier services

The coverage of courier services was also determined using GIS. The following maps show the distribution of courier services outlets (Figure 2 and 3).

Figure 2: Location of Courier Stations across the country
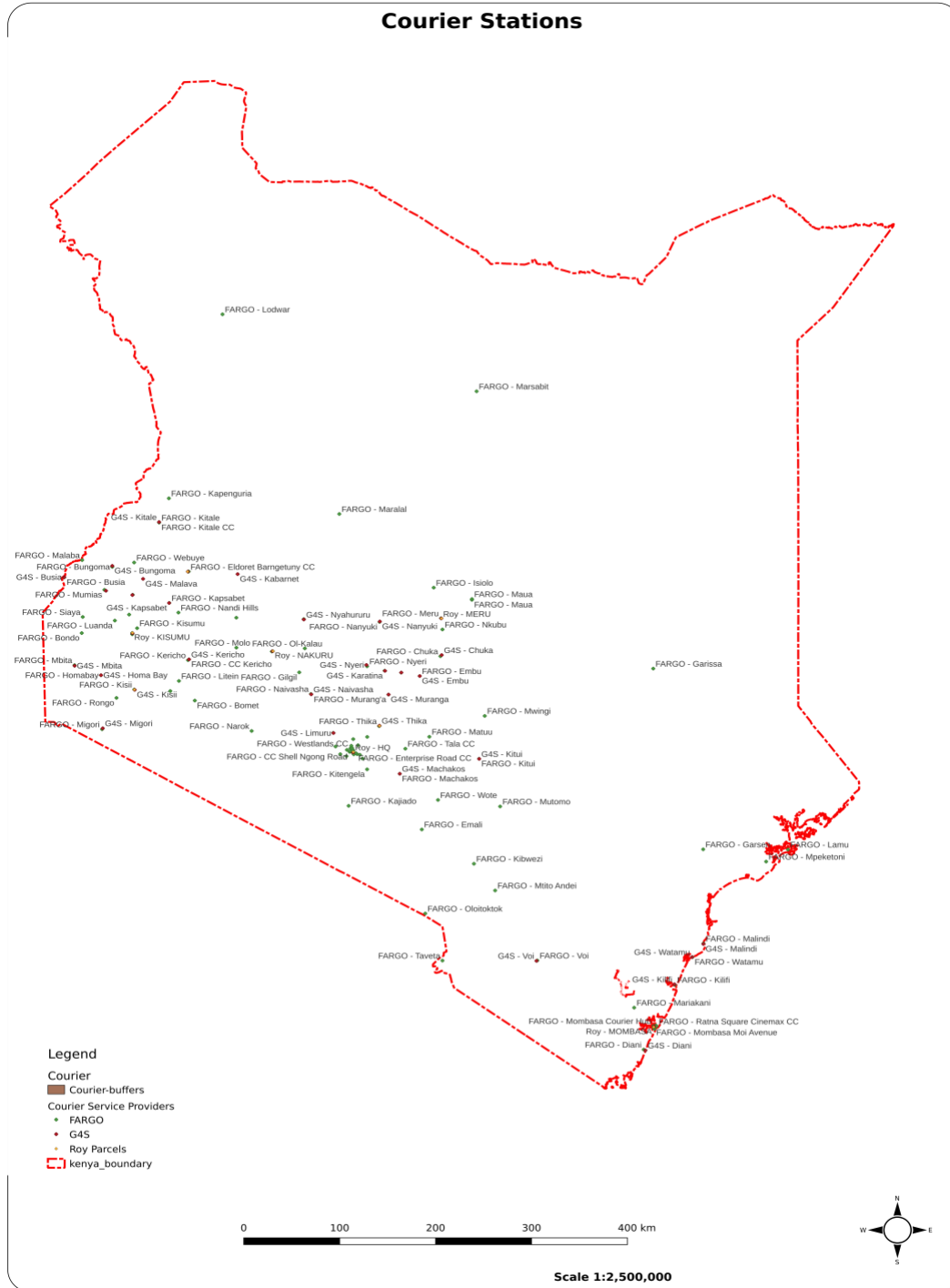
It is seen from the map that Wells Fargo is present in Garissa, Marsabit, Wajir and Turkana while G4S is not available in these locations. Further, both Wells Fargo and

G4S is available in most of the Coast, Western Kenya, Central, Nairobi and eastern counties. This result implies the need to increase coverage in the Northern, north eastern and north western parts of the country. There is also need to improve services in existing outlets and to extend the services beyond the major cities and towns where the private courier services are into surrounding smaller towns and rural areas in the sub-locations.

Figure 3: Courier Stations by County
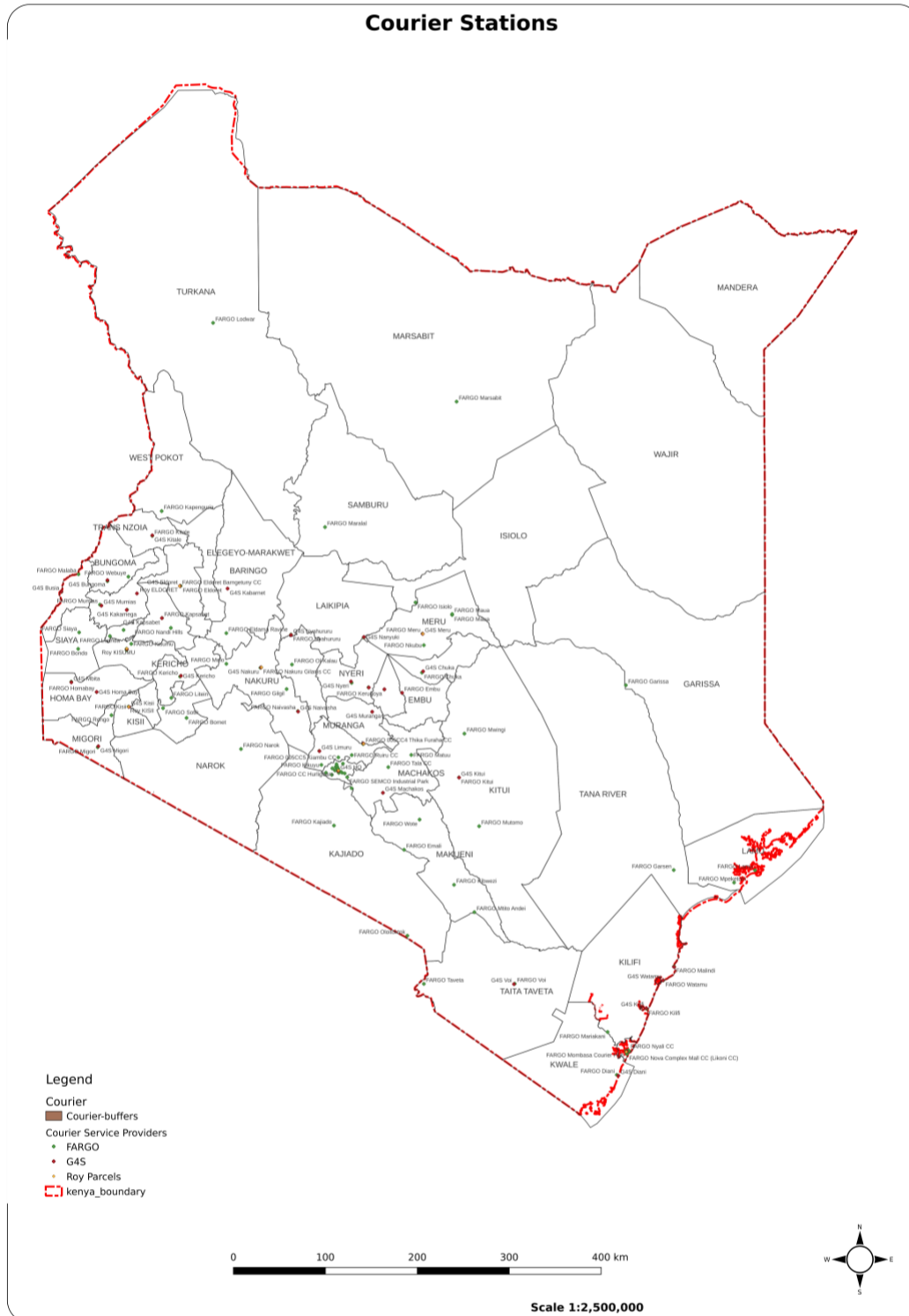
Coverage of courier by county is presented in Figure 4. Garissa, Kwale, Tana River, Turkana, Samburu, Isiolo and Marsabit counties each are served by one courier service provider whereas Mandera and Wajir counties have no courier coverage.

2.1.2 Postal and Courier license categories

There are three categories of licenses issued by the Communications Authority. They are: 1. International Courier Service; 2. National Courier Service; and 3. Public Postal Operator. There is only one Public postal Licensee who is also the Designated operator charged with provision of universal postal service.

The distribution of courier service providers in Kenya by type: public, national and international is presented in Figure 4. Out of 156 national and international licensees that were targeted 52 operators responded representing 33% response rate (n = 156)

Figure 4: Type of Courier Operator
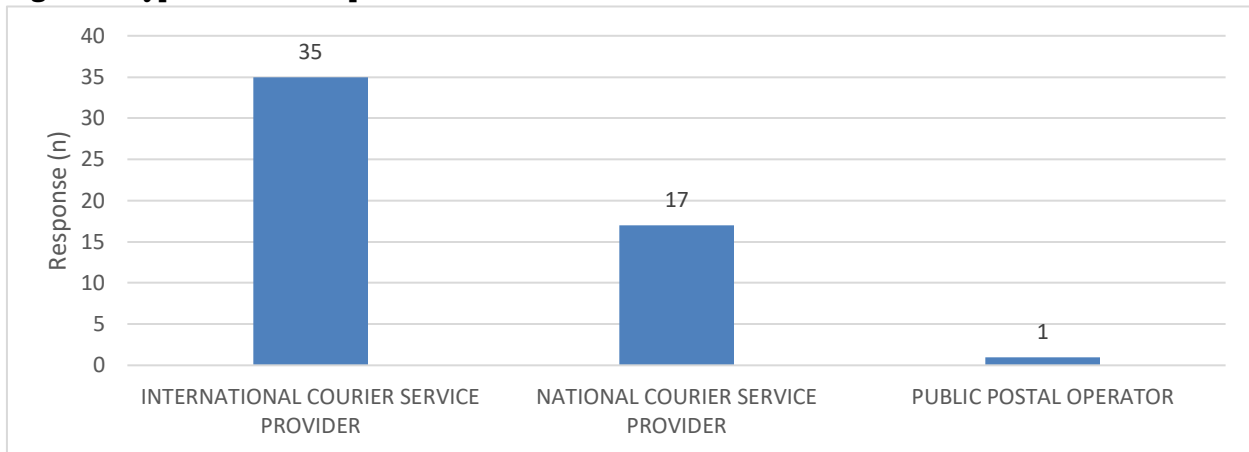
According to Figure 4, the respondent service providers comprised one Public Postal Operator (Postal corporation of Kenya), 35 National courier operators and 17 International courier operators. Among the international courier service providers surveyed were DHL, G4S, Delta Handling Services Limited (formerly FedEx and TNT Express), Skyline Express Services Ltd, Sendy, African Global Expertise Limited while the local/ national service providers included Al-Micdad Parcel Services, Riley courier Limited, Roy parcels, Across borders courier, and 2NK SACCO. The full list of the respondents is annexed (Annex VII).

2.2 Coverage of Courier Services

The surveyed courier operators had a total of 421 branches/outlets countrywide. Of these, 74% (n=313) were located in urban areas while 25% (n=108) were in rural areas. This result suggests the need to expand coverage into rural areas.

2.2.1 Distance between courier outlets

Distance is an important determinant of access to a postal and courier outlet; the longer the distance to the outlet, the lower the accessibility and the more is the cost to the consumer. The distance between courier services outlets in presented in Figure 5 where the distances ranges from less than 20 km to more than 50 km.

Figure 5: Distance between courier outlets
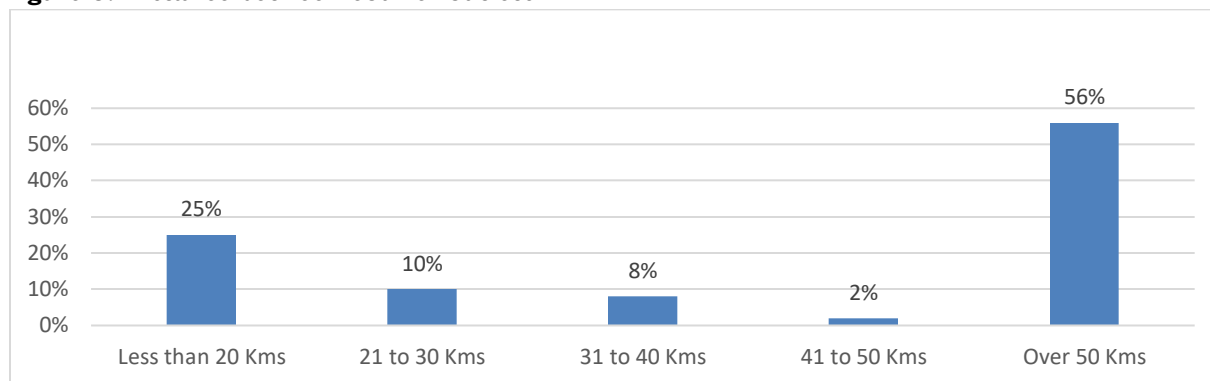
As shown in Figure 5, a big proportion (56%) of courier outlets are over 50km apart whereas those that are less than 20 km apart are only 25%. Overall, the weighted distance between courier operators is 40.2 km apart.

This finding is similar for both national and international courier operators as can be seen in Table 1.

2.2.2 Distance to courier outlets by category of courier service operator

There are two categories of courier service providers - international such as DHL and national such as 2NK. The international operators also have national presence. The two categories combined form the courier network nationally. The distance between the courier outlets is an important indicator of coverage of the services hence their accessibility. The following result (Table 1) is a comparison of the distance between international and national/ local courier outlets.

Table 1: Distance between courier stations by category of operator

		What is the distance between one outlet /branch and the other					Total
		Less than 20kms	21 to 30 Kms	31 to 40 Kms	41 to 50 kms	Over 50kms	
License Category	National	24.3%	2.7%	8.1%	2.7%	62.2%	100.0%
	International	26.7%	26.7%	6.7%	0.0%	40.0%	100.0%
Total		25.0%	9.6%	7.7%	1.9%	55.8%	100.0%

According to this result (Table 1) a greater proportion of both national (62.2%) and international courier operators (40%) have their branches spaced at more than 50 km apart by road. However, the international courier operators have more branches within 20-30 km apart (26.7%) compared to national/local operators (2.7%) and that the former are concentrated in the major cities of Nairobi, Mombasa, Kisumu and Nakuru. To mitigate against the long distance between outlets, the study observed that the courier service providers were extending their reach through licensed agents in the rural areas who receive and send the parcels to their branches in urban areas for aggregation. According to weighted means based on the distance class midpoints (see Table 1), the finding on distances is that that for national courier providers is 44.31km part while

that for international courier providers is 34.02 km and mainly concentrated in major cities.

2.2.3 Factors that inform the opening of a courier outlet.

Like any other commercially motivated business enterprise, courier companies have considerations when opening an outlet. However, regulatory frameworks require that besides commercial considerations are national factors such as community needs. The decision to open a courier outlet was assessed based on whether it was based on demand for services – commercial consideration or compliance with any other factors which are embedded in their licenses. It was found (Figure 6) that the primary motive was demand for services at 82% of the times which is an indication of the commercial motive.

Figure 6: Opening of courier outlet
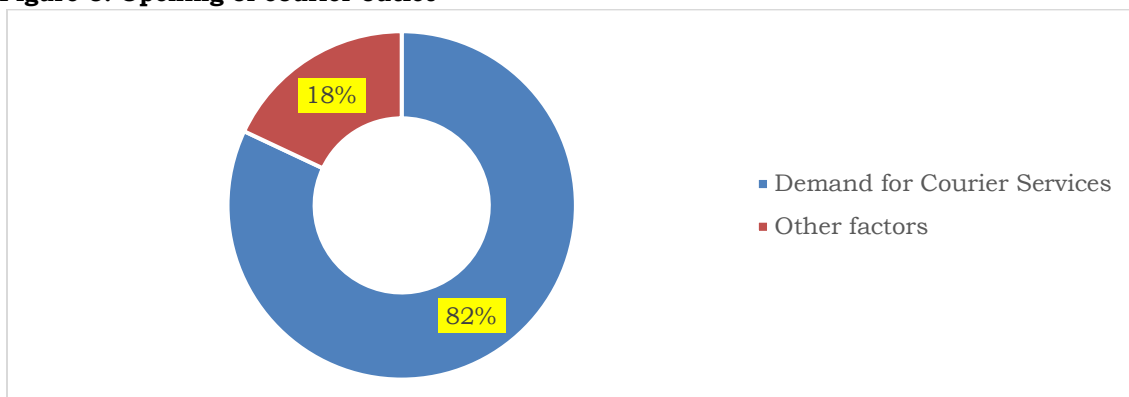
Courier operators predominantly (82%) open new branches/ outlets to meet service demand compared to 18% that were opened to satisfy (Figure 6). This result suggests a profit centric motive/nature of courier service providers, and that where such profit is not foreseen, there will be no motivation to open new outlets. This situation would exclude the population that live in economically unviable locations such as in sparsely populated areas or where poverty levels are high. In this regard, targeted interventions are required to address the universal postal and courier coverage/ access objective including through the universal service fund.

2.2.4 Nature of support Infrastructure

Effective operation of postal and courier services depends on complementary infrastructure such as roads, power supply and telecommunication/ICT services such as mobile phones and internet. With a score of 5.6 on a scale of 0 to 10 the surveyed courier operators indicated that the existing communication infrastructure was able to support provision of courier services. This represents 56% approval rating of support infrastructure. Lower scores were due to inadequate road network hence the need for the government to open up the rural areas by building better roads. Need for improvement of security in the rural areas was also cited as a priority, and more specifically in areas such as Sachangwan in Nakuru county where "thugs break into lorries moving slowly leading to loss of parcels and cargo through theft" (Survey respondent, May 2021). This finding implies the need to improve support infrastructure particularly roads and security.

2.3 Challenges in Postal and Courier Services

Delivery of postal and courier services to everybody, at affordable price and satisfactory quality is the overarching objective of a functional postnatal and courier subsector. However, various factors including technology changes, addressing system, physical infrastructure, limited ICT skills, insecurity and online fraud affect service delivery. The challenges experienced by existing postal and courier service providers are presented in Box 4.

Box 4. Challenges experienced by Postal and Courier Services

(i) Technological advancement: The most severe competitive attack is from electronic substitution for postal services and manual processes for courier operators where many of the operators are not able to adapt to emerging technologies in a timely manner.

(ii) Declining traditional mail volumes, operating some loss-making post offices and private courier outlets, and lack of funding to supplement their universal service obligation which has affected the ability to innovate faster.

(iii) Slow response in meeting consumer demands: Consumers continue to demand more innovations due to the emerging technologies. Postal and courier service providers are therefore expected to continually modernize their products and services to meet the consumers expectations though they lag behind.

(iv) Legislative framework: The law is clear on the reserved services to be provided by the Public Postal Licensee (PCK), however enforcement of the law that other private operators charge five times what PCK charges for an item below 350 needs strengthening especially due to the emergence of informal operators

(v) Lack of addressing system - This is a key barrier to efficient service delivery. With the advent of emerging technologies and the global COVID 19 pandemic many customers are demanding for door step deliveries in urban and rural areas. Turnaround time is increased while last mile logistics providers such motorcycle riders try to locate buildings and homes.

(vi) Increased online fraud related to online shopping is a challenge partly due to insufficient regulatory framework for e-commerce platforms. Customers have fallen victim with no information on where to seek redress from. There is also insufficient digital literacy amongst consumers on secure online transacting.

(vii) Poor infrastructure in the underserved areas - no power supply, limited or no internet, poor telephone coverage; and poor road infrastructure which the areas inaccessible. For last mile deliveries, service providers may encounter difficulties in doorstep delivery especially in the informal settlement parts of urban areas where accurate addressing is still a challenge.

(viii) Manual processes: unautomated private letter boxes and sorting processes which affects International and domestic delivery standards thus reflecting poor quality of service.

(ix) Inadequate security especially for the riders as they deliver in the slum areas and in suburban areas, and insecurity in far flung areas like Northern region, parts of North Rift and Lamu.

(x) No designated loading areas/zones for essential courier services leading to harassment by the city/town council askaris in major towns whenever the courier providers park to deliver shipments

(xi) Shortage of ICT skills in the sector leading to slow adoption to technology.

(xii) Compliance burden for courier operator including multiple parking charges across counties

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2.3.1 Service Access Challenges

In a competitive market environment as is the case for the courier services, businesses assess factors that affect their performance. In this survey, courier service providers provided an assessment of factors that they considered to affect access to their services. It was found that affordability and accessibility (that is coverage) were the leading barriers. In the order of decreasing importance, the factors hindering access to courier services from the perspective of courier service providers are reported in Figure 7; they include affordability, accessibility, efficiency, consumer preferences and socio-cultural factors.

Figure 7: Factors hindering access to courier services
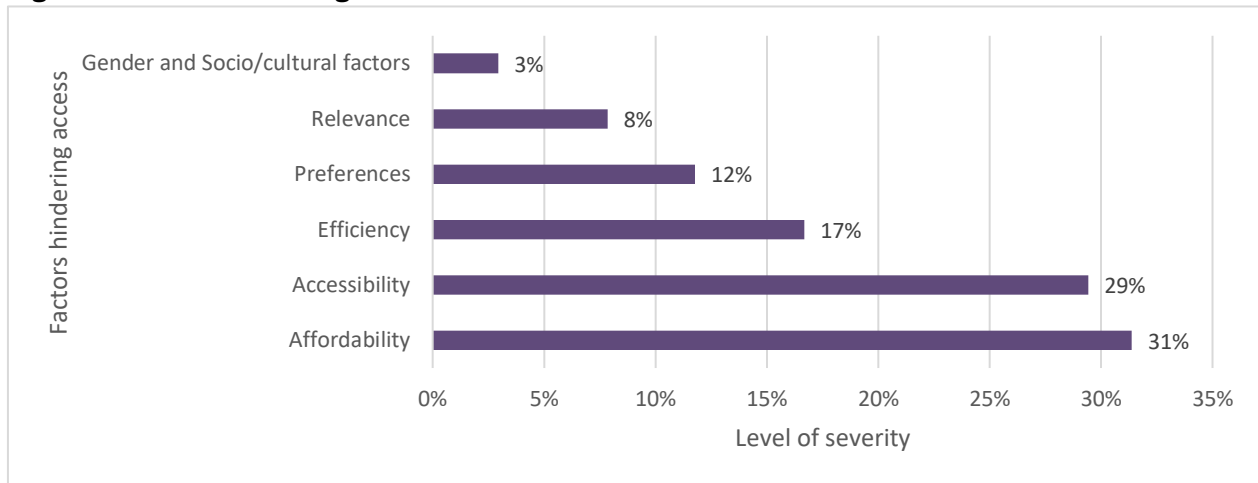
As seen in Figure 8, affordability (31%) is perceived as the major challenge hindering access and use of these services courier services. This is followed by limited accessibility (29%) due to long distance to courier outlet, and efficiency (17%) in delivery of services. The two factors (affordability: 31%; accessibility: 29%) are the main challenges to access of courier services. This implies the need to increase coverage of the services and reduce the prices; there is also need to increase operational efficiency by adopting appropriate technology. This finding implies that the service providers are not able to meet consumer needs with regard to affordability, accessibility, and efficiency of service delivery; inefficiency leads to poor quality of service. There is also a challenge of ensuring relevance of services with regards to specific needs of consumers such as those of PWDs.

2.3.2 Service Provision challenges

Though it is desirable that postal and courier services be extended to cover 100% of the population, various challenges are faced by courier service providers in their bid to provide services in various parts of Kenya (see Figure 8).

Figure 8: Challenges faced by courier operators in service provision
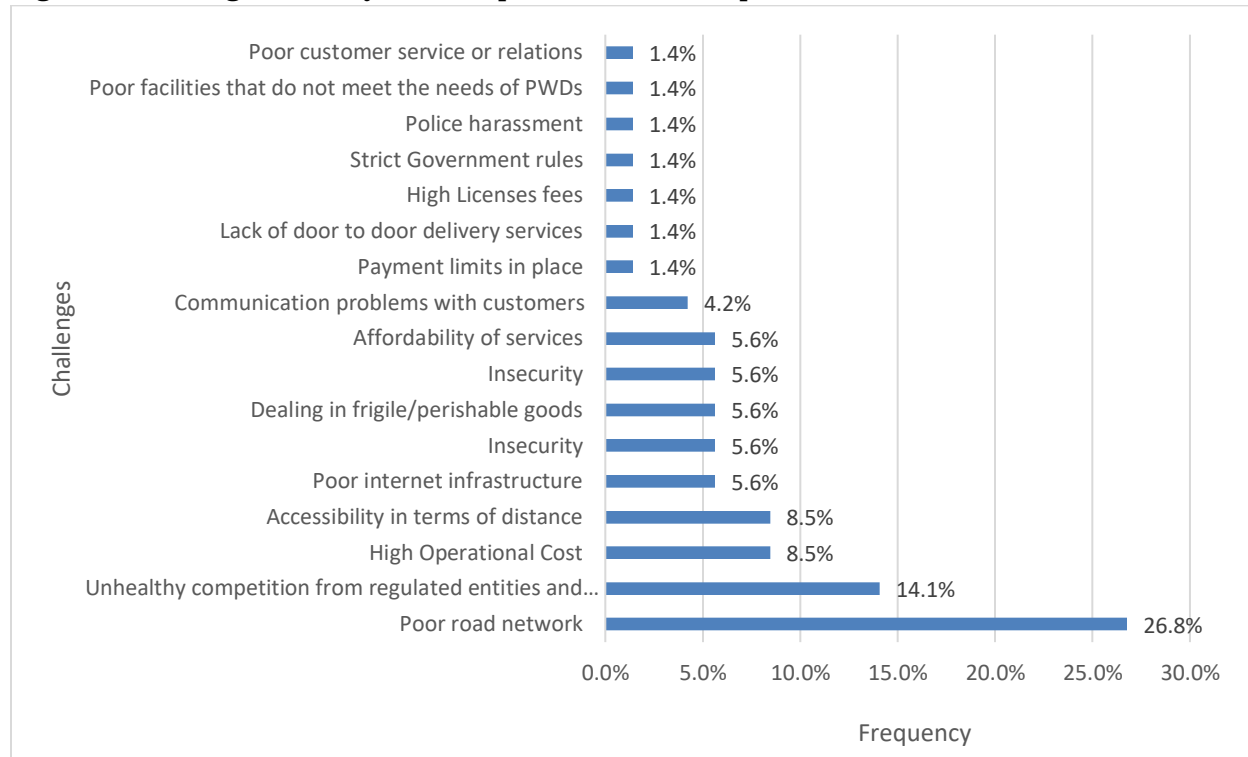
Figure 8 shows that the most cited was "poor road network" (26.8%) followed at a distant second by "unhealthy competition" (14.1%). As seen from the result, poor road infrastructure/network was the dominant challenge facing courier operators followed by unhealthy competition from unregulated entities. Further, high operational cost and distance to remote areas to deliver the goods was also a challenge since this increases service provider costs.

2.3.3 Responsiveness of Postal and Courier Service providers to Universal Service Obligations

Universal postal services: In 1964, the Universal Postal Union (UPU) member countries signed to bring into force what is known as the Universal Postal Convention in which they noted in Article 3 that:

1. In order to support the concept of the single postal territory of the Union, member countries shall ensure that all users/customers enjoy the right to a universal postal service involving the permanent provision of quality basic postal services at all points in their territory, at affordable prices.

2. With this aim in view, member countries shall set forth, within the framework of their national postal legislation or by other customary means, the scope of the postal services offered and the requirement for quality and affordable prices, taking into account both the needs of the population and their national conditions.

3. Member countries shall ensure that the offers of postal services and quality standards will be achieved by the operators responsible for providing the universal postal service.
4. Countries to ensure the UPS is provided on a viable basis, guaranteeing its sustainability

Article 17 of the convention defines UPS as 'the permanent provision of quality basic postal services at all points in a member country's territory, for all customers, at affordable prices'[20].

It is on this basis that the Kenya Information and Communication provided for mechanisms to safeguard USO.

An assessment of the extent of responsiveness to universal service obligation by the public postal operator and the private courier operators reveals various challenges/gaps (see Box 5 and Box 6). These are barriers to the realisation of universal coverage and access to these services.

Box 5. Challenges facing the Postal Corporation of Kenya
The following are the challenges faced by Postal Corporation of Kenya in meeting their universal service obligations:
- *Declining postal coverage* - Approximately 400 post offices are operational and there has been decommissioning of some post offices due to operational unsustainability; hence the need to reverse this trend
- *Service delivery standards* are not met in underserved areas such as in the northern Kenya and Eastern Kenya region. The distance to the nearest post office is about 30 kilometers, which is much longer than the recommended 5 miles (9 km)
- Anecdotal evidence suggests that there are unauthorized operators that do not adhere to standards in terms of charges for letters/ parcels that are less than 350 grams. For example, the regulation is that private couriers should charge five times the charge by PCK for letters/ parcels that are 350 grams weight or less. Charging less constitutes noncompliance and therefore anticompetitive practice that disadvantages the designated national postal operator, DPO (PCK)
- Closure of some post offices is partly due to unviability of operating these post offices. This implies a gap in delivery of service by the DPO and the need for interventions to effectively serve the economically unviable locations

Box 6. Challenges facing the Private courier service providers
The following are the challenges faced by private courier providers in meeting their universal service obligations:
- Poor road infrastructure in some rural and remote areas leading to high fleet maintenance costs hence driving up the costs of operation.
- Many levies, parking fee and fire permit fee in every county of operations
- Unfair competition from unregulated operators who are not licensed but providing courier
- Lack of national addressing system which leads to poor coordination of courier deliveries especially when doing door to door deliveries
- High insurance costs for goods in transit and delays in settlement of claims by

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[20] https://www.upu.int/UPU/media/upu/publications/universal postal conventionEn.pdf

insurance companies
- Insecurity in some parts of the country that are currently underserved
- High operational costs such as increasing fuel prices
- No designated loading zones in some counties in spite of payment of parking fee
- Parking fee is quite high in some counties
- Heavy traffic jam hinders timely delivery especially in major cities
- Inadequate skilled manpower in courier service providers organisations
- Lack of access to asset financing to expand courier fleet

2.3.4 Partnerships in Postal and Courier Services

Partnerships play an important role in delivery of services. These can be with third party logistics providers from last mile delivery, online market platform and financial services providers. In the case of the postal and courier services, partnerships with the following need to be enhanced:

a) Transport companies: Many postal and courier operators have own transport (vans, trucks and motor cycles). Because their demand primarily occurs during short peak periods, typically in the late evenings and early mornings, these assets can sit idle for as much as 60 to 80 percent of the time. Given that 50 to 60 percent of transport costs are fixed (e.g., truck capital costs, maintenance, and driver wages) money is wasted when these assets are idle. This unnecessarily increases the cost of operation which is then transferred to the customer. The customer in turn finds the service expensive and shy away from buying. Both the supply and demand sides end up losers. Outsourcing will likely be a preferred option for many, especially for smaller licensed operators. This will result in savings of 10 to 20 percent of overall transport costs. PCK has attracted these partnerships which have resulted in cost effectiveness and reliability of service delivery given its nationwide network.

There is also a possibility of partnering with organisations including Amazon and Alibaba (through the UPU) to identify an avenue by which PCK and other courier operators can have a global hub facilitating logistics to over 54 countries in Africa for items purchased in the platform. This will call for unified operator-to-operator-to-regulator approach where they will agree to insert a clause in the regulations for such collaboration.

b) Government Ministries Department and Agencies (MDAs): The postal and courier sector service providers are participating in the National Addressing System (NAS) initiatives to ensure the establishment of a physical addressing to facilitate door to door deliveries. The postal and courier operators should enhance their collaboration with the Ministry of ICT and the licensed internet service providers to connect all posts and courier with reliable internet to facilitate real time tracking of shipments of parcels.
With regard, to the NAS, it is noted African Advanced Level Telecommunications Institute (AFRALTI) trained seven African countries including Kenya, Uganda, Tanzania, Malawi, Mozambique, Zimbabwe and Botswana on the implementation of a National Addressing System in 2012 but only South Africa and Morocco has implemented a NAS. It is anticipated that the multi-agency collaboration on NAS will lead to its timely implementation in Kenya.

c) Learning institutions: PCK is collaborating with some universities to improve digital skills level of their human resource by having placements for young people. In these learning institutions of higher learning CA will also develop collaborations for research and innovation for the postal and courier sub-sector.

d) **Transport service providers' associations: these include** bus companies and motorcycle riders associations/saccos to deliver postal and courier shipments. This requires an interconnection framework to guide the collaborations between postal and courier service providers and last mile logistics providers on a revenue sharing basis.

2.3.5 Potential for economic viability/ sustainability of Existing Postal and Courier Outlets

The existing postal and courier outlets in rural areas are not economically viable. They have a negative net present value and, no break-even point within the 5-year proposed plan period. Therefore, they are not sustainable unless with targeted intervention including regulatory incentive and financial subsidy. This finding suggests that postal and courier services should be subsidized for both CAPEX and OPEX over the forecast five-year period. In addition, an integrated approach where several services are provided from a common/ shared physical space on an open non-discriminatory basis is proposed because this will allow the sharing of fixed costs.

2.4 Policy, legal, and regulatory framework

An enabling policy legal and regulatory framework is crucial for the delivery of postal and courier services hence the need to identify opportunities to improve these frameworks. Based on the analysis of the collected data, there are opportunities for policy/legal/ regulatory intervention that may spur the availability and universal coverage of postal and courier services. One action area is to provide a legal and regulatory enablement for emerging technologies that can be utilized in postal and courier services including OTTs, mobile postal boxes among others. As established from the survey findings on consumer needs, e-commerce and digitization of postal and courier services require regulatory focus accommodating the emerging service provisions. Consequently, there is need to strengthen the regulatory framework to ensure market efficiency including by addressing compliance enforcement as necessary and incorporating online services. Enforcement was particularly cited in relation to unfair competition arising from unlicensed courier service providers.

3. DEMAND SIDE: SITUATIONAL ANALYSIS

The study surveyed 527 postal and courier services customers across the 47 counties representing a response rate of 57% (n = 940). The distribution of customer respondents by county is presented in Figure 1. Most of the surveyed consumers of postal and courier services were from Nairobi city (11.8%) followed by Mombasa (8.2%) and Laikipia (5.5%). The least number of postal and courier consumers surveyed were from West Pokot, Machakos and Lamu.

Whether the Fund should be used to finance the provision the services and what kind of services are being demanded by the populations; the statistics that speak to the objectives and informs the regulator. The services that are being demanded by the populations include mailing letters (30.1%), pick up general deliveries (16.3%), mailing of parcels (14.9%), and payment services (7.1%).

3.1 Sample characteristics

This survey covered the whole country by collecting data from sub-locations in each county as shown in Figure 9. While 11.8%) of the consumers were from Nairobi city 8.2% and 5.5% were from Mombasa and Laikipia respectively.

Figure 9: Response by County

County	Percent
West Pokot	.2
Machakos	.2
Lamu	.2
Tharaka-Nithi	.4
Tana River	.4
Makueni	.4
Kwale	.4
Isiolo	.4
Taita Taveta	.6
Nyamira	.6
Vihiga	.8
Nyandarua	.8
Embu	.8
Murang'a	.9
Kakamega	.9
Kilifi	1.1
Busia	1.1
Kitui	1.3
Kirinyaga	1.3
Kericho	1.3
Uasin Gishu	1.5
Samburu	1.5
Marsabit	1.5
Turkana	1.7
Kisumu	1.7
Kiambu	1.7
Nyeri	2.1
Meru	2.1
Trans Nzoia	2.3
Narok	2.3
Garissa	2.5
Bomet	2.5
Mandera	2.8
Bungoma	3.0
Migori	3.4
Elgeyo Marakwet	3.4
Baringo	3.4
Nakuru	3.8
Kajiado	3.8
Homa Bay	4.2
Nandi	4.4
Siaya	4.9
Laikipia	5.5
Mombasa	8.2
Nairobi City	11.8

Figure 10: Category of Sub-location
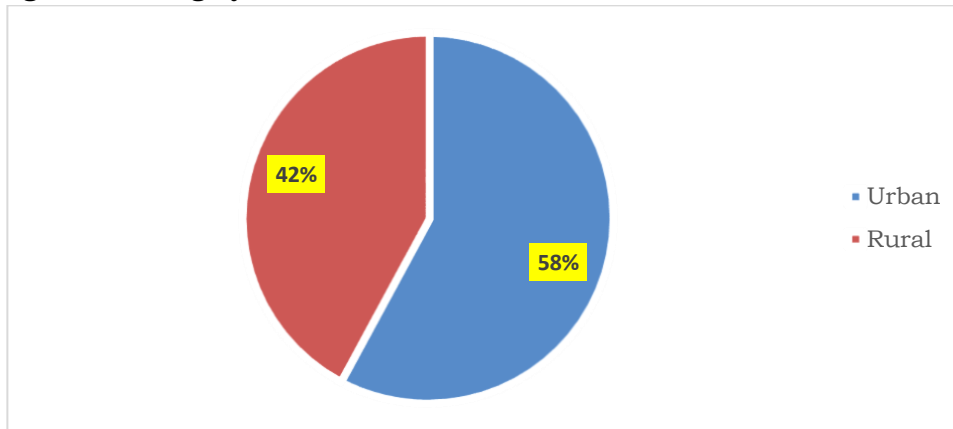
As seen in figure 10, (42%, n= 305), of respondents surveyed were from the rural sub-locations while (58%, n=222) were from the urban sub-locations.

Figure 11: Gender of respondents
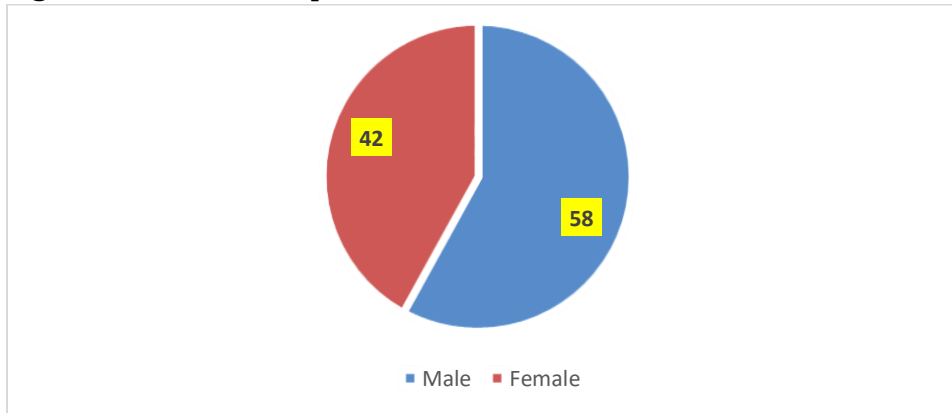
Majority (58%, n=306) of respondents were male compared to (42%, n=221) who were female (Figure 11).

Figure 12: Age of Respondents
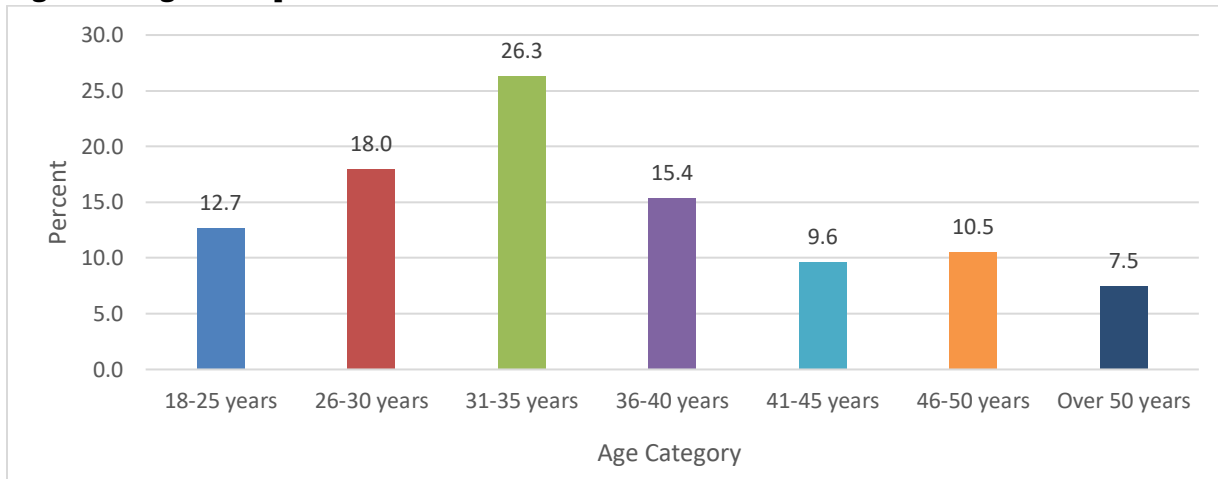
The results in Figure 12 show that 26.3% of the respondents were aged between 31-35 years, followed by those aged 26-30 years (18%) and 36-40 years (15.4%). Those aged over 50 years were the least (7.5%).

Figure 13: Type of physical impairment
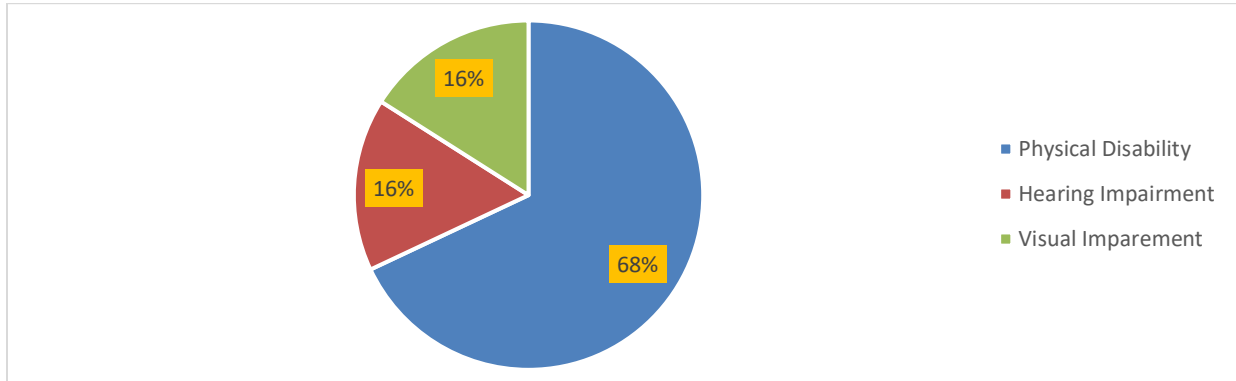
Four percent of the respondents indicated to have some form of disability. 16% (n=3) had visual and hearing impairment while 68% (n=13) had physical disability (Figure 13).

3.2 Access, services sought and quality

The situational analysis on access, services sought by consumers and quality of these services is as follows:

3.2.1 Access to Postal and courier services

The ease of access to a postal and/ or courier outlet depends the distance to that outlet, the time taken to reach it and financial cost incurred; the longer the distance and time, and the higher the financial cost, the lower is the accessibility by a consumer.

(a)   Distance to the nearest Post Office. Results on the respondents' distance from the nearest post office are presented in Figure 14.

Figure 14: Distance of Post office to the households by sub-location category
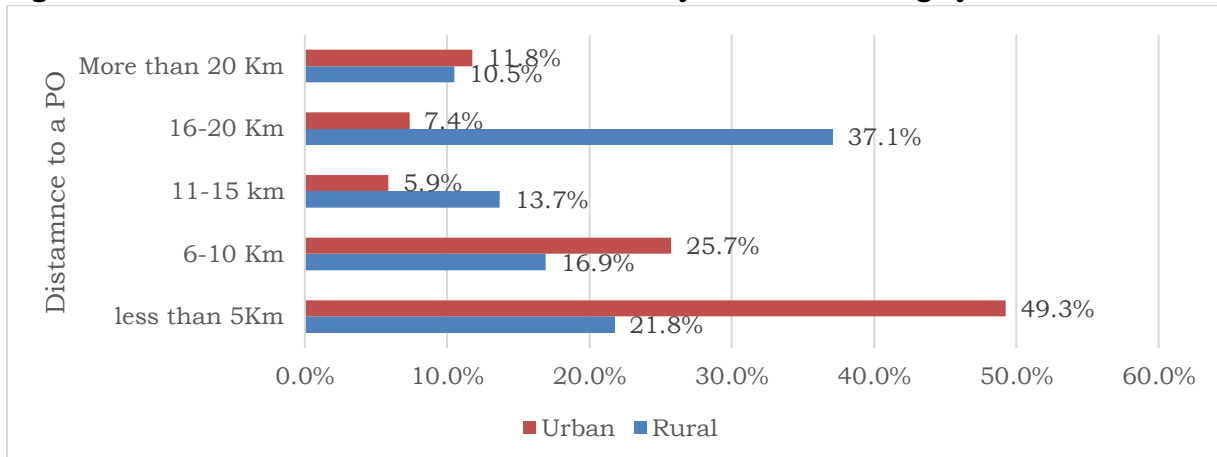
As seen in Figure 14, 37.1% of respondents from the rural areas indicate the post office was between 16-20 Km away while 21.8% others indicate the post office was less than 5 km from their households. In the urban areas however, a greater proportion (49.3%) of respondents surveyed indicate the distance to the post office was less than 5km. On average, the distance to a post office in the urban sub-locations was less than 5km and between 6 -10 km in rural sub-locations.

(b) *Distance to the nearest Courier Outlet.* The distances to the nearest courier outlet are presented in Figure 15.

Figure 15: Distance to the nearest courier outlet by sub-location category
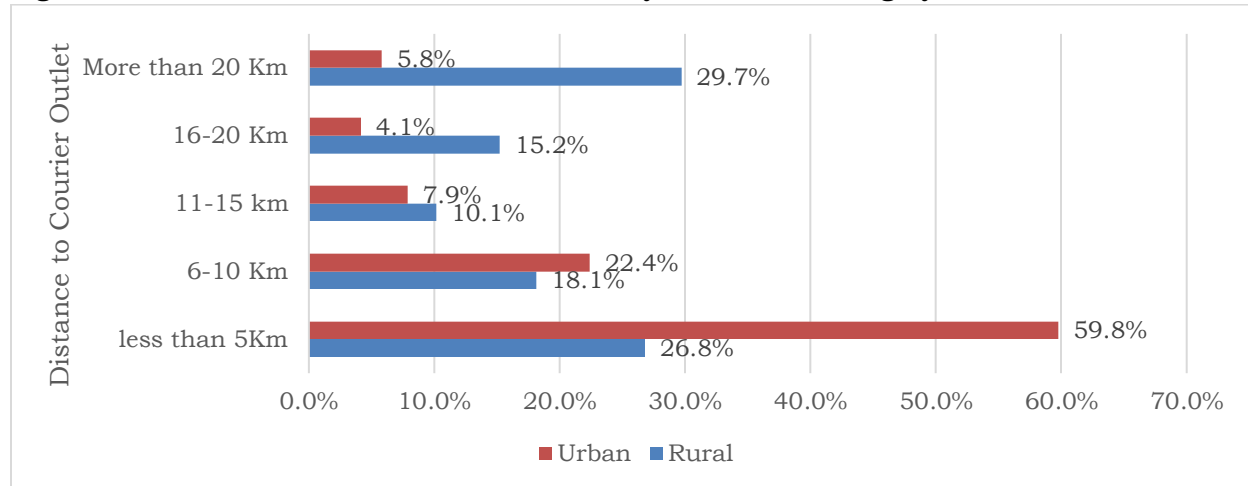
The distance to the nearest courier outlet in rural areas was over 11 km for 55% of the sub-locations. In particular, 44.9% of the consumers were over 15 km away from the nearest courier outlet in rural areas. However, the distance to the nearest courier outlet in urban areas was less than 5 km for 59.8% of respondents. The average distance to a courier outlet in the urban sub-locations was less than 5km and between 11-15 km in rural sub-locations. Further, the access to a post office and courier outlet are equally likely in urban areas. However, a post office is more accessible than a courier outlet in rural areas (post office: 6-10km; courier outlet: 11-15 km).

3.2.2 Services sought by customers
The services sought and quality of postal and courier services was assessed to have an understanding of the nature of these services.

(a) *Services sought from the postal corporation of Kenya.* The services that were sought by customers from the post office (in rural and urban areas) are presented in Figure 16.

Figure 16: Services sought by the customers from PCK
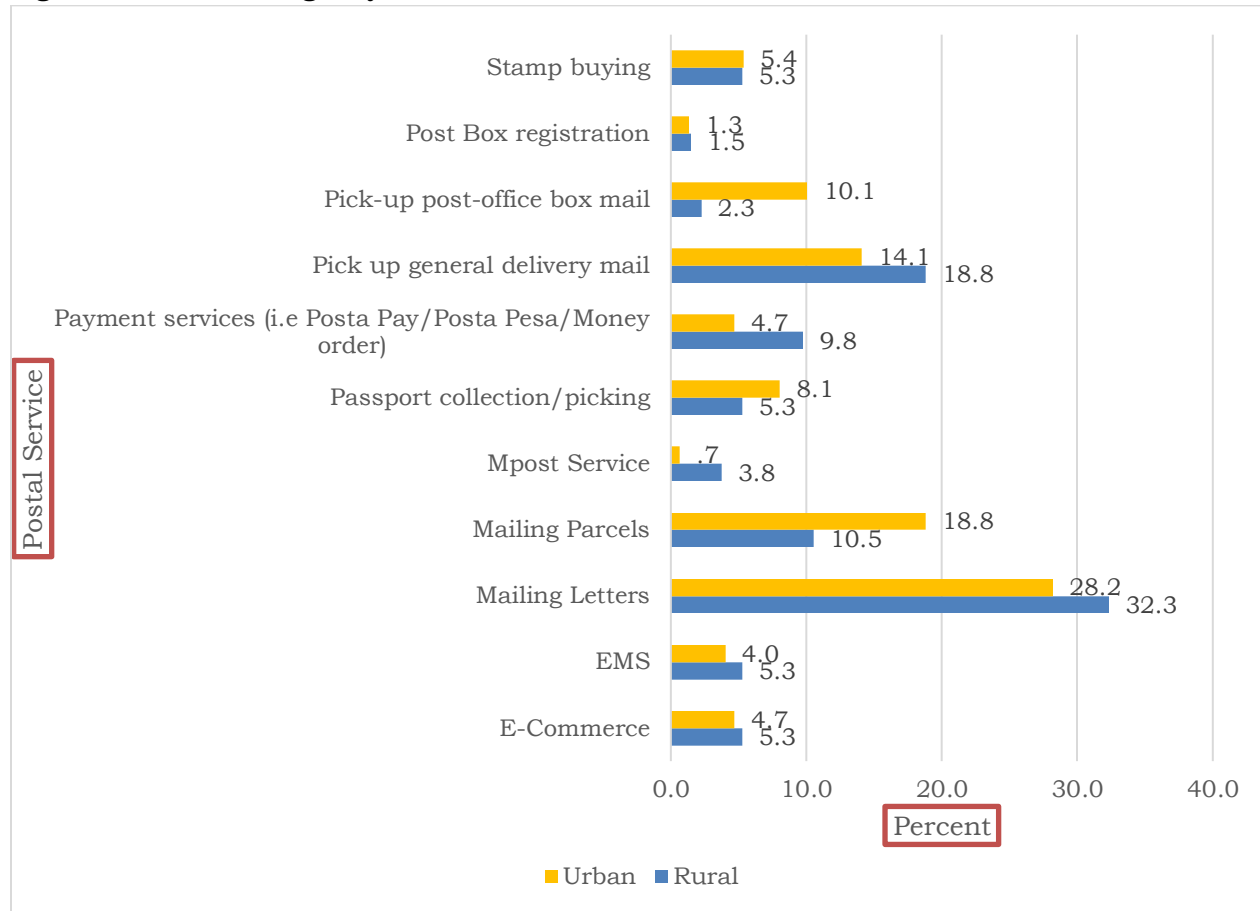
Mailing of letters was the most sought service from the post office as mentioned by 32.3% of the respondents in rural and 28.2% in urban areas. This is followed by pick up of general delivery mail (rural,18.8% and urban 14.1%) and mailing of parcels (rural,10.5% and urban 18.8%). Registration of post box was the least sought service mentioned by the post office customers (rural,1.5% and urban 1.3%). The services sought are thus mailing letters, pick up general deliveries, mailing of parcels and payment services in decreasing level of importance which account for 68.4% of the services sought.

(b)   ***Service sought from Courier service providers.*** The services sought by courier service consumers included parcel services, delivery of goods and transportation of cargo as presented in Figure 17.

Figure 17: Service provided by courier service providers

The delivery of parcels was the most sought courier service by consumers (rural: 68.5%; urban: 58.2%) followed by delivery of goods[21] (rural: 30.2%; 40.2%). Delivery of cargo[22] was the least (rural: 1.3%; urban: 1.6%) (Figure 17).

3.2.3 Quality of Postal and Courier Services

According to this baseline survey, the quality of postal and courier services as measured by customer satisfaction is as follows:

3.2.3.1 Satisfaction with Postal Services

Consumer satisfaction is an indication of a well-functional economic sector. This aspect of the postal and courier services was assessed using various service attributes to understand the perceived quality of postal and courier services that are provided by PCK. The result is presented in Figures 18-21. The result indicated that consumers were are moderately satisfied with the postal and courier services provided by the Postal Corporation of Kenya with an overall satisfaction of 49.75% across four attributes that were measured (quality of service: 55%; complaint resolution: 45%; quality of customer service: 54; time taken to be attended: 45%).

   a) *Satisfaction with the quality of service by PCK*

Results in Figure 18 indicate an average satisfaction level of 55% on the quality of services provided by PCK with 24% of consumers being "very satisfied" while 31% were "satisfied" with the quality of services; 5% were "very dissatisfied".

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[21] Good in this case refers to those smaller commodities/products that can fit to a standard package
[22] Cargo are larger items that cannot fit to a standard package e.g furniture, vehicle tires, large electronics etc

Figure 18: Level of satisfaction with quality of services by PCK

Legend:
- Very Unsatisfied
- Unsatisfied
- Neutral
- Satisfied
- Very Satisfied

5%, 10%, 24%, 30%, 31%
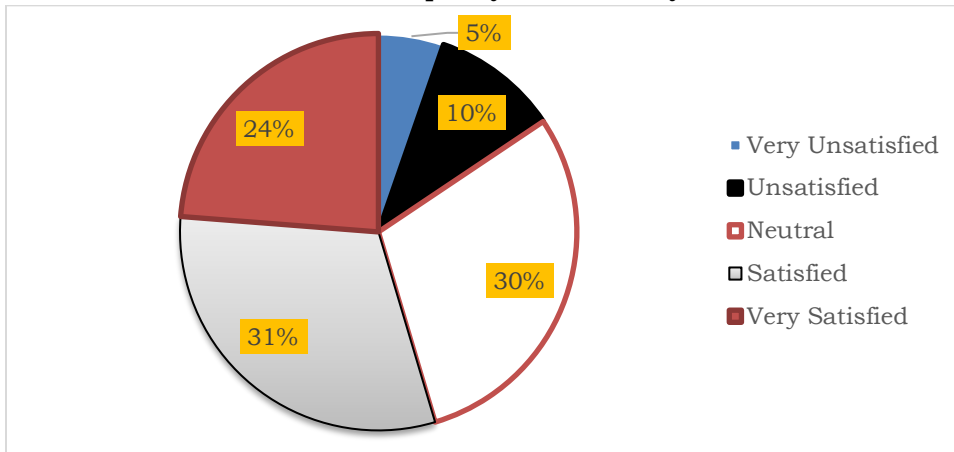
  b) *Satisfaction with complaint resolution at PCK*

The level of satisfaction with complaint resolution by PCK was 45% where 26% were "satisfied" while 19% were "very satisfied". A greater proportion were "indifferent" (Figure 19).

Figure 19: Level of satisfaction with complaint resolution at PCK

Legend:
- Very Unsatisfied
- Unsatisfied
- Neutral
- Satisfied
- Very Satisfied

8%, 13%, 34%, 26%, 19%
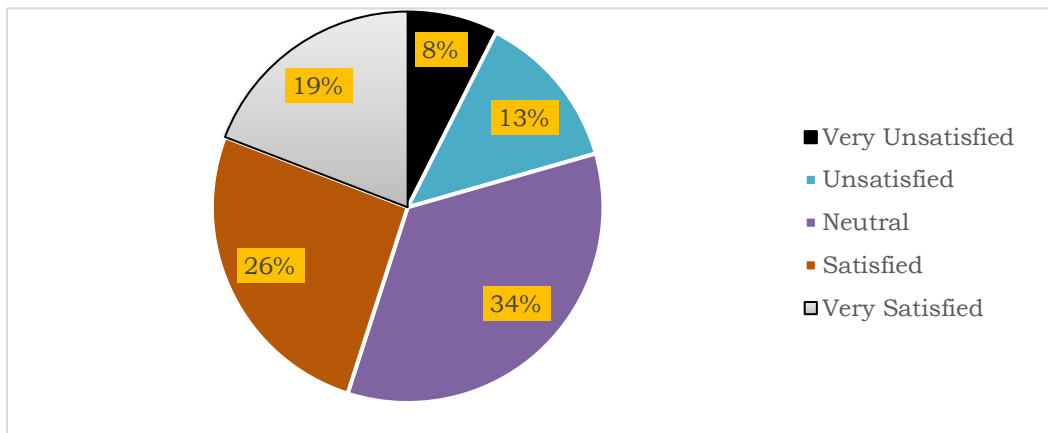
  c) *Satisfaction with Quality of customer service representatives of PCK*

A great proportion (54%) of customers were either "satisfied" (31%) or "very satisfied" (23%) with the quality service they received from the customer service representatives at PCK (Figure 20).

Figure 20: Level of satisfaction with PCK customer service representatives
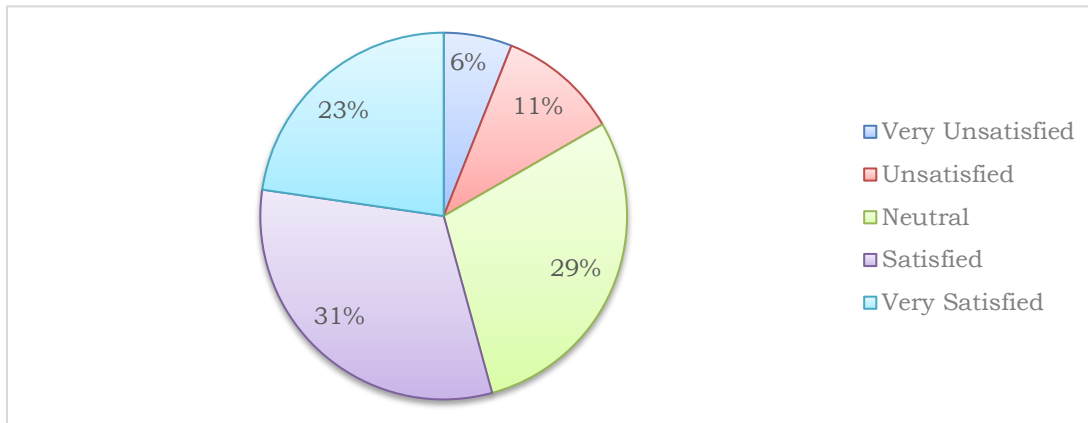
d) *Satisfaction with time taken to be attended to at the Post office*

The results in Figure 21 show that 45% of the respondents were satisfied with the time taken to be attended to at the post office while 30% were indifferent. This mean is low compared to all the other three attributes investigated. Less than 50% of customers were either "satisfied' or "very satisfied" with the time of service at the post hence the low satisfaction level.

Figure 21: Satisfaction with time taken to be attended to at the Post office
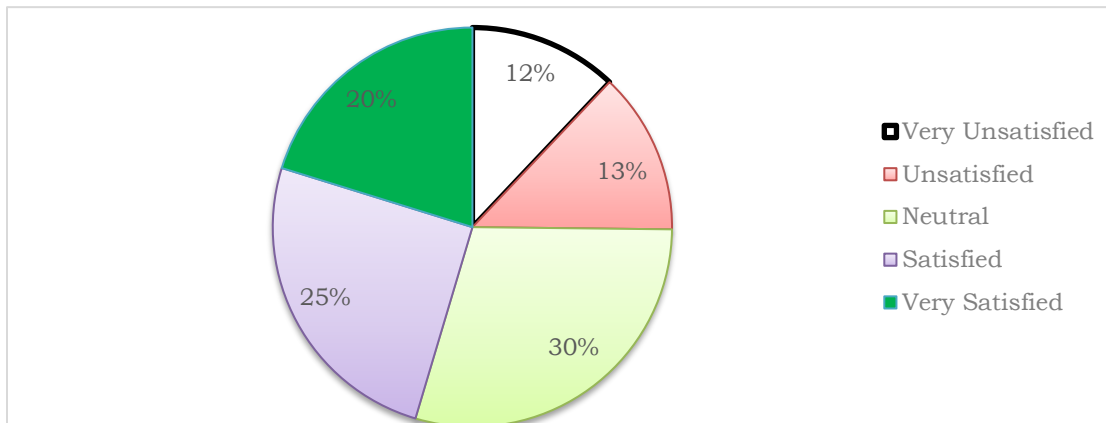
From the findings, consumers of postal services were least satisfied with time it took to be attended to and quality of customer service.

A comparison of consumer satisfaction on quality of postal services by sub-location category is presented in Table 2

Table 2: Level of satisfaction with Quality of postal services by sub-location category

	Quality of service					Total
	Very Dissatisfied	Dissatisfied	Neutral	Satisfied	Very Satisfied	

Sub-location	Rural	5.3%	10.5%	38.3%	28.6%	17.3%	100.0%
category	Urban	5.4%	10.1%	22.1%	32.9%	29.5%	100.0%
Total		5.3%	10.3%	29.8%	30.9%	23.8%	100.0%

Chi square (x2 = 11.059, p< 0.026), Cramer's V=0.198)

The difference in satisfaction with postal services was associated with the location (rural versus urban) with satisfaction being higher in urban areas compared to rural areas (Table 22). The results show a statistically significant difference between the quality of postal services and the sub location (rural/urban). Further there is a strong association between the quality of postal services and category of sub-location (x2 = 11.059, p< 0.026), Cramer's V=0.198).

3.2.3.2 Satisfaction with courier service providers' services

The level of satisfaction with courier services is presented in Figures 23-26). The mean satisfaction with private courier service providers was 67% based on four attributes measured (quality of service: 74%; complaint resolution: 61%; quality of customer service: 65%; time taken to be attended: 68%). According to this result the private courier service providers provide 17.2% more satisfaction to customers than the public courier service provider.

a) *Satisfaction with the quality of service by private courier operators*

Out of the consumers that were surveyed 74% were either "satisfied" (45%) or "very satisfied" (29%) with the quality of services while only 4% were "very dissatisfied" or "dissatisfied" (Figure 22).

Figure 22: Level of satisfaction with quality of services by private courier operators
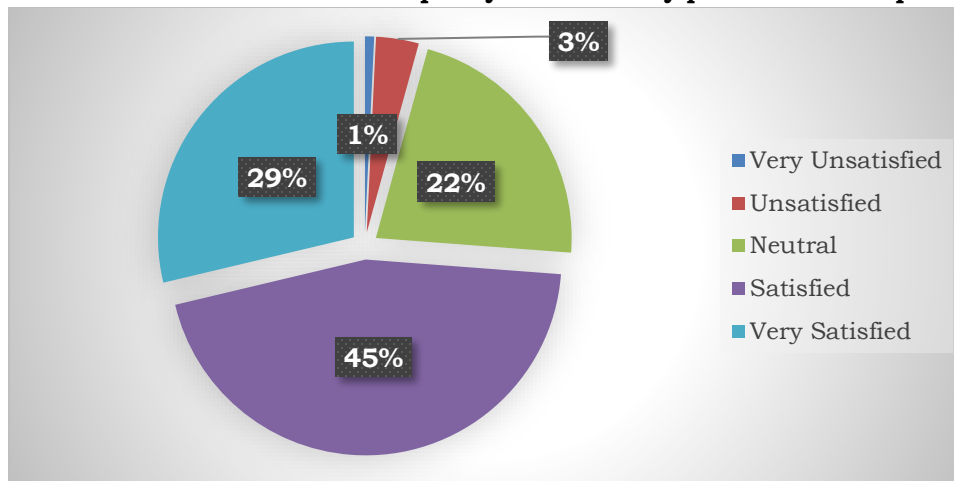
b) *Satisfaction with complaint resolution by the private courier operators*

The level of satisfaction by customers on complaint resolution by the private courier operators was 61%. While 36% were "satisfied", 25% were "very satisfied"; only 2% were "Very dissatisfied" and 26% were indifferent (Figure 23).

Figure 23: Level of satisfaction with complaint resolution by private courier operators
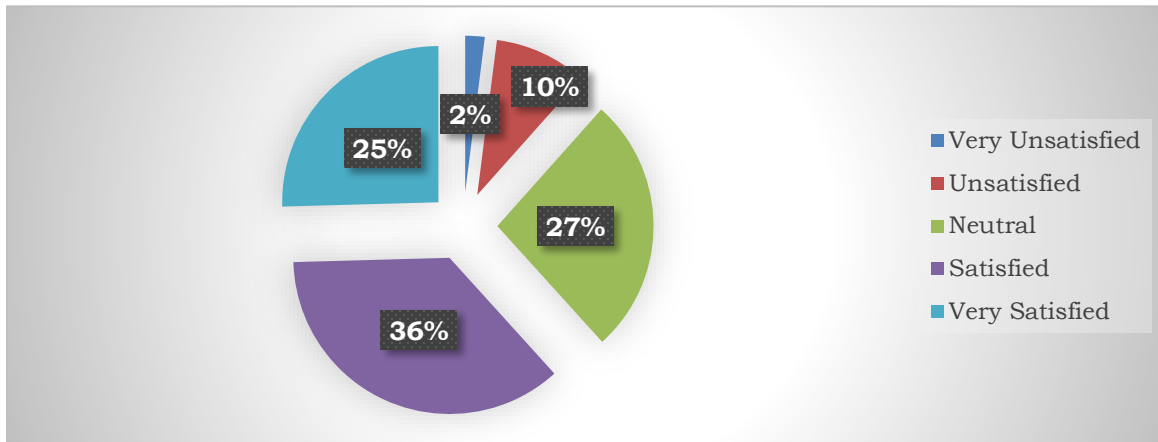
c) *Satisfaction with Quality of customer service representatives of private courier operators*

As shown in Figure 24, 65% of customers were either "satisfied" (34%) or "very satisfied" (31%) with the quality of customer service they received from the customer service representatives at private courier outlets.

Figure 24: Level of satisfaction with PCK customer service representatives
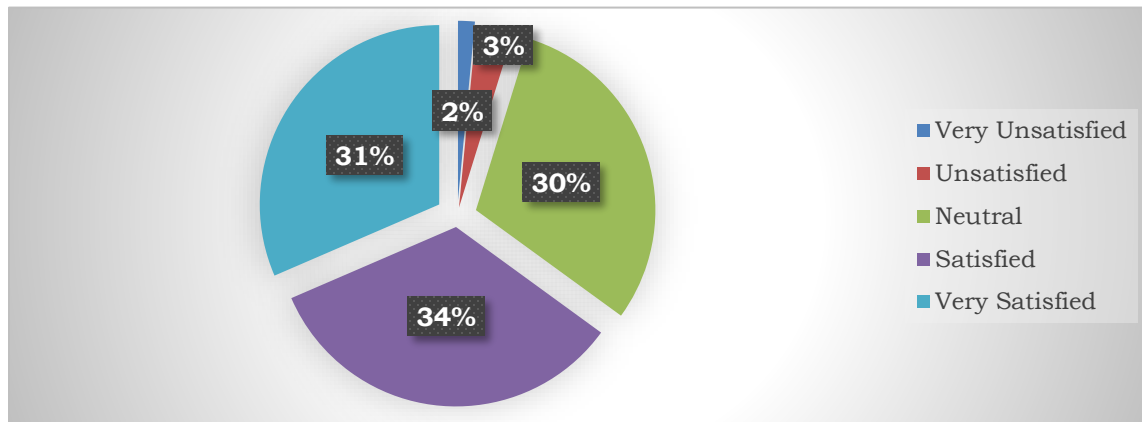
d) *Satisfaction with time taken to be attended at private courier outlets*

According to the result (Figure 25) consumers were 68% satisfied (satisfied: 36%; very satisfied: 32%) with the time taken to be attended to at a courier outlet. Further, while 25% were indifferent (neutral), only 7% were either "dissatisfied" and "very dissatisfied" with the time of service (see Figure 25).

Figure 25: Satisfaction with time taken to be attended to at the Post office
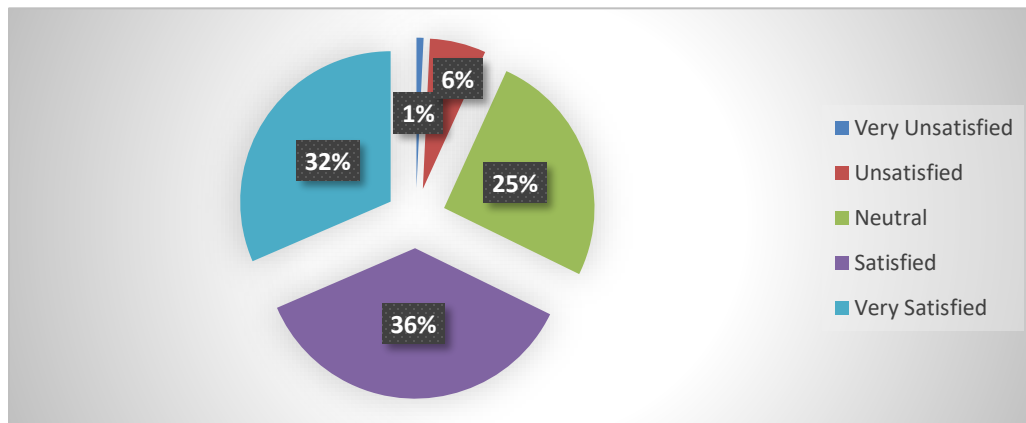
The comparison of the level of satisfaction between rural and urban sub-locations is presented in Table 3.

Table 3: Level of satisfaction with Quality of courier services by sub-location category

		Quality of service					Total
		Very dissatisfied	**Dissatisfied**	**Neutral**	**Satisfied**	**Very Satisfied**	
Sub-location category	Rural	0.0%	6.6%	29.1%	39.7%	24.5%	100.0%
	Urban	1.2%	1.6%	17.5%	48.4%	31.3%	100.0%
Total		0.8%	3.5%	21.9%	45.1%	28.7%	100.0%

Chi square (x2 = 17.324, p< 0.002), Cramer's V=0.209)

As is the case with postal service provider, urban customers are more satisfied with courier services than those in rural area sub-locations by about 15 per cent points (Urban: 79.7%; Rural: 64.2%). The results revealed a statistically significant difference in quality of courier service across the sub location category. The strength of association between quality of courier services and category of sub-location was found to be very strong (x2 = 17.324, p< 0.002), Cramer's V=0.209).

Consistent with the quality of service regulations, there is need to improve the quality of postal and courier services. This can also be done in reference to the Nigeria Courier and Logistics Services (Operations) Regulations 2020, where there are ethical benchmarks an operator must meet under the Regulations, including establishing a clear procedure for handling and resolving complaints from customers within thirty days of such complaint and maintaining a Customer Care unit to handle complaints where non-compliance constitutes a ground for the revocation of the license or refusal to renew.[23]

3.3   Consumer Perspective to Postal and Courier Services in Kenya

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[23] https://www.mondaq.com/nigeria/contracts-and-commercial-law/1026460/the-regulation-of-courier-and-logistic-companies-in-nigeria

The demand for postal and courier services depicts the general attitude of consumers towards the services on offer. This survey examined consumer perspectives on postal and courier services to establish the prevailing consumer attitudes on these services. The findings are as below:

3.3.1 Barriers to access of Postal and Courier Services

Though coverage of services may be achieved - this is not yet the case in Kenya because there are coverage gaps, they will not be used if barriers to their access are not addressed. The barriers to access include price – affordability, and convenience especially for persons with special needs. An analysis of data in this survey shows that there are various barriers to access to services in general and by people with disabilities.

3.3.1.1 Barriers to Usage in Rural and Urban areas

The finding of on the barriers to access and usage of postal and courier services in the rural and urban areas is as shown in Table 4

Table 4: Barriers to access to postal and courier services

Rural	Urban
o High prices of service o Delayed deliveries of parcels o Deliveries not done in remote places o Delivery not done to people's houses o No delivery for food stuffs o No online ordering/delivery of households and foodstuffs o No courier services for farm products and other perishables o Few delivery points for parcels o Safety of commodities/goods being delivered	o High prices especially for international parcels o Slow responses to customer's queries o Cargo services and G4S services not available o Long distance to the courier outlet o No door-to-door delivery even if it is at an extra fee o High during festival season o Poor handling of delicate goods o Sending of all goods to a centralized place, big cities i.e. Nairobi instead of decentralized hubs o Loss of goods and delayed deliveries o No sharing of information about parcel delivery status such as through SMS for tracking of shipment o No liability for lost or damaged goods o Compensation of lost or damaged goods takes a long time o No discounts for regular customers

3.3.1.2 Barriers to access by People with Disabilities

The following are the challenges faced by PWDs in their quest for access to postal and courier services:

- Limited accessible collection/delivery points especially for the bulky items.
- No elaborate disability policies to ensure their needs are met

- Apart from the post office that has a specialized service for the blind other Courier operators don't offer such services.

3.3.2 Consumer Needs for Postal and Courier Services

Consumers have various expectations from the postal and courier services. The following needs of consumers were identified through key informant interviews (Table 4 and Table 5)

3.3.2.1 Consumer Postal Services Needs

According to the survey, consumers' wish list for postal services s are as presented in Table 5.

Table 5: Consumer Postal Services Needs

PWD Needs	General Needs (Rural Areas)	General Needs (Urban Areas)
• More accessible delivery points • Operationalisation of disability friendly policies to ensure their needs are met • Employment of PWD at the post offices for inclusivity	• Accessibility of postal services on phone • Safety of deliveries and deliveries within short times • E-commerce service provision including at the last mile • Emergency mails for documents/parcels with urgency • EMS services • Introduction of SMS services to notify consumers of arrival of parcel • Courier agents in the remote areas	• Safety of deliveries • Timely deliveries • Digitization of postal and courier services • Reduced cost of post boxes as customers still pay for delivery • Reduction of distance to the post office from place of residence • Reduced cyber services charges • Affordable international deliveries • Making postal services accessible on phone • Increase/extend Huduma centres/ services to more locations/ branches • Introduce general deliveries (i.e., of goods and agricultural products)

The needs expressed in Table 5 include enhancing accessibility adoption of technology (to improve efficiency and overall consumer experience), reduction of prices, providing more means of access to services (e.g., postal services on mobile phone), timely delivery, security of shipments, and reduction of distances to the postal/courier outlets among others.

With regard, to pricing, it is noted that since private courier service providers do not provide basic services, theirs are value adds in which case by engaging private courier service providers, the consumer is assumed to be ready to pay a premium because they have the option of PCK. However, the premium should be affordable to ensure that the population is not excluded from the services on account of exorbitant charges.

3.3.3.2 *Consumer needs for Courier services*

The sustainability of the courier services market will in part depend on the responsiveness of the service providers to the needs of consumers who create the demand and consume the services. Service offerings and interventions must respond or speak to the needs of consumers.

The needs of differently abled persons should also be addressed consistent with the Constitution of Kenya 2010 by providing services in formats that meet their needs.

Further, Table 6 presents courier service needs as mentioned by consumers.

Table 6: Consumer courier service needs

PWD Needs	General Needs (Rural Areas)	General Needs (Urban Areas)
o Provide ramps to facilitate access to the courier outlets	o Reduce prices for services o Qualified staff to provide services in rural areas o Sensitive and delicate goods should be handled with more care o Delivery of parcels on time o Delivery should be done to remote places as well o Delivery of parcels and food stuffs to people's houses/ homes o Improve efficiency of delivery o Establish more courier office within the rural areas o Increase delivery points in the *mashinani;* not only in towns o Enhance security o Provide for ordering and delivery of household good and foodstuffs o Provide separate courier services for farm products	o Reduce prices o Be fast to respond to customers queries o Reduce distance to the outlets by opening more outlets o Door to door delivery even if it is at an extra fee o Ensure proper handling of goods o "Most of them transfer goods to big cities e.g., Nairobi, so when you want to send goods in a different region you spend more hence they should decentralize their offices" o Secure delivery - *"My goods are never delivered"* o Communication via SMS on parcel delivery o Sharing information about parcel delivery status with owners o Safe delivery of goods -*"They should be careful with delicate goods some arrive damaged"* o Pricing - *"They should have discounts for regular customers"* o Service provider should *"assume liability of loss or damages to the goods"* in transit

Further, consumers of courier services in rural areas need more affordable prices, increased care on delivery of fragile commodities and establishment of more delivery points for ease of access. Customers in urban areas indicated the need for reduced prices, proper handling of goods, decentralization of courier offices, increased security for delivery of goods, innovation in communication to customers via SMS on parcel delivery, and compensation to customers for loss or damages to the goods during transit.

More accessible delivery points and operationalisation of disability friendly policies to ensure their needs are met were identified as some of the needs of PWDs in regarding postal and courier services. Accessibility can be enhance through physical infrastructure such as ramps and other modes of access including literature for the blind, screen readers and automatic sign language translations. In this regard, the needs of differently-abled persons need to be addressed consistent with the Constitution of Kenya 2010 by providing services in formats that meet their needs including audio, and braille formats.

A synthesis of these consumer needs imply the need for more affordable services, extension of the reach of services, improving access to the existing services, ensuring security of shipments, compensation of consumers for losses/ damages of goods and adoption of technology to improve service efficiency.

3.3.3 Affordability of postal and courier services
The study assessed the level of affordability of postal and courier services as perceived by customers in urban and rural areas. The results are presented in Figure 26 and 27.

Figure 26: Perception on affordability of postal services
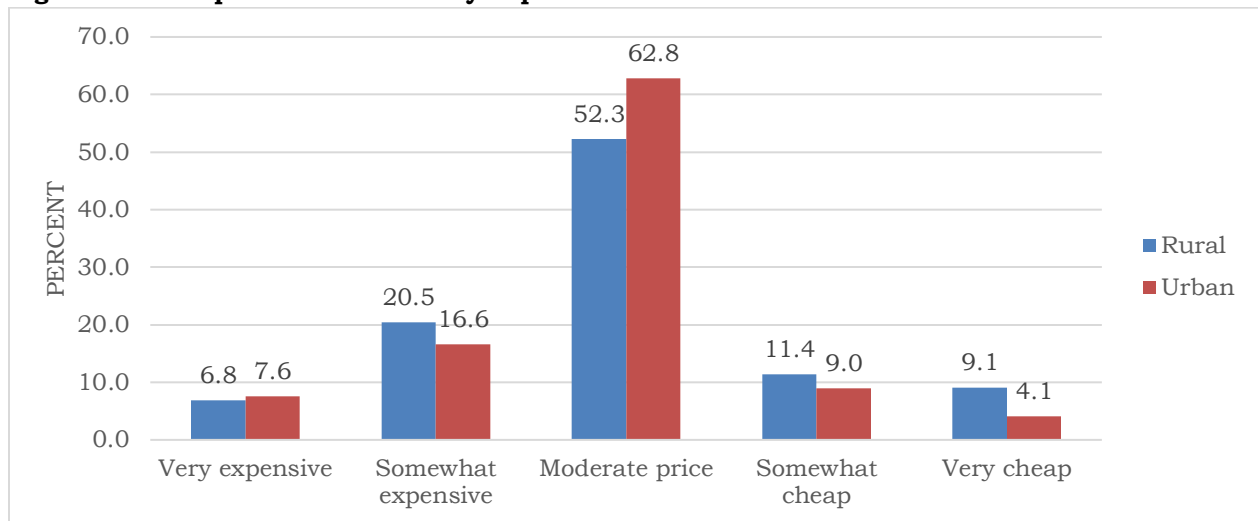
According to result in Figure 26, majority of respondents (rural: 52.3%; urban: 62.8%) perceived the price of services at the post office was moderate. Those that deemed the prices were either somewhat expensive were (rural: 20.5%; urban: 16.6%) while those that indicated the prices was very expensive were (rural: 6.8%; urban 7.6%). This implies an opportunity to further improve the affordability of services including through promotion and effective competition and improvement of operational efficiency of the postal service provider.

A similar trend was observed with courier services (Figure 27), where majority of consumers perceive the price to be moderate (rural: 40.4%; urban: 55.3%) followed by those that perceive the price is somewhat expensive (rural: 35.1%; urban 24.0%). Those that perceived the cost of courier services to be very expensive were (rural 17.2%; urban: 15.9%). This result suggests that courier services are more expensive than postal services.

Figure 27: Customer perception on affordability of courier services
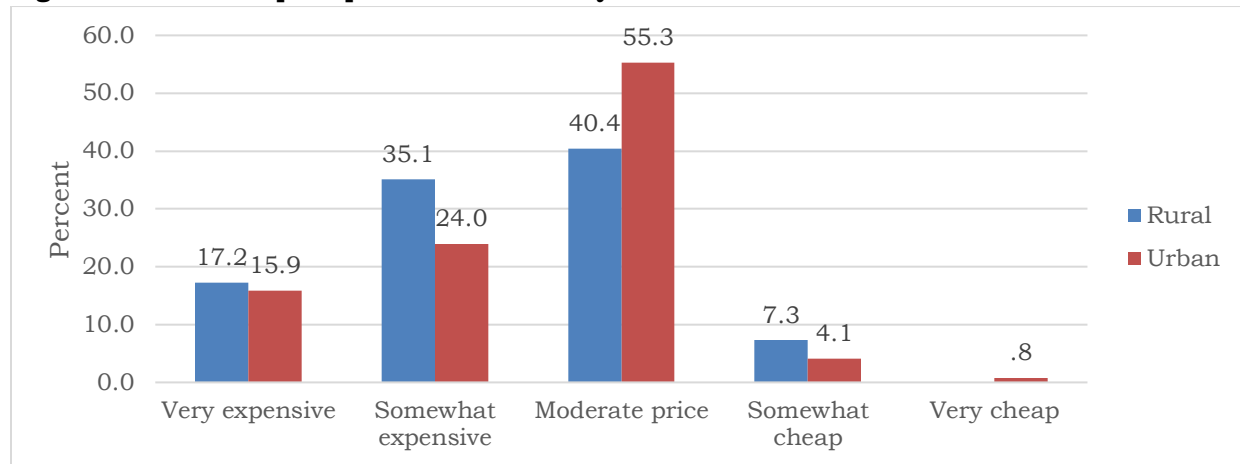
Affordability of services has implication for service uptake hence sustainability of operations of a service provider. Affordability of postal/ courier services include the cost of renting a post office box, commission charged for financial services transactions and charges for parcels and other goods that are transported by courier services providers. While the courier services were reported to be expensive, the postal services were largely affordable. Services were perceived to more affordable in urban areas than in rural areas ("Expensive" or "very expensive" - rural: 52.3%; urban: 39.9%)

3.3.4 Consumer protection

Consumer protection in Kenya is guided by the Consumer Protection Regulations, 2010. The Consumer Protection Act operationalizes the rights of consumers under Article 46 of the Constitution. Consumer protection is important particularly with regard to protection of vulnerable groups who use postal services including protection against theft of parcels, among other postal and courier goods.

3.3.5 Enhancement of access of Access to Postal and Courier Services

Through key informant interviews the following are suggestions to enhance access to postal and courier services in both rural and urban areas (Table 7).

Table 7: Enhancement of access to postal and courier services

Rural	Urban
▪ Establish more branches or outlets to reach a greater population by providing new outlets and extending the coverage of existing ones through agencies	▪ Provide addressing system to enable door to door delivery services ▪ Establish more outlets in the urban centers particularly in the informal

• Enhance delivery logistics including through collaborations with *boda boda* operators for last mile deliveries • Adopt technology and establish strong online presence including through mobile network system e.g., SMS alerts • Enhance safety of parcels/commodities on transit • Consumer education including creating awareness of the services	settlements • Enhance delivery logistics including partnering with county governments to designate loading zones • Improve affordability of services by promoting effective competition • Enhance security of commodities on transit • Conduct consumer awareness of the services

As seen from Table 7, the strategies to improve access to postal and courier services in both urban and rural areas should target increase of coverage, last mile delivery logistics, addressing, technology adoption, affordability, enhancement of security and awareness creation.

3.4 Summary of findings: Demand side perspective

The following is a summary of gaps that were discerned from a survey of stakeholders in the postal and courier sub-sector.

(i)   Access devices and facilities are necessary for access to automated postal and courier services including tracking and tracing of shipments. The operators need to provide the necessary devices to make their services easily accessible to all

(ii) Quality of services including speed of delivery of shipments and quality of service in various locations. In addition to the requirement that operators publish their standards, CA should ensure compliance to them by regular inspections.

(iii) Limited physical access including ramps should be provided at postal and courier outlets. Though some effort has been observed at PCK, all operators should make it easy for their customers, especially the PWDs to access services.

(iv) Affordability of postal and courier services. Basic postal services are in the regulated tariff regime but it is imperative for all operators to make deliberate effort to manage their operating costs so as not to burden the consumer with high prices.

(v) Consumer protection needs to be enhanced. The law that protects consumers must be followed. It's the consumer's responsibility too to know where to report when his/her rights have been infringed.

Consumers in both the urban and rural settings have one common demand for postal and courier services. They need quality, timely, accessible and affordable service. The urban however are keen to see in place an addressing system that will facilitate door-to-door deliveries. The urban in informal settlements want to have outlets established at their vicinities. On the other hand, the rural customers want more coverage and affordable services.

4. COVERAGE AND ACCESS GAPS

There are gaps in the supply of postal and courier services and access to these services. While the gap in supply arises from limited coverage of postal and courier outlets, access gaps manifest in terms of long distance to and between postal/courier outlets and high price of services. Another demand side gap is quality of service.

4.1 Supply gaps

Coverage

Kenya has 575 post offices coverage. However, the closure of offices that are not viable is on the rise. Recently five offices in the coast - three in Mombasa, one in Malindi and another one in Kilifi counties respectively, were closed. Private courier services are mainly available in towns and cities compared to rural and remote areas that are not yet served. Further, there no addressing system which is a crucial component of the postal and courier services and inadequate security especially in far flung areas which discourage operators from expanding their network.

Capacity building

The capacity gaps identified in this study include slow adoption of emerging technologies by the sub-sector hence the need for continuous capacity building programs on emerging technologies that can positively impact the postal and courier services sub-sector performance. Such capacity building will result in including e-commerce and innovative service delivery methods.

Policy, Legislation and Regulation

Overall, it was found that *the existing policy, legal and regulatory framework was not averse to the existing postal sector though a few things have been overtaken by events and need to be relooked.*

During the Key Informant Interviews, it was noted that:

> *Much of the policy, legal and regulatory framework is already moving slowly and there is need to review existing laws and make them relevant in terms of where technology has reached. What was witnessed as postal service was manual but the technology such as the hybrid mail have necessitated legislative review.*

Thus, the Respondents noted that there was not much of a problem with legislation, but the issue is on enforcement.

Based on the analysis of the collected data, there are opportunities for policy/legal/ regulatory intervention that may spur the availability and universal coverage of postal and courier services. One action area is to provide a legal and regulatory enablement for emerging technologies that can be utilized in postal and courier services including OTTs, mobile postal boxes among others.

Consequently, there is need to strengthen the regulatory framework to ensure market efficiency including by addressing compliance enforcement as necessary. Enforcement was particularly cited in relation to unfair competition arising from unlicensed courier

service providers. One respondent also noted thus in relation to customs and revenue collection at the post:

> *Enforcement of existing regulations is a challenge. I doubt if customs have enforcement officers. They should have serial supervision. In fact, we should start with enforcing what we have before proposing other amendments.*

On letter boxes, it was found that affordability and need affect uptake. It was also observed that the internal Postal Corporation of Kenya rules sometimes provide for compensation caps whilst there arise instances where the value of goods is higher and this needs to be addressed. Further, it was noted that there is need to legislate on handling of uncollected items. Specifically, it was reported that long after destruction of uncollected items, you find consumers coming to claim the items. Respondents also indicated that they were not conversant with the provisions of the Data Protection Act, 2019 including the obligations of data controllers and processors.

Business model: Rural vs Urban)

There more room for innovation in the postal and courier services sub-sector by leveraging emerging technologies. The survey results indicate that the level of adoption of technology and innovation is low. Consequently, postal and courier service providers need to:

f) Innovate the business model including the use of third-party logistics for last mile delivery.
g) Implement e-solutions for operational efficiency and service delivery by leveraging emerging technologies such as AI, Bigdata, IoT, robotics among others.
h) Diversify products and add value to traditional products while focusing more on new market segments that have not been erstwhile served effectively in an efficient manner, including enhanced delivery to the home.
i) Improve service delivery efficiency including through strategic partnerships for extension of services in underserved areas including for effective last mile delivery logistics.

4.2 Demand gaps

Access

On average the distance to a post office in the urban sub-locations is less than 5km and between 6 - 10km in rural sub-locations. The distance to a courier outlet in the urban sub-locations is less than 5km and 11-15km in rural sub-locations. However, in the far-flung remote areas, the distance to the nearest post office is long compared to the national average of 30 km reported in the ICT gaps study of 2016. The international benchmark is a post office with 5 miles (9 km) reach of the population. Among the nomadic communities, populations in rural areas and PWDs, access to postal and courier services remains a challenge in terms of coverage and affordability.

Devices

- There is need for all courier operators to mainstream PWDs requirements in their premises including building ramps. They too need to have special devices to aid in communication with people with special needs. To facilitate this, there is need to mainstream and support PWDs access interventions including through incentives, tax rebates and local production
- Though the Postal Corporation of Kenya provides literature for the blind free of charge locally, the same is required across all courier operators.
- The price of such devices is high and the courier operators may not have prioritized this as a key focus.
- Various assistive technologies including mobility aids, closed captioning on digital media, voice recognition and screen readers on product are required at the postal and courier services outlets to ensure that PWDs are sufficiently catered for.
- There is need to consult with accessibility experts and representatives of the PWDs community to personalize unique devices to cater for the different needs of PWDs.

Quality of service

Most of the service providers have set quality of service standards that are published to create awareness to consumers. However, enforcement of these standards needs to be enhanced especially for last mile delivery in the far-flung areas. This can be done through collaborative logistics. Consumer awareness on the service standards is also required.

Consumer protection

j) Consumer protection needs to be enhanced by creating awareness to consumers of their rights and obligations. There is limited awareness by postal and courier services consumers of the terms and conditions printed on the waybills, and where to seek redress in case the service provider takes long to respond to an enquiry or compensate for a lost or damaged item. The service providers take long to compensate and resolve customer complaints hence the need for the industry to follow and implement the quality of service standards and best practices. Regulation 7(5) of the Kenya Information and Communications (Consumer Protection) Regulations, 2010 provided that licensees shall resolve all complaints made by its customers within a reasonable time; this should be within 30 days.

k) Under the Nigeria Courier and Logistics Services (Operations) Regulations 2020, there are ethical benchmarks an operator must meet under the Regulations, including establishing a clear procedure for handling and resolving complaints from customers within thirty days of such complaint and maintaining a Customer Care unit to handle complaints where non-compliance constitutes a ground for the revocation of the license or refusal to renew.[24]

Affordability

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[24] https://www.mondaq.com/nigeria/contracts-and-commercial-law/1026460/the-regulation-of-courier-and-logistic-companies-in-nigeria

The charges for private courier services were reported to be higher compared to those of the postal services. Further, customers indicated a willingness to pay an extra fee by the postal and courier operators for doorstep delivery. This implies that there is opportunity to reduce charges and provide more value-added services at premium.

Albeit charging higher for their services, private courier services were also found to charge below the statutory tariff for reserved services or manipulating the requirement through 'discounts' and 'promotions'. This implies the need to enforce compliance to ensure effective competition especially for items weighing three hundred and fifty grams or less.

4.3   Summary of Postal and Courier Services Access Gaps

The number of sub-locations with postal and courier access gaps are 1,426. The detailed list is included in Appendix V. A sub-location with access gap is one that is located more than 15 km away from a post office/courier outlet.

4.4 Conclusions

Communication is a fundamental human right and therefore the general population without distinction has a right of access to Postal and Courier services. To sustain this, there is need to offer affordable, reliable and easily accessible products and services in the urban and rural areas. This, according to the Universal Postal Convention of which Kenya is signatory, UPU member countries (Governments) shall ensure that the offers of postal services and quality standards will be achieved by the operators responsible for providing the universal postal service. It is the responsibility of countries to ensure the UPS is provided on a viable basis, guaranteeing its sustainability. This, therefore means that when there are identified gaps in provision of these services, and the pertaining laws and regulations have not worked in favour of bridging the said gaps, the responsibility reverts to the government to ensure these gaps have been bridged. The following are the conclusions of this study in the various thematic areas:

1.   Coverage
There still exist gaps in the coverage and access to postal and courier services because the international standard of the population to be 5 miles (9 km) within reach of a postal and courier services outlet have not been achieved in Kenya. In order to increase coverage of and access to these services the following interventions are required:
  i.   Government funding for service provision in the identified underserved and unserved areas in both rural and urban areas (see Appendix V)
  ii.   Implementation of an effective national addressing infrastructure to facilitate door-to-door delivery and to also support e-commerce
  iii. Enhancement of security especially in far flung areas so that postal and courier logistics (collections and deliveries) are seamless and secure.
  iv.   Improvement of the road network and other infrastructure necessary to support the postal and courier services
  v.   Enactment and making of regulations to further support the development for the postal and courier services sub-sector

vi.   Establishment of a citizens' service center (modeled along the current Huduma Centers) at the local chiefs' camps/ government offices where all licensed postal and courier operators share space to provide their services.

2.   Access

The population still experience access challenges to postal and courier services including long distances to access these services which impacts affordability. Other access barriers include quality of services and consumer protections aspects of the services including awareness of rights and obligations. Consequently, access to postal and courier services by the general public and by PWDs need to be enhanced as follows:

Access by the general public
   i.   Ensuring affordable courier services including through improvement of efficiency of operations of service providers, and promotion of effective competition in the sector
   ii. Continuous product diversification and innovations targeted at customer requirements
   iii. Introduction of mobile services (scheduled mobile trucks) to underserved and price incentive areas increase access
   iv. Implementation of interconnection model for postal and courier services including introduction of agency collaborations especially in the underserved areas with the local entrepreneurs and have a revenue sharing model.

Access by PWDs

Though the Constitution of Kenya 2010 and legislation provides for a barrier-free access to opportunities, including to communication services by PWDs, this population still experience challenges in their attempt to access postal and courier services depending on the extent and nature of the disability - physical, hearing, visual, cognitive etc. In this regard, there is need to effectively mainstream the needs of PWDs including by designing and provision of customized products and services for this segment such as provision of ramps and rails in all collection and delivery points. These interventions can be easily implemented through regulation as the relevant laws and regulatory regime exists.

Devices. As a further intervention to increase the access to postal and courier services, there is need for enhancing the availability of devices for PWDs; this can be done by:
   i.   Supporting the availability and acquisition of PWDs facilities (ramps, rails) and devices (screen readers, automatic sign language translators, close captioning devices) in all outlets by enforcing in the licensing framework (availability) and financial support (for acquisition)
   ii. Tax incentives on devices and accessories for PWDs including enabling software

3.   Quality of service

The quality of service impacts access and utilisation of services. Howver, there are quality of service gaps on postal and courier services in in both rural and urban areas. The following interventions are processed to address the the gaps:

i. monitoring and evaluation of the quality of service standards in the postal and courier sub-sector
ii. review of quality of service standards in line with customer expectations
iii. establishing a reward and recognition system for top performers in provision of postal and courier services.

4. Capacity building

There is need for continuous capacity building for the public in terms of knowledge of postal and courier services, and rights and obligations of consumers

5. STRATEGIES TO IMPROVE THE POSTAL AND COURIER SERVICES

5.1 Supply and demand Side Strategies to Improve Postal and Courier Services

The following are proposed strategies to improve postal and courier sub-sector. The proposals cover both the supply side (Si) and demand side (Di) of the postal and courier services. The specific actions for each proposed strategy are presented in Section 7 (Table13)

Table 8: Strategies to improve Postal and Courier Services

SN	Theme	SUPPLY SIDE
S1	Coverage	Expand the coverage of postal and courier services offices in underserved (gaps) areas to enhance accessibility of Postal and Courier service
		Provide an integrated open access postal and courier infrastructure in "greenfield" sites in collaboration with or modelled on Huduma centre concept (establishing a citizens' service center at government premises - such as the chiefs' camps) where all licensed postal and courier operators will have space to provide their services. The DPO can manage the centers on open, non-discriminatory access basis
		Provide a national addressing infrastructure
S2	Innovations of services	Promote technological innovations in the postal and courier sub-sector including product diversification
		Introduction of supplementary services such as parcel lockers, e-commerce platforms, truck loads, delivery of pension to homes, warehousing and fulfillment centers etc.
		Introduction of customized products and services for PWDs including having ramps and rails in all collection and delivery points
		Provide a legal and regulatory framework for emerging technologies in the postal and courier sub-sector such as for the OTTs
		Public education through creation of awareness of the services/ products, and rights and obligations with regard to postal and courier services
		Promote technological innovations through development of fully funded and elaborate digitally modern e-commerce infrastructure project in partnership with global operators such as Amazon and Alibaba preferably through the vast Postal Corporation of Kenya network and also incorporate other licensed private courier firms
		Support research in postal and courier services by providing research grants to tertiary institutions and research organisations on aspects of the sub-sector
S3	Business model	Promote innovative business model including collaborations for last mile delivery logistics and agency partnerships including through regulations
		Promote marketplace innovations including drop shipping as an online marketplace fulfillment platform through pilot projects and replication
S4	Legal and regulatory	Enhance the enforcement of USO by service providers
S5	Support infrastructure	Improve the roads network
		Expand broadband coverage to support online transactions
		Create reserved parking lots and designated delivery slots to support courier services (postal and courier services loading areas) in major

		towns in each county
		Enhance security in areas with security challenges
		Require through legislation that PCK as a national infrastructure allows other service providers to utilize its physical infrastructure where available
		DEMAND SIDE
D1	Access	Promote service innovations including through e-commerce enabled services
		Promote barrier-free access to services by PWDs
D2	Quality of service	Enforce quality of service standards
D3	Affordability	Promote competition in the postal and courier services sub-sector
		Periodically review rates for exclusive services to cushion loss making operations. In particular, there is need to strengthen regulatory oversight to ensure level playing field for both PCK and the private courier operators regarding charges for items weighing 350 grams and below because there are instances of private operators charging less than five times of the charge by the PCK; these items include letters and small parcels
		Enforce compliance with pricing structure as stipulated by law to improve affordability of services
D4	Capacity building	Conduct public awareness on postal and courier services, including the rights and obligations with regard to these services.
D5	Legal and regulatory	Enforce the legal and regulatory requirements for PWDs' barrier-free access to postal and courier services points

5.2 Innovations for Postal and Courier Services

Innovation is about people creating values and ideas to the customers. It has become a driving force for a large number of organizations around the world. Even a small innovation would result in a cumulative strength that is capable of creating the new one. Innovation is about an organization's ability to provide the creative space and the resources to explore those ideas knowing that new does not always mean success. Taking risks is an integral part of innovation and people can learn as much from what has not worked and what turns out to be successful.

In view of the changing consumer needs and the threat of e-substitution, postal and courier service providers have an imperative to innovate. In particular, technological changes have confronted operators with new forms of competition from other communication services (e.g. e-mails), but have also presented new opportunities, e.g. e-commerce and last mile deliveries including the use of drones. This is a rapidly growing area which is playing a key role in supply chain management and logistics. Market-oriented reforms have been undertaken in most countries to address the emerging technologies and markets. Public postal operators have been corporatized and/or privatized, and the scope of postal monopolies reduced with more focus on liberalization of postal markets.

Competition and demand for efficient delivery of services is the current trend in the Postal and Courier industry. Customers look for reliability, reachability, relevance, resilience, affordability and innovative products and services at affordable prices.

5.2.1 Technology adoption in postal and courier services

Postal and Courier Operators should focus on using emerging technologies to enhance quality of service by offering tracking solutions, automation of sorting processes to reduce the turnaround time, interactive customers service portals, mobile apps and electric vehicle fleet. Specifics of some of technological innovations in the posts include the following;

1- **Internet of Things** [25]

Internet of things (IoT) means giving internet capability to devices not traditionally associated with the internet. Interconnected networks of uniquely identified physical objects embedded with sensors that collect, communicate, and act upon a broad variety of data such as location, temperature, motion, or performance. These 'smart objects' collect and communicate data that can be analyzed for better tracking and management of assets in real-time, efficiency improvements, and the creation of better and smarter products, services and processes.

Interconnecting the expansive network of postal services using IoT technology across the country will enhance its capability to develop "Internet of Postal Things (IoPT)" that will protect the parcel and radically enhance logistical operational efficiencies, visibility and improved delivery that are key in fostering new e-commerce business models for the posts.

The Postal and courier network IoT value chain comprises of 5 key areas highlighted.

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[25]   The Internet of Postal Things Report Number RARC-WP-15-013
https://www.uspsoig.gov/sites/default/files/document-library-files/2015/rarc-wp-15-013_0.pdf

Figure 28: Postal and courier network IoT value chain

Physical Object — • The "things" themselves such as a parcel, mailbox, or vehicle.

Instrumentation — • Smart component: a sensor or other data collection system.

Connectivity — • A connectivity device facilitating the interconnection between an object, its environment, and a data management system through a network (e.g. Internet or phone).

Analytics — • Actionable information gained from the analysis of large volumes of data stored in the cloud.

Smart Product, Service, or Process — • Data-based products, services, or processes that are better, more efficient, and valuable to customers.

Image courtesy: USPS

2- Potential use cases for IoPT technology

Research conducted by the U.S. Postal Service Office of Inspector General, in collaboration with IBM identified priority use cases for the Internet of Postal Things (IoPT) that can provide greatest potential. The chart (Figure 29) highlights some of those use cases that can be adopted by posts to enhance their operations but also empower them to venture into new business models.

Figure 29: IoPT use cases
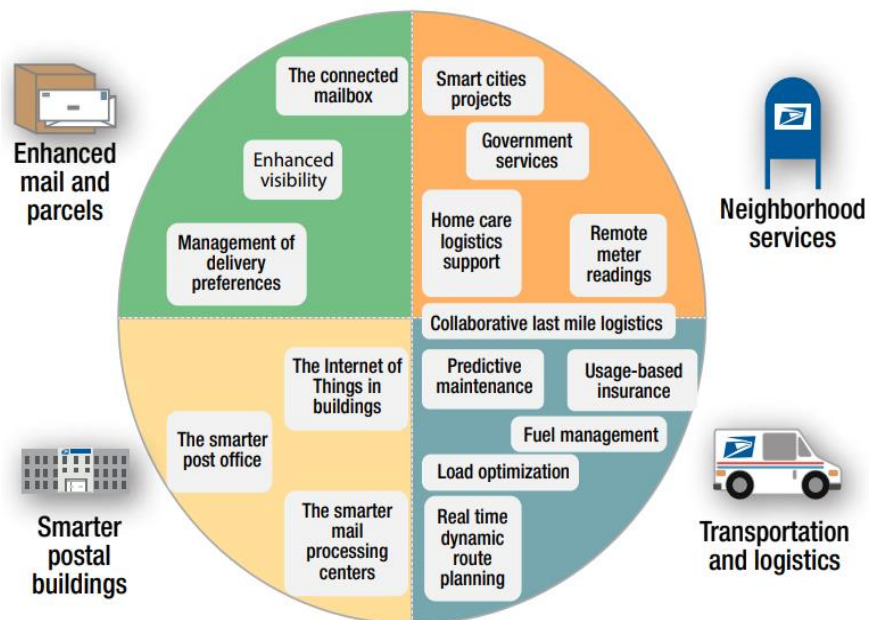
Image courtesy: USPS

3- Collaborative logistics for last mile delivery

Collaborative logistics can help the Postal and courier sector fortify their position as the last mile delivery partner of choice. The continued growth of e-commerce has increased the number of delivery vehicles and motorbikes driving/ riding along the same routes every day. This not only causes inefficiencies, but also bottlenecks and environmental concerns in already congested cities and streets. Collaborative logistics can help address these issues and create smarter intelligent cities as it involves the coordination of last mile deliveries across multiple carriers. Sensors collecting data on trucks' location, space availability, and local traffic conditions would be analyzed in real time to determine for each parcel which vehicle would handle final delivery in city centers most efficiently.

4- The Connected Smart Mailbox

The connected mailbox can enhance visibility of the parcel, better management of delivery preferences, increased convenience, and supporting the development of new services. This will help in reducing the operational costs associated with a missed delivery. A barcode or a Radio-frequency identification (RFID) tag of a registered parcel would generate an electronic delivery confirmation replacing the manual processes of users going to check if a parcel has been delivered to their mailbox.

Using sensors to monitor and control temperature in estate connected mailbox and in posts vehicles will enable fresh delivery of temperature sensitive goods such as medicine, food and groceries helping regional posts to diversify into new service offerings.

5- E-Commerce

e-Commerce is a crucial a means for the postal sector where this sector can play a pivotal role in the e-commerce value chain particularly on last mile delivery of purchased goods to locations, where post offices exist and which are well known by the population.

5.2.2 Use of Drones

Delivery by drones is currently being used in the industrialized countries and in some parts of developing countries; the countries are United States which started in 2001, Israel – 2004, United Kingdom – 2008, Iran – 2010, China - 2013 South Africa -2013, and Rwanda - 2017. Further, barcodes with routing instructions are being used to enable tracking. This is evident in the UK (Royal Mail), USPS (US Postal Services), and Germany (Deutsche Post). In addition, there is the Track and Trace of Postal articles in all the 170 countries that are affiliated with the UPU. For example, Postal Corporation of Kenya uses an integrated system known as International Postal System (IPS) to track International shipments.

Other innovations in postal services are Postal delivery robots which was piloted in Norway in 2018, while autonomous vehicles have gained prominence in the Scandinavian countries. Further, there is fingerprint technology and use of Radio Frequency identification (RFID) which was pioneered by Deutsche Post in Germany. There is also automated sorting and scanning machines adopted in all developed countries, including USA, Germany, Switzerland, France, Japan, China and North

Korea etc. Chile has also introduced the sorting machines which enhanced the turnaround time performance significantly. Lastly, expansion of broadband in the far-flung areas and access to the internet has been enhanced to boost e-commerce hence the need to emphasize broadband and internet as enablers of the postal and courier sector.

The African Drone Forum (ADF) 2020 successfully held in Kigali, Rwanda brought together engineers, regulators, government users, development partners and other stakeholders emphasizing on exploring a future where the African skies employ drone economies especially for essential medical services and products. Zipline a San Francisco startup has since 2016 been delivering medical supplies, personal protective equipment and vaccines in Rwanda and Ghana. In the case of Ghana, drone delivery of COVID-19 vaccines ensures equitable access to health resources to the citizens. It is project that a drone pilot project be implemented with the DPO to enhance last mile delivery and the lessons be used expanded to cover the whole postal and courier sub-sector.

5.3 Proposed models for expanding the coverage of postal and courier services

Three models are proposed to expand the coverage and access of postal and courier services, and a fourth one to support the first three as follows:

Model 1: Postal office

In this model a post office outlet will be provided to serve the population from an existing facility which is in a secure location, e.g., a government office such as s chief's camp and can be accessed by the public.

Model 2: Courier office

In this model a courier outlet will be provided to serve the population from an existing facility which can be accessed by the public; the approach is similar to that of a post office.

Model 3: Unified postal and courier delivery model

In this model, a shared infrastructure will be provided for all services: postal, courier, and broadcast studio through collaboration between Huduma centre and CA and supported by the USF. This model is proposed for greenfield locations and can be extended to existing outlets in the framework of an integrated open access infrastructure.

Model 4: Interconnect model

This model supports last mile delivery for the first three models - Model 1, 2 and 3. Though this model will involve commercial arrangements between the service providers and the last mile logistics providers (including Boda-boda Saccos), a cost study is proposed to refine and make regulations and a licensing regime for the model. This model envisages a technology-enabled collaborative last mile delivery logistics as an ultimate long-term objective.

5.4 Five Year Action Plan

Based on the findings on the distribution of postal and courier outlets as shown on the maps, the Five-Year action plan will address the identified gaps in coverage and access to postal and courier infrastructure, The plan also takes into account the proximity of the sub-locations to existing postal and courier outlets. The proposed interventions include:

i. Deploying new post office and courier office
ii. Building a unified infrastructure to support all communication services which will be available to service provides on open non-discriminatory basis
iii. Extending service by agency models from an existing postal/ courier office to proximate sub-locations where there is no service; though this will be subject to commercial agreements between service providers for interconnection purposes, subsidy will be needed for deserving cases since the identified gaps have persisted suggesting that these areas cannot be served if economic viability is the only consideration. This model will require another category (lower tier) of licensing so that MSMEs are targeted.

It is emphasized that the estimated financial subsidy (Section 6) is for infrastructure (CAPEX) and operation (OPEX) of a post office or courier services outlet/ office in a site.

The prioritization of expansion of postal and courier services coverage in counties for five years is presented in Table 9; the details of the particular sub-locations to be served are presented in Appendix V which shows the summary of postal and courier services gaps.

Table 9: Five Year Action Plan

County	Priority	Post Office	Courier	Post office and 1 courier SP	Post office and two/more courier	Plan Year
Garissa	1	√	√	√		Year 1
Isiolo	1	√	√	√		Year 1
Kwale	1	√	√	√		Year 1
Mandera	1	√			√	Year 1
Marsabit	1	√	√	√		Year 1
Samburu	1	√	√	√		Year 1
Tana River	1	√	√	√		Year 1
Turkana	1	√	√	√		Year 1
Wajir	1	√				Year 1
Baringo	2	√	√		√	Year 1
Elgeyo/Marakwet	2	√	√		√	Year 1
Homa Bay	2	√	√		√	Year 1
Kajiado	2	√	√		√	Year 1
Kilifi	2	√	√		√	Year 1
Kirinyaga	2	√	√		√	Year 1
Kisumu	2	√	√		√	Year 1
Kitui	2	√	√		√	Year 1
Laikipia	2	√	√		√	Year 1
Lamu	2	√	√		√	Year 1
Makueni	2	√	√		√	Year 1
Mombasa	2	√	√		√	Year 1
Nairobi City	2	√	√		√	Year 1
Narok	2	√	√		√	Year 1
Taita/Taveta	2	√	√		√	Year 1
West Pokot	2	√	√		√	Year 1
Bungoma	3	√	√		√	Year 2 & 3
Busia	3	√	√		√	Year 2 & 3

County	Priority	Post Office	Courier	Post office and 1 courier SP	Post office and two/more courier	Plan Year
Kakamega	3	√	√		√	Year 2 & 3
Kericho	3	√	√		√	Year 2 & 3
Machakos	3	√	√		√	Year 2 & 3
Meru	3	√	√		√	Year 2 & 3
Migori	3	√	√		√	Year 2 & 3
Nandi	3	√	√		√	Year 2 & 3
Nyandarua	3	√	√		√	Year 2 & 3
Siaya	3	√	√		√	Year 2 & 3
Trans Nzoia	3	√	√		√	Year 2 & 3
Uasin Gishu	3	√	√		√	Year 2 & 3
Vihiga	3	√	√		√	Year 2 & 3
Bomet	4	√	√		√	Year 4
Embu	4	√	√		√	Year 4
Kiambu	4	√	√		√	Year 4
Kisii	4	√	√		√	Year 4
Murang'a	4	√	√		√	Year 4
Nakuru	4	√	√		√	Year 4
Nyamira	4	√	√		√	Year 4
Nyeri	4	√	√		√	Year 4
Tharaka-Nithi	4	√	√		√	Year 4

As seen in Table 9, each county has a post office and at least one courier outlet except Mandera and Wajir which do not have a private courier outlet. The first priority (**Priority 1**) is given to sub-locations in counties without a courier services outlet (Wajir and Mandera), and for sub-locations in counties where there is only one courier service provider (Turkana, Tana river, Samburu, Marsabit, Kwale, Kajiado, Isiolo and Garissa). The presence of only one courier service provider implies that there is insufficient consumer choice, limited access to the courier services, and high prices hence the need for intervention. The absence of multiple service providers implies limited competition.

The second priority (**Priority 2**) are sub-locations in counties that have difficult terrain, have poor road infrastructure and have less coverage of postal and courier services. Also in this category are city counties (Nairobi, Mombasa and Kisumu) which need an upgrade and expansion of postal and courier services to meet the needs of the growing population including enhancement of quality of service.

The third priority (**Priority 3**) are sub-locations in counties that are moderately urban, with large population but with limited coverage of postal and courier services such as Kisii, Meru, Siaya and Uasin Gishu.

Priority 4 comprises sub-locations in counties that are predominantly urban, with good road network and currently covered by several (at least two) courier service providers and a national postal service provider.

At least five postal and courier outlets are proposed in each of the Priority 1 counties, and at four Priority 2 (except for the city counties where this can include new outlets/office and extension of service through agencies). At least three postal and courier offices each are proposed from Priority 3 and two each (postal and courier) for Priority 4. These priorities also correspond with the year when the interventions should be made.

After the deployment of these facilities (post offices and courier outlets), further expansion is proposed to be done through agencies to extent service to the populations in the affected sub-locations. It is estimated that the subsidy will remain the same for each unit of PO or CO for all the scenarios. The details of the actual numbers of postal and courier outlets are presented in Appendix V.

In addition to expansion of coverage, interventions are proposed to achieve the following:
    i.   Improved quality of service and consumer protection
    ii.   Capacity building for service providers and consumers
    iii.   Increased accessibility by PWDs and the general population
    iv.   Innovations (product and service) through research
    v.   Increased affordability of postal and courier service

A national addressing system is proposed to be implemented during the first year of this plan to improve last mile delivery. Lastly, it is proposed that an appraisal of the interventions and formulation of the next five-year plan be done during the 5th year of the action plan and a mid-term review be done during the 2nd half of the 3rd year.

6. FINANCING MODEL

In this section a financial model is proposed. It comprises the objective, structure and components, the out, assumptions and typical costs for the financial model. The projected budget to address the identified gaps is KES 12.17 billion.

6.1 Objective and output of the financial models

The objective of the financial model is to forecast revenues, costs and operating expenses as well as the set-up costs for postal and courier services. The model considers a one year rolling period for 5 years.

To build the financial model consideration was made for geographical location and size of coverage in square kilometers, population size, demographic composition and percentage of viable consumers, economic conditions of the location, security, current service level and expected competition, linkages with the rest of the national economic activities, current infrastructure among others. In addition, engineering estimates were used to determine the capital expenditure requirements for each set up line. Further, scenario analysis was applied to give the best case, expected case and worst case, this is achieved using a scenario manager worksheet.

The model outputs include forecast income and expenditure statement for each year running for five years, fixed asset/capital expenditure budget and cash flow statement which informs the subsidy financing needs for each service and each grantee.

6.2 Structure and Components of the model

Each major component has its own labelled excel worksheet with formulas and links to other worksheets culminating in the final output worksheets and a summary for the models. Figure 30 highlights the structure and components of the model.

Figure 30: Financial Model Structure

Assumption sheets	Calculation Sheets	Output sheets	Auxiliary sheets
Assumptions	Postal	Dashboard	Contents
Notes	Courier	SubLocSubsidy	Map
SubLocData	Greenfield	CountySubsidy	Temp

The description of the model structure is as follows:

(1) Assumptions sheets

Assumptions: Inputs used in allocating subsidies to selected sub-locations

Notes: Explanation of inputs used across the entire financial model

SubLocData: Data on population without access to postal and courier services per Sub-location

(2) Calculation sheets

Postal: This is a complete financial model including inputs, calculations and outputs of revenue, operating costs, set-up costs and financial statements for an efficient postal office.

Courier: This is a complete financial model including inputs, calculations and outputs of revenue, operating costs, set-up costs and financial statements for a courier services provider.

Greenfield: This is a complete financial model including inputs, calculations and outputs of revenue, operating costs, set-up costs and financial statements for a greenfield site. This model assumes that the intervention offered to postal and courier service providers is through infrastructure alone and service providers will operate within the facilities at their own expense.

(3) Output sheets

Dashboard: This is a summary of outputs derived from the calculation sheets.

SubLocSubsidy: This is a summary of the proposed subsidies to be allocated to unserved and under-served sub-locations.

CountySubsidy: This is a summary of the proposed subsidies to be allocated to Counties in Kenya

(4) Auxiliary sheets

Map: Navigation tool

Table of Contents: Lists details on development of the financial model and various worksheets within the model

Temp: Temporary sheet referred to when creating new sheets in financial model

6.3 Model Output

The postal and courier services financial model whose outputs comprise the following items was developed:

  i. Forecast five-year worksheet for a postal office
  ii. Forecast five-year worksheet for a courier service provider
  iii. Forecast five-year worksheet for a greenfield site
  iv. Forecast annual operating costs subsidy and capital expenditure subsidy allocation per sub-location. This subsidy allocation is based on revenue, operating costs and set-up costs for postal and courier service providers

6.4 Assumptions for setting up a postal and courier outlet in undeserved area

Following various discussions with service providers the following assumptions (Table 10) were arrived at for setting up an efficient postal office in an underserved area.

Table 10: Assumptions setting up a postal office in underserved areas

REVENUE ASSUMPTIONS			OPERATING COSTS ASSUMPTIONS		
Price per Express Delivery	693	Kes p.a.	Staff costs	600,000	Kes p.a.
Express Mailing Deliveries	24	# deliveries p.a.	Office rent costs	144,000	Kes p.a.
Price per Parcel Delivery	673	Kes / delivery	Audit costs	15,000	Kes p.a.
Parcel Deliveries	26	# deliveries p.a.	Marketing costs	44,823	Kes p.a.
Price per Stamp Sale	43	Kes / stamp	Legal costs	2,749	Kes p.a.

Stamp Sales	14	# stamps p.a.	Staff Training	16,000	Kes p.a.
Price per Box/Bag rental	1,641	Kes / box	Insurance	40,000	Kes p.a.
Box/Bag rental	14	# boxes p.a.	Delivery costs	60,000	Kes p.a.
			Internet	12,000	Kes p.a.

ESCALATION ASSUMPTIONS		
Deliveries/service growth rate	10.00%	%
Price growth rate	4.00%	%
Staff costs escalation rate	5.71%	%
Operating expenses escalation rate	5.71%	%

Utilities	14,400	Kes p.a.
Office Expenses	60,000	Kes p.a.
Telephone & Courier	18,000	Kes p.a.
Support staff costs	24,000	Kes p.a.

COST OF CAPITAL		
Risk free rate	11.67%	%
Risk premium	10.05%	%
Cost of capital	21.72%	%

SET UP COSTS		
Motor Bikes	150,000	Kes
Computers & other equipment	366,000	Kes
Furniture & Fittings	140,000	Kes

Following various discussions with service providers the following assumptions (Table 11) were arrived at for setting up an efficient courier outlet in an underserved area.

Table 11: Assumptions setting up a courier outlet in underserved areas

REVENUE ASSUMPTIONS			OPERATING COSTS ASSUMPTIONS		
Price per Express Delivery	2,450	Kes p.a.	Staff costs	600,000	Kes p.a.
Express Mailing Deliveries	24	# deliveries p.a.	Office rent costs	144,000	Kes p.a.
Price per Ground Delivery - within town	300	Kes / delivery	Marketing costs	288,000	Kes p.a.
Ground Mailing Deliveries - within town	180	# deliveries p.a.	Staff Training	15,000	Kes p.a.
Price per Ground Delivery - outside town	2,000	Kes / delivery	Insurance	52,500	Kes p.a.
Ground Mailing Deliveries - outside town	12	# deliveries p.a.	Delivery costs	2,740,000	Kes p.a.
Price per Freight Delivery	188,110	Kes / delivery	Internet	36,000	Kes p.a.
Freight Deliveries	12	# deliveries p.a.	Utilities	36,000	Kes p.a.
Price per Parcel Delivery	2,100	Kes / delivery	Office Expenses	50,000	Kes p.a.
Parcel Deliveries	300	# deliveries p.a.	Telephone & Courier	30,000	Kes p.a.
			Support staff costs	120,000	Kes p.a.

ESCALATION ASSUMPTIONS		
Deliveries/services growth rate	8.00%	%
Price growth rate	4.00%	%
Staff costs escalation rate	5.71%	%
Operating expenses escalation rate	5.71%	%

COST OF CAPITAL		
Risk free rate	11.67%	%
Risk premium	10.05%	%
Cost of capital	21.72%	%

SET UP COSTS		
Motor Bikes	150,000	Kes
Computers & other equipment	325,000	Kes
Furniture & Fittings	130,000	Kes

Further assumptions (Table 12) were used to vary the base assumptions and establish the financial implication of setting up sites in different regions with different variables.

Table 12: Assumptions for setting up a postal and courier service infrastructure in undeserved area

SN	Variable	Remark/s
1	Hardship	This is a consideration made for employees working in hardship areas
2	Power connection	Given that power access and reliability in different regions varies, associated costs are expected to also vary
4	Accessibility	Ease of access i.e. road infrastructure within a sub-location will cause variations in set up and delivery/ transport costs

6.5 Typical costs for the finance model

From the findings of this survey, a postal services provider requires a total funding of KES 6 million to set up and operate a post office over a 5-year period in an underserved area. It costs approximately KES 0.7 million to set up the post office and a further KES 1 million per year to operate it, after accounting for income generated. The post office has a negative NPV of KES 3 million and no payback period within five years making it reliant on external financing to operate as a going concern. The post office would need to generate approximately 1 million per annum to be self-sustainable within the 5-year forecast period. A capex subsidy of KES 0.7 million and an annual OPEX subsidy of up to KES 0.9 million would aid a postal services provider to break even within the forecast period.

Further, a courier services providers requires a total funding of KES 5 million to set up and operate an outlet over a 5-year period in an underserved area. It costs approximately KES 0.7 million to set up the outlet and KES 0.8 million to operate it, after accounting for income generated. The outlet has a negative NPV of KES 3 million and no payback period making it reliant on external financing to operate as a going concern. The courier outlet would need to generate approximately 4 million per annum to be self-sustainable within the 5-year forecast period. A capex subsidy of KES 0.7 million and no annual OPEX subsidy would aid a courier services provider to break even within the forecast period.

As for a greenfield site, a cost of approximately KES. 6 million is required to set up the necessary infrastructure to house postal and courier service providers as well as a Huduma center. It is assumed that the service providers will operate at their own costs and no rent costs will be incurred to occupy the infrastructure.

7. IMPLEMENTATION ACTION PLAN, RISK ASSESSMENT, AND MONITORING & EVALUATION

Consistent with the five-year road map, the following is a scope of the actions, risk assessment and monitoring of the implementation of the proposed actions.

7.1 Action plans

Consistent with the proposed strategies for improvement of postal and courier services (Table 8, Section 5.1), the proposed actions on coverage, access, quality of service, capacity building and research are presented on Table 13.

Table 13: Proposed strategies and actions to improve Postal and Courier Services

SN	Theme	SUPPLY SIDE	Action	Responsibility
S1	Coverage	Expand the coverage of postal and courier services offices in underserved (gaps) areas to enhance accessibility of Postal and Courier service	Roll out postal and courier infrastructure through subsidies for CAPEX and OPEX for extending services to gap areas (see Appendix V)	CA
		Provide an integrated open access postal and courier infrastructure in "greenfield" sites in collaboration with or modelled on Huduma centre concept (establishing a citizens' service center at government centres - such as the chiefs' camps) where all licensed postal and courier operators will have space to provide their services. The DPO can manage the centers on open, non-discriminatory access basis	Implement open access postal and courier infrastructure for all service providers to be accessed open and non-discriminatory basis in "greenfield" sites and where feasible, remodel exiting infrastructure to function similarly; the DPO to manage the centres	CA
		Provide a national addressing infrastructure	Implement a national addressing infrastructure to facilitate last mile delivery logistics	CA. MoICT, I&YA
S2	Innovations of services	Promote technological innovations in the postal and courier sub-sector including product diversification	Support service providers to innovate including through adoption of technology pilot projects for moving postal and courier services online for ease of access by customers	Service providers and strategic partners
		Introduction of supplementary services such as parcel lockers, e-commerce platforms, truck loads, delivery of pension to homes, warehousing and fulfillment centers etc.	To initiate and finance a model for supplementary through a pilot	Service providers and strategic partners
		Introduction of customized products and services for PWDs including having ramps and rails in all collection and delivery points	Update regulations to explicitly require for the inclusion of	MoICT, I&YA

		Provide a legal and regulatory framework for emerging technologies in the postal and courier sub-sector such as for the OTTs	Enact amendments and make regulations	CA, MoICT, I&YA
		Public education through creation of awareness of the services/ products, and rights and obligations with regard to postal and courier services	Use of Chiefs and awareness ambassadors through *Barazas*	CA, Ministry of Interior
		Promote technological innovations through development of fully funded and elaborate digitally modern e-commerce infrastructure project in partnership with global operators such as Amazon and Alibaba preferably through the vast Postal Corporation of Kenya network and also incorporate other licensed private courier firms	Design and implement a pilot project and later for rollout of technological innovations in gap areas using USF	CA, Service providers and strategic partners
		Support research in postal and courier services by providing research grants to tertiary institutions and research organisations on aspects of the sub-sector	Provide a budget for postal and courier research sub-sectors, and source for researchers	CA, Universities, Academicians
S3	Business model	Promote innovative business model including collaborations for last mile delivery logistics and agency partnerships including through regulations	i. Implement an interconnection model for the postal and courier services sub-sector ii. CA to include interconnection in regulations	CA Service providers and strategic partners
		Promote market-place innovations including drop shipping as an online market place fulfillment platform through pilot projects and replication	Implement pilot projects for a fulfilment platform	CA, Service providers and strategic partners
S4	Legal and regulatory	Enhance the enforcement of USO by service providers	Enforcement of the law/regulations for courier services licensees to operate a specified number of outlets in an underserved/unserved part of Kenya to improve access to services	CA, MoICT, I&YA

		Bring on board the lowest tier (Bodaboda Saccos, NSMEs) with simplified conditions for last mile delivery of service	Revise licensing regime with a once-year-flat-payment of affordable fees to enable this tier to operate formally and legally	CA, MoICT, I&YA
		Courier licensees to operate at least two outlets in designated unserved/underserved areas	Revise license conditions to include courier operators to operate at least two outlets in designated unserved/underserved areas	CA, MoICT, I&YA
S5	Support infrastructure	Improve the roads network	Enhance engagement with relevant MDAs on a continuous basis for road infrastructure provision/ upgrades	Ministry of public works and infrastructure
		Expand broadband coverage to support online transactions	Enhance current Broadband programme to target postal and courier services gap areas and	CA
		Create reserved parking lots and designated delivery slots to support courier services (postal and courier services loading areas) in major towns in each county	i. Enhance collaboration between county governments, CA and the postal & courier sub-sector ii. Enactment of enabling legislation and regulation	CA, County Governments, MoICT, I&YA,
		Enhance security in areas with security challenges	Enhance collaborations on to ensure security necessary fro effective provision of services in Kenya particularly in insecurity prone areas such as in northern parts and North eastern parts	CA, MoICT, I&YA, Ministry of Interior and National Coordination
		Require through legislation that PCK as a national infrastructure allows other service providers to utilize its physical infrastructure where available	Amendment of law and make regulations that PCK infrastructure be accessed on open access by other service providers	CA, MoICT, I&YA, Parliament
		DEMAND SIDE	**Action**	**Responsibility**
D1	Access	Promote service innovations including through e-commerce enabled services	i. Support adopt technology including AI, track and trace, robotics, drones ii. Support automation of service processes	Service providers, transport companies and strategic partners
		Promote barrier-free access to services by PWDs	i. Operationalise policies, legislations and regulations for PWDs ii. Enforce the legal and regulatory requirements for PWDs barrier-free access to	CA, NCPWD, Parliament

				postal and courier services points	
			iii. Provider access infrastructure and devices (for persons with physical, visual, hearing and cognitive disabilities) for PWDs at all postal and courier outlets	
D2	Quality of service	Enforce quality of service standards	iv. Enhance the monitoring and enforcement quality of service standards v. Continuous review of quality of service standards in line with consumer expectation	CA
			i. Require the development and publication of service charters by service providers to ensure and monitor compliance ii. Monitor implementation of service quality delivery standards	Service Providers, CA
D3	Affordability	Promote competition in the postal and courier services sub-sector	Effective competition will result in more affordable services	CA
		Periodically review rates for exclusive services to cushion loss making operations. In particular, there is need to strengthen regulatory oversight to ensure level playing field for both PCK and the private courier operators regarding charges for items weighing 350 grams and below because there are instances of private operators charging less than five times of the charge by the PCK; these items include letters and small parcels	i. Enforce compliance to regulations and license conditions on pricing	CA
		Enforce compliance with pricing structure as stipulated by law to improve affordability of services	Courier services need to be more affordable than they currently are	CA
D4	Capacity building	Conduct public awareness on postal and courier services, including the rights and obligations with regard to these services.	To include creation of awareness ambassadors proficient in local languages	CA

D5	Legal and regulatory	Enforce the legal and regulatory requirements for PWDs' barrier-free access to postal and courier services points	To ensure all providers support the law relating to PWDs	CA, MoICT, I&YA

7.2 Projects

7.2.1 Citizens Service Centre

Modelled along the Huduma Centres, this center at the location and sub location level will accommodate all Communication and ICT services including postal, courier, broadcasting services, cybercafé and public notice board. This also entails establishing hybrid, for-profit tele-centres and non-profit community resource centres targeting the general community members, school children, out of school youth, women and women's groups, non-governmental organisations and county government authorities. The center shall be enabled with broadband provided under funding of USF just as the other aforementioned services. This project is estimated to cost a total KES 100 million per site (estimated to have one per county) funded by USF, spread over a five-year. It is expected that CA will work closely with electricity providers as well as the Kenya Rural Roads Authority (KERRA) as enablers to this project. By the end of this plan period, 50 Citizen centres (at a total cost of KES 2.5 billion over five years) will have been operationalized reducing the square kilometres per postal and courier outlet to 15 km; the budget for this is proposed to be drawn from the overall proposed Five-year action plan budget.

7.2.2 Persons with Disability Ease-Of Access to Postal and Courier Outlets

The project will provide customers with disabilities with the same or equivalent services as all other customers so as to have access to the same level of universal service by facilitating, building of ramps in all the outlets for ease of access and providing services in the format accessible to PWDs. Providing PWDs with access devices/facilities to facilitate access to postal and courier services such as transaction documents in braille, audio readers, sign language interpretation will be part of the project. This project is estimated to cost a total KES 10 million per county per year (total KES 250 million) funded by USF, spread over a five-year period.

7.2.3 Pilot on use of Drones for delivery

It is now time for Kenya to employ drone economies for postal and courier deliveries. This pilot project funded by USF will begin with government deliveries especially for essential medical services and products. Like has happened in Rwanda and Ghana, delivering medical supplies, personal protective equipment, and Covid-19 and other vaccines ensures equitable access to health resources to the citizens. CA will initially work with the Postal Corporation of Kenya before rolling out to the rest of the postal and courier sub-sector. This project is estimated to cost a total KES 100 million to be completed in the 2nd year of the Five-year action plan.

7.2.4 Pilot projects on IoPT and Collaborative Logistics for Last mile Delivery

Additional projects pilot projects are proposed in the framework of "Innovations for Postal and Courier Services" specifically *IoPT* and *collaborative logistics for last mile delivery* (see Part 5.2.1). In this regard, it is proposed that proposals be invited for pilot projects on at least IoPT and collaborative logistics as a way of infusing technological innovations and improvement of efficiency of the postal and courier sector in order to position it as an effective last mile enabler of e-commerce.

7.3 Risk Management for Postal and Courier Services

The successful implementation of the proposed actions will depend on mitigation of various risks as indicated in Table 14.

Table 14: Risk management

Type of risk	Description	Probability of occurrence	Impact of risk	Mitigation
Lack of/limited funding	• Limited financial resources negatively affects roll out of services necessary to realise coverage targets	Medium	Medium	Provide CAPEX and OPEX subsidies and other regulatory incentives to spur expansion of coverage
Insecurity	• Inaccessibility of some locations which limits roll out of services to the insecure areas	Medium	High	• The government to map out security risk areas and facilitate in-transit escort along those routes • Hire police escorts in remote areas that are more prone to insecurity • Realtime monitoring and tracking of delivery vans/ vehicle
Low enforcement of PLR framework e.g market competition	• Ineffective competition which leads to high prices • Where innovation exposes the existing PLR framework as inadequate, ex post regulation may not adequately address market disruptions taking place prior to enactment of new PLR framework	High	Medium	• Enforcement of the Competition Act • Increased market surveillance to weed out ineffective competition
Inadequate human capacity	• Stifles innovation and consumer choice	Medium	Medium	Encourage courier service operators to build their staff capacities Provision of sector training
Poor physical infrastructure	• increases costs and raises consumer prices	High	High	Government to improve road and other physical infrastructure in urban and rural areas.
Lack of affordable devices	• Limits access to services by the general public	Medium	Medium	• Provide tax rebates on imports of PWDs devices to increase

including for for PWDs	• leads to continued exclusion of PWDs			affordability • Establish partnerships for local assembly of special devices for PPWDs to increase availability of the devices
Ineffective collaborations	• leads to inefficiencies and increases costs, duplication of infrastructure	Medium	Medium	• Encourage partnerships between courier operators and third party logistics providers including collaborative logistics for last mile delivery • Implement infrastructure sharing
Low technology adoption	• leads to inefficiencies, reduces consumer choice, increases costs and reduces affordability	Medium	High	• Integrate all Postal and courier systems • Promote innovations through innovation hubs/centers
Cyber security	• danger of hacking and losses affects adoption of services, minimizes consumer trust	Medium	High	• General public awareness and training on cyber security • Strengthen surveillance on cyber threats
Terrorism	• Leads to loss of life and property	Medium	High	• Provide anti-terrorism training to drivers, adverse driving conditions lessons and first aid. • Provide insurance cover for accidental death and cargo damage • Enhance inland and border security

7.4 Monitoring and Evaluation – focus of evaluation, frequency, responsibility, linkages

The successful implementation of the proposed five-year action plan requires monitoring and evaluation to ensure that it is on track. In this regard, the proposed M&E framework is depicted in Table 15.

Table 15: Monitoring and Evaluation Framework

SN	Thematic area	KPI	Target	Frequency of monitoring	Evaluation	Responsibility
1	Coverage	Coverage/ reach of postal and courier services in both rural and urban population respectively	No. of sub-locations covered 100% of the population	Quarterly	Annually	CA, Postal and courier service providers
2.	Access	Accessibility of postal and courier services within 15 km distance	100% of the population	Quarterly	Annually	CA Postal and courier service providers
3.	Quality of service	Quality of service standards	10% improvement on baseline value annually	Monthly	Quarterly	CA Postal and courier service providers
4.	Human capacity	Population with awareness of postal and courier services	100% awareness created	Quarterly	Annually	CA
5.	Devices	Availability of devices for PWDs	100% of PWDs	Quarterly	Annually	CA, Postal and courier service providers
6.	Research	• Coverage • Access • QoS • Consumer satisfaction	At least one	Quarterly	Annually	CA, Academia, Postal and courier service providers, Consumer organisations
7	PLR	• Enact legislation • Make regulations	Laws Regulations	Quarterly	Annually	CA, MoICT, I&YA, Parliament (National assembly and County assembly)

7.5 Disbursement of Subsidy

Since subsidy or grant interventions should be efficient and aimed at achieving the expected outcomes, it is recommended that the subsidy be applied through:

a) Prioritising the interventions according to the proposed priority list
b) Invitation of bids and selecting the bidder with least request for subsidy and has a competitive solution in terms of service attributes etc
c) Provision of grants to the national postal operator by the government based on plans that address broadcasting service and access gaps and universal service coverage
d) Provision of financial resources for research and innovations for new services; and for PWDs services and devices by developing EOI/RFP for people to competitively participate

7.6 Sustainability of Interventions

It is desirable, that the interventions are sustained after subsidy. Some of the ways in which the interventions will be sustainability include the following:

a) Mandating infrastructure sharing which will eliminate duplication thus reduce CAPEX outlay
b) Most of the subsidy will be on CAPEX while the OPEX will be up to the end of the 5th year. Thereafter the operators are expected to break even hence remain sustainable beyond this point;
c) Encouraging development of profitable service innovations by the service providers
d) Designating a manager, through a transparent process, for each of the projects from among the licensees based on their strengths.
e) A robust monitoring and evaluation of the projects on regular basis will be done to ensure that the projects are on course to sustainability beyond the five years and action taken in case of lapses
f) Other regulatory incentives

Furthermore, in the greenfield areas, the operators/service providers will only cater for their OPEX once the CAPEX is supplied to put up the common shared infrastructure.

REFERENCES

UPU (2019 October). Postal Development Report 2019: Perspectives on the performance of postal operators worldwide. Retrieved April 23, 2021 from https://www.upu.int/UPU/media/upu/publications/postalDevelopmentReport2019En.pdf

9. APPENDICES

Appendix I: Universal Service fund

The Kenya Information Communications Amendment Act 2009 (KICA 2009) establishes the universal service fund (USF) to support widespread access to, support capacity building and promote innovation in information and communications technology services and imposes a universal service levy on all licensees under the Act.[26] Kenya Information and Communications (universal access and service) Regulations 2010 set out the objectives of the fund presented as:[27].

a) encourage efficient access to and use of communications systems and services throughout the Republic of Kenya, focusing on rural, remote and under-served areas in order to promote social, and economic development;

b) ensure reasonable availability and affordability of basic and advanced communications systems and services to persons with disabilities, at the household and individual levels, particularly where the market is unable to deliver such services in a financially viable manner;

c) support the development of information and communication technologies, including related human capacity and technological innovation;

d) provide support for the introduction and expansion of communication services to schools, health facilities and other organizations serving public needs; and

e) facilitate development of and access to a wide range of local and relevant content.

The KICA 1998 outlaws operation of postal services without a license and prescribes a fine not exceeding two hundred thousand shillings or to imprisonment for a term not exceeding one year or to both upon conviction under Section 61.

Appendix II. Constitutional and legal provisions for barrier-free access to services by persons with Disabilities

Section 11 of the Persons with Disabilities Act mandates the Government to take steps to the maximum of its available resources with a view to achieving the full realization of the rights of persons with disabilities. The Act also provides for postal charge exemption for printed and recorded literature, articles, equipment and other devices for the use of persons with disabilities which are sent by mail within and outside Kenya and aids and orthopaedic devices for persons with disabilities sent outside Kenya by mail for repair provided that the aforesaid items are for personal or institutional purposes and are recommended for this exemption by the National Council for Persons with Disabilities (Council), and that the person with a disability or the organization is registered with the Council.

The Persons with Disabilities (Access to Employment, Services and Facilities) Regulations, 2009 mandates the Council in collaboration with the relevant Government

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[26] Section 84J
[27] Regulation 3(2)(a)

departments, research institutions, development partners and local authorities to undertake, promote and sponsor research development of assistive devices including their psycho-social aspects. Regulation 7 also provides that subject to applicable Regulations relating to tax exemptions, persons with disabilities may apply for and obtain support and relief for, among others, purchase and repair of personal technical auxiliary devices and escorts and interpreters for people with impaired sight and hearing[28]. Under Regulation 10, the Government is further mandated to create conditions for equality of persons with disabilities with the other persons including by ensuring adapted visual and sound translation of cultural, recreation, sport and other programmes and materials for persons with impaired sight and hearing.[29]

By virtue of Article 2(6) of the Constitution, the government is enjoined under the Convention on The Rights of Persons with Disabilities, 2006 to, among others; take appropriate measures to ensure to persons with disabilities have access, on an equal basis with others, to the physical environment, to transportation, to information and communications, including information and communications technologies and systems, and to other facilities and services open or provided to the public, both in urban and in rural areas. These measures, which shall include the identification and elimination of obstacles and barriers to accessibility, shall apply, inter alia, to Information, communications and other services, including electronic services and emergency services.[30]These measures shall include those to[31]:

- develop, promulgate and monitor the implementation of minimum standards and guidelines for the accessibility of facilities and services open or provided to the public.
- To provide training for stakeholders on accessibility issues facing persons with disabilities.
- To promote access for persons with disabilities to new information and communications technologies and systems, including the Internet;
- To promote the design, development, production and distribution of accessible information and communications technologies and systems at an early stage, so that these technologies and systems become accessible at minimum cost.

Under the National Council for Persons with Disabilities (NCPWD) Strategic Plan 2018 – 2022[32], the following policy priorities were identified to drive the strategic vision of a barrier-free society for Persons with Disabilities under the mission: *To promote and protect equalization of opportunities and realization of human rights for PWDs to live decent livelihoods.* This is to be realized through:
   e) Data and statistics
   f) Empowerment of PWDs
   g) Disability mainstreaming

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[28] Reg. 7(1)(a) & (e)
[29] Reg. 10(c)
[30] Article (9)(1)(b)
[31] Article (9)(2)(a, c, d & e)
[32] http://ncpwd.go.ke/images/NCPWD-2018-2022-Strategic-plan.pdf

h) Institutional capacity

Appendix III: Public postal Licensee Mandate

Section 48 of the KICA, 1998 empowers the Authority to grant to the public postal licensee the exclusive right to provide private letter boxes or bags and postal services except in relation to:

a) letters weighing more than three hundred and fifty grams;
b) trade announcements, circulars, printed extracts from newspapers or advertisements not addressed to any particular person;
c) letters delivered by an employee of the sender;
d) letters delivered by a messenger employed by the sender especially for the purpose, not being a person employed or engaged in the course of his business or employment in delivering or procuring the delivery of letters;
e) letters concerning goods sent with the goods and delivered therewith;
f) letters carried to or from a post office;
g) letters carried in accordance with an agreement entered with the public postal licensee;
h) transfers between document exchanges;
i) letters carried to the premises of a provider of electronic mail services for the purposes of being transmitted as electronic mail, or letters carried from the premises of such a person after having been transmitted;
j) letters carried privately and delivered without hire, reward or other profit;
k) letters carried and delivered personally by the sender; and
l) letters, postcards, aerogrammes of three hundred and fifty grams or less in weight, if a charge of at least five times the basic charge of the public postal licensee letter rate for that class of item is made in respect of receiving, collecting, sending, dispatching and delivery.

Appendix IV: UPU provisions for Basic Postal Services

1. Under Article 17 of the UPU Convention Manual, 2018:[33] on basic services, provides that member countries shall ensure that their designated operators accept, handle, convey and deliver letter-post items upto 2KGs.

2 Letter-post items containing only documents are:
    2.1 priority items and non-priority items, up to 2 kilogrammes;
    2.2 letters, postcards and printed papers, up to 2 kilogrammes;
    2.3 items for the blind, up to 7 kilogrammes;
    2.4 special bags containing newspapers, periodicals, books and similar printed documentation for the same addressee at the same address called "M bags", up to 30 kilogrammes.
3 Letter-post items containing goods are:
    3.1 priority and non-priority small packets, up to 2 kilogrammes.

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[33]
https://www.upu.int/UPU/media/upu/files/UPU/aboutUpu/acts/manualsInThreeVolumes/actInThreeVolumesManualOfConventionEn.pdf

4 Letter-post items shall be classified on the basis of both the speed of treatment of the items and the contents of the items in accordance with the Regulations.

5 Within the classification systems referred to in 4, letter-post items may also be classified on the basis of their format as small letters (P), large letters (G), bulky letters (E) or small packets (E). The size and weight limits are specified in the Regulations.

6 Higher weight limits than those indicated in paragraph 2 apply optionally for certain letter-post item categories under the conditions specified in the Regulations.

7 Member countries shall also ensure that their designated operators accept, handle, convey and deliver parcel-post items up to 20 kilogrammes.

8 Weight limits higher than 20 kilogrammes apply optionally for certain parcel-post items under the conditions specified in the Regulations.

On Supplementary Services

Article 18 Supplementary services provides that:

1 Member countries shall ensure the provision of the following mandatory supplementary services:

    1.1 registration service for outbound priority and airmail letter-post items;

    1.2 registration service for all inbound registered letter-post items.

2 Member countries or their designated operators may provide the following optional supplementary services in relations between those designated operators which agreed to provide the service:

    2.1 insurance for letter-post items and parcels;

    2.2 cash-on-delivery service for letter-post items and parcels;

    2.3 tracked delivery service for letter-post items;

    2.4 delivery to the addressee in person of registered or insured letter-post items;

    2.5 free of charges and fees delivery service for letter-post items and parcels;

    2.6 fragile and cumbersome parcels services;

    2.7 consignment service for collective items from one consignor sent abroad;

    2.8 merchandise return service, which involves the return of merchandise by the addressee to the original seller, with the latter's authorization.

3 The following three supplementary services have both mandatory and optional parts:

    3.1 international business reply service (IBRS), which is basically optional. All member countries or their designated operators shall, however, be obliged to operate the IBRS "return" service;

    3.2 international reply coupons, which shall be exchangeable in any member country. The sale of international reply coupons is, however, optional;

    3.3 advice of delivery for registered letter-post items, parcels and insured items. All member countries or their designated operators shall admit incoming advices of delivery. The provision of an outward advice of delivery service is, however, optional.

4 The description of these services and their charges are set out in the Regulations.

5 Where the service features below are subject to special charges in the domestic service, designated operators shall be authorized to collect the same charges for international items, under the conditions described in the Regulations:

    5.1 delivery for small packets weighing over 500 grammes;

5.2 letter-post items posted after the latest time of posting;

5.3 items posted outside normal counter opening hours;

5.4 collection at sender's address; 5.5 withdrawal of a letter-post item outside normal counter opening hours;

5.6 poste restante[34];

5.7 storage for letter-post items weighing over 500 grammes (with the exception of items for the blind), and for parcels;

5.8 delivery of parcels, in response to the advice of arrival;

5.9 cover against risks of force majeure; 5.10 delivery of letter-post items outside normal counter opening hours.

Appendix V: Summary of Postal and Courier Services Access Gaps

Postal and Courier
Gaps.xlsx

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[34] a service offered by a post office whereby mail is kept for an agreed period until collected by the addressee.

10. ANNEXES

Annex I: Kick off meeting minutes

MINUTES OF THE VIRTUAL MEETING OF

Kick of Meeting Presentation CA ek_TS

Annex II: SPIL team members

No.	Name of consultant	Position
1.	Prof. (Eng.) Thomas A. Senaji (PhD)	Team leader
2.	Dr. Alex Mwaniki, PhD	Statistician
3.	Felix Kiptum	GIS Expert
4.	Mr. Kennedy Auka	Finance Modelling
5.	Dr. Enock Kinara, PhD	Postal and courier Expert
6.	Dr. (Eng) Kibet Lagat	Telecommunications Engineer
7.	Dr. Nyambega Ombuki, PhD	Project Manager

Annex III: Key Informant Interview Guide

KII Guide for postal nd courier.doc

Annex IV: Survey Questionnaires

Financial Modelling Datasheets Postal_Bro

Consumers_Question naire.docx

PCK_Questionnaire.d oc

Regulator Questionnaire.docx

Courier Licencees_Questionna

Annex V: FGD Questions Tool

FGD_Postal and Courier.doc

Annex VI: List of Key Informants Interviewed

#	Name	Contact details
	1. Postal and courier Operators	
1.	Postal Corporation of Kenya (DPO)	P. O. Box 34567 GPO, Nairobi
2.	G4S Kenya Limited (International Courier Service Provider)	Tel: 0711042000 / 0732172000
3.	Fargo Courier Limited (International Courier	P.O. Box 43370-00100,

	Service Provider)	Nairobi
4.	Roy Parcel Services Limited (National Courier Service Provider)	P. O. Box 11883 - 00400, Nairobi, Kenya Tel: +254 (20) 2519777 / +254 (20) 2530555
5.	Fedex Express Kenya Limited (International Courier Service Provider)	+254-20-3907000 Mobile Number: +254-730-117000
6.	Riley Courier (National Courier Service Provider)	Riley House 37 Masaba Road, Lower Hill. P.O Box 56152 – 00200, Nairobi. 722 581, 0733 617 817.
3	**Associations**	
7.	Courier Industry Association of Kenya (CIAK)	P.O. Box 67577 Nairobi 00200, Tel: 020 531119
8.	The Kenya Disability Parliamentary Association (KEDIPA)	
9.	National Council for Persons with Disabilities (NCPWD)	P.O Box 66577-00800, Nairobi
3. Ministries, Departments and Agencies		
10.	Ministry of ICT, Innovation and Youth Affairs	P.O Box 30025-00100, Nairobi Kenya Telephone: (+254) 020 4920000 / 1
11	Communications Authority (CA)	P.O Box: 14448-00800, Nairobi
12	ICT Authority (ICTA)	P.O. Box 27150 - 00100, Nairobi, Kenya
13.	National Council for Persons with Disabilities (NCPWD)	P.O Box 66577-00800, Nairobi

Annex VII: List of surveyed courier operators

No	Company Name	Licence Type
1.	2 NK SACCO	National courier service provider
2.	Across borders courier	National courier service provider
3.	African Global Expertise Limited	International courier service provider
4.	Al-Micdad Parcel Services	National courier service provider
5.	Blueline Safaris shuttle limited	National courier service provider
6.	Chania Executive Express	National courier service provider
7.	Chania travellers sacco	National courier service provider
8.	Cossim limited	National courier service provider
9.	Crown Bus Services	International courier service provider
10.	Data rush services	National courier service provider
11.	Delta Handling Services Limited (fedex and TNT Express)	International courier service provider
12.	Easy coach	International courier service provider
13.	Eldoret shuttle sacco ltd	National courier service provider
14.	Express parcel	National courier service provider
15.	Flashtime deliveries (E.A) limited	National courier service provider
16.	G4S Kenya Limited	International courier service provider

17.	Globe flight worldwide express ltd	International courier service provider
18.	Guardian Coach Limited	International courier service provider
19.	Just for u holdings limited	International courier service provider
20.	Kangaroo shuttle service limited	National courier service provider
21.	Kangema travellers	National courier service provider
22.	Kinatwa sacco	National courier service provider
23.	Mail managers ltd	National courier service provider
24.	Mambo Express courier ltd	National courier service provider
25.	Maralal Safaris investment	National courier service provider
26.	Mash East Africa Limited	International courier service provider
27.	Meru Nissan operators sacco society ltd	National courier service provider
28.	Modern Mail Limited	International courier service provider
29.	Molo group services	National courier service provider
30.	Mololine service limited	National courier service provider
31.	Mudoba express services limited	National courier service provider
32.	Naekana sacco	National courier service provider
33.	Namuga sacco	National courier service provider
34.	Netwon International Courier Limited	National courier service provider
35.	Newspaper transporters ltd NTL	National courier service provider
36.	NNK SHUTTLE	National courier service provider
37.	North rift express ltd	National courier service provider
38.	Nucleurs investment ltd	National courier service provider
39.	Nyakati matatu investors sacco	National courier service provider
40.	Outrival Courier Services limited	National courier service provider
41.	Petty Errands Limited	National courier service provider
42.	Premium travellers ltd	National courier service provider
43.	Riley courier limited	National courier service provider
44.	Rising Freight Limited	International courier service provider
45.	Rolling Cargo Limited	International courier service provider
46.	Roy parcels	National courier service provider
47.	Sendy	International courier service provider
48.	Sharoo Enterprises limited	National courier service provider
49.	Skyline express services ltd2	International courier service provider
50.	Tahmeed Courier Limited	National courier service provider
51.	Timeless courier services limited	National courier service provider
52.	Trip time associates limited	International courier service provider

Annex VIII: Financial Modelling Datasheets

Datasheet-Postal and
Courier.xlsx

Annex XI: Sampling Techniques

Table 16: Sampling frame and technique

Sampling technique	Description

Stratified Sampling	First, the country will be stratified into 47 strata, which is the 47 counties where all the strata will be targeted for data collection.
Cluster Sampling	Secondly, the sub-locations in counties/strata will be classified into clusters, that is sub-location clusters
Purposive sampling	Given the homogeneity of some of the sub-locations, the sample of sub-locations was purposively selected based on the following criteria: a) Population density, and; b) Geographical coverage (Land area, sq km) These parameters were based on the results from the 2019 population census. Care was taken to ensure that the selection of sub-locations in each county was representative of the demographics within the particular county. The key informants were selected purposively based on their roles and influence in the Postal & Courier subsectors.
Snowball sampling	Households and holders of postal office boxes were selected using snowball sampling as follows; • *Postal and Courier:* The post masters in the counties were requested to identify the customers to be surveyed. • **Gender representation:** Optimal gender balance was ensured in the nomination/selection of customers so that the sample comprises adequate representation of men, women, youth and PWDs. • The assistant chief was requested to include leaders (youth, women, men) in the sample

The sampling frame for the service providers was the list of operational postal & courier service providers obtained from the Communications Authority of Kenya (2020).

3.4.3 Sample Calculation

A)   Licensed Operators

The Communications Authority in carrying out its mandate, licenses and regulates the providers of services in the ICT sector including for postal and courier services. The survey will focus on the following licensees from the postal &courier sector.

1. **Postal and Courier Licensed Operators**

$n = \dfrac{(263 * 1.96^2) * 0.25}{0.05^2 * (263-1) + (1.96^2 * 0.25)}$ = **156** Postal and Courier Licensed Operators

The 156 sample will be proportionately distributed according to the population of licensed postal and courier operators at county level.

2. **National Public Postal Operator**

Kenya has only one National Public Postal operator: The Kenya Postal Corporation (PCK) was purposively selected.

Table 17: Profile of Licensees and their population (include Postal Corporation of Kenya)

SN	Licensed Operators	POPULATION	SAMPLE SIZE
1	Postal and Courier Licensed Operators	263	156
2	National Public Postal Operator (KPC)	1	1
3	Courier industry associations		
4	Courier Industry Association of Kenya		
	Total Sample of Licensed Operators		**157**

B) Consumers of Postal/courier services

In order to determine a representative sample for consumers of Postal and couriers' services, the target population was clustered according to the sub-location as explained. A representative sample for each sub-location will be then determined using Fisher's Model for sample size calculation for study populations of more than 10,000. This is an international best practice for use in surveys like the one proposed, where the population is large and sample elements are heterogeneous and diverse. The sample size was determined by employing the equation below:

Equation 1:

$$n = \frac{(Z^2.p.q)D}{e^2}$$

Where:

Z = is the corresponding standard score with a confidence level of 95%, which is 1.96

p = is the occurrence level of the phenomenon under study and is equal to 0.5 where the occurrence level is not known

q = is the absence of the phenomenon under consideration and is equal to 0.5 where the value is not known

D = is the design effect and is equal to the number of groups to be compared in this case

e = is the selected probability of error (error margin) of the study corresponding with 95% confidence level

n = sample size

An error margin of **3.2% at 95%** confidence interval will be used for this survey. This will give a sample size of **940 respondents** for all the 47 counties. The Sample distribution of Consumers of Postal & Courier Services by County is presented in Table 2. The overall sample has been distributed based on proportionate to size of the county population:

Table 18: Distribution of Sample Sub-locations per County

SN	County	Population per County[35]	Proportionate Sampling per County	Target Sub-locations	Sample Sub-locations	adj.
1	Mombasa	1,208,333.00	24	34	2	8
2	Kwale	866,820.00	17	84	4	5
3	Kilifi	1,453,787.00	29	170	8	8
4	Tana River	315,943.00	6	92	4	4
5	Lamu	143,920.00	3	39	2	4
6	Taita/Taveta	340,671.00	7	90	4	4
7	Garissa	841,353.00	17	92	4	4
8	Wajir	781,263.00	15	108	5	4
9	Mandera	867,457.00	17	119	5	4
10	Marsabit	459,785.00	9	114	5	4
11	Isiolo	268,002.00	5	44	2	4
12	Meru	1,545,714.00	31	324	15	9
13	Tharaka-Nithi	393,177.00	8	123	6	6
14	Embu	608,599.00	12	111	5	5
15	Kitui	1,136,187.00	22	316	14	9
16	Machakos	1,421,932.00	28	225	10	9
17	Makueni	987,653.00	20	202	9	9
18	Nyandarua	638,289.00	13	80	4	8
19	Nyeri	759,164.00	15	195	9	8
20	Kirinyaga	610,411.00	12	80	4	5
21	Murang'a	1,056,640.00	21	199	9	8
22	Kiambu	2,417,735.00	48	193	9	8
23	Turkana	926,976.00	18	158	7	7
24	West Pokot	621,241.00	12	198	9	9
25	Samburu	310,327.00	6	108	5	5
26	Trans Nzoia	990,341.00	20	57	3	7
27	Uasin Gishu	1,163,186.00	23	97	4	7
28	Elgeyo/Marakwet	454,480.00	9	180	8	7
29	Nandi	885,711.00	18	289	13	9
30	Baringo	666,763.00	13	270	12	9
31	Laikipia	518,560.00	10	79	4	7
32	Nakuru	2,162,202.00	43	210	10	9
33	Narok	1,157,873.00	23	185	8	7
34	Kajiado	1,117,840.00	22	143	6	7
35	Kericho	901,777.00	18	158	7	7
36	Bomet	875,689.00	17	223	10	8

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[35] The population figures are based on KNBS 2019 national census

SN	County	Population per County[35]	Proportionate Sampling per County	Target Sub-locations	Sample Sub-locations	adj.
37	Kakamega	1,867,579.00	37	186	8	8
38	Vihiga	590,013.00	12	160	7	7
39	Bungoma	1,670,570.00	33	149	7	7
40	Busia	893,681.00	18	181	8	8
41	Siaya	993,183.00	20	179	8	8
42	Kisumu	1,155,574.00	23	168	8	8
43	Homa Bay	1,131,950.00	22	211	10	9
44	Migori	1,116,436.00	22	224	10	9
45	Kisii	1,266,860.00	25	106	5	7
46	Nyamira	605,576.00	12	74	3	5
47	Nairobi City	4,397,073.00	87	112	5	5
	Total	47,564,296.00	**940**	**8902**	**323**	**323**

Annex IX: Sub-location List (Sampled list)

Sub-location
sampled.xlsx

Annex X: Objectives of the Universal Service Fund

The objectives of the USF as provided in the Kenya Information and Communications Regulations 2010, Universal Access and Service include:

(i) Promote communications infrastructure and services rollout in rural, remote and under- served areas
(ii) Ensure availability of communication services to Persons with Disabilities (PWDs), women and other vulnerable groups.
(iii) Support the development of capacity building in ICTs and technological innovation;
(iv) Support expansion of communication services to schools, health facilities and other organizations serving public needs; and
(v) Facilitate development of and access to a wide range of local and relevant content.

The Communications Authority of Kenya (CA) is mandated to manage and administer the Universal Service Fund. In discharging this mandate, the Authority has prepared this USF framework, to inform the public and all stakeholders about the key aspects, considerations and principles that the Authority will uphold in administering the Fund.

Principles and Procedures of the Universal Service Fund

The Communications Authority of Kenya (CA) and the Universal Service Advisory Council (USAC) operate the USF under clear and public rules of procedure, and according to a set of principles. These are:

(i)   Transparent processes
(ii)   Open, competitive procurement
(iii)   No distortion of the market
(iv)   Infrastructure sharing
(v)   Uniform criteria for selection of areas
(vi)   Technology neutrality
(vii)   Limitations in subsidy to a single licensee
(viii) Frequency spectrum
(ix)   Public awareness

Annex XII: **Measurement of Postal development**

Box 7 Measurement of Postal development

By drawing on a wide range of (big) data from numerous sources, the 2IPD provides a composite picture of postal development in over 170 countries, with a ranking that focuses on the performance of traditional postal operators. Historically, these operators have been considered as primarily vehicles for delivering socio-economic development, representing one the largest physical networks in the world, with 668,445 post offices and 5.26 million employees. Top performers Switzerland continues to top the ranking, followed by the Netherlands, Germany, Japan and France; the top 10 is now exclusively made up of advanced economies. As in previous years, there are, of course, encouraging results among regional leaders, such as Poland, China (People's Rep.), Tunisia, Colombia and Nigeria. The 2IPD is a comparative indicator of postal development around the world and is unique tool for analyzing the state of the postal and courier sector. It is built on four pillars, reliability, reach (connectivity), relevance, and resilience which in turn are sustained by a variety of sub-indicators.

Source: UPU (2019 October)

https://www.upu.int/UPU/media/upu/publications/postalDevelopmentReport2019En.pdf

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Annex XIII: Benchmark on Best Practice for Universal Service Fund

Some aspects of the Indonesia's Universal Service Obligation Fund (USOF) are aligned with success factors:[36]

- Capacity building, sustainability, and complementary services: where development of local content is classified as one of the fund's priorities (ITU 2013: 13).
- Flexibility in service deployment: where the structure and design of the USOF are sufficiently flexible to permit the subsequent addition of new technologies as a universal service category (e.g. addition of broadband) (GSMA 2013: 263).

Further, a best practice USF from the GSMA perspective is resented in Box 8.

Box 8 Best practice Universal Service Fund

The GSMA report 2013 whilst observing that it is difficult in the extreme to cite examples of USF which fully embody best practice identifies basic elements and characteristics of a successful USF as one that should have the following characteristics:[37]

Based on a legal/regulatory framework that is:
  o highly flexible with respect to effecting policy, structural and operational changes
  o technology and service flexible (neutral)
  o allows use of funds for targeted ancillary/complementary ICT related activities understanding that a government digital agenda should be the priority
  o ability to easily adjust levies (in consultation with stakeholders) to match the funding mechanism to assessed need

Autonomous/independent Fund structure320 along with a Fund administrator who:
  o is accountable to an impartial, credible party/authority
  o not subject to political interference
  o has clearly defined governance and governance structure

Clearly articulated policy with respect to how US will be achieved and organized

Clearly specified and measurable objectives including coverage and service delivery targets:
  o prepared in consultation with industry and stakeholders
  o presented in one or more easily accessible information sites/media
  o clearly articulated measurement parameters that will allow milestones and achievements (or lack thereof) to be clearly demonstrated
  o measurements and results reporting should be in a format so as to facilitate independent verification
  o subject to annual review and adjustment in consultation with the stakeholders

Highly transparent
  o minimum of annual reporting on performance of Fund (quarterly would be preferable)
  o recap of any USF tenders held and results of same
  o overview of approved USF projects in progress (project description, coverage goals and timelines)
  o performance of Fund projects against targets with respect to coverage targets, project budget, timelines, etc.

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[36] https://digitalregulation.org/indonesias-universal-service-obligation-fund/
[37] https://www.gsma.com/publicpolicy/wp-content/uploads/2016/09/GSMA2013_Report_SurveyOfUniversalServiceFunds.pdf

- o statistics and status on funds collected
- o statistics on funds collected versus funds disbursed as well as tabulation of remaining balance held in Fund
- o explanation of any roadblocks/impediments/challenges encountered in disbursement of funds
- o annual public audit independent of government with results publicly reported and published
- o Guidelines and procedures for working with other funding sources (e.g., IFC, World Bank, NGO's, etc.)
- o Clear definition and delineation of responsibilities between the USF and other government agencies/departments
- o Focus on ongoing sustainability of USF funded projects (e.g., power supplies, backbone networks, education for users, etc.)
- o Fair process to allocate subsidy – technology-neutral tenders to give all interested parties an equal chance to win (as opposed to mandating US)
- o Instead of direct and immediate reimbursement, provide incentives for efficient deployment and/or innovation and cost-minimization where feasible
- o "Pay or play" where operators can choose if they want to participate

Annex XIV: Methodology

The methodological approach used to achieve the objectives of the baseline survey is as follows:

1. Summary of Approach

A participatory and collaborative approach was used where the consultants Sigmund Peak International Limited (SPIL) consulted and worked with the Communications Authority (CA) in the implementation of the baseline survey project. In addition, various stakeholders in government and private sector were consulted and engaged through surveys and interviews

The following is a summary the methodology that has been adopted:

- Desk study
- Development of draft data collection instruments
- Inception Report
- Fieldwork: this was done using questionnaire survey, interviews and focus group discussions
- Drafting the report (findings, strategies and plan)
- Validation of the reports (findings, strategies and plan) (Workshop No. 1)
- Updating of report
- Training of CA staff
- Submission of final report

2. Research Design

A cross-sectional survey design with mixed methods comprising collection of both qualitative and quantitative data was used. Both primary and secondary data were collected analyzed and the results triangulated, and used to arrive at conclusions and the recommended strategy to ensure universal coverage of postal and courier services in Kenya.

3.   Population and Sample

Population

The study covered all the 47 counties in Kenya. The counties were further clustered into 321 sub-locations. The sub-locations were further classified into either rural or urban. The classification was based on 2019 census where urban areas refer to areas with increased density of human – created structures and has a population of 2000 and above. Urban areas include cities, municipalities, urban councils and rural trading centers.

The target population of stakeholders included:
- Ministry, departments and Agencies responsible for postal & Courier services sub-sectors
- National and County governments
- All postal and courier service providers/operators
- Telecom service providers as partners in diversification of postal services
- Consumer associations
- Consumers of postal and courier services (general public)
- Organizations representing people with special needs
- Postal & Courier service providers' industry organizations
- Informal postal & courier service providers

4.   Sampling frame and Techniques

The study population across the 47counties is heterogeneous in terms of geographical features and population density. In this regard both probability and non-probability sampling techniques were used are as shown in annex XI.

5.   Data collection Methods

The methods that were used included desk review, quantitative questionnaire survey, key informant interview and focus group discussions. Primary data was collected using a combination of methods, namely quantitative surveys, and KIIs.

Desk Review

A comprehensive review of the available literature was done to capture various aspects of coverage, access and usage of postal & courier services in urban and rural areas of Kenya. This was achieved through a review of relevant sector documents and internet search. Postal and courier performance reports from the Communication Authority of Kenya and from other published sources including those by the UPU were also reviewed. Among the documents that will be reviewed are the following:
- Kenya Information and Communications (Postal and Courier Services) Regulations, 2010
- Kenya Communications Regulations, 2001
- Postal Corporation Act of 1998
- ICT Sector policy 2019
- ICT Sector Regulatory reports
- Communications Authority of Kenya (CA) strategic plan (2018-2023)
- National Broadband Strategy 2018 – 2023
- Kenya National ICT Master plan 2013/14 - 2017/18

- County Integrated Development plan for each county
- PAPU Strategic Plan 2017 – 2020 whose theme is "Promoting an inclusive and sustainable development"
- Universal Postal Union Postal Strategy - the Istanbul World Postal Strategy 2017 – 2020
- African Union Agenda 2063
- SDGs that relate to the Postal & Courier sub-sectors
- Digital Economy Blue print ITU Strategic Plan 2020-2023
- Other relevant documents including previous studies conducted for the ICT sector in Kenya.

Questionnaire Survey

A semi structured questionnaire with both closed and open-ended questions/ statements was administered to 156 postal and courier service providers and 940 postal and courier service customers.

Data from customers was collected through Mobile data collection where the cloud based KOBO toolbox was used (http://www.kobotoolbox.com). KOBO program was installed on the mobile phones and a digitized form uploaded on a remote server after it was completed. While the closed ended questions provided predetermined responses, the open-end questions allowed the respondents to give their views on certain aspects of the postal and courier services without restrictions on items that may have not been captured in the structured questions. For the PCK contract customers, a request was made to the Regional Postmasters (RPMs) through the Postmaster General to distribute the online survey via an online generated link.

The courier service providers were sent a link with the survey which they completed and automatically submitted the competed form. Once the forms were filled, collected data was uploaded back to the cloud server. The system administrator then checked and downloaded the data for analysis.

Key informant interview

These were one on one interviews that were conducted using a predetermined guide with open-ended questions covering the scope of the study. These interviews were conducted with representatives from Postal Corporation of Kenya (PCK), courier service provider (selected number of both international and local), Communications Authority of Kenya (CA), ICT Authority (ICTA), Courier Industry association of Kenya (CIAK), policy makers (Ministry of ICT) and representatives of special needs citizens (e.g. PWDs) (See lists of KIIs at Annex VI).

Data collection instruments were pretested and research assistants trained on them and on data collection procedures. Quality assurance of the field work and adherence to ethical standards was ensured. Including informed consent and obtaining authorization from the Communications Authority and from county administrations throughout the country.

Annex XV: Functions of CA in relation to Postal Services

Under section 47 of the Kenya Information and Communication Act, the functions of the Authority include

a) ensuring that good and sufficient postal and other related services are provided throughout Kenya
b) ensuring that the public post licensee is able to provide postal services at rates consistent with efficient and continuous service and financing liability;
c) promoting development of postal systems and services in accordance with recognised international standards, practices and public demands;
d) exercise licensing and regulatory functions in respect of postal systems and services in Kenya in accordance with this Act;
e) regulating the fixing of rates of postage and other fees or sums to be charged in respect of postal articles weighing not more than three hundred and fifty grams;
f) regulating the issuance of postage stamps including definitive, commemorative and special issues of postage stamps and any other philatelic items;
g) ensuring the terms and conditions stated in any license granted under section 51 are complied with;
h) promoting competition in the provision of postal services;
i) ensuring that reasonable demands for postal services are satisfied;
j) promoting and encouraging the expansion of postal services in Kenya; and
k) furthering the advancement of technology relating to the post and postal services.