

Bhutan



Issue and background:

European and global express delivery services companies are facing challenges to their operations in Bhutan, these challenges include:

1. New Postal Law

The Government of Bhutan has drafted a new legislation, Bhutan Postal Services Bill 2010, to replace the Bhutan Postal Corporation Act from 1999. The key issues of concern identified in the proposed Bill are:

- Minister of Communications may be granted power to recommend financial subsidy to Bhutan Post or introduce any other mechanism to compensate the cost of providing universal service. This will create a burden for express companies if they are asked to contribute to USO Compensation Fund.
- The new Licensing and Regulating Authority, BICMA, will monitor service standards, as well as set and approve tariffs of courier service providers.
- BICMA will also regulate the utilization and sharing of installations and plants.
- There is a visible lack of clarity around reserved area or monopoly for letters or parcels in any weight segment.

2. New regulator – BICMA

Section 8 of the Bhutan Postal Services Bill states that monitoring of service standards, tariffs and utilization/sharing of installations/plants will be governed by a regulator - BICMA. This not adequate for courier services as they run their independent network. Further, recognizing a large number of private players ensures a competitive and dynamic market environment, which serves in the customer's best interest. As audit service standards regulate the sharing of network created by private operators on their own, there is no reason for BICMA to approve tariffs. Moreover, according to the new legislation, private Express

Delivery Service (EDS/ Courier) providers will be required to obtain a license from BICMA and pay a license fee for their activities. This will result in significant conflict of interest, as BICMA is due to be a body consisting of the Bhutan Post representatives – and none from the private postal sector. Therefore, it is likely to go against the principle of the Bill which introduces the separation of regulatory regimes for Bhutan Post and private EDS providers.

3. Clash with existing economic policy

The new Postal Bill is largely ignoring the legislation outlined in the Economic Development Policy 2010 of the Royal Government of Bhutan, such as:

- The strategy of increasing and diversifying exports
- The principle of reducing the burden of compliance by eliminating unnecessary and overlapping approvals and submission of documents by end 2010
- The principle that the frequency of inspection of business establishments shall be based on violations

Next steps:

The EEA calls on all parties concerned to raise these issues further with the Bhutanese authorities and, where appropriate, also in the context of the Doha round negotiations.

Contact details:

EEA Secretariat:

Aurélie Cassou

aurelie.cassou@fleishmaneuropa.com

+32 (0)2 282 09 77