

# **REPORT ON THE ASSESMENT OF THE FULFILMENT OF UGANDA POST LTD'S LICENCE OBLIGATIONS FOR THE PERIOD APRIL 2005 TO AUGUST 2007**

## **EXECUTIVE SUMMARY**

As part of a Major Licence renewal process, the Uganda Communications Commission (UCC) is required to carry out evaluation of a licensee's performance against the conditions and obligations of the licence in question. The current three-year Uganda Post Limited (UPL) licence term started on April 6, 2005 and is due to expire on April 6, 2008.

The April 6, 2005 licence not only gives UPL exclusive rights to the production of Postage Stamps, the renting and leasing of Private Letter Boxes, and the delivery of letters weighing up to 350g; but also allows the licensee to offer the full range of postal services including all the mandatory services like Parcel and Money Order, and premium services like EMS and Easy Mail. The services are currently delivered through a nationwide network of 326 Post Offices, 671 Stamp Vendors and an installed capacity of 75,015 Private Letter Boxes.

The licence renewal process involves an application for renewal by the licensee, the issue of a Public Notice by UCC, the compilation of an Evaluation Report on the performance of the licensee; and the calling of a Public Hearing to involve other stakeholders in the process.

UCC carried out an evaluation of the performance of UPL using a number of techniques, which included; an analysis of Quarterly performance reports submitted by the licensee to UCC, inspections of UPL facilities by UCC teams; carrying out brief interviews with members of the General Public whenever possible, and mail delivery speed testing.

The UCC findings indicate that UPL **fulfilled** several of the licence obligations including payment of the one-term Licence Fee of US\$ 25,000.00; seeking approval for changes in tariffs and charges; and not denying any customer access to any licensed service. There was also **partial fulfilment** in designing and implementing appropriate training programmes for local staff, providing appropriate ranges of services throughout the country, meeting Quality of Service requirements, ensuring confidentiality and protection of postal articles against violation; and handling Customer Complaints. UPL on the other hand **did not fulfil** her obligations of; payment of the 1% on Gross Annual Revenue as Annual Licence fee, providing, within one year of the licence, a list of population centres for which UPL would not be able to provide Reserved Services, providing continuous services throughout the licence term, submission to UCC a Master Service Agreement containing the terms and conditions for the provision of licensed services uniformly to prospective customers, submitting to UCC a proposal for an accounting system which allows the record of investments, expenses and revenues,

submitting copies of audited statements of accounts to UCC annually, and submitting annual reports of UPL's operations and services.

UPL was expected, under the Roll-out obligations of the licence, to progressively expand its network over the licence period. This was also **not complied** with, just as both the Letter Box and the Post Office Expansion Plans were never submitted to UCC as stipulated in Article 7.8 of the licence.

Mail transmission schedules were adhered to between Kampala GPO and the Post Offices along the Post Bus routes, however mail transmission schedules were not entirely adhered to as one moves towards rural areas. While the UCC Quality Test results indicated big percentages of same-day and J+1 deliveries within and between urban centres delivery averages of up to 80% were recorded in the J+11 delivery category in the rural areas.

These findings indicate that UPL's overall performance against the obligations and requirements was below UCC's expectations. During UCC's interaction with UPL Management, UPL explained that under capitalisation from Government and the frequent changes in its Top Management heavily contributed towards the relatively negative performance.

In view of the above findings, the following recommendations are put forward for consideration and approval:

- (i) Before UPL's Major Operator's licence is renewed, UCC should discuss with the UPL Board of Directors to seek clear understanding of what problems exist and proposals on how to solve them. The findings should be reflected in provisions of the new licence.
- (ii) Before the licence is renewed, and after discussing with UPL, UCC should make recommendations to the Ministry of ICT, as the owner of UPL on how the findings and the discussions results can be used to improve the performance of UPL.
- (iii) In discussing with the Ministry of ICT, UCC should consider the possibility of:-
  - Reviewing the UPL's monopoly on reserved services and the corresponding obligations.
  - Changing the licence term from three to five years.
  - Licensing the UPL courier activities separately, as a way on enhancing competitiveness in the postal sub sector.
- (iv) UCC will also continue advocating for the adoption of the Postal Sub-sector Policy in which issues like liberalisation of the sub-sector and the capitalisation (and eventual privatisation) of UPL are recommended as a way of streamlining the sub sector.

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**DETAILED REPORT**

**1.0 INTRODUCTION:**

**1.1 The Uganda Post Ltd (UPL) Licence, Services and Network**

**1.1.1 The UPL licence**

**Uganda Post Ltd (UPL)** was on April 6, 2005 granted a three year Major Operator's Licence, due for expiry on April 6, 2008. The term of this licence that allows UPL to provide services under the scope of Reserved Services, Mandatory Services and Other Services, is renewable by following stipulated procedures.

The license permits UPL to charge regulated fees for the Reserved Services it provides and also requires the licensee to pay a one term fee of US \$ 25,000 together with an annual license fee in form of a 1% levy on the Gross Annual Revenue.

The licensee's obligations falling under the broad categories of; Requirements, Limitations and Penalties are stipulated in the Licence which also provides for modification, suspension, and termination of the license by either party.

**1.1.2 Services**

The current licence permits UPL to provide two categories of services: Mandatory Services and Other Services. The Mandatory Services are those services which together constitute the minimum postal services package every Ugandan should enjoy irrespective of location. Failure to provide Mandatory Services as stipulated should attract a penalty since they are obligatory. These services include:

- Money Orders services
- Postal Orders services
- Philatelic Services
- Reserved Postal Services

UPL was given exclusive rights to provide Reserved Services as a compensation mechanism for carrying out the Universal Postal Service Obligation on behalf of the Uganda Government.

Reserved Services include:

- The production and issuance of Postage Stamps, pre-stamped envelopes, Aerogramme forms, and International Reply Coupons in Uganda. UPL designs and implements a Postage Stamp Release Programme on an annual basis.
- The renting and leasing of Post Office boxes. UPL remains the sole provider of Private Letter Boxes which are usually installed at Post Office buildings.
- The delivery of letters weighing up to 350g (with a few exceptions stipulated in the Uganda Communications Act). This weight limit was reduced from 1 kg to 350g during the review of UPL's previous three-year licence.

Under Other services, the licence permits UPL to provide any other postal services which do not fall under the category of Mandatory Services. Other Services are desirable but they are not obligatory. They allow UPL to be creative and innovative. The range of Other Services provided by UPL includes:

- Registered Mail
- Express Mail
- Parcels
- Direct Marketing
- M-Bag
- Virtual Post Boxes
- Post@school
- Premium services like Expedited Mail Service (EMS) and Easy Mail
- Post Bus service for the conveyance of both mail and passengers within Uganda.

In presenting this performance evaluation report therefore, the two service categories have been separated.

### 1.1.3 Network

UPL's network comprises Kampala General Post Office as the Major Hub, several other Head Post Offices, Departmental Post Offices, Sub-Post offices, Licensed Stamp Vendors, and Private Post Office boxes.

At the time of compiling this report the UPL network stood as follows in comparison to the previous licence period:

Outlet Category	Number (2001-2005 licence period):	Number (2005-2008 licence period):
General Post Office	0	1
Regional / Head Post Offices	12	0
Departmental Post Offices	70	23
Agencies	0	40
Sub-Post Offices	105	262
Licensed Stamp Vendors	1,623	671
Private Post Office boxes	70,865	75,015

This network is distributed in all regions of Uganda with relatively higher concentrations of the facilities, and better quality of services offered both between and within urban areas.

## **1. 2 The UPL Licence renewal process**

According to Article 3 of the licence, the renewal process involves an application by the licensee, the issue of a Public Notice by UCC, the compilation of an Evaluation Report on the performance of the licensee; and the calling of a Public Hearing to give a chance for hearing third parties with legitimate concerns in the licence.

In a letter dated March 22, 2007, the Managing Director/UPL applied for renewal of the operational license for another three – year period. As part of the renewal process UCC issued a Public Notice on May 24, 2007 inviting members of the public to give views on UPL’s application for renewal of the license. By the expiry of the two weeks’ notice period UCC had not received any comments.

However for purposes of enhancing transparency in the process, UCC is to publicise the performance report to enable stakeholders make comments on the performance during a Public Hearing which is also meant to assist UPL improve its services and understand public perceptions.

This document is a summary of UCC’s evaluation of UPL’s performance for the period from April 6, 2005 to August 30, 2007, against the conditions of the Major Licence.

## **2. 0. ASSESSMENT METHODOLOGY**

### **2.1 Key assumptions**

The evaluation exercise was based on the following key assumptions:-

- (i) Incoming mail is processed immediately and delivered to the addressee on the same day the Dispatch (consignment) is received at the Post Office of destination,
- (ii) Ordinary Mail is delivered to the addressee at the time it is sorted into the appropriate Private P.O. Box at the delivery Post Office.
- (iii) Locally posted Outgoing Mail is sorted and dispatched to the Post Office of destination on the *same* day of posting.
- (iv) Normal postal services are not yet available in such areas of the country where the security situation just returning to normal after long periods of civil insurgency. These areas are mainly found in the North and North East of Uganda.

In evaluating UPL’s performance, UCC used four main methods which included; Analysis of available reports submitted by UPL, Field Inspections, Mail Transmission Tests and Interviews with some members of the General Public.

## **2.2 Analysis of Quarterly Performance reports:**

An analytical review was carried out of the performance reports submitted by UPL to UCC during the three year period, as well as other records within the Commission.

## **2.3 Field Inspections:**

Field inspections were carried out by UCC teams on UPL facilities and installations at various dates during the licence period to verify the stated performance. The inspections covered a cross-section of Post Offices in the country that included the Kampala GPO (EMS Centre, Counters, Parcels and Sorting Offices), and 113 other Post Offices<sup>1</sup> as well as 14 of the many ‘underserved’ urban centres in the country. The list of the Post Offices that were inspected during the inspection appears in **Attachment 1** to this report.

The following key performance indicators were examined during the Field Inspections:

- i) *The existence of a postal outlet in the said locality* – the postal outlet had to be physically seen in the selected locality.
- ii) *The number and physical condition of Private P. O. Boxes at the locality, if any* – a physical count was carried out at each Post office visited.
- iii) *The availability (and quality) of operational tools* – the existence and condition of basic equipment like Sorting Tables, Sorting Frames, mail storage facilities for Parcels and Registered Mails; Weighing Scales, Scissors, Strings, Seals, Sealfast Punches, Record Books, Mail Bag Labels etc at the various stations.
- iv) *The numbers of institutions of higher learning with a postal agency in the locality* – records at the parent office were scrutinised and verification visits made to some of the stated institutions.
- v) *The frequency of mail collection and delivery at the postal outlet* – mail dispatch records such as “Tick- In” and “Tick –Out” Lists were examined at the Post Offices inspected.
- vi) Security aspects e.g. Mail Handling facilities and procedures; to check on mail violation cases. The availability of lockable facilities for storage of Registered Mails, Strings, Seals, Sealfast Punches, Record Books etc. and their respective conditions were checked.

## **2.4 Mail Transmission Tests**

During the 2005/2007 period, UCC carried out an exercise to determine the performance of UPL’s network in mail transmission. Mail Transmission Tests were carried out on Domestic Mails, which are entirely the business of UPL, as opposed to International Mail in whose transmission other postal authorities participate.

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<sup>1</sup> Some of these Post Offices were for various reasons visited more than once by UCC inspectors during the three year period.

The exercise was carried out in two parts. One part Test Letters were posted from different Post Offices and at different times by UCC officials to determine the time taken for each letter to reach the Commission. The second part was UCC exchanging letters with specific UCC collaborators up country and determining how long the letters took to reach various upcountry destinations and get back to the Commission. The results of this exercise are contained in [Attachment 2](#) to this report.

## **2.5 Interviews with members of the General Public.**

The UCC inspectors held interviews with a number of people including Post Office staff at the Kampala GPO and other Post Offices, Postal Agents, some LC officials and other members of the various local communities. The purpose of such interviews was to obtain some first-hand information about the status/demand for postal services at a given place.

## **3.0 PERFORMANCE**

### **3.1. Summary of Finding on UPL licence obligations:**

The findings on UPL's performance against the obligations under the Articles of the 2005 Licence, are summarised in Table A below:

**Table A: Evaluation of UPL’s performance against the obligations specified in Articles of the Licence issued April 6, 2005**

	<b>OBLIGATION</b>	<b>METHODOLOGY USED BY UCC</b>	<b>FINDINGS</b>	<b>REMARKS</b>
a	Payment of initial fees- a one time licence fee of US \$ 25,000.00 (Art. 4.1a)	The status of UPL payments was verified in UCC records.	<b>Fulfilled:</b> UCC received the fee on November 2, 2006	
b	Payment of Annual Licence Fee –1% of UPL’s GAR (Art. 4.1b)	The status of UPL payments was verified in UCC records.	<b>Not fulfilled:</b> No payment received during the period. Total amount due up to 2003/4 is Shs 206,178,005/=	The licensee is yet to make a payment schedule as required UCC.
c	UPL was required to seek approval for changes in tariffs and charges (Art. 5.5)	UPL tariffs were regularly monitored against those approved by UCC.	<b>Fulfilled:</b> Approval was sought but not given.	<b>UPL to resubmit the proposal for tariff change</b>
d	UPL was required to design and implement appropriate training programmes for local staff (Art. 6)	UCC staff checked on the training methods of UPL	<b>Partially fulfilled:</b> UPL carried out on-the-job staff training without involving professional postal training institutions.	Key operational and Customer Service skills were found lacking in many places inspected.
e	Service Obligations - UPL was required to provide appropriate ranges of services throughout the country consistent with the concept of Universal Service (Art. 7.1a)	UCC staff examined the changes in UPL,s list of available postal products	<b>Partially fulfilled:</b> UPL has more products on the market but they are mainly designed for the urban consumers	New products include Bulk mail, Direct Marketing, ‘M’- Bag, Virtual Postal Box, Easy Mail, Post@school e.t.c.
f	Right of First Refusal (Art. 7.1b) - UPL was required to provide within one year of the licence a list of population	UCC requested for the list	<b>Not Fulfilled:</b> The list was not submitted within the specified period	The list was received in April 2008.

	centres for which it would not be able to provide reserved services.			
g	Continuous Service - UPL was required to provide continuous service throughout the licence term (Art. 7.2)	UCC monitored UPL operations for service continuity.	<b>Not fulfilled:</b> International postal services were interrupted between May and July 2007 when major air carriers like Kenya Airways refused to carry UPL mail due to non payment. Koboko Post Office was also closed by the landlord in July 2007 for the same reason.	<ul style="list-style-type: none"> <li>• Reports were received of other unpaid service providers like garage owners and fuel suppliers disrupting services.</li> <li>• Upcountry Money Order customers were found disappointed at the majority of the Post Offices as there was often sufficient cash on hand to sustain the service.</li> </ul>
h	Non- Discrimination – UPL is not to deny access for any licensed service to any customer in accordance with Sec. 61 of the Act. (Art. 7.3)	A check at the UCC Complaints desk and records of UPL Customer Care Centre was made to confirm compliance.	<b>Fulfilled:</b> There was no evidence of such denial found by UCC	
i	Quality of Service requirements (Art. 7.4)	UCC compared the quality of service being offered by UPL with the service quality requirements in the licence. UCC staff carried out mail tests and field inspections to verify the data given on quality of service.	<b>Partially fulfilled:</b> The required mail delivery standards were only <i>slightly</i> met in urban centres and along the Post Bus routes but the performance declined badly as one moves deeper in the rural areas.	Quality shortfalls were also identified by UCC in various areas of UPL operations (see Section 3.2) These include key installations like Entebbe International Airport Post Office and Mail Unit, as well as Kampala GPO.
j	Letter Box and Post Office expansion Requirements – UPL was required to submit	UCC requested for, and awaited the Programmes from UPL.	<b>Not fulfilled:</b> The Private Letter Box and Post Office Expansion	Late or non-submission of such information frustrates the planning process for the sector.

	Private Letter Box and Post Office Expansion programmes to UCC (Article 7.8).		programmes were never submitted to UCC within the specified period.	By August 2007, a total of eight out of the 25 postal outlets earmarked for opening under RCDF support had not been established.
k	Master Service Agreement - UPL was required to submit to UCC within three months of signing the licence a Master Service Agreement containing the terms and conditions for the provision of licensed services uniformly to prospective customers (Art. 7.10)	UCC requested for, and awaited the document from UPL.	<b>Not fulfilled:</b> The Master Service Agreement was not submitted to UCC within the specified period despite several reminders.	The absence of a Master Service Agreement deprives postal customers full knowledge of their rights and obligations.
l	Confidentiality – UPL was required to ensure confidentiality and protection of postal articles against violation (Art. 7.12)	UCC staff checked on the UPL measures in place to check violations as well as the physical state of mail samples. Any media or other reports of mail violation were also examined.	<b>Partially fulfilled:</b> UPL measures to curb mail violation were still inadequate. Several genuine cases of torn and/or missorted mail were reported and UPL carried investigated.	Missorted letter mails were found at the Kampala Sorting Centre and torn parcel mails were found at other stations like Kayunga Post Office.
m	Customer Complaints (Art. 7.14)	UCC staff had to verify the measures UPL put in place for the efficient handling and resolution of customer complaints	<b>Partially fulfilled:</b> UPL has a functional Customer Care Centre only at Kampala GPO	Similar services need to be spread out to other regional offices.
n	Accounting Requirements - UPL was required to submit to UCC a proposal for an accounting system which	UCC requested for the document.	<b>Not fulfilled:</b> No information was received concerning UPL’s accounting system during the licence	The information is required as evidence that the licensee follows the Generally Accepted Accounting Principles (GAAP).

	allows the record of investments, expenses and revenues in accordance with GAAP (Art. 7.16)		period as required under Art. 7.16.	
o	Record Keeping – UPL was expected to submit to UCC within 90 working days of each fiscal year of the licence, copies of their audited statements of accounts (Art. 7.17)	UCC requested for, and examined the documents as they were submitted.	<b>Not fulfilled:</b> Only copies of accounts of 2003/4 were submitted with a promise to forward the subsequent ones in due course.	There are unnecessary delays in submitting the statements. The statements for 2004/5 were received in April 2008, while the ones of 2005/6 are yet to be received.
p	Reporting Requirements – UPL was required in accordance with Sec. 49 of the Act, to submit a report of its operations and services at the end of every year. (Art. 7.18)	UCC requested for the documents several times.	<b>Not fulfilled:</b> No end-of-year reports were received by UCC during the entire licence period.	It is not easy to appreciate the licensee’s annual achievements and operational challenges in the absence of such reports.

## **3. 2 Details of Findings**

### **3.2.1 Roll-out Obligations:**

UPL was expected to progressively expand its network over the licence period. This requirement was unfortunately not complied with. The Letter Box and Post Office Expansion Plans were never submitted to UCC as stipulated in Article 7.8 of the licence.

It is further noted that by as late as August 2007, a total of eight out of the 25 postal outlets earmarked for opening under RCDF support had not been established. All the 25 postal outlets were supposed to be opened in 2006.

### **3.2.2 Quality of Service**

The UCC service quality standards (in terms of mail conveyance, security and reliability) were generally met in urban centres and in some cases along the Post Bus routes. Severe quality declines were however observed as one moved deeper into the rural areas as indicated by the results of the Mail Transmission Tests (Attachment 3). Other UCC's findings on quality are summarised as follows: -

- (i) Data on mail operations at the Kampala GPO is computerised to enhance handling speeds and facilitate the process of tracking and tracing mail items. Such computerisation is however yet to be spread to other Post Offices countrywide.
- (ii) Some key activities / operations are not monitored by the CCTV cameras both at Kampala GPO and Entebbe Airport Mail Room. The unmonitored areas expose mail to risks of violation.
- (iii) Mail dispatches to and from some Post Offices are very irregular like the case of Nakawuka Post Office; and Mayuge, a District Post Office.
- (iv) Private Post Office boxes without keys and locks were found rented out to customers like the case at Kitgum and Amolatar Post Office. This means that such customers can only access their mail over the counter when the office is open.
- (v) In many cases there is no adequate transport for local mail conveyance and delivery upcountry. Most Post Offices were found without even a bicycle for office use. These include Kamdini, Aduku, Kamwenge, and Bundibugyo.

### **3.2.3 Mail conveyance**

Mail between all Head Post Offices and Departmental Post Offices in major towns along the Post Bus routes was/is connected daily by the Post Buses. UPL buses set off from Kampala at 8.00 a.m. every morning (except Sundays). The buses carry mails and passengers on each of the following routes: Arua, Fort Portal, Gulu, Hoima, Kabale, and Soroti. Other buses leave these upcountry stations in the opposite direction heading for Kampala, following the same schedule. This arrangement should ensure timely, mail delivery on the covered routes.

Of the sampled Post Offices only 41% (i.e. 47 out of 113) were receiving and dispatching mail on a daily basis – meeting the 24hrs mail conveyance target between an agency and a departmental Post Office. However at the other extreme, 19% (i.e. 21 out of 113) of the Post Offices had mails collected / delivered once or even less than once a week, falling far below the UCC standards. The remaining 40% had mails collected/delivered twice to four times a week.

### **3.2.4 Postal Security**

Despite the improvements in mail security, a number of mail violation cases were reported to both UCC and through the media during the licence period. Some Postmasters upcountry also reported cases of parcels and packets received from Kampala GPO in a torn condition subsequent to Customs Inspections.

### **3.2.5 Continuity of Services**

In addition to the May/July 2007 embargo by Kenya Airways which badly affected international mail operations, another interruption of UPL services was experienced when Koboko Post Office was closed down by the Landlord in July 2007 for non-payment of rent. The Money Orders services were also frequently interrupted by shortage of cash at most of the upcountry Post Offices inspected. Those which were not in position to cash Money Orders include Bugiri, Busia, Iganga, Kaliro, Kamuli, Kumi, Mpigi, Ngora, Sironko, Soroti, and Tororo.

### **3.2.6 Counter services**

In spite of the visible improvements at the Kampala GPO Counters and a few other big Post Offices, several setbacks were observed in Counter Services countrywide. A few examples of these include:

- (i) The Kampala GPO Main Counter appears disorganised and it is difficult for postal customers to locate the core business of UPL. The company's identity is somewhat lost amidst the different logos and multicoloured brands of the various tenants.
- (ii) Information about postal tariffs is not conspicuously displayed at most upcountry Post Office Counters.
- (iii) Basic Counter requirements like Stamp Stocks and Weighing Scales were found missing in some Post Offices as was the case at Nawanyago, and Mulore Post Offices in March and October 2006, respectively. The Kinyara Post Office was not only found with a faulty Letter Weighing Scale, but also lacked a Letter Posting Box.
- (iv) In many cases Date-Stamp Impressions were found unclear, indicating the usage of both worn-out and poorly maintained Date-Stamps.
- (v) Many upcountry Post Office premises were found very untidy and postal staff were often not dressed in the official uniform.

- (vi) Many Post Office buildings were found in very poor state including Aduku, Bugiri, Kambuga, Katakwi, Kyenjojo, Moyo, Ngora, and Pakwach. The Pakwach Post Office building itself was being eaten away by termites.
- (vii) The locations of some Post Offices like Pakwach are difficult to trace due to the absence of clear roadside directions.
- (viii) Customers at several Post Offices were denied access to services. Some offices were found closed during working hours like the cases at Bukhaweka, Kambuga, Katerera, and Kazo Post Offices in October 2006. There were also cases like that of Pakwach Office where, due to the design of the building, the P.O. Boxes are accessible to the Renters only at the times when the Post Office is open.
- (ix) The UCC team witnessed a case of a rude Counter Officer.

### **3.2.7 Entebbe International Airport Post Office and Mail Unit**

- (i) The 8:00am to 5:00pm Opening Hours of the Airport Post Office are not flexible enough to meet the needs of an International Airport's customers, since the airport itself operates 24 hours a day, seven days a week. The Post Office closes at 2:00pm on Saturdays and remains closed on Sundays and Public Holidays.
- (ii) There are no Fire Extinguishers at the Airport Post Office which is a risk to both postal items and the Airport installations.
- (iii) The Mail Unit is not connected to both the CCTV and the Standby Power Generator thus depriving it of the much needed surveillance and constant light. The last two items above facilitate mail violation.

### **3.2.8 The EMS Centre**

Postal Security at the Kampala EMS Centre is compromised by the current design of the EMS Counter, given the total absence of separate cubicles for the individual officers working at the Counter.

### **3.2.9 Kampala GPO Sorting Office**

- (i) There is no demarcation between the Incoming and the Outgoing Cages, increasing the risk of mixing the two mail categories.
- (ii) Like many other operational staff members most of the Mail Sorters were found depending on only on-the-job training, thereby increasing the risk of mail mishandling. All postal operational staff are expected to undergo specialised training under the supervision of qualified postal instructors.
- (iii) Much of the mail handling furniture and equipment found at the Sorting Centre was found to be below the standard of an International Mail Centre. Complaints were raised about frequent shortages of appropriate Stools, Sorting Desks, Letter Trays, Mail Bags and Postal Stationery often paralysing operations.

- (iv) Key quality assurance functions like regular mail sampling to verify handling at Transit Points were not being carried.
- (v) Outgoing International Mail was subjected to unnecessary delays between the months of May and July 2007, when Air Carriers especially Kenya Airways refused to carry mail due to non-payment by UPL. The unsuspecting customers continued posting their mail normally without being informed of the service disruption by UPL.
- (vi) Work at the Kampala Sorting Office is always interrupted whenever there is a failure in the commercial power supply. This is because the GPO building is not connected a standby generator

### **3.2.10 The Kampala Parcels Office**

- (i) The absence of a safe and a Counter Cubicle at the Parcels Office introduces unnecessary risks to both the counter staff and the cash collected.
- (ii) The detection of Dangerous and Prohibited items in mail is difficult due to the absence of a screening machine.

### **3.2.11 Street Posting Boxes**

UPL did not give evidence of expanding the coverage of Street Posting Boxes in the country during the licence period. The existing ones were found in poor physical condition during the UCC inspections and in many cases the Collection Times were not displayed.

## **4.0 CONCLUSION**

UPL's performance under the obligations and requirements is far from where it should be. The performance is not reflecting UPL's position as a Major licence holder in the sub-sector since there is very little to show in terms of competitiveness on the market, improved services to the customers and growth in the company in the last three years of the licence.

It is understandable that the company has faced many challenges in the first ten years of its life. For instance, the UPL Management has always explained that the frequent changes in the company's Top Management, coupled with under-capitalisation from Government have rendered its operations difficult.

UCC agrees that the frequent changes have been a destabilisation factor given the nature of the postal business; and also that Government as the sole owner of UPL has not injected in sufficient capital to cope with the company needs.

It is clear that the licensee has the potential and ability to improve performance but has not given sufficient attention to following the license requirements. There is therefore need to identify, examine and address the issues surrounding the recorded performance in view of UPL's role as the Universal Postal Service provider in the country.

## **5.0 RECOMMENDATIONS:**

In view of the above findings, the following recommendations are put forward for consideration and approval:

- (i) Before UPL's Major Operator's licence is renewed, UCC should discuss with the UPL Board of Directors to seek clear understanding of what operational problems exist and proposals on how to solve them. The findings should be reflected in provisions of the new licence.
- (ii) Before the licence is renewed, and after discussing with UPL, UCC should make recommendations to the Ministry of ICT, as the owner of UPL on how the findings and the discussions results can be used to improve the performance of UPL.
- (iii) In discussing with the Ministry of ICT, UCC should consider the possibility of:-
  - Reviewing the UPL's monopoly on reserved services and the corresponding obligations.
  - Changing the licence term from three to five years.
  - Licensing the UPL courier activities separately, as a way on enhancing competitiveness in the postal sub sector.
- (iv) UCC should also continue advocating for the adoption of the Postal Sub-sector Policy in which issues like liberalisation of the sub-sector and the capitalisation (and eventual privatisation) of UPL are recommended as a way of streamlining the sub sector.

## Attachment 1:

### UPL facilities inspected (November 2005 – August 2007)

Inspection Area	Post Offices / Urban Centres inspected	Date
Hoima and Gulu Regions	Gulu, Loro, Apac, Aduku, Lira, Hoima, Kibiiso, Masindi, Bweyale, Kigumba and Migyera Post Offices. <i>Bulindi and Ikooba Trading Centres.</i>	Nov. 21, 2005
Fort Portal and Masaka postal regions	Mityana, Mubende, Kyenjojo, Fort Portal, Bundibugyo, Kasese, Lyantonde, Matete, Sembabule, Masaka, Kalisizo, Kyotera, Rakai, Kalangala, Kalungu, Bulo, Lukaya, Kayabwe, Buwama Post Offices.	December 5, 2005
Kabale and Mbarara postal regions	Kisoro, Kabale, Kanungu, Rukungiri, Rwashamaire, Ntungamo, Buteraniro, Kabwohe, Bushenyi, Katerera, Ibanda, Kazo, Bwizibwera, Kamwenge and Mbarara Post Offices.	February 13, 2006
Jinja, Mbale, and Soroti postal regions	Bugiri, Iganga, Buwenge, Nawanyago, Kamuli, Mayuge, Clive Road PO (formerly Oboja Rd. PO), Mbale, Busiu, Lwakhakha, Kapchorwa, Soroti, Bukedea, Kumi, Ngora, Serere, Amuria, Kotido, Katakwi, Moroto, Nakapiripirit, Kaberamaido, Tororo, Malaba, and Busia Post Offices. <i>Namutumba Town, Tirinyi Trading Centre, Kamonkoli Town, Butiru Trading Centre, Mayenze Trading Centre, Muguluka Trading Centre.</i>	March 2006
Kampala GPO	Sorting Centre, General Counters, Parcels Office and EMS Centre.	May to July 2007
Kampala Area	Entebbe Main, Entebbe Airport, Kisubi, Nakawuka, Mpigi, Luwero, Wobulenzi, Bombo, Kasangati, Kayunga, Kasawo, Lugazi, and Mukono Post Offices.	June 2006
Arua, Jinja, Mbale, and Soroti postal regions	Nebbi, Paidha, Arua, Yumbe, Koboko Pakwach, Clive Road, Jinja HPO, Buwenge, Kamuli, Kaliro, Busembatia, Iganga, Bugiri, Busia, Malaba, Tororo, Lwakhakha, Bukhawekha, Busiu, Bukedea, Kumi, Ngora, Serere, Soroti, Katakwi, Kapchorwa, Sironko, and Pallisa Post Offices.	June 2006
Fort Portal, Mbarara, and Kabale postal regions	Kyegegwa, Kyenjojo, Fort Portal, Kamwenge, Bundibugyo, Kasese, Rukungiri, Kambuga, Kanungu, Kisoro, Kabale, Mulore, Ntungamo, Ibanda, Kazo, Kabwohe, Bushenyi, and Katerera Post Offices.	October 2006
Northern and North-Western Uganda	Bombo, Wobulenzi, Migyera, Kigumba, Bweyale, Karuma, Pakwach, Nebbi, Paidha, , Arua, Koboko, Yumbe, Moyo, Gulu, Kitgum, Kamdin, Lira, Apac, Aduku, Masindi, Kinyara, Bwijanga and Hoima Post Offices. <i>Bamunanika Town, Wabigalo Trading Centre, Nakasongola, Bondo, Atanga and Angura Towns.</i>	August 2007

Note: Underserved urban centres are shown in *italics*.

## Attachment 2:

### RESULTS OF MAIL TRANSMISSION TESTS

#### License Requirement

The UPL Licence requirements for Mail Delivery are as follows:

- (i) Delivery between all Head Post Offices and the Kampala General Post Office: within eight (8) hours, for items deposited before noon.
- (ii) Delivery from the HPO to all Departmental Post Offices (DPOs) in the district within 12 hours, for items deposited before noon.
- (iii) Delivery between a Departmental Post Office and an Agency: within 24 hours, for items deposited before noon.
- (iv) Delivery within a Head Post Office Area: same day delivery for any mails or parcels deposited before noon.

#### The Mail Transmission Tests

A total of 560 Test Letters destined for various locations within Uganda were posted from different Post Offices at different times during the Licence period. The transmission time for each Test Letter was recorded to indicate the number of days between the date of posting and the date of receiving the same letter by the addressee.

The results are presented in the form where J = day of posting, n = day of delivery. J + n (n=1, 2, 3, 4, 5, 6...) means that the Test Letter, posted by noon, took 'n' days to reach the Post Office box of destination.

In relation with the Licence Requirements the results of the Transmission Tests are ranked as follows:

- (i) Delivery within the required delivery time is taken as **Good**
- (ii) Delivery within one (1) day after the required delivery time is taken as **Fair**
- (iii) Delivery within two (2) days after required delivery Time is taken as **Acceptable**
- (iv) Delivery within three (3) days after Required Delivery Time is taken as **Unacceptable**
- (v) Delivery within four (4) days and above beyond the required delivery time **Calls for Explanation**

The findings of the exercise are indicated Tables 1 and 2 below:

Table 1: Results of the delivery time for mails exchanged between UCC Collaborators and UCC office in Kampala

Office of Posting to UCC	Time taken to reach addressee out of Kampala (OUT)	Time taken to reach UCC ( IN)	Findings	Remarks
Mukono	J+1	J + 1	Requirement was met	Good
Jinja	J+1	J + 1	Requirement was met	„
Lugazi	J+1	J + 1	Requirement was met	„
Bugembe	J+1	J + 1	Requirement was met	„
Busembatia	J+1	J + 2	Requirement was NOT met	Fair
Kamuli	J+2	J + 2	Requirement was NOT met	„
Iganga	J+2	J + 2	Requirement was NOT met	„
Kalisiizo	J+3	J + 5	Requirement was NOT met	Calls for explanation
Rwashamaire	J+3	J + 4	Requirement was NOT met	„
Kanungu	J+4	J + 5	Requirement was NOT met	„
Bushenyi	J+4	J + 6	Requirement was NOT met	„
Rukungiri	J+4	J + 6	Requirement was NOT met	„
Kyotera	J+4	J + 6	Requirement was NOT met	„
Bundibugyo	J+3	J + 3	Requirement was NOT met	Acceptable
Ntungamo	J+2	J + 3	Requirement was NOT met	„
Masaka	J+2	J + 2	Requirement was NOT met	„
Lyantonde	J+2	J + 2	Requirement was NOT met	„
Ibanda	J+2	J + 2	Requirement was NOT met	„
Kalangala	J+2	J + 3	Requirement was NOT met	Acceptable
Mubende	J+3	J + 3	Requirement was NOT met	„
Kisoro	J+3	J + 4	Requirement was NOT met	Unacceptable
Kabale	J+3	J + 6	Requirement was NOT met	Calls for explanation

Table 2: Results of the delivery time for mails posted by UCC staff from upcountry

Office of Posting	Time required for delivery between office of posting and Kampala (UCC)	Time taken to reach UCC	Findings	Remarks
Arua	Within 8 hours for items posted before noon	J + 2	Requirement was NOT met	Fair
Pakwach	Within 24 hrs to DPO then Kampala	J + 3	Requirement was NOT met	Acceptable
Adjumani	„	J + 3	Requirement was NOT met	„
Rhino Camp	„	J + 2	Requirement was NOT met	Fair
Arua town centre	„	J + 2	Requirement was NOT met	Fair
Paidha	Within 24 hours to DPO then Kampala GPO	J + 3	Requirement was NOT met	Acceptable
Gulu	Within 8 hours for items posted before noon	J + 2	Requirement was NOT met	Fair
Kamdini	Within 24 hours to DPO then Kampala GPO	J + 2	Requirement was NOT met	Fair
Gulu town centre	„	J + 2	Requirement was NOT met	Acceptable
Kalongo	Within 24 hours to DPO then Kampala	J + 3	Requirement was NOT met	Acceptable
Lira	„	J + 2	Requirement was NOT met	Fair
Dokolo	„	J + 3	Requirement was NOT met	Acceptable
Apac	„	J + 3	Requirement was NOT met	„
Loro	„	J + 3	Requirement was NOT met	„
Aduku	„	J + 3	Requirement was NOT met	„
Minakulu	„	J + 3	Requirement was NOT met	„
Masindi	Within 8 hours for items posted before noon	J + 2	Requirement was NOT met	„
Kigumba	Within 24 hours to DPO then Kampala	J + 2	Requirement was NOT met	„
Bwijanga	„	J + 3	Requirement was NOT met	Acceptable
Kinyara	„	J + 2	Requirement was NOT met	Fair
Karuma	„	J + 2	Requirement was NOT met	„
Hoima	„	J + 2	Requirement was NOT met	„
Kigorobyia	„	J + 3	Requirement was NOT met	Acceptable
Buliisa	„	J + 2	Requirement was NOT met	Fair

Wandegeya	Within 8 hours for items posted before noon	J + 2	Requirement was NOT met	Unacceptable
Kibuli	„	J + 2	„	Unacceptable
Bwaise	„	J + 2	„	„
Mulago	„	J + 2	„	„
Mengo	„	J + 2	„	„
Natete	„	J + 2	„	„
Nakawa	„	J + 2	„	„
Luzira	„	J + 3	„	„
Kireka	„	J + 2	„	„
Kyambogo	„	J + 2	„	„
Ntinda	„	J + 3	„	„
Mbarara	Within 8 hours for items posted before noon	J + 2	„	Fair
Bushenyi	Within 24 hours to DPO then Kampala	J + 3	„	Acceptable
Kabwohe	„	J + 3	„	„
Ishaka	„	J + 2	„	Fair
Marembo	„	J + 3	„	Acceptable
Rubirizi	„	J + 3	„	„
Mitoma	„	J + 3	„	„
Rukungiri	„	J + 4	„	Unacceptable
Kabale	Within 8 hours for items posted before noon	J + 3	„	Acceptable
Bukinda	„	J + 4	„	Unacceptable
Karuhinda	„	J + 3	„	Acceptable
Rubaya	„	J + 3	„	„
Murore	„	J + 3	„	„
Fort Portal	Within 8 hours for items posted before noon	J + 2	„	Fair
Rwimi	Within 24 hours to DPO then Kampala	J + 3	„	Acceptable
Kibiito	„	J + 3	„	„
Bulopa	„	J + 3	„	„
Kamwenge	„	J + 2	„	Fair
Ibanda	„	J + 2	„	„

Kabujogera	„	J + 4	„	Unacceptable
Kanungu	„	J + 3	„	Acceptable
Kinkizi	„	J + 2	„	Fair
Kambuga	„	J + 2	„	„
Kihihi	„	J + 3	„	Acceptable