

6.16

Seychelles Postal Services (SPS)

6.16.1

Strategic Overview



6.16.1.1

Mandate

As a member of the Universal Postal Unions, SPS is mandated to develop its business in line with that of the UPU postal strategy which involves, digitalisation, streamlining of customs process to facilitate ecommerce, improved services for the customer and sustainability of the post by diversifying its business to include digital trends such as crypto stamps, digital marketing and e-services to include e-government.

SPS has a social mandate which encompasses the UPU concept of Universal Service Obligation, which has a set KPIs for number of citizens per post office for social inclusion into the digital world of ecommerce, e-services, e-government. The USO concept also mandates that locally a customer cannot be penalized for postage based on distance the item has to travel, as an example a local letter is SCR6 no matter where it has to travel to within Seychelles.

6.16.1.2

Vision

Our vision is to be amongst the leading operators in the provision of postal services and products in the region.

6.16.1.3

Mission

- **Meeting the Needs of the Citizens and Promoting Economic Growth** Ensure that the postal sector meets the basic needs of citizens, fostering economic growth and digital citizenship.
- **Providing Accessible and Customer-Centric Postal Services**
Offer customers a reliable, and customer-centric postal system that caters to their e-government, communications and e-commerce needs.
- **Prioritizing Safety, Security, Reliability, and Speed**
Place utmost priority on mail safety, border security, reliability, and speed in the processing of mail items.
- **Enhancing Seychelles' Competitiveness**
Increase the efficiency and effectiveness of the postal system and operations to enhance Seychelles' competitiveness, meeting the diverse needs of both local and global customers by creating an international mail transit hub.
- **Responsible and Strategic Infrastructure Investment:** Invest in operations infrastructure responsibly, considering safety, border control, economic, and strategic factors to minimize negative impacts.

6.16.1.4

Strategic Priorities for 2024-2026

- Digitalization (connectivity of systems, interactive website, online services).
- Employee capacity building in use of technology, Microsoft systems, International Postal System, delivery applications and customer service.
- Re-evaluate job descriptions and bring in line with modern postal requirements
- Create own scheme of service to align with modern postal requirements.
- Mail Security – Being accredited by the UPU
- E-Commerce growth - enabler of outbound and inbound ecommerce.
- National Addressing System – supporting the development of the project.
- E-services – book collections, deliveries, pay online, upload documents, postage calculators, bill payment, access to online purchasing of stamps, souvenirs and interface to online selling platforms.
- Crypto stamps - digital stamps with a paper twin, collectors' items.
- Courier service consolidation - government project to consolidate services.
- New IMPC - national warehouse to increase ecommerce volume, operate as a mail transit hub.
- Door to door delivery - improve delivery service, offer customers a seamless service
- Digital Marketing - DTC - direct to consumer.

1.1.1.2

Key Challenges

- Operating space
- Technology
- Employee capacity
- WIFI
- Pace of stakeholders
- Consumer awareness
- Business agility.

6.16.2 Outlook of Financial Strategy

6.16.2.1 Projected Financial Position of Seychelles Postal Services

Description	Actual Figures			Provisional	Forecast			SCR ('000)
	2020	2021	2022	2023	2024	2025	2026	SCR ('000)
Assets								
Non-Current Assets	10,996	8,990	8,362	7,956	12,030	8,598	8,598	8,598
Property And Equipment	8,593	7,800	7,194	7,956	12,030	8,598	8,598	
Intangible Asset	41	34	132	-	-	-	-	
Right Of Use Assets	1,670	-	-	-	-	-	-	
Deffered Tax	692	1,156	1,036	-	-	-	-	
Current Assets	31,873	31,145	31,187	33,514	31,190	31,190	31,190	31,190
Inventories	5,797	5,838	5,650	5,135	5,388	5,649	5,134	
Trade And Other Receivables	13,027	6,297	4,925	6,860	4,900	6,500	6,500	
Cash And Cash Equivalents	13,050	19,010	20,612	21,519	20,902	19,041	19,556	
Total Assets	42,869	40,135	39,548	41,470	43,220	39,788	39,788	39,788
Equity And Liabilities								
Equity	31,486	31,189	29,565	30,855	33,220	29,788	29,788	29,788
Share Capital	100	100	100	100	100	100	100	100
Capital And Other Reserves	28,599	28,599	28,599	28,599	28,599	28,599	28,599	28,599
Retained Earnings	2,787	2,491	866	2,156	4,521	1,089	1,089	
Non-Current Liabilities	2,112	2,629	2,585	2,990	2,500	2,500	2,500	2,500
Lease Liability	872							
Employee Benefit Obligations	1,241	2,629	2,585	2,990	2,500	2,500	2,500	
Current Liabilities	9,271	6,316	7,399	7,625	7,500	7,500	7,500	7,500
Lease Liabilities	716							
Trade And Other Payables	8,554	6,316	7,399	7,625	7,500	7,500	7,500	
Total Equity And Liabilities	42,869	40,135	39,548	41,470	43,220	39,788	39,788	39,788

6.16.2.2 Projected Statement of Comprehensive Income of Seychelles Postal Services

SCR ('000)

Description	Actual Figures			Provisional	Forecast			SCR ('000)
	2020	2021	2022	2023	2024	2025	2026	
Revenue	29,864	15,250	17,037	28,167	45,808	63,158	78,996	
Direct Operating Expenses	(7,321)	(5,390)	(4,463)	(6,391)	(5,727)	(5,727)	(5,727)	
Gross Profit	22,542	9,860	12,574	21,777	40,081	57,430	73,269	
Other Income	75	-	8,432	6,000	4,000	4,000	4,000	
Employee Expenses	(7,124)	(2,474)	(16,731)	(17,466)	(19,654)	(19,216)	(19,216)	
General And Administrative Expense	(3,991)	(3,751)	(4,185)	(5,315)	(6,756)	(7,948)	(7,948)	
Depreciation Of Property And Equipment	(1,138)	(1,214)	(1,022)	(2,447)	(1,080)	(1,200)	(1,200)	
Amortisation Of Intangible Asset	(7)	(7)	(10)	(8)	-	-	-	
Amortisation Of Right Of Use Asset	(511)	(724)	-	-	-	-	-	
Expected Credit Losses	(802)	(734)	302	-	-	-	-	
Finance Income	12	123	9	11	111	111	111	
Finance Costs	(147)	(135)	-	-	-	-	-	
Exchange (Loss)/Gain	5,306	(1,704)	(873)	(263)	-	-	-	
(Loss) / Profit Before Taxation	14,217	(760)	(1,505)	2,814	16,702	33,178	49,016	
Taxation Credit	247	464	(120)		(2,951)	(8,387)	(12,347)	
(Loss) / Profit And Other Comprehensive (Expense) / Income For The Year	14,464	(296)	(1,624)	2,814	13,750	24,790	36,669	

6.16.2.3 Projected Cash flow Statement of Seychelles Postal Services

SCR ('000)

Description	Actual Figures			Provisional	Forecast		
	2020	2021	2022	2023	2024	2025	2026
Cash Flow From Operating Activities							
(Loss)/ Profit For The Year	14,217	(760)	(1,505)	2,814	13,750	24,790	36,669
Adjustments For:							
Depreciation Of Property And Equipment	1,138	1,214	1,022	2,447	1,080	1,200	1,200
Profit On Disposal Of Assets	(75)	-	(81)	-	-	-	-
Amortisation Charge Of Intangible Asset	7	7	10	8	-	-	-
Amortisation Of Right-Of-Use Assets	511	724	-	-	-	-	-
Derecognition Of Right –Of-Use Assets And Lease Liability		74	-	-	-	-	-
Expected Credit Losses	802	734	(302)	-	-	-	-
Length Of Service Charge	1,083	1,494	635	-	-	-	-
Foreign Exchange Movement	(2,074)	1,256	855	-	-	-	-
	15,607	4,743	635	2,455	1,080	1,200	1,200
Add: Changing In Working Capital	(6,220)	3,715	2,892	1,646	1,222	1,839	1,585
Increase In Inventories	(126)	(41)	188	(515)	(253)	(261)	(515)
Decrease/(Increase)In Trade And Other Receivables	(4,850)	5,995	1,675	1,935	1,800	1,800	1,800
Decrease In Trade And Other Payables	(1,244)	(2,238)	1,029	226	(325)	300	300
Net Cash Generated From Operations	9,387	8,459	3,527	4,101	2,302	3,039	2,785
Employee Benefit Obligations	(882)	(105)	(680)	(425)	(1,620)	(1,620)	(1,620)
Net Cash Inflow From Operating Activities	8,505	8,353	2,847	3,676	3,922	4,659	4,405
Cash Flow From Investing Activities							
Purchase Of Property And Equipment	(491)	(421)	(416)	99	100	100	100
Purchase Of Intangible Asset	-	-	(54)	-	-	-	-
Proceeds From Sale Of Assets	75	-	81	-	-	-	-
Net Cash Outflow From Investing Activities	(415)	(421)	(389)	99	100	100	100
Financing Activity							
Repayment Of Lease Liabilities And Net Cash Outflow From Financing Activity	(591)	(716)	-	-	-	-	-
Net Increase In Cash And Cash Equivalents	7,499	7,216	2,457	3,775	4,022	4,759	4,505
Movement In Cash And Cash Equivalents	3,477	13,050	19,010	20,612	23,952	27,975	32,733
At January 1,							
Increase	7,499	7,216	2,457	3,775	4,022	4,759	4,505
Foreign Exchange Movement	2,074	(1,256)	(855)	(435)			
At December 31,	13,050	19,010	20,612	23,952	27,975	32,733	37,238

6.16.2.4 *Projected Capital Investment Plan of Seychelles Postal Services*

Project Name	Project Purpose and Description	Expected Outcome of the Project	Total Estimated Project Cost	Source of Finds	Year of Project Commenced	Expected Completion Date	Actual Figures			Provisional	Forecast			SCR ('000)
							2020	2021	2022		2024	2025	2026	
Major Capital Investments														
IPS	Cloud Technology	System integration	\$50	UPU QSF Fund	2024	2024	-	-	-	-	-	-	-	SCR ('000)
POS	POS System	System Integration	\$30	Japan Fund	2024	2024	-	-	-	-	-	-	-	SCR ('000)
National Warehouse	New airside IMPC	Space to increase inbound & ecommerce and operate as a hub + door to door deliveries.	R4000	Govt of Seychelles loan, over 9 years at 37k per month	2024	2024	-	-	-	-	222	444	444	SCR ('000)
Purchase of electric van	+ electric Van	-	-	-	-	-	-	-	-	-	-	-	-	SCR ('000)

6.16.3 *Projected TAX, Divided, Debt Payments, Subventions, Grants and Contingencies*

6.16.3.1 *Tax Implications by the Operations of Seychelles Postal Services*

Type of Tax	Actual Figures			Provisional	Forecast			SCR ('000)
	2020	2021	2022		2023	2024	2025	
Business Tax	248	464	(120)	-	(2,951)	(8,387)	(12,347)	
PIT	563	557	467	410	450	450	450	
VAT	-	-	-	-	45	45	45	

6.16.3.2 *Anticipated Dividend Declarations by Seychelles Postal Services* SPS does not anticipate in declaring any dividend

6.16.3.3 Debt Payments Forecasts by Seychelles Postal Services

SCR ('000)

Lending Organization	Description	Purpose of Borrowings	Total Debt Amount (Capital)	Total Borrowings and Debt Servicing							
				Actual Figures			Provisional		Forecast		
				2020	2021	2022	2023	2024	2025	2026	
Loan 01 From Government of Seychelles	Borrowings	WAREHOUSE + VAN	4,000	-	-	-	-	4,000	-	-	
	Interest for the Year	Details Not included in the MTFS									
	Repayment of Capital	Details Not included in the MTFS									
	Balance carried forward	Details Not included in the MTFS									

6.16.3.4 Anticipated Subventions and Grants by Seychelles Postal Services

R ('000)

Nature of Funding	Funding Agency	Purpose	Total Agreed Amount (Forex)	Total Receipts of Subventions and Grants							
				Actual Figures			Provisional		Forecast		
				2020	2021	2022	2023	2024	2025	2026	
Subventions	Government	Subsidy	-	12,000	15,000	8,000	6,000	4,000	4,000	-	
	IMF	-	-	-	-	-	-	-	-	-	
	ADB	-	-	-	-	-	-	-	-	-	
	EU, etc.	-	-	-	-	-	-	-	-	-	
Grants	Government	USO	-	2,000	-	-	-	-	-	-	
	IMF	-	-	-	-	-	-	-	-	-	
	ADB	-	-	-	-	-	-	-	-	-	
	EU, etc.	-	-	-	-	-	-	-	-	-	

6.16.3.5 Contingencies of Seychelles Postal Services.

SPS does not anticipate any contingent liabilities

6.16.3.6 Assumptions used for the Financial Projections of Seychelles Postal Services.

The assumptions made in this projected financial statement are based on the following:

- Infrastructure investment - IMPC warehouse, upgraded technologies
- Employee capacity – Training in systems and change in work schedule and pattern.
- Economic Outlook - International and regional economic trends
- Trade/Customs/Aviation Regulations - No changes in current customs import allowances.
- Airline Routing – No changes in current routing but instead, additional routes/airline connections.
- Agile Development - Responsive to change as when it occurs, ability to deviate from strategy if no longer valid.
- Financing - borrowing from GoS.

6.16.4 KPIs, Risk Management Strategy and Reporting Obligations

6.16.4.1 Key Performance Indicators of the Seychelles Postal Services.

Title of Key Performance Indicators	Description	Actual Figures			Achievements of KPIs			
		2020	2021	2022	Provisional	2024	2025	Forecast
2026								
Delivery Performance	Meet targets set by UPU/suppliers & Customer Expectations.	-	-	D+10	D+10	D+5	D+5	D+5
Volume Increase	Ecommerce (in and outbound)	-	-	157k items	250k items	500k item	500k items	650k items
Consolidated Technologies	IPS Cloud, POS, DPS	-	-	-	-	-	-	-
Revenue regeneration	As per budget	-	-	-	-	-	-	-
Volume increase	Transit Mail	-	-	-	-	-	1M items	1M Items
Operations Efficiency	SOPs validated by the UPU and certified.	-	-	-	-	Security Accreditation + SOPs	-	-
Training	Total comprehension of all system by employees.	-	-	-	-	Ongoing	Ongoing	Ongoing

- Re delivery performance - D means “day of arrival” for tracked items. So, 10 days after arrival.
- Volume increase is the amount of ecommerce we receive and send. Revenue is based on that and on type of mail service used.
- Consolidate technologies - part of UPU KPI to have the latest system, but there is a cost implication which the Post has to bear.
- Transit mail is mail we process that goes via SPS warehouse to another country.
- Operations efficiency - SOP in place, accredited mail flow process physically and digitally, mail security accreditation, these are all UPU KPI for Africa Region.

6.16.4.2 Risks and Resilience Plan of the Seychelles Postal Services.

Risk Category	Potential Risks Identified	Risk Mitigation Strategies
Strategic Risks	Economic downturn, delayed investments in infrastructure, technology and of project initiation	Monitor ecommerce spending, continuously chase stakeholders. Diversify business into other areas/products, agile strategy.
Financial Risks	Global economic downturn, less online shopping, no tourists, change in customs allowance.	Reduce operating costs, maintain a cash reserve, change employee contracts, engage temporary headcount. Diversify business into other areas/products
Operational Risks	System failure, employee capacity, delayed deliveries, airlines issues. Poor delivery performance, loss of business to competitors	Move to cloud technology backed by the UPU, training of employees. Improve performance, put in place daily processing targets.
Compliance and Regulatory Risks	Mail security, customs and aviation regulation changes, end to end tracking for supplier and customer. DATA protection rules	Complete UPU security certification, work with customs closely for monitoring, ensure supplier end to end tracking is timely. Keep abreast of security changes in aviation, WCO and customer protection laws.

Environmental and Social Risks	Packaging used for ecommerce	Work with suppliers to reduce packaging and use recyclable materials
PESTEL	Trade regulations, change in customs allowances, change in employee contracts for shift work, exchange rate, inflation, consumer spending, upgrading and adopting new technology, supply chain disruptions due to natural disaster in supplier territories, data protection laws, KYC/AML	Keep abreast of regulations such as ICS2 for EU, EAD/STOP ACT for USA. Work with customs/WCO to ensure ecommerce is a seamless process for customer to avoid loss of business. Engage employees early about changes, re-structure where needed to accommodate new HC but not increase. Monitor global ecommerce trends/inflation/consumer spending. Invest in adaptable technology with API functionality that can evolve and not remain static. Comply with KYC/AML and data protection laws.

6.16.4.3 *List of External Reporting's by the Seychelles Postal Services*

Name/Title of the Report	Recipients of the Report	Description of the purpose, content and inclusion of the report	Frequency and Timing of the Report
Compliance Report – covers all international obligations for operations	UPU/USPS/Other postal operators/Airlines etc.	EAD – Electronic Advanced Data/CARDIT Exchange/Tracking events/EMS reporting/Customer queries	Monthly
Performance Report	Ecommerce partner/UPU/Regulator	Mail Americas/Singapore Post etc.	Weekly
FP&A Reports	Board	Financial reporting/debtors list	Monthly
Mail Volume Report/Customer Queries based on Customer Service charter.	Board/Regulator	Mail Volume by category Customer complaints Refunds Missent mail Returned mail	Monthly
CEO Report	Board	Personnel, projects etc.	Monthly
Security Certification	UPU	Security compliance & enhancements to improve mail safety	Monthly
ORE (Operation Readiness for E-Commerce)	UPU	Monitoring by the UPU against their set KPI for African Region	Monthly
AFS	Shareholder	Annual Financial Statement	Yearly
Sales report	Board	Philatelic shop sales	Monthly
Inventory/Asset Counts	Board	Assets/shop inventory	Monthly
Debtor's list	Board	Debtors, local & international	Monthly
SAPOA Report	SAPOA/PAPU	Development and compliance	Quarterly
NFT Sales	FSA	Sales/KYC	Monthly
SOP	UPU	Standard operating procedures	Annually
Customer Data	Customs	Customer shopping trend	As & when required
Access to Information	Public	Any requested information	As & when required.

6.16.5 Stakeholder Engagement

6.16.5.1 *Statement by CEO*

Committed to transforming Seychelles Postal Services to ensure it stays relevant, and reinvents itself as a key logistic player in the region, enabling local and international ecommerce by adopting digitalisation and streamlining processes to offer customers a seamless service. I believe that the post's long-standing history and network as the original logistics provider is an asset that can be built on and developed to enhance economic development.

Seychelles Post Office is one of the most iconic buildings in Victoria and also possibly one of the oldest businesses in Seychelles. Existing since the 1800s it has kept our islands in communication with the rest of the world. SPS is still a key business and offers a vital service to the country. However, with the developments in communications technology and private courier services, the post office has somewhat been left behind. One of our key priorities is to digitalise SPS to make our processes easier and faster and to serve our customers more efficiently, automating behind-the-scenes processes, using technology supplied by the Universal Postal Union (UPU) and developing our own add-on systems. Adding a point of sale (POS) system for our retail service at the counter and in our shop. Building a new website that will be the gateway to our services and give our customers more information on what we do and offer. That is information on pricing for postage, online customs declaration forms, online payment for shipments, mail redirection service, virtual mailboxes, online payment for post boxes and an e-commerce site allowing direct access to brands using the post office for shipment and also inviting local businesses to use our platform for their selling and shipping needs.

With all these exciting ideas, we need to develop our teams to meet these challenges and put in place new ways of working. Changing mindset on how we approach work is also key to these changes.

We are also reviving philately and will be going digital with some of our old stamps to attract NFT stamp collectors. NFT stamps are digital stamps or artwork collected online and kept in digital portfolios.

We are looking to further develop our courier service to tie in with Express Mail Service (EMS), as well as explore digital addressing, as we have so many issues with delivering letters. We have started delivering EMS door to door and soon for parcels and small packets too, and in future even collect items to be posted.

SPS also has a social mandate which is the Universal Service obligation which it needs to adhere to despite it being a loss-making concept which is currently being challenged by all postal operators globally. Since the pandemic many postal operators have found the market challenging due to the intense competition in ecommerce and only now is the post shifting its attention to being run as a business, as governments try to recover funds provided as subsidies.

As a member of the UPU and the Designated Postal Operator of Seychelles, SPS' development strategy aligns with that of the UPU for global postal development.

6.16.5.2

Foreword by Chairperson

Previously a Government Department and a division of the Ministry of Finance for many years, the Seychelles Postal Services (SPS) was incorporated in 2010 as a limited liability company under the Companies Act 1971 with the Government of Seychelles as the sole shareholder, after a new Postal Act was enacted. The evolution of a modern customer service-orientated public enterprise from over 200 years of a budget-dependent civil service department of central government was - and remains – the biggest challenge. Not least, a change of public and corporate mindset which considers that access to postal services and communication with the rest of the world to be a basic human right to be provided by a national government regardless of the cost, further compounded by a ‘civil service’ mentality displayed by staff who having been in a service monopoly for so long, fail to comprehend the challenges of providing a service to a customer. The greatest challenge of all, remains to catch up with a world that has moved on, where electronic media has replaced the written word and the internet has replaced mail bags.

Our aim has been to get aboard the band wagon, rewrite the business model, facilitate e-commerce, diversify our business and invest in technology and retrain our staff, to keep up with customer expectation. Investment in technology is specific and necessary, and expensive. In a recent UPU report, Seychelles scored low on the postal development index. Compared with more advanced postal operators elsewhere, there is much catching up to do.

International Scene

The postal sector has been undergoing a paradigm shift over the last 30 years, from a highly regulated paternalistic relic of the industrial era to an efficient and cost-effective facilitator of exchanges of goods and services in an era of global Internet connectivity, driven by exacting demands from customers. The modern postal customer does not subscribe to the postal system; rather, he *demands* good service, and fully expects it to be supplied at an optimal cost. In this new era, opportunities abound and many remain untapped. Besides adapting to the rapidly changing environment, postal policy makers and operators have also driven these changes, first by separating posts from telecommunications, and then – particularly in industrialized countries – by refocusing on a narrower range of activities and increasing productivity, before diversifying into new (or not so new) activities. Technology substitution, as well as to a lesser extent liberalization and globalization, has dramatically increased competitive pressure.

Domestic Scene

Notwithstanding incorporation as a limited company, SPS has remained a member of the Universal Postal Union (UPU) since October 1977. Membership of UPU, requires that we continue to provide a universal postal service, such as acceptance, processing, conveyance and delivery of postal items e.g., parcels, small packets and letter post classified as priority and non-priority and EMS, all of which has changed little over the years.

As is the case globally with many postal service providers, SPS has been having some challenges in this new digital era, as postal services face declining mail volumes and low margins in the highly competitive e-commerce business and the challenges of balancing over- and under-capacity in the postal network while ensuring constant service quality and customer proximity at a sustainable cost.

In spite of this, thousands of items are still being processed daily and an increase in e-commerce volumes is clearly apparent and the post has an opportunity to re-invent itself to provide its customers with a better service and contribute to economic growth and prosperity.

6.16.5.3

Statement by the Responsible Minister

MTFS has not been presented and discussed with the responsible Minister.