

PUSHING THE ENVELOPE

GUATEMALA'S PRIVATE DELIVERY SERVICES

by Carroll Rios de Rodriguez

A PROMINENT POLITICAL FIGURE confirmed his mail was being tampered with when he received a letter inserted backwards inside a see through envelope. The address was not visible yet the mailman had managed to deliver the letter correctly. The "secret" was finally unmasked when the press dropped a bombshell: an espionage bureau, located inside the government's central post office, had been routinely opening and reading the mail for years.

A businessman, hoping to find an important overdue letter, was allowed to rummage through knee-high piles of mail in the central post office. Although the important letter never surfaced, he found bags of family and friends' forgotten correspondence. He only took what he could carry.

A former employee of Aviateca, the national airline, admitted that when cargo space was tight, the company gave priority to private mailbags, leaving public ones behind because the government was late on its payments. He also recalls piles of bags lying in the airline's warehouse for months because the government postal service did not pick them up.

A local joke says Guatemalans are lucky because we get to celebrate Christmas twice a year; once in December and once in July, when we receive our Christmas cards!

Those comments reveal why private delivery services have been thriving in Guatemala since the late 1970s. ("Delivery" does not necessarily imply that companies do not provide pick-up services as well.) The government monopoly, or *Dirección General de Correos y Telégrafos* (General Administration of Mail and Telegraphs, GAMT), has failed miserably to meet demand. The service is neither secure, reliable, nor efficient, so private enterprises have flourished even though GAMT is a legally protected monopoly. Today, private firms handle between 60 percent and 80 percent of all mail in Guatemala.

Supporters of government postal services in the United States often argue that competitive private firms are incapable of providing fast, affordable service, particularly in rural areas. But the Guatemalan experience proves the opposite is true. In fact, private competition has forced government officials to partially privatize GAMT. Private mail service in Guatemala provides important lessons for Americans who doubt there is

an alternative to the U.S. Postal Service.

HISTORY OF MAIL IN GUATEMALA

The Guatemalan government was involved with postal services long before GAMT was established by the Postal Code (Decree 650) in 1904. In fact, Mayan rulers employed fleet-footed youths, known as *correyedores*, to transport information from city to city. The Spaniards continued the practice during the colonial period. The runners were entrepreneurs who could travel approximately sixty leagues [180 miles] in three or four days, earning up to a silver *real* per day. Most messages were verbal, as few people were literate at that time.

Until 1554, the Spanish crown awarded a privileged subject the concession to administer correspondence in Guatemala, which he could will to his descendants. With technological advances, the *correyedores* were replaced by *diligencias*, the equivalent of North American stagecoaches, and later by trains.

Effective government control over correspondence received a boost with the invention of the postal stamp in London in 1840. Service could then be denied to letters which did not have a sticky seal. That innovation did not reach Guatemala until 1871, when President Vicente Cerna decreed that mail could only bear state-issued stamps and that falsifications were punishable by law. Subsequently, during Justo Rufino Barrios' term (1873-1885), officials drafted detailed and centralizing legislation, so that by 1877 the government was fully immersed in mail administration and distribution.

Signed into law by dictator Manuel Estrada Cabrera and still in force today, Decree 650 consolidated dispersed laws. Combining that decree with the Code of Electric Communications of 1935 (Decree 2080), which regulates telegraph service, provided the legal basis for a government monopoly over communications. The Postal Code charges the government to exclusively provide a "secure, prompt, and inviolable" postal service. Its article 41 states that "no firm, corporation or individual can conduct postal services . . . unless expressly permitted by the Executive, under such conditions as it determines."

MAIL SERVICES TODAY

By world standards, GAMT is a midget operation suffering

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from inefficiency. "Our mail service used to be as punctual as a Swiss clock," remarks a great-grandmother, yet only her oldest grandchildren can remember the golden days.

GAMT operates under the Ministry of Communications, Transportation, and Public Works. It has 525 offices, 501 of them are located outside of Guatemala City. About half the offices are owned by the government; the rest are either owned by municipalities or rented from private owners. (The United States Postal Service owns forty thousand properties nationwide.) GAMT also has five thousand post office boxes.

According to not particularly reliable government statistics, there were 3,393 full-time GAMT workers until thirteen hundred people voluntarily retired in 1996 under a government early retirement program to cut staff. Roughly 70 percent of workers sort and deliver correspondence and telegraphs; the rest are administrators. Staff reductions have made matters worse. "Of course the people who left voluntarily were the best employees because they knew they could find work in the private sector," remarks Jorge Franco, the vice-minister of Communications, Transportation, and Public Works. "Some even came back a year later, bearing gifts to thank us for the retirement plan." Thus GAMT is now saddled with the less qualified workers.

Approximately 80 percent of all personnel belong to one of the three GAMT unions, but some 40 percent are not active and are behind on their dues. There have been a few union led strikes in recent years, mostly to demand wage raises, but they did not affect Guatemala's economy as did the 1997 UPS strike in the United States.

GAMT employees earn around \$2,032 per year, less than the urban average of about \$3,145 but more than the national per capita income of \$1,594 or the \$838 per worker in the agricultural sector. Personnel is unqualified and unsupervised, and performance is not a criteria for remuneration. Before 1996, it was not unusual to find a postal service branch closed at 10:00 AM, or clusters of employees eating enchiladas, laughing, and reading the paper, while a long queue of clients patiently waited to post a letter.

GAMT's department of Planning and Programming estimates the total mail traffic in 1997 was 120 million pieces. Indicating the unreliable nature of government data, that figure more than doubles the one given by vice-minister Franco, who says GAMT handled about fifty million pieces last year. By comparison, French and Canadian postal services administer about forty three million and sixty million pieces per day, respectively.

Using Franco's estimate, GAMT handled sixty-five letters per employee each day. But in the General Openings Office, where all overseas mailbags are opened, ten lone sorters must each handle approximately twenty-nine thousand letters and packages daily. Manpower clearly is poorly allocated.

Much of the mail sorting is done by hand and thus very

slow. The current administration of President Alvaro Arzú has attempted to simplify some procedures to improve service. For instance, now clients in the capital can sort their mail by city district. But technology such as mail sorting machines and computers remain foreign. GAMT has purchased no equipment since 1993.

Due to cumbersome and lengthy disbursement procedures, GAMT only spent 73 percent of its approved \$ 6.42 million budget in 1997. But according to vice-minister Franco, GAMT's total operating cost was around eight million dollars. And total income last year from stamp sales telegraph fees barely netted \$1.13 million. As usual, the numbers simply do not mesh: \$4.25 million is necessary just to cover salaries and wages. That would leave virtually nothing for other expenditures such as transportation costs, electricity, building maintenance, rent payments, commercial airlines' fees, etc. On the books, GAMT generates a yearly deficit of \$5.92 million. Off the books, according to Franco's calculations, the deficit is around \$1.58 million more or about \$7.5 million.

Postage rates have not changed since 1987 and are heavily subsidized. If fifty million pieces were processed on an eight million dollar budget, each piece of mail cost sixteen cents. But according to Franco, the cost of a twenty gram letter (a little short of an ounce) for domestic delivery is twice as high: thirty cents. The postage rate for such a letter is barely two cents. A letter to the United States is priced at fifteen cents but really costs around fifty cents.

According to the official figures, on average, letters in Guatemala City are delivered within six days from the Central Post Office and ten days from branches; letters in municipalities are delivered within eight days. However, even government officials admit that, in the past, mail could sit around awaiting delivery for months or even years at a time. Franco proudly stated that, for a change, his administration has caught up with overdue mail, but everyone interviewed for this report still gets months old mail.

Citizen are resigned to receiving broken, stained, wet, and damaged correspondence. It is not at all uncommon for correspondence to be opened, ripped, or delivered to the wrong address. GAMT statistics of complaints registered (783 in 1997) are deceptively low.

The gross inefficiency of GAMT, accompanied by its highly unethical practices, were brought to light in the late 1970s by two factors; the large emigration of Guatemalans to the United States and other countries, and the devaluation of Guatemala's currency.

EXTERNAL REASONS FOR THE FAILURE

Strengthened in great part by the Sandinistan victory in Nicaragua (1979) and turmoil in neighboring El Salvador, in the early 1980s Guatemalan Marxist-Leninist guerrilla war intensified.

Meanwhile, on the economic front, Guatemala was hit by

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"Once the neighborhood really gets into e-mail and voice mail, we'll be out of here."

the world recession of 1981-1983. The historically solid *quetzal* had been pegged to the U.S. dollar at a rate of 1:1 since the 1930s. The government eventually had to devalue the currency, but sought to retain control over the exchange rate. Money changing businesses were declared illegal. They either closed down or went underground. By 1989, annual inflation was 60 percent—unprecedented in Guatemala.

Those problems lead to emigration; 1.2 million Guatemalans currently live in the United States, about 10 percent of Guatemala's population of ten million. Los Angeles is "Guatemala's second largest city," with six hundred thousand émigrés. Smaller pockets, often predominantly from the same village or town in Guatemala, have settled in other U.S. cities.

The massive immigration dramatically changed the postal needs of Guatemalans. Sending wage earnings home to those left behind became an important priority. Remittances were a lifeline for many struggling families. GAMT was not up to the challenge. In the beginning, the émigrés often sent cash through the mail, but much of it was stolen in GAMT offices. By the time money orders replaced cash, the government had gotten into the act, trying to keep remittance dollars off the black market. The Bank of Guatemala actually went so far as to set up a government exchange bureau inside the Central Post Office, forcing addressees to open their letters and exchange their dollars on the spot, in effect, expropriating their money.

GAMT also systematically violated the sanctity and confidentiality of correspondence. Mail was intercepted and read for political reasons. Military personnel reviewed mail as part of their counterinsurgency activities, a practice that was still going on in the mid-1990s, long after the excuse was gone.

Once property was stolen, whether as cash out of envelopes or via forced exchange rates, and private messages were scrutinized inside GAMT, Guatemalans turned their back, on government enterprise and chose private alternatives.

PRIVATE SUCCESS

Guatemalans did not simply accept the failures of the government mail service. They acted to change the situation.

- In Pedro Lucas's remote mountain hamlet, there are no phones and no electricity. When this peasant gets off the bus, after a long, bumpy ride, he has to ask a local radio station to broadcast a message to his family: "Meet me at the roadside with a mule to carry my load." Yet this same man can receive a dollar remittance from relatives in Los Angeles in less than a week.
- The rural town of Soloma looks like boomtown as it comes into view on the other side of the high mountain pass. Almost every house in the large and populous valley sports a new roof, glass windows, and a new wing. The reason? Remittances sent by émigrés of this Mayan Canjobal village who live and work in Indiantown, Florida.
- A Californian client of Garza Express called in desperation when a family member in Guatemala needed an emergency operation. Owner Cesar Garza made an exception to his company's rules and had his office issue an immediate loan to the relatives in Guatemala, thus helping to bridge the distance separating the family.

Private mail services began informally. Someone would fly from the United States to Guatemala with bundles of cash to



deliver, in person, to different people, usually friends or family members. Gradually the traveler or alert entrepreneurs set up more complex operations. Offices were established in the United States to consolidate the remittances and in Guatemala to organize delivery, but the traveler was still the key logistical player.

Going in the other direction, from Guatemala to the United States, important mail was entrusted to a traveling friend or relative who would then either post mail through the U.S. Postal Service or hand deliver it.

The money changing business was originally born on the street in front of the Central Post Office in Guatemala City, where hawkers would aggressively compete to change dollar remittances into quetzales. Everyone relied on this street market to find out the daily exchange rate. When a local economist called a bank president to find out that day's exchange rate, the banker replied, "Call me back later, the guy I sent has not gotten back from in front of the post office yet." As currency controls tightened and authorities clamped down on money exchanges, those businesses drifted into transporting remittances.

"We started in April 1987," recalls Cesar Garza, owner of Garza Express, based in Retalhuleu, Guatemala, near the Mexican border. "The only service then was Gigante Express, and they had such a stranglehold on the market that people from the southern coast of Guatemala had to come all the way into Guatemala City [four hours on a bus] to pick up their money order. We started small, carrying one or two pounds of mail a day, but by the end of the year we had grossed over one million dollars in income."

With time, mail needs expanded. Guatemalans in the United States wanted to send Nike sneakers and other goods back home. Guatemalans in Guatemala wanted to catalog shop or subscribe to American publications and receive them on time. Along with the traditional international couriers, innovative companies offered new services such as renting American post office boxes.

The deterioration of GAMT also opened the door to private in-city messenger services. They built upon the tradition of the in-house messenger that all companies had come to rely on for local delivery of bills, legal documents, and other valuables.

THE STRUCTURE OF PRIVATE SERVICE

Today there are four major types of private delivery services: (1) in-city messenger, (2) in-country delivery, (3) international courier, and (4) international remittance transport. A study by the Social and Economics Research Center (CEES) located eighty-six firms providing at least one of those services, although business insiders estimate the real number is around 250. About a quarter of the firms offer overlapping services. Of the eighty-six firms, 48 percent supply in-city messenger services, 48 percent international couriers, 20 percent international remittance services, and 7 percent in-country services. They range from tiny, locally based, mom-and-pop operations to multinational giants like DHL; from fly-by-nights to those with more than a decade of experience.

Some are vertically integrated, some are franchises, some are conglomerates with individually-owned branches. Those that started as money exchange operations are very tight-lipped, while others embrace competition and generously share valuable information.

Industry insiders place over one hundred companies in the city messenger group, which together deliver around six hundred thousand letters each month. Most of these businesses pick up letters at the client's office, staple a tab advertising their services to every envelope, and deliver via motorized messengers within the perimeter of the city. The bulk of these firms concentrate on the metropolitan area of Guatemala City. In some cases, the addressee signs a record of receipt, in others the messenger tears off part of the tab as proof of delivery. Virtually all bills, invitations, and important documents are entrusted to the companies. Even the government uses them to send telephone and water bills, court summons, municipal tax notifications, and whatever else it cannot afford to lose. Delivery time is usually two or three days, door-to-door, and up to four or five days in the case of bulk mailings.

Only one of the six firms identified in the in-country market, Cargo Express, delivers letters and packages in all of the provinces in the country. The rest are strong regionally. For example, King Express dominates the northwest and Garza Express primarily covers the southwest provinces. Some offer pick-up services as well as personal delivery. Others have deposit and pick-up stations. Companies subcontract to each other for national coverage, especially for delivery to remote areas. Inter-city delivery is usually within twenty-four hours.

More remote deliveries can take up to a week in the case of far-flung villages because incoming mail for each region is consolidated before it is transported and distributed. All offer rural express service (usually twenty-four hour delivery) for an added fee. In-country service is much more expensive than equivalent GAMT service. For example, Cargo Expreso charges a pricey \$2.50 minimum per piece.

International couriers perform two distinct activities: traditional delivery of packages and the phenomenon of bulk rental of U.S. post office boxes.

Between five thousand and six thousand Guatemalans have a Post Office Box address in the United States. Postal addresses are rented by a courier company where clients' letters, magazines, and packages are delivered (as Latin America's hub, Miami is the location of choice). The mail is then flown to Guatemala City on a daily basis; the largest companies use their own planes. The company deals with the bureaucracy in customs. Box rental rates begin at thirty-one cents per ounce for up to five pounds per month, and drops on a graduated basis, to sixteen cents an ounce for thirty-five pounds and up. Seventy percent of the clients opt for home delivery at a surcharge. The rest pick up their mail at the company's Guatemala City office.

One company, Trans-express, handles nearly half of the post office box clients in Guatemala. The Miami-based company owned by a group of Latin Americans, supplies ninety-eight thousand clients, covering all of the countries in Latin America, with an American post box address in Miami. Its billboards read: "Post office box international services . . . like living in the United States." And for those things that do not fit in a P.O. Box (like refrigerators, TVs, and stoves), many companies also provide cargo consolidation and freight service.

"The courier and post office box market is very large; that is why so many firms have been around for so long," reflects Mario Jerez, owner of the Trans-express office in New Orleans, "The average is between fifteen and seventeen years in the market." Inbound documents and packages to Guatemala total approximately two hundred thousand pieces daily, almost three times as much as outbound correspondence.

Packages are the bread and butter of traditional courier services. In Latin America, the traditional courier market is dominated by multinationals. According to Mr. Jerez, DHL gobbles up 70 percent of Latin American business, Federal Express takes another 10 percent, UPS between 5 percent and 6 percent, and the remaining firms battle for the rest. Indeed, DHL is so entrenched in all of Latin America that it is considering setting up a private fleet of planes in Panama to service the region.

INTERNATIONAL REMITTANCE SERVICE

Companies that provide international remittance service specialize in transporting money orders. Unlike Western Union-style businesses, they neither issue nor cash the money order

but they do allow letters and cassettes to accompany a money order. Audio and video cassettes containing personal messages are an important part of the service because of the high illiteracy rate among immigrants and the families they leave behind. "American Express or a commercial bank may try to compete, but we cannot abandon this market while there are so many Central Americans living in the United States," declares Cesar Garza. "People want to send the money order accompanied by a caring letter to family members."

All of the companies are characterized by low-profile offices, both in the United States and Guatemala. In Guatemala, it is usually the town baker, pharmacist, or barber who serves as an informal "post office." None offer pick-up service but, in most cases, do deliver. In some cases, addressees receive a telegram advising them to pick up their correspondence at the nearest branch. In the Guatemala City metropolitan area, mail is received within forty-eight hours in most cases (up to a maximum of four days). In the rest of the country, delivery ranges from a week to ten days.

According to unofficial government calculations, remittances sent to Guatemala by émigrés living in the United States total between five hundred million dollars and six hundred million dollars per year (in El Salvador, that figure is double). One owner estimates that the average money order of his clients is around \$350. The amount of money sent ranges from ten dollars to thousands of dollars. The amounts do not appear in official statistics because the government has no way of tracking the transfers. Remittances have become a critical source of dollars for Guatemala. In 1997, remittances missed beating coffee, traditionally the number one export, as a source of foreign exchange only because international coffee prices skyrocketed and the bean raked in over one billion dollars. (In 1996, coffee exports grossed \$472 million.) In 1996, remittances were close to 10 percent of Guatemala's total reported dollar income, and equal to 25 percent of all export earnings.

Four of the forty firms that provide international remittance services dominate that segment of the market. As immigrants settle in new locations in the United States, opportunities arise for a start-up to specialize in servicing that geographic area. Rumors suggest that some of the businesses with sister money changing operations may be used for money laundering. Those accusations have created a fog of secrecy around the international remittance business, reinforced by the reluctance of business owners to even answer the phone and by the United States Department of the Treasury's campaign against "financial crimes" in Latin America.

BARRIERS TO COMPETITION

All of the private delivery businesses share three characteristics. They are competitive, their services are more expensive than those of GAMT, and they operate in legal limbo given the government monopoly of postal services under Decree 650, Article 41. Some members of the Guatemalan Congress have pushed

REMITTANCES HAVE BECOME A CRITICAL SOURCE OF DOLLARS FOR GUATEMALA.

for modification of that decree with no luck. A 1995 initiative to place "parallel mail services" under a government "superintendency" came close to succeeding. Meanwhile, in practice, the government tacitly recognizes the existence of the private services and leaves well enough alone. "The market will continue to be free to operate," assures vice-minister Franco. "We want to reform the laws when we modify postage rates—later on." The owner of an international remittance service opines, "Guatemalan laws don't pose a serious obstacle." He had never heard of Article 41.

The U.S. government, however, does pose obstacles. In 1989, the Drug Enforcement Agency (DEA) opened two truckloads of boxes being transported by Garza Express out of the United States, into Mexico en route to Guatemala. "They would open a box and there would be soap, toothpaste, canned sausage, sneakers—anything to help the family out back home. Thank God we're just carriers for poor people."

Meanwhile, the U.S. Treasury Department is trying to combat "financial crimes" through the Proposed Amendment to the Bank Secrecy Act Regulations. That rule would force all businesses dealing with remittances to register with Treasury, file an estimate of the cash value of the remittances they estimate they will handle during the coming year, and provide other additional information. In the name of persecuting the dishonest few, the initiative could make the international remittance services more expensive and less attractive to newcomers.

EFFECTS OF COMPETITION

To provide quality service, Guatemalan firms use bar codes, track mail by computer, and otherwise use advanced technologies that GAMT only dreams of having. "What King Express did," says Mr. Garza, "was invest in equipment and modern technology while we relaxed. That is why they practically ate up the market." Technology contributes to more efficient, and

more expensive, services. Private delivery service can easily be up to 700 percent more expensive than government postal service, but prices are obviously low enough to generate substantial volume. In the case of international remittance service, usually prices in the United States are higher than on the Guatemalan end for equivalent service. "Incoming mail subsidizes the outgoing mail," states the General Manager of Intercapitales. "Our clients in the United States have greater purchasing power." Table 1 compares price differences of GAMT, two private remittance services, an international courier, and the U.S. Postal Service.

Prices have gone down thanks to competition despite attempts by the Arzú Administration to collect more customs duties; for some former evaders the latter cost has quintupled. Garza, which used to charge between \$255-\$460 to transport a box between 20" by 20" and 30" by 30" from the United States to Guatemala, now charges between \$90-\$250. But to cut costs, according to Mr. Garza, "We discontinued two routes, one to the southeast and one to El Progreso, Zacapa, and the port, because they weren't viable. Not enough demand. But we deliver everywhere."

Fernando Ruiz of Cargo Expreso says, "We have a list that we call 'standard coverage' which includes all the towns we deliver to routinely. We reach these places in twenty-four hours for packages and two to three days for letters. Villages which are farther away do not have daily service but rather [receive deliveries] once or twice a week, as volume permits." Mario Jerez pledges that "If you pay for it, we'll deliver even in the most isolated areas. We use Cargo Expreso in such cases."

Cargo Expreso in fact has become a true innovator. Founded in 1982 to provide UPS-type package pick-up and delivery services, it soon expanded into other services and neighboring countries. In October 1997, it opened a true private "postal" service, issuing stamps and offering both domes-

Table 1

Public and Private Price Comparison

Type of Letter	GAMT (Guatemala to USA)	King Express (Guatemala to USA)	Intercapitales (USA to Guatemala)	Trans-express (USA P.O. Box to Guatemala)	USPS (USA to Guatemala)
1 ounce	\$0.02	\$1.31	\$7.00	\$0.31	\$1.00
certified letter	\$0.15	N/A	N/A	N/A	\$6.95 **
audio cassette	*	\$2.10	\$9.00	\$0.93	\$2.60
1.5 lb. Package	—	\$25.10	—	\$3.84 - \$7.20	\$19.40
Money Order	N/A	N/A	\$12 - \$15 (depending on amount)	\$12 - \$62 (depending on amount)	N/A

*Certified letter in Guatemala = Registered and return receipt

** For comparative reasons, price for registered letter with return receipt from the USA to Guatemala

Sources: USPS, "New Rates"; El Periodico; interviews

tic and international service. Customers can buy: (1) a white stamp at eighteen cents for same-city delivery (twenty-four hours); (2) a blue one at thirty-six cents for delivery anywhere else in the country (three days); (3) a pink one at eighty-nine cents for international delivery which uses remail through the USPS (one week).

Customers can post their mail at any Cargo Expreso office in the country, as well as retail stores (often stationery shops) contracted by Cargo Expreso. Currently, customers can post letters at two hundred places throughout the country: 120 in Guatemala City and eighty in the interior. By the end of 1998, Cargo Expreso plans to have five hundred "post offices": three hundred in the capital and two hundred in the interior, which will expand coverage to most towns and, major villages.

In December 1997, only two months after offering its new service, Cargo Expreso moved two hundred thousand pieces of mail. Large corporate customers, like Skytel of Guatemala, are so happy with the service that they are beginning to use it exclusively for all of their correspondence—national and international.

ELECTRONIC COMPETITION

The arrival of the Information Age in Guatemala is forcing GAMT and private servers to adapt. Many businesses, universities, and households, so far mostly in Guatemala City, are hooked up to the Internet. The privatization of the government telephone monopoly is underway; an open telecommunications market will transform the country. The private delivery services recognize that those developments will restructure their market but, unlike the government, they are looking for ways to cash in on the new technology. "Trans-express has a web-page to advertise our services," says Mr. Jerez. "We are becoming leaders in electronic mail. You have to go in the direction that the rest of the world is going."

"We've had very gratifying experiences," reflects Mr. Garza. "Émigrés refer to my private delivery service as 'the pride of Guatemala.' The business—my name—has grown so much because we provide good service. I have had more satisfactions than frustrations . . . and there's still a lot left to do."

CANADA POST TAKES OVER

The challenge from private delivery services has forced the government to move ahead with plans to modernize and "privatize" GAMT. Unfortunately, the Minister of Communications, Transportation, and Public Works considers that GAMT cannot be sold off completely because of the Universal Postal Union, which dates from a 1984 conference in Berne, Switzerland. With 189 country members, under the provisions of that conference, governments are bound to provide specific postal services. The five delivery services that, in the opinion of the Guatemalan government, cannot be abdicated by the government include: (1) letters weighing up to 20 grams, (2) telegrams, (3) mail coming from abroad, (4) packages, and (5) money orders for under one thousand dollars. Needless to say, that interpretation is open to question. "We wanted to find a way to place public mail services under the responsibility of a

private international operator," says vice-minister Franco. The government put out a five-year contract for bids. Twenty-three firms declined to participate and six expressed interest. In the end, only one, International Post Service (IPS), a subsidiary of Canada Post, made an offer. Franco explains that GAMT is so small and far away that European postal services were not interested in bidding.

IPS has knowledge of the Latin-American postal market as it has done work in Chile, Bolivia, Argentina, and Nicaragua. After evaluation, a panel of Guatemalan government officials accepted the offer and signed the contract in January 1998.

IPS has been given six months to evaluate GAMT's situation and the remaining four and a half years to administer postal services. Undoubtedly, postage rates will be raised once IPS establishes true costs. The Canadians will have administrative latitude. They can fire and hire, rent or buy office space, and make other business decisions autonomously as long as IPS provides the five basic services. However, the Canadian company will not own GAMT and ultimately mail will remain the government's responsibility. Ironically, the contract stipulates that the host government will hold IPS to Universal Post Union standards of efficiency.

LESSONS FOR THE WORLD

Guatemala's experience with private delivery services offer a number of lessons.

- (1) Private delivery services in Guatemala are fast compared to GAMT. The government monopoly often takes months or sometimes years to deliver a simple letter. Competitive firms offer a range of services, including overnight and thirty-six hour delivery, and customers have a wide range of companies amongst which to choose.
- (2) Although their prices are much higher than those of GAMT, private delivery services in Guatemala are used by virtually the entire population: rural and urban, rich and poor; even the government. GAMT prices are heavily subsidized and do not even cover the cost of the service; private firms make a profit. Aggressive competition has pushed prices down since the market surfaced in the late 1970s.
- (3) Private delivery services in Guatemala reach even the most remote villages, laying to rest the argument that only a government-sponsored venture provides universal coverage. Firms rely on each others' infrastructure to ensure delivery within acceptable time frames, instead of attempting to individually canvas the entire country, thus lowering prices and avoiding inefficiencies. By definition, no government mandates forcing such cooperation are involved.
- (4) Private delivery services in Guatemala use modern technologies to stay ahead of the game. They stay in tune with their clients' changing needs in order to improve results. Growth, flexibility, reliability, and competitiveness are characteristic of most Guatemalan

firms, in stark contrast to GAMT.

- (5) The success and expansion of private delivery services in Guatemala is partly responsible for pushing government officials to subcontract administrative control of GAMT to IPS. That arrangement will undoubtedly improve the public service.

Guatemala's experience in the last two decades can serve as an example to other countries. A competitive private market

emerged in this small country during years of intense political and economic turmoil. Not only did it survive, it thrived—to the benefit of all Guatemalans. Private delivery services helped raise the standard of living for many Guatemalan families. The entrepreneurs who ventured down this path remain positive about the future of their businesses, a future on the verge of immediate global communication. If it could happen in a developing Central American nation, what might private