

Reported by the co-chair of the Physical Services & eCommerce Working Group

1. Introduction

The first meeting of the Physical Service & eCommerce Working Group of the 12th APPU Congress was held on 5th July, Tehran, Iran.

Australia and China took the position as co-chair of the meeting. China Post presided at the meeting with the trust by Australia Post which was absent. The meeting was attended by China, Bhutan, India, Indonesia, Iran, Japan, Korea, Malaysia, Maldives, New Zealand, Pakistan, Singapore, Sri Lanka, Thailand and Vietnam Nam.

2. Working Scope

The working group suggested to set up the working scope as follows consisting the 3 key areas.

1. Keep members informed of the updated progress of the correspondent working groups in UPU
2. Voice regional concerns and Gathering opinions back to UPU
3. Summarize the deliverables of the working-group meeting to formalize the reports to EC and the Plenary.

3. Updates on the UPU Work

In order to raise the awareness of the members of the UPU policy, the meeting shared the information sourced from the corresponding groups of UPU.

1. Physical Services Development Ecommerce Integration Group. (PSDEIG)

On Australia's behalf, China provided an overview on the overall work and KPIs of the group and KPIs which clearly showed the many important deliverables assigned to this group.

The focus of the work being undertaken in relation to the Step 1 .IPP is aimed at ensuring that designated operators are ready to implement key changes agreed by

the Istanbul Congress in 2016, namely the introduction of definitions for 'documents' and 'goods' and the mandatory application of the S10 barcode identifier.

The discussion also provided APPU members with an outline of the activities which then UPU is assisting with, to ensure designated operators are ready to implement the changes from 1 January 2018.

The members was also updated on the work relating to the development of the product portfolio matrix for Step 2 of the IPP. This included discussion around the integration of products across the UPU's basic services.

Concerning the development work in relation to ECOMPRO was discussed which includes work on ensuring that the product is customer and market relevant.

2. Remuneration Integration Group(RIG)

Singpost as the chair of RIG presented the overview of the remuneration system to help members have a profile and updated the status of the work of the Remuneration Integration group. The remuneration system is under discussion and connected with the product matrix defined by the PSDEIG.

The presenters introduced the concept of the Base rates, Surcharges, Pay-for-performance schemes, QS Link to Terminal Dues, Supplementary Remuneration Programme ,ILR bonuses , ECOMPRO bonuses ,EMS remuneration and the remuneration for items in transit.

Furthermore Singpost explained the implications of the rates to the business, especially provided an in-depth interpretation of the TD system in relation to the Country classification, Methodology: P/G format rates, E format rates ,Cap and floor rates ,Sampling and format separation thresholds ,QS link and QSF contributions.

3. Conclusion

The chair opened the floor and members showed great interest and intense concerns in the two above sectors. Members shared their concerns about the subjects related much with the business development such as the affordable small packet and the division between the priority and the non-priority service, between the mandatory and optional service.

In closing the chair emphasized the importance of the work of the working group in this cycle which will lead to profound impact on the existing product system of each member. All members of the region were encouraged to actively participate in the related work and voice the common concerns in the context of UPU.

4. Best Practice Sharing

The working group invited Japan Post to share their best practice of its physical service covering the product line and some tailored products and services for the various targeted customers.as YU-mail, YU-pack, cool EMS and the locker service .

5. he Next Meeting

The first meeting was closed and the next meeting will be held during the 2018 EC in Vietnam Nam.

6. Decision Expected

The plenary is requested to take note and approve the report of the physical service & eCommerce working group.

Mr. WANG Dong

Co-chair of the Physical Service & eCommerce Working Group

5th July, Tehran

The first meeting of the physical service & eCommerce working group

12th APPU Congress
Tehran, Iran
July 5th , 2017

Agenda

1. Welcome
2. Roll call
3. Proposed working scope
4. Update on the progress of PSDEIG in UPU
5. Update on the RIG in UPU
6. Best practice sharing from Iran Post
7. Suggestions/ Recommendations by member countries of working group

Presentation by Japan Post

Akio Miyaji

Executive Manager

International Business Division

Japan Post Co., Ltd

July 2017



日本郵便

1. Business environment
- 2. Lineup of products tailored to E-commerce**
- 3. Increased convenience to the customers**
- 4. Lineup of products for Cross-border E-commerce**

Japan Post Holdings Consolidated Profit: 425.9 billion yen

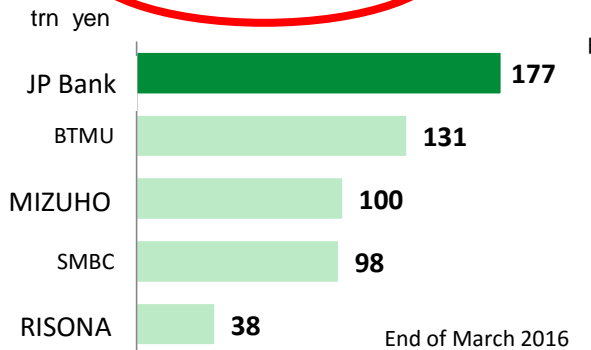
Japan Post Bank

Biggest retail bank
in Japan

20% share of
Family savings

Net income: 325.0 billion
yen

No 1 Deposit amount



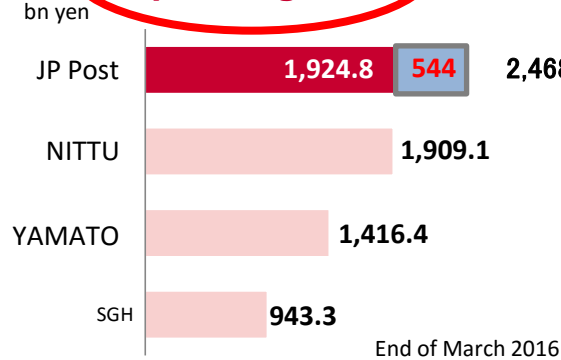
Japan Post

Largest delivery network
in Japan

Mail volume 18.0 bn
Post office 24,000

Net income: 47.2 billion
yen

No1 Operating income



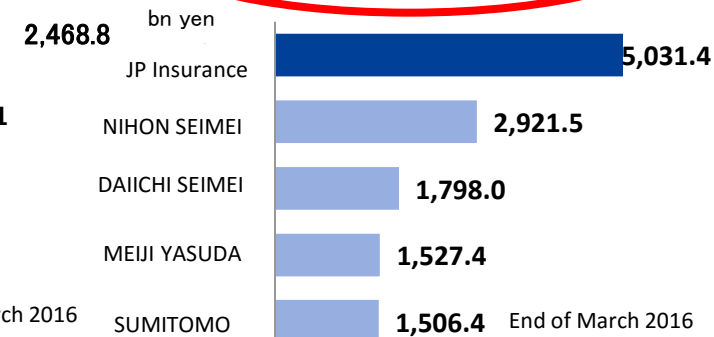
Japan Post Insurance

Biggest life insurance company
in Japan

23% share of
Annualized premiums

Net income: 84.8 billion
yen

No1 Annualized premiums

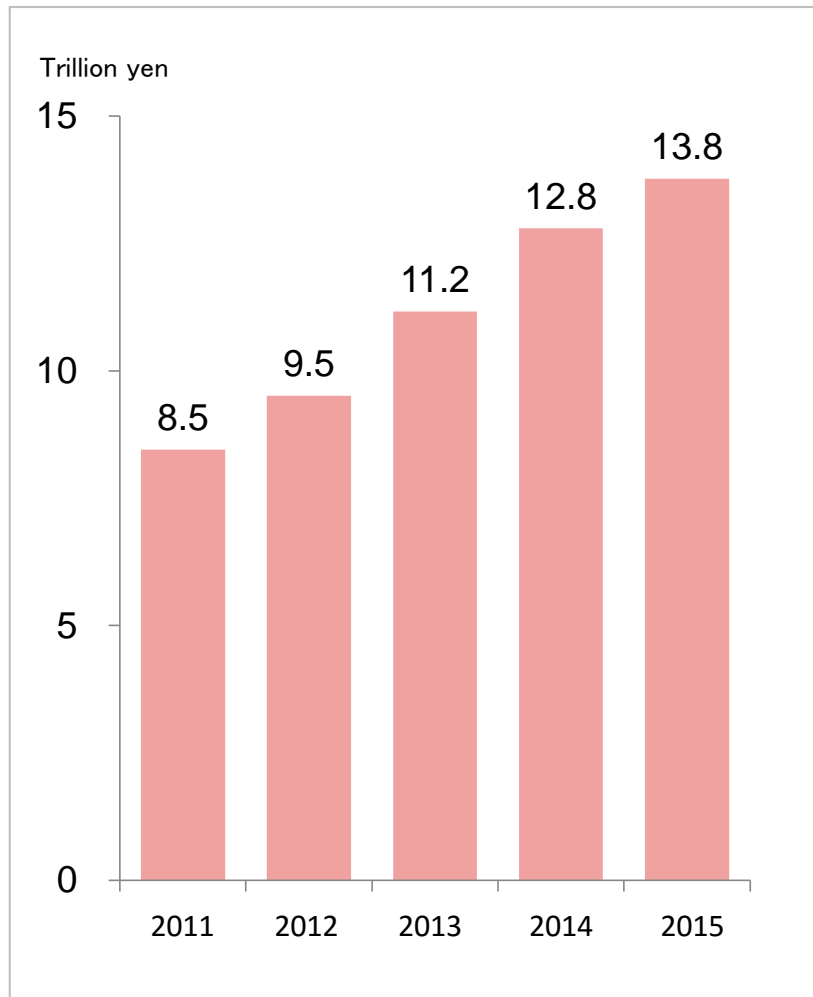


□ Key Statistics of Japan Post

Mail	18,030 million
Yu-pack (parcels)	513 million
Yu-mail (packets)	3,539 million
Operating Revenue	JPY 3,627.0 billion
Net operating income	JPY 32.6 billion
Full-time Employees	195,143
Post Offices	24,452
Japan's Population	128 million
Japan's Area	380,000 km ²

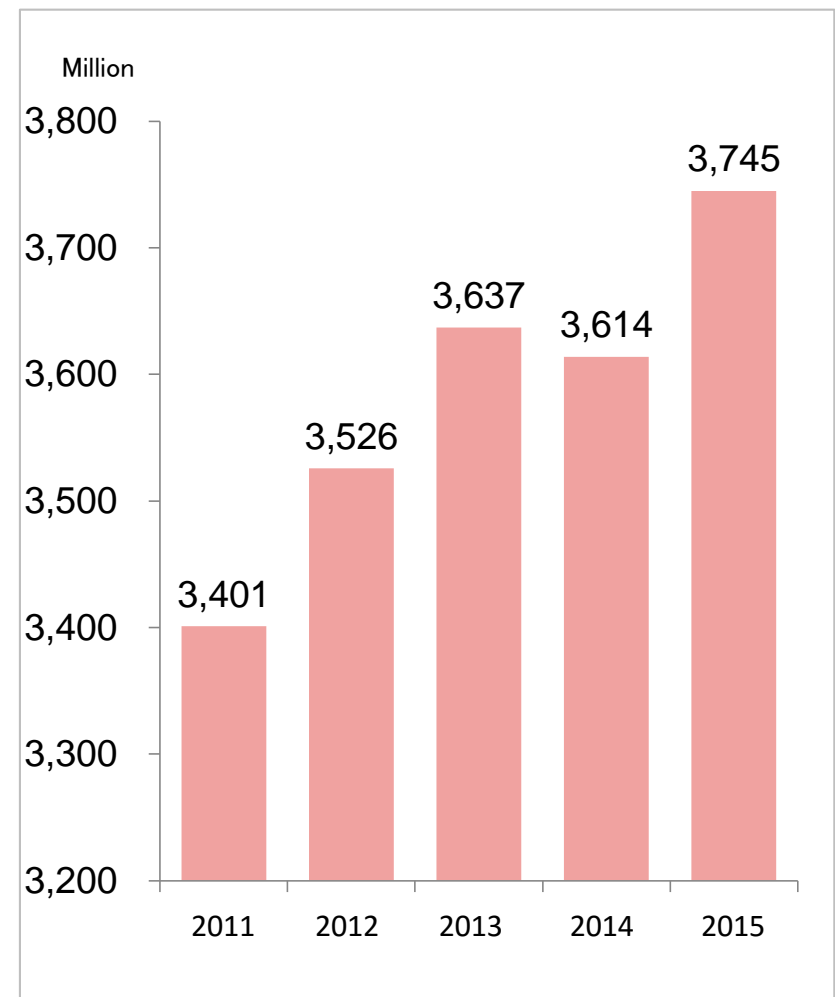


B-to-C E-commerce



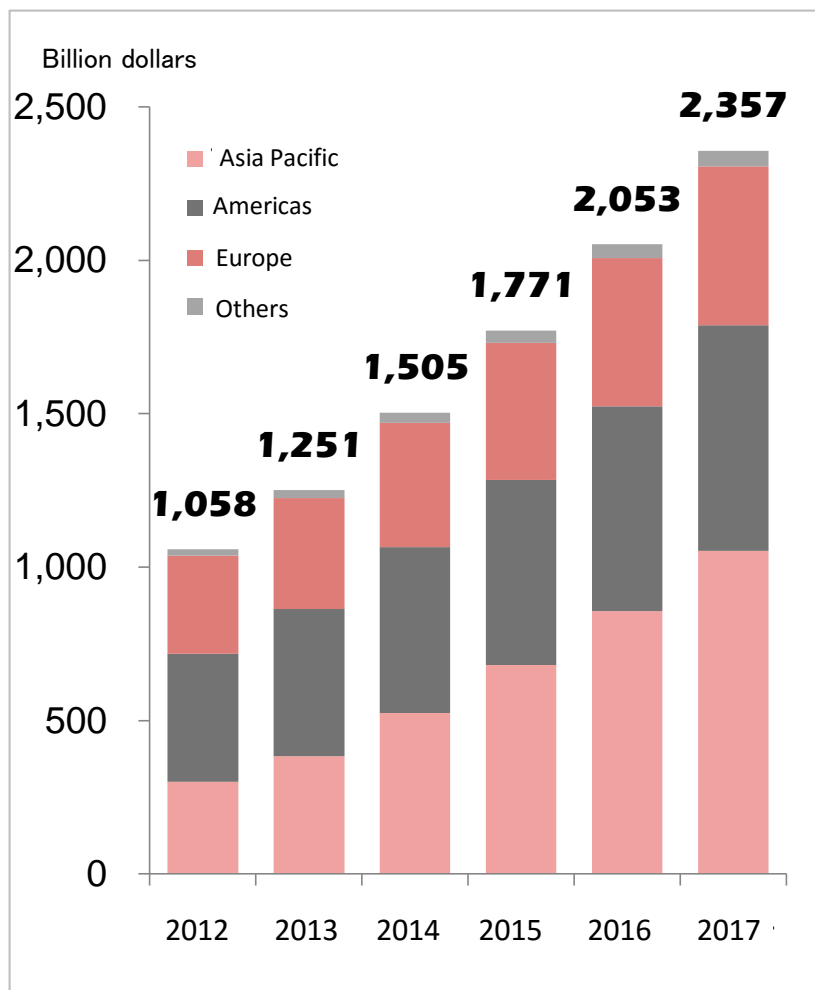
Resource: Ministry of Economy, Trade and Industry

Home delivery parcels



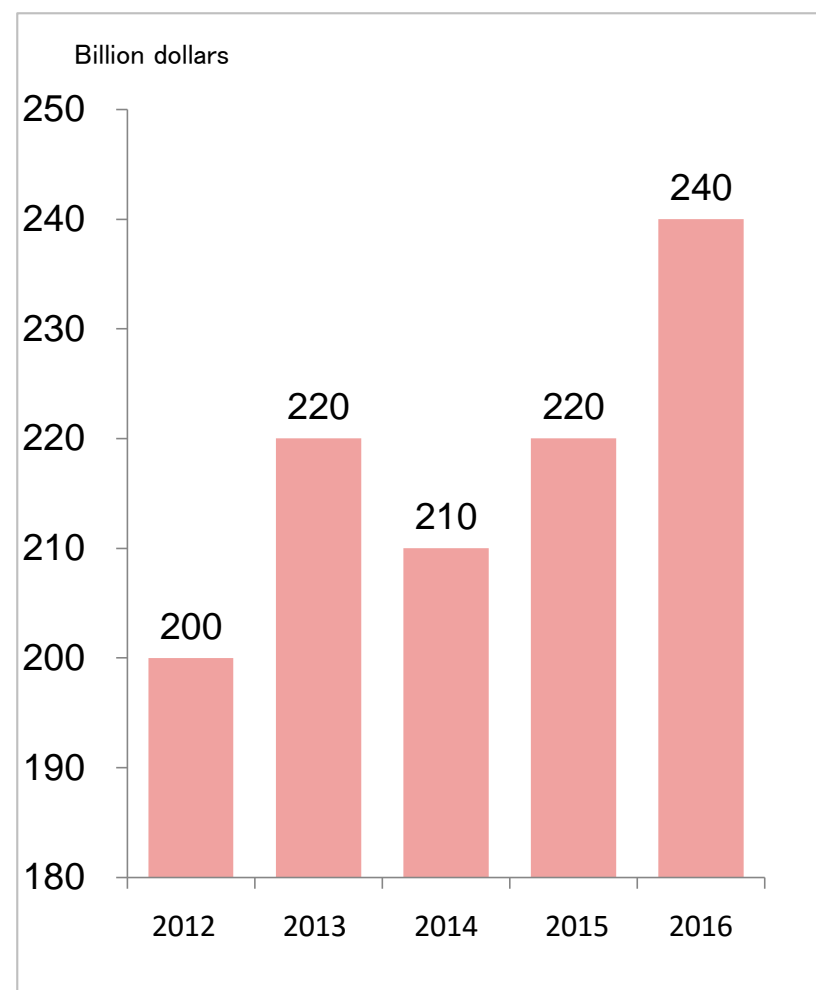
Resource: Ministry of Land, Infrastructure, Transport and Tourism

B-to-C E-commerce



Resource: eMarketer

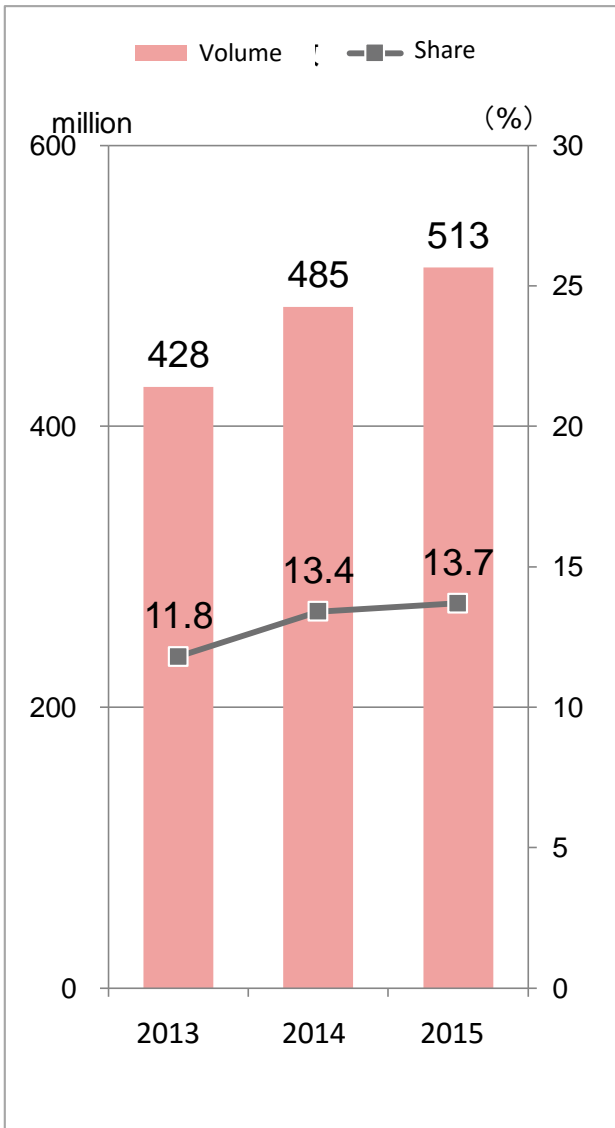
Home delivery parcels



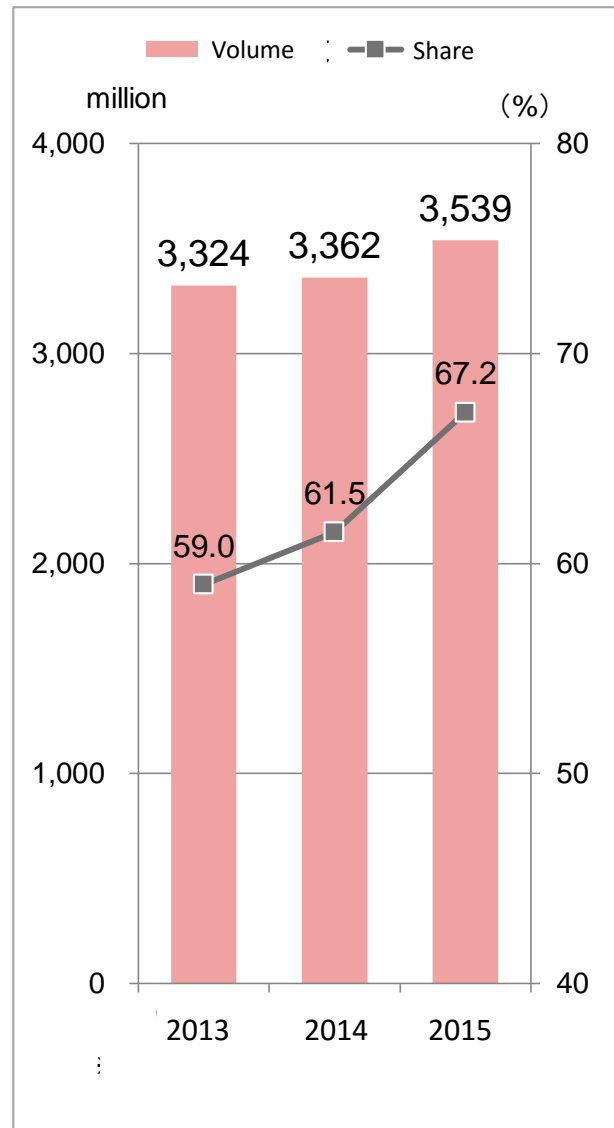
Resource: YANO Research

□ E-commerce delivery parcels by Japan Post

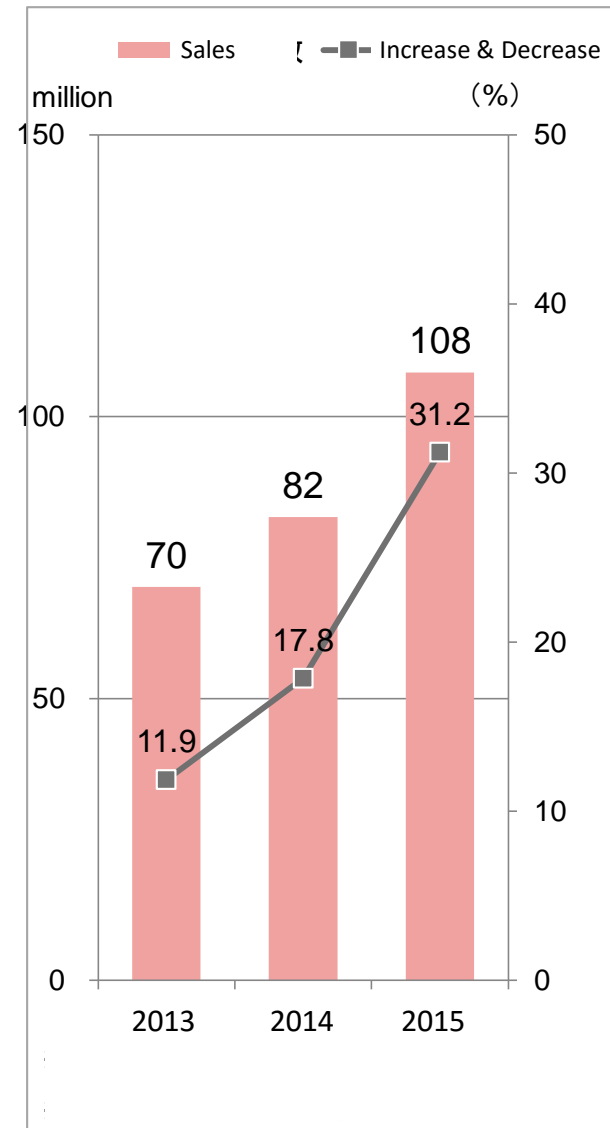
ゆうパック (Yu-pack)



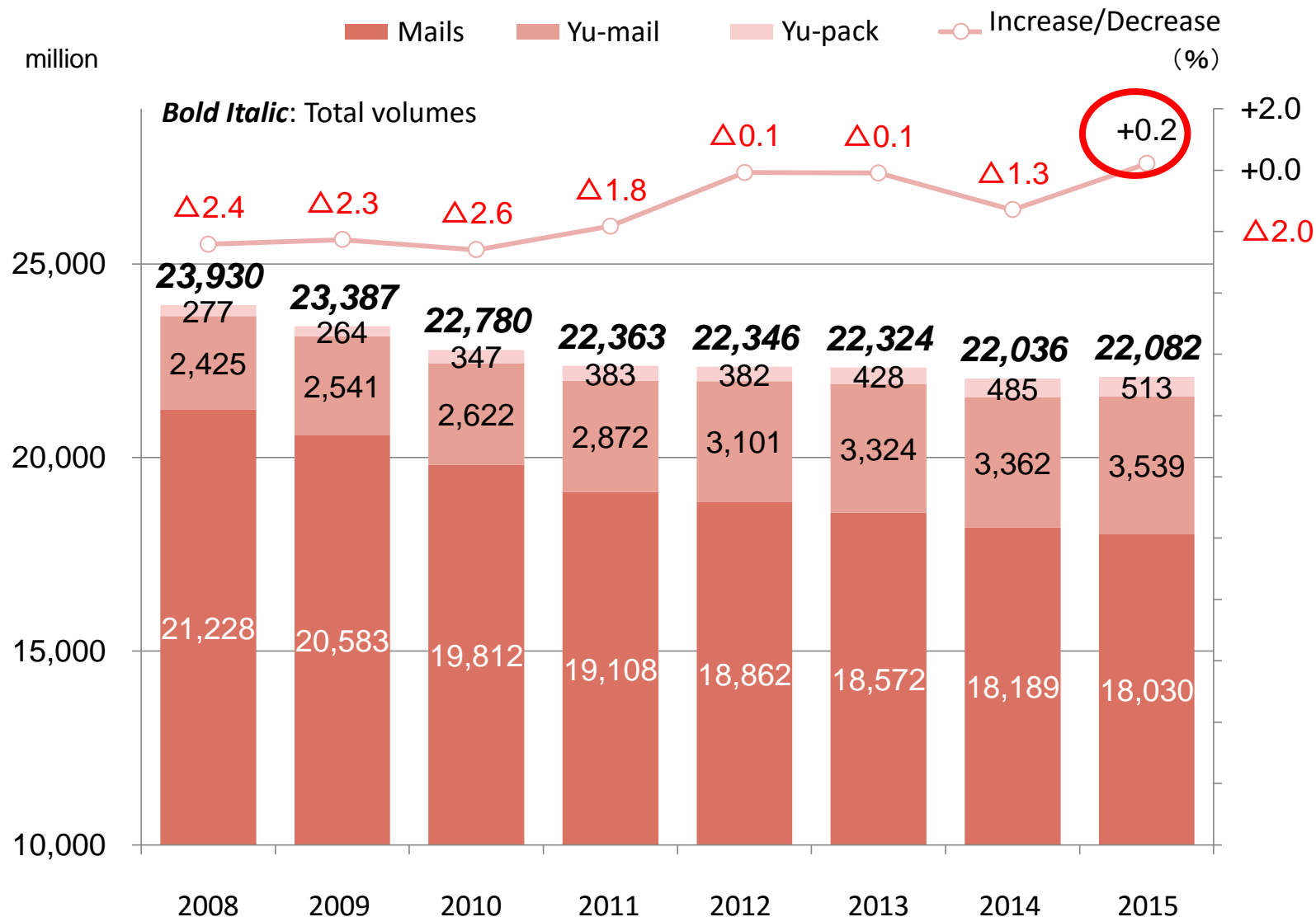
ゆうメール (Yu-mail)



レターパック (Letter-pack)



□ volume trend (Mail, Parcel and Packet)



1. Business environment
- 2. Lineup of products tailored to E-commerce**
3. Increased convenience to the customers
4. Lineup of products for Cross-border E-commerce

□ Lineup of products tailored to E-commerce

Product for delivery of
goods



Yu-pack

Products for
delivery of small
goods and
documents



Yu-packet



Yu-mail

Recollection of
goods

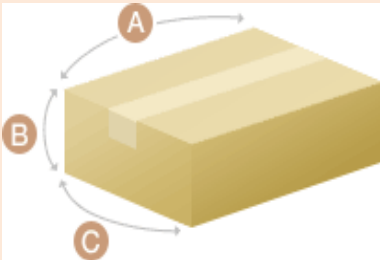


Products for
delivery of small
goods with letters



Letter-pack

□ Lineup of products for E-commerce

	Parcel	Letter-like item classified as a parcel		Mail
	Yu-Pack	Yu-Mail	Yu-Packet	Smart Letter
Size	A+B+C =170 cm	A+B+C =170 cm	A: 34 cm B: 3 cm A+B+C = 60 cm	A: 25 cm B: 2 cm C: 17 cm
Weight	30 kg	3 kg	1 kg	1 kg
Delivery	Recipient's signature	Addressee's mail box	Addressee's mail box	Addressee's mail box
Delivery Service	365 days	Monday to Saturday	365 days	Monday to Saturday
Track & Trace	Yes	No	Yes	No
Indemnification	Yes	No	No	No

Yu-pack



To meet various customer needs, Yu-Pack service handles each package carefully and delivers it fast and accurately.

1) Same-day delivery

Packages are delivered on the same day as shipment.



2) Delivery completed notification service!

Senders are notified when a shipment has been delivered.

3) Choices of delivery locations!

Addressees can receive Yu-Pack packages where it is convenient, e.g., at the nearest post office, their workplace, and other places.

Yu-mail



Yu-Mail service delivers of catalogues, direct mail, books, CDs/DVDs, and other items. at reasonable cost.

- Dimensions:
Length + width + thickness: up to 1.7 meters
- Weight: up to 3 kg

1) High-quality delivery

Reliable delivery to addressees' mailboxes

2) Lower shipment cost

Discounts are available based on the number of packages and other conditions.

What can be sent by Yu-Mail?

Books, magazines, product catalogues, newsletters, various manuals, calendars, CDs/DVDs, etc.



➤ Yu-packet

- New product for use by individuals as well as businesses
- Ideal for customers wishing to send small, thin materials safely and at low cost

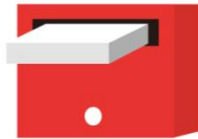
ゆうパケット

Thickness
up to 3 cm!



1) Deliverable even when no one's home!

Packages are delivered to addressees' mailboxes. Recipients do not need to be at home to receive packages.



Delivery to addressees' mailboxes

3) Rates depend on the size!

Rate depends on the thickness. Small, thin items can be sent more economically.

Thickness	Rate (incl. tax)
1 c m	2 5 0 yen
2 c m	3 0 0 yen
3 c m	3 5 0 yen

Size & weight
Length + width + thickness: up to 60 cm
Maximum length: up to 34 cm
Thickness: up to 3 cm
Weight: up to 1kg

2) Speedy delivery!

Days to delivery



1-2 days

Everyday
delivery



365 days a year

4) Reliable tracking service!

Thus service provides tracking updates as a package travels to its destination.



Special address label



* Image

Price is flexible according to the volume threshold.
Users need to contact a post office to use this service.



A special box is easily
changeable to 3
thicknesses: 1, 2 and 3 cm.

□ Smart Letter (from March 4, 2015)

An envelope-type product for customers wishing to send small goods with a letter (correspondence) easily at a low price

SmartLetter
スマートレター

- ⊖ Possible to include a letter (correspondence)!
- ⊖ Simple to use: Simply buy a special envelope, write the address on it, inset the materials to be sent and put it in the mailbox!
- ⊕ Affordable price: A5 size items up to 2 cm of thickness and weighing 1 kg costs 180 yen!

**Just put the
envelope in the
mailbox!**



Rate	180 yen
Size & weight	Thickness: up to 2 cm Weight: up to 2 kg
Sold at	Post offices, convenience stores, Japan Post's website
Delivery	Delivered to the recipient's mailbox just like ordinary letters



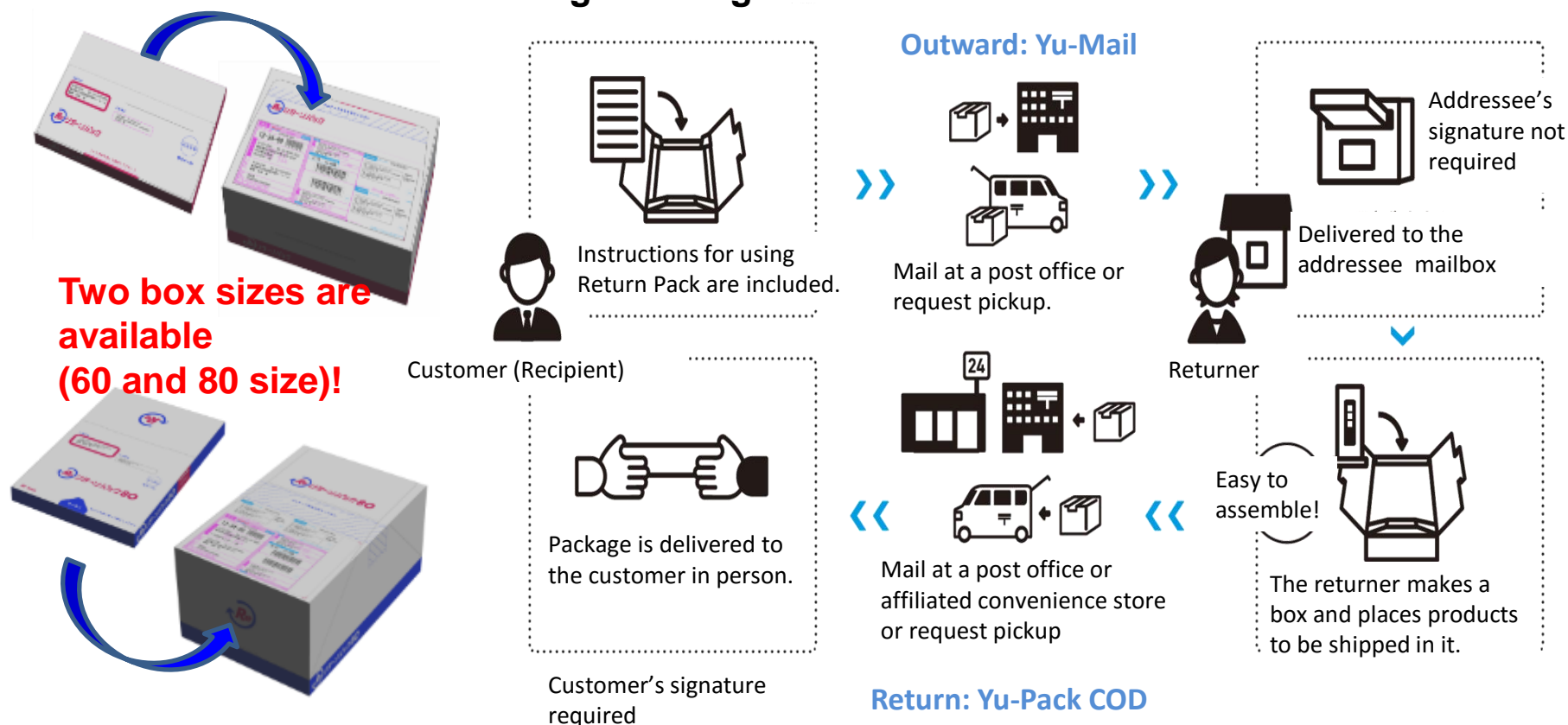
Customers wishing to have tracking information can use Letter-Pack service. Selective use of these two services meets diverse needs.

Return Pack (from 1.10.2016)

Return Pack



A Return Pack is a special box tailored to the collection of merchandise.
Size of this special box can be changed by the user for returning merchandise to the destination.
Convenient for collecting/reselling merchandise!



1. Business environment
2. Lineup of products tailored to E-commerce
- 3. Increased convenience to the customers**
4. Logistics solutions
5. Lineup of products for Cross-border E-commerce

Business person



○Wish to receive parcel at night as during the daytime not at home.

○Wish to receive parcel during the intermission near the office.



Family

○Wish to receive parcel without being known by the family as it is a personal gift.
○Wish to receive parcel personally without being known by the family as it is a personal belonging.



Women



○Not wish to receive a delivery person at home as I live alone.
○Not wish to disclose my home address to the delivery company.



Young people (Students)

○Wish to buy goods through internet but do not have a credit card.
○Inconvenient to make a payment at the bank.



More options to the customers / Efficiency in delivery

Additional delivery options at convenience stores and post offices

“Hakoposu” “special locker service

Names		Network
Convenience stores	Lawson	11,600
	Ministop	2,200
	FamilyMart	11,500
Post offices		20,000
合計		45,300

- We offer “Hakoposu” service by which customer can receive parcel at the specially created locker (from April 2015).
- The customer can also receive parcel undelivered at home at “Hakoposu”.

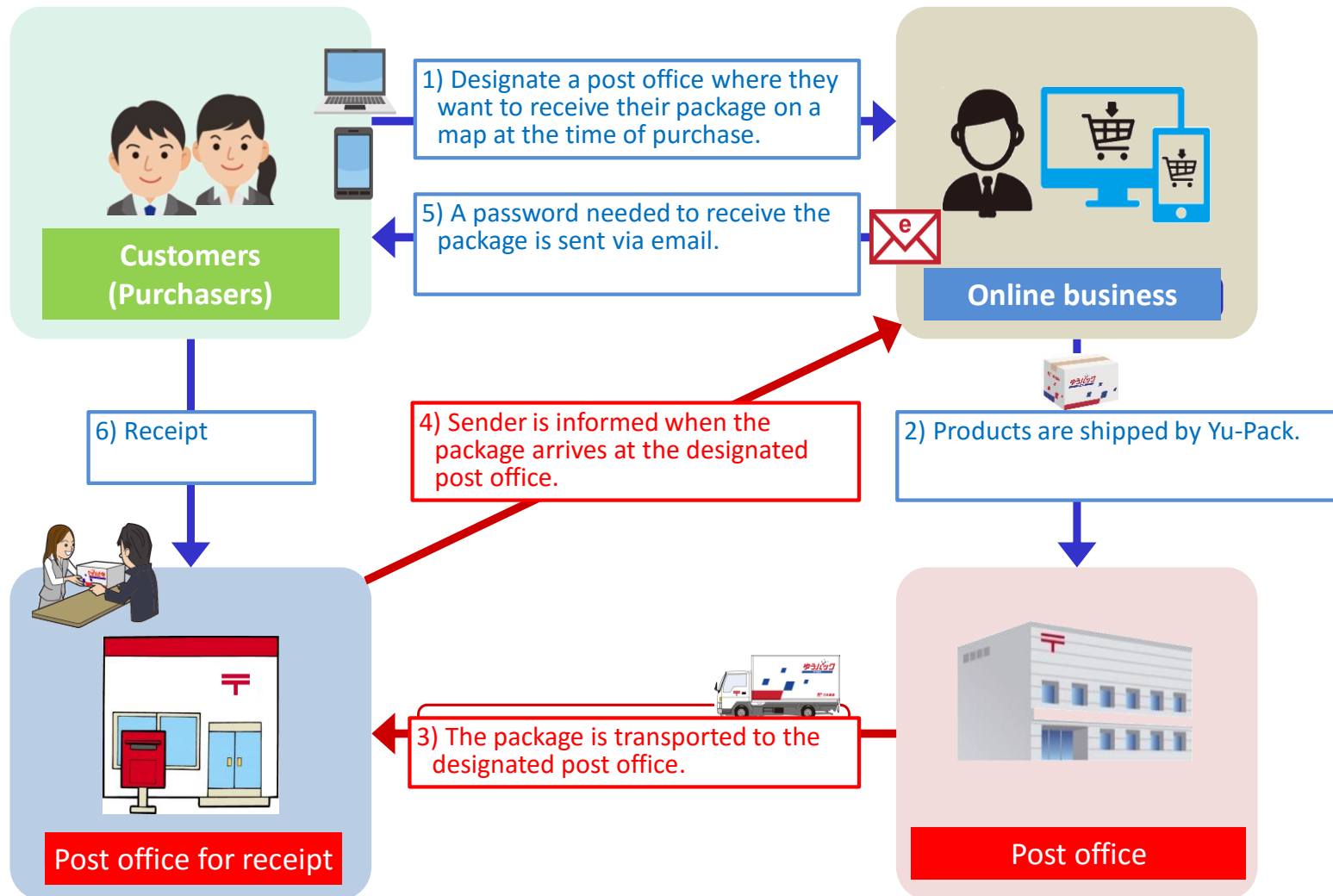
Currently, “Hakoposu” is established at 31 points

Places		Numbers
Post offices		19
Stations	Private Railways	6
	JR (East)	4
Business areas		2



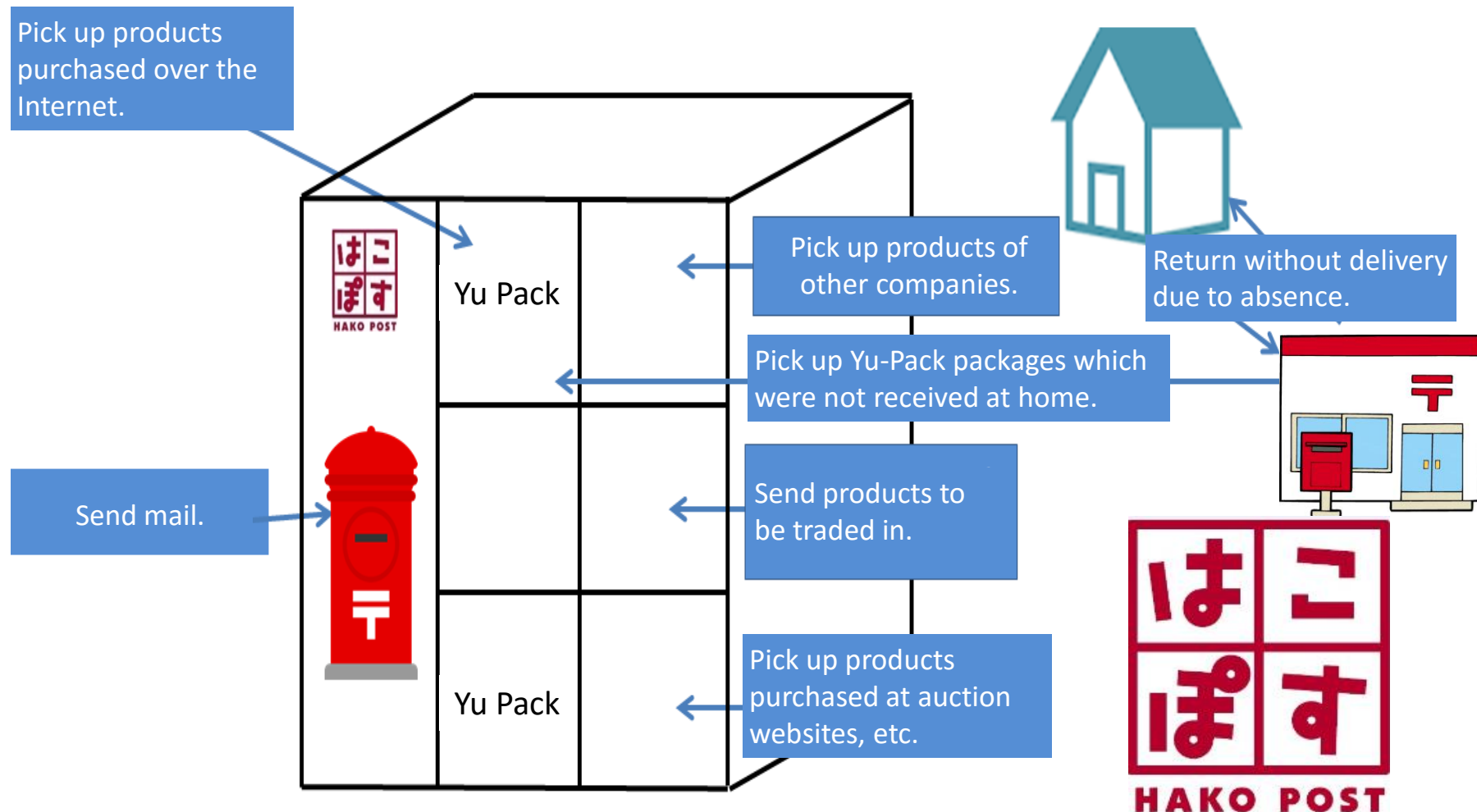
□ Receipt at a designated post office

- People who buy goods over the Internet can now designate a specific post office for receiving them (from April 1, 2016)



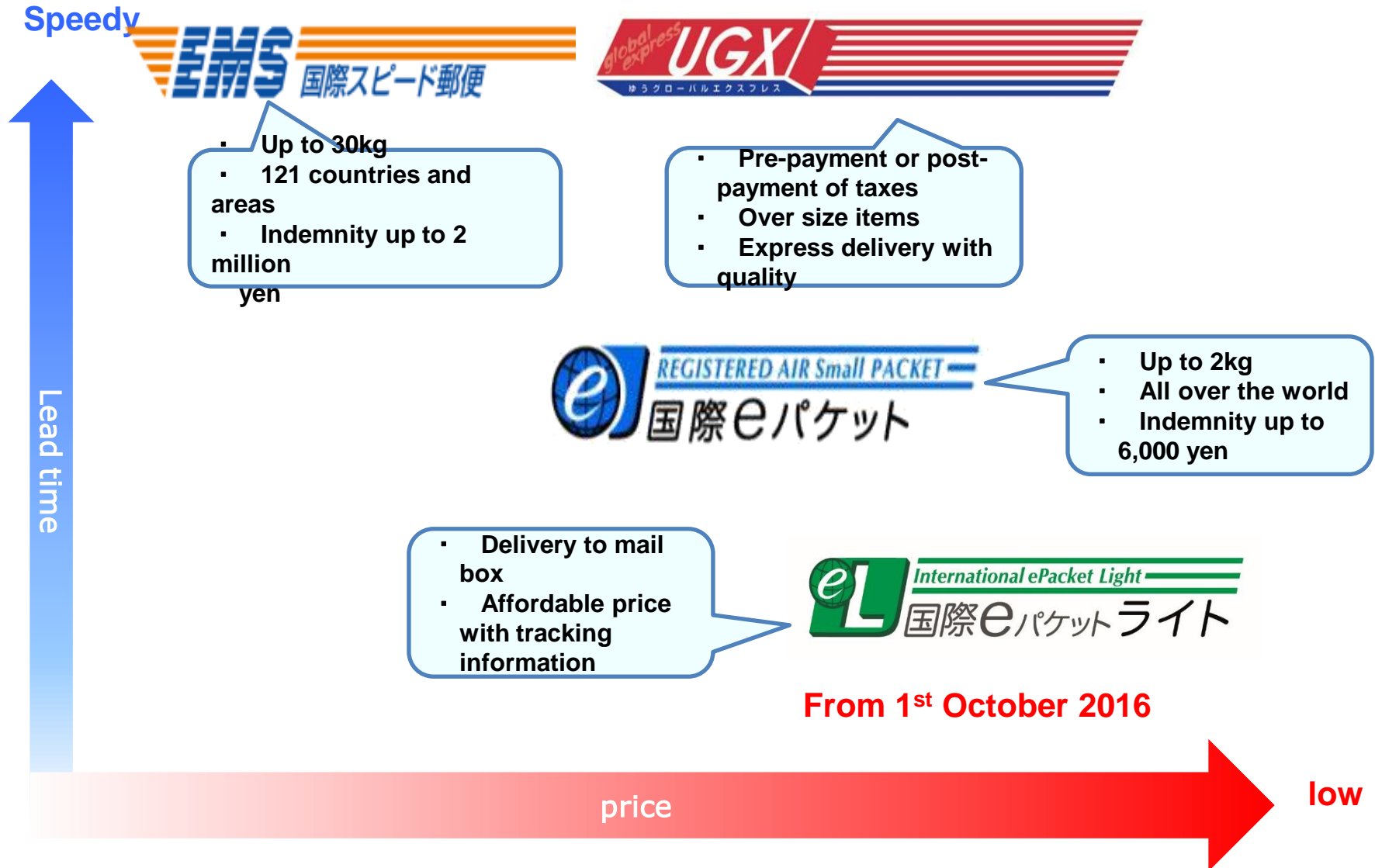
□ Increased convenience through Hakoposu service

- Hakoposu service enable receive parcels at specially created lockers (from April 2015). Parcels not deliverable at home can also be received at Hakoposu.
- Additional features are being considered for increasing the use of Hakoposu service.



1. Business environment
- 2. Lineup of products tailored to E-commerce**
- 3. Increased convenience to the customers**
- 4. Lineup of products for Cross-border E-commerce**

□ Lineup of international products to support cross-border E-commerce



EMS (国際スピード郵便)



Features

**Fastest service for up to 30 kg.
Convenient for sending both
documents and goods.**

Destinations

121 destinations worldwide

Size

Length 1.5 m, Length + girth 3 m

Fast

Priority delivery. Delivery-date guarantee is also available in some regions.

Reasonable

Rate starts from 1,400 yen.
Discounts may apply and there is no fuel surcharge.

Reliable

Reliable services are available with a tracking function and an insurance program!

Convenient

Free label printing service and package pickup service (even for one package) are available.

□ Cool EMS

- With special boxes developed by Japan Post, fresh food materials can be sent abroad with cold storage and/or refrigeration.



Characteristics

Typical Japanese food materials can be sent keeping high quality

Areas

Hong Kong, Taiwan, Singapore, Malaysia, Vietnam and France

Size

	Cool storage	Refrigeration
Big size	L 51cm, W 38cm, H 20cm	L 51cm, W 38cm, H 20cm
Medium size	L 36cm, W 28cm, H 22cm	L 32cm, W 26cm, H 18cm
Small size	L 30cm, W 23cm, H 15cm	L 30cm, W 18cm, H 15cm

Weight: Cool storage: up to 15kg. Refrigeration up to

Materials to keep temperature

Big size; Silver



Small size; Blue



For cool storage (Big) refrigeration



For cool storage (small)



For refrigeration

Temperature will be kept for 72 to 80 hours, for cool storage between 0 to 10, for refrigeration around at -15 degree.

□ ePacket & ePacket light



To all over the world!

Slower than EMS but with affordable price,
tracking information and indemnity.

Delivery with addressee's signature.



Economy product with tracking information
but without indemnity.

Delivery to mailbox without addressee's
signature.

**Currently to six destinations but will be
available to more destinations in the
near future!**

名称	International ePacket Light	International ePacket
Weight	Up to 2 kg	Up to 2 kg
Size	(Maximum) Length: 60 cm. Length + Width + thickness = 90 cm (Minimum) Length: 14 cm Width: 9 cm	(Maximum) Length: 60 cm. Length + width + thickness = 90 cm (Minimum) Length: 14 cm Width: 9 cm
Class	SAL	Air
Tracking	Available	Available
Special Services	Recorded	Registered
Indemnity	Not Available	Available
Delivery	Mailbox	In person
Rate	Most reasonable	Reasonable
Speed	10 days- 2 weeks	1 week

Thank you!



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Remuneration for 2018-2021 & Remuneration Integration Group (RIG)



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Overview of UPU Remuneration Systems



Overview of UPU remuneration systems

Base rates:

- UPU terminal dues system (0-2 kg)
- UPU inward land rates system (0-20kg / 30kg)
- ECOMPRO rates

Surcharges for M bags, IBRS, registered items, insured items, express/ tracked (from 2018) items

Pay-for-performance schemes: QS Link to Terminal Dues, Supplementary Remuneration Programme for Registered, Insured and Express/Tracked items, ILR bonuses, ECOMPRO bonuses (?)

EMS remuneration

Other remuneration for items in transit, undeliverable and returned items



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Terminal Dues – Istanbul Congress 2016



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Overview of UPU remuneration systems

Overview Terminal Dues system cycle 2018-2021

- **Country classification:** groups merge according to TD provisions
- **Methodology:** P/G format rates and introduction of E format rates per item and per kg
- **Cap and floor rates** for P/G and E formats – floor rates will remain aligned and E format caps will align in 2021 (end of the cycle)
- **Kg rates in transition system** with annual increases
- **Supplementary services:**
 - Increased surcharges for registered and insured items
 - No change for IBRS and express items
 - Annual increases to M bags
- **Sampling and format separation** thresholds revised and aligned
- **QS Link:** Group IV to join QS Link from 2020 (2018 plus two-year grace period)
- **QSF contributions** with Group IV countries as beneficiaries



Overview of UPU remuneration systems

Country classification 2018 – 2021

Regrouping of countries and territories as follows:

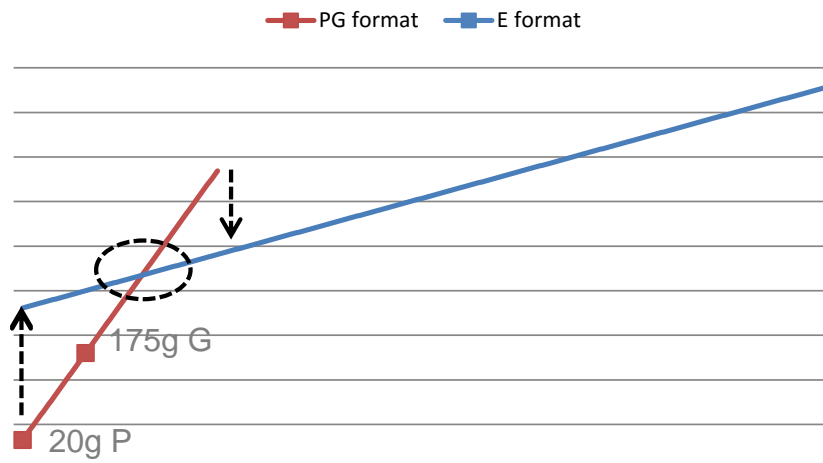
<i>Groups 2014–2017</i>	<i>Groups 2018–2021</i>
Group 1.1 (target system prior to 2010)	Group I (target system, level I)
Group 1.2 (target system from 2010)	Group II (target system, level II)
Group 2 (target system from 2012)	
Group 3 (target system from 2016)	Group III (target system, level III)
Group 4 (transitional system)	Group IV (transitional system) *
Group 5 (transitional system)	

* A differentiation within Group IV was made to ensure that the old Group 5 countries (LDCs) will continue to receive higher QSF receipts than the countries and territories in old Group 4



Overview of UPU remuneration systems

Methodology - summary



Main improvements of TD system 2018-2021

TD rates reflect market needs and cost of operations

P/G format: Continued application of the 2014–2017 methodology; 20 g and 175 g domestic tariffs are used for linearization

E format: new rate structure was created by tilting the P/G line at 375 g



Overview of UPU remuneration systems

Gradual transition to a single terminal dues system, harmonization and/or alignment

Caps and floors:

- P/G format: gradual alignment caps Groups II and III to Group I
- E format: cap harmonized by end of cycle
- All formats (P/G/E): floors harmonized in target system (same rates)

Sampling and format separation

Gradual alignment sampling and format separation thresholds

Other aspects

Application of parts of the target system by transition countries (Group IV)

- Format separation voluntary for E format on specific inbound flows
- Quality Link (voluntary participation before 2020, mandatory from 2020)



Overview of UPU remuneration systems

GROUP IV (Transition system) – FLAT RATES (KG)

Year	Kg rates
2017	4.432 SDR/Kg
2018	4.472 SDR/kg
2019	4.592 SDR/kg
2020	4.724 SDR/kg
2021	4.858 SDR/kg



Overview of UPU remuneration systems

GROUP IV (transition system) – item / kg rates

Group IV (P&G format)

Year	Item rate	Kg rate
2017	0.221	1.729
2018	0.227	1.774
2019	0.233	1.824
2020	0.240	1.875
2021	0.247	1.928

Group IV (E format)

Year	Item rate	Kg rate
2017	0.221	1.729
2018	0.485	1.089
2019	0.498	1.120
2020	0.512	1.151
2021	0.526	1.183



Overview of UPU remuneration systems

Supplementary services

All groups: surcharges for supplementary services:

	Registered service	Insured service	Express service
2017	0.670 SDR/item	1.342 SDR/item	No surcharge
2018	1.10 SDR/item	1.40 SDR/item	No surcharge
2019	1.20 SDR/item	1.50 SDR/item	No surcharge
2020	1.30 SDR/item	1.60 SDR/item	No surcharge
2021	1.40 SDR/item	1.70 SDR/item	No surcharge

M bags: 2.8% annual increase



Overview of UPU remuneration systems

Summary

Groups	Group I	Group II	Group III	Group IV
Country-specific rates*	Mandatory	Mandatory	Mandatory	Optional
Sampling	Mandatory	> 50 t	> 75 t (2017-20) > 50t (2021)	Optional
Format separation	3 formats > 50t	At least 2 formats > 50t	2 formats > 75 t (2017- 2020) > 50 t (2021)	Optional
QS Link to TDs	Mandatory	Mandatory	Mandatory	2018 (+ grace period of 2 years)
Direct access	Mandatory	Optional	Optional	Optional

* Caps and floors specific to TD groups to apply/aim to harmonize caps



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Remuneration of small packets



Overview of UPU remuneration systems

Remuneration of small packets

- Amendments to article 16 of the UPU Convention, and related amendments to articles 28 and 29, resulting from Congress approval of proposal 20.16.2. Rev1 as part of the IPP
- The amendments to article 16 revised the classification of **small packets** as a type of content and also included it as a type of format.
 - **Small packets** letter-post items appear in both classifications (format and content).
 - Articles 28 and 29 were amended to align with changes to article 16.

Consequential changes to the UPU Regulations were adopted by 2016.2 POC



Overview of UPU remuneration systems

Article 16 Basic services

1 Member countries shall ensure that their designated operators accept, handle, convey and deliver letter-post items.

2 Letter-post items containing only documents are:

2.1 priority items and non-priority items, up to 2 kilogrammes;

2.2 letters, postcards, and printed papers ~~and small packets~~, up to 2 kilogrammes;

2.3 items for the blind, up to 7 kilogrammes;

2.4 special bags containing newspapers, periodicals, books and similar printed documentation for the same addressee at the same address called "M bags", up to 30 kilogrammes.

2bis Letter-post items containing goods are:

2bis.1 **priority and non-priority small packets**, up to 2 kilogrammes.

Content



Overview of UPU remuneration systems

Article 16

Basic services (continued)

3 Letter-post items shall be classified on the basis ~~either~~ of both the speed of treatment of the items ~~or of~~ and the contents of the items in accordance with the ~~Letter-Post~~ Regulations.

4 Within the classification systems referred to in 3, letter-post items may also be classified on the basis of their format as small letters (P), large letters (G), ~~or~~ bulky letters (E) or small packets (E). The size and weight limits are specified in the ~~Letter-Post~~ Regulations.

Format

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



Overview of UPU remuneration systems

Amendment to article 28 consequential to changes in article 16

Article 28

Terminal dues. Provisions applicable to mail flows between designated operators of countries in the target system

5 The rates per item and per kilogramme are separated for small (P), and large (G) letter-post items and as well as bulky (E) and **small packet (E)** letter-post items. They shall be calculated on the basis of 70% of the charges for a 20-gramme small (P) letter-post item and for a 175-gramme large (G) letter-post item, exclusive of VAT or other taxes. For bulky (E) and **small packet (E)** letter-post items, they shall be calculated from the P/G format line at 375 grammes, exclusive of VAT or other taxes.

Further consequential amendments to articles 28 and 29 and in Regulations



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Quality of Service Link to Terminal Dues



Overview of UPU remuneration systems

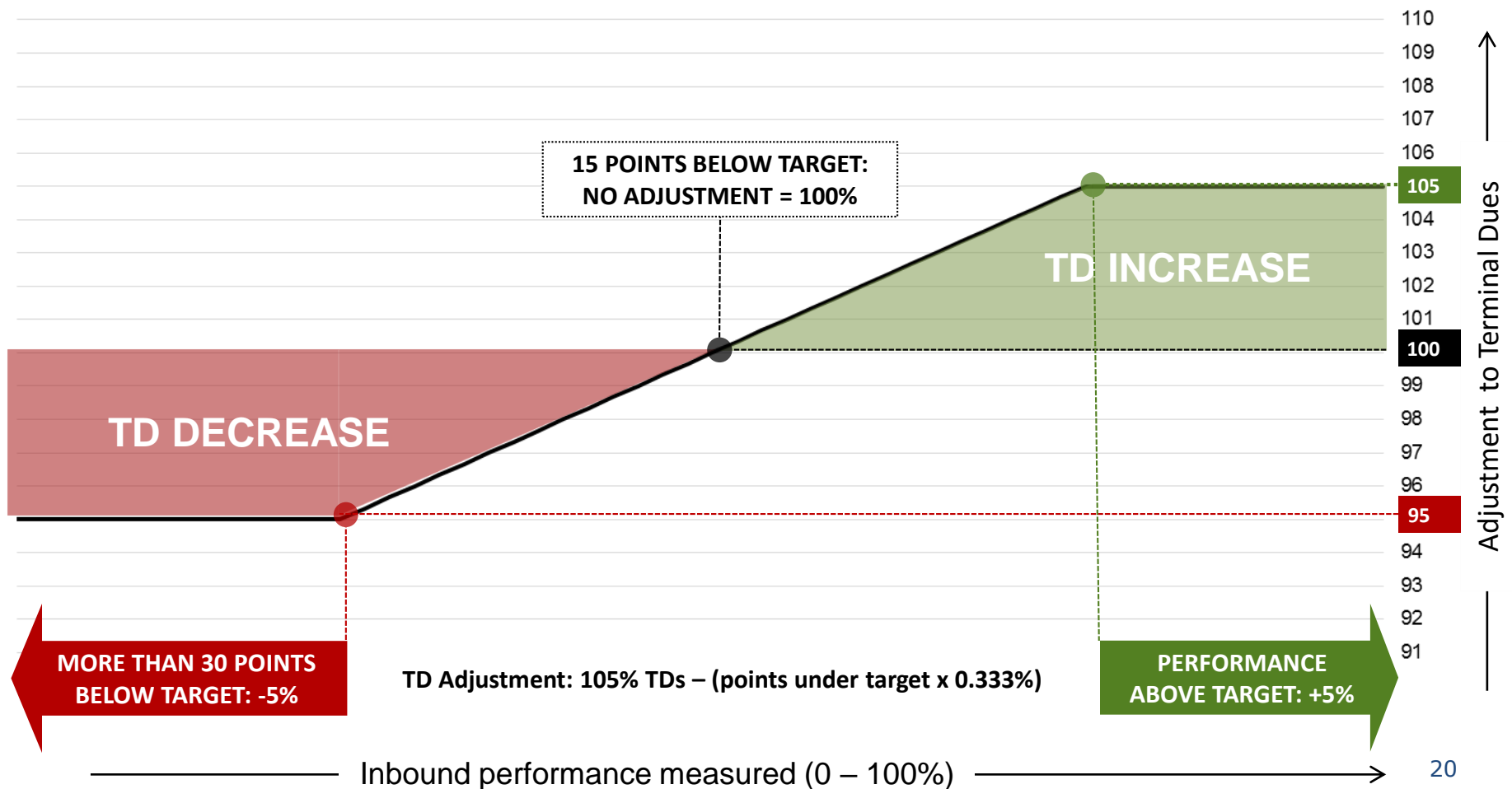
QS Link system

	Group I	Group II	Group III	Group IV
QS Link to TDs	Mandatory	Mandatory	Mandatory from 2018	Mandatory from 2020
Grace period	Not applicable	Not applicable	2 years from 2016	2 years from 2018
Opt-out conditions	None	<100 T	<100 T	<100 T
Bonus/ penalties	Bonus participation 5% Maximum penalty 10%	Bonus participation 5% Maximum penalty 10%	Bonus participation +5% Maximum penalty 5%	
Impact on inbound TDs	Final TDs between 95% and 105% of base TDs		Final TDs between 100% and 105% of base TDs	
Floor	Floor: TDs of the transitional system			

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Overview of UPU remuneration systems





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Inward Land Rates



Overview of UPU remuneration systems

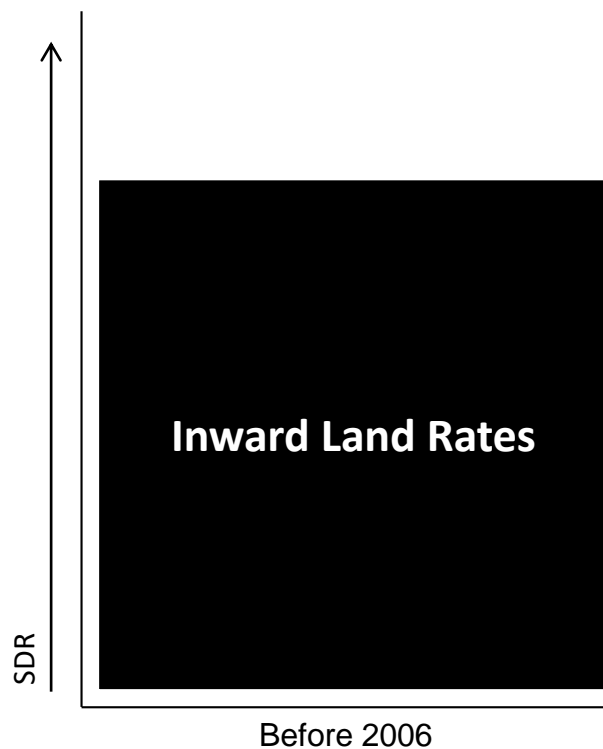
History

- 1999 Countries self-declare their inward land rates, no relation to service quality and performance requirements and rates were uncompetitive. Therefore, Beijing Congress instructed POC to seek ways of discouraging excess with regards to ILRs
- 2004 Resolution CEP 9/2004 recommended a system of setting ILRs based on service features
- Bucharest Congress approved amendments to the Convention and Parcel Post Regulations supporting the introduction of such a system
- 2006 Implementation of new ILR system: base rate and bonus component
- > 2006 Gradual increases of data transmission standards and targets for tracking data
- 2015 Introduction of variation to the ILR system: ECOMPRO and ILRs linked until 2017 – ECOMPRO base rates implemented in 2-step approach in 2016 and 2017, but same ILR bonus scheme
- 2016 Istanbul Congress – disconnects ECOMPRO from ILRs and makes ECOMPRO self-declared, but ECOMPRO bonus scheme?



Overview of UPU remuneration systems

Inward Land Rates < 2006 – self-declared rates / no bonuses





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Overview of UPU remuneration systems

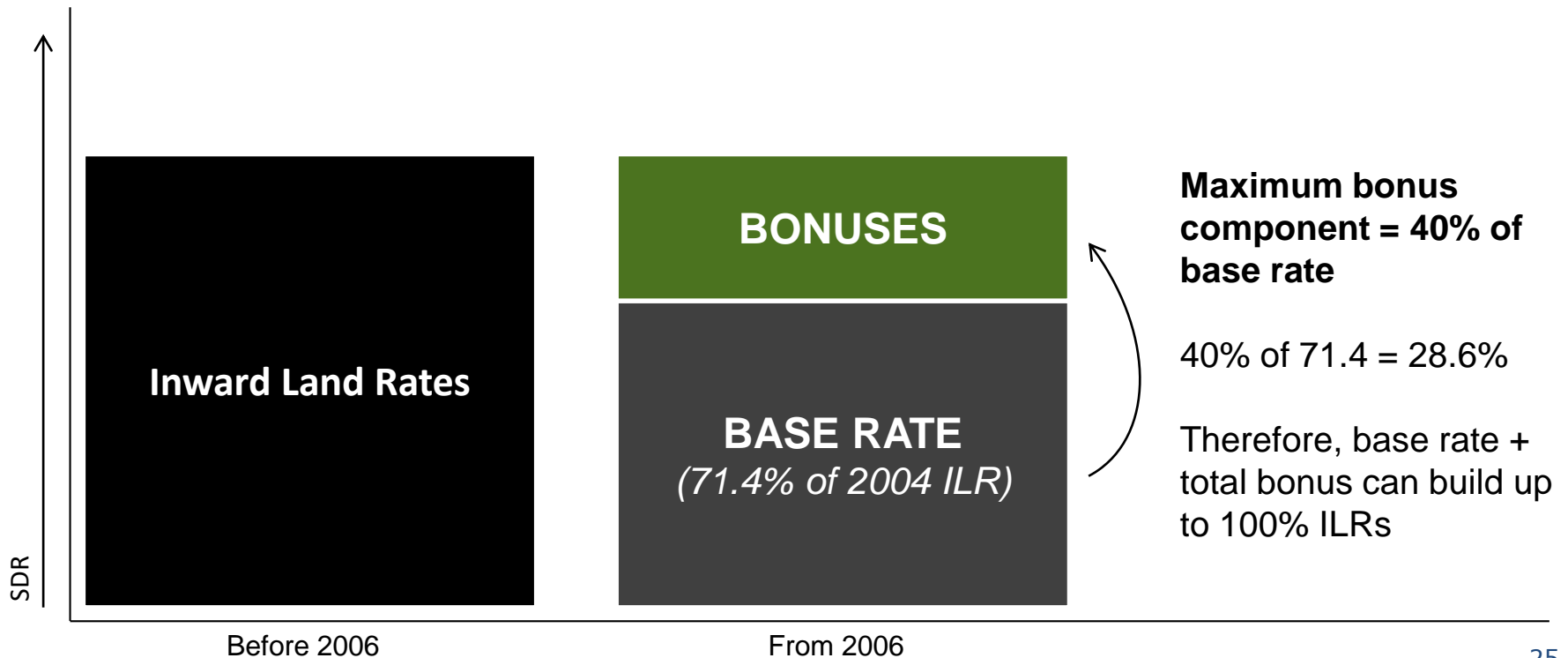
ILR base rate = 71.4% of 2004 ILRs





Overview of UPU remuneration systems

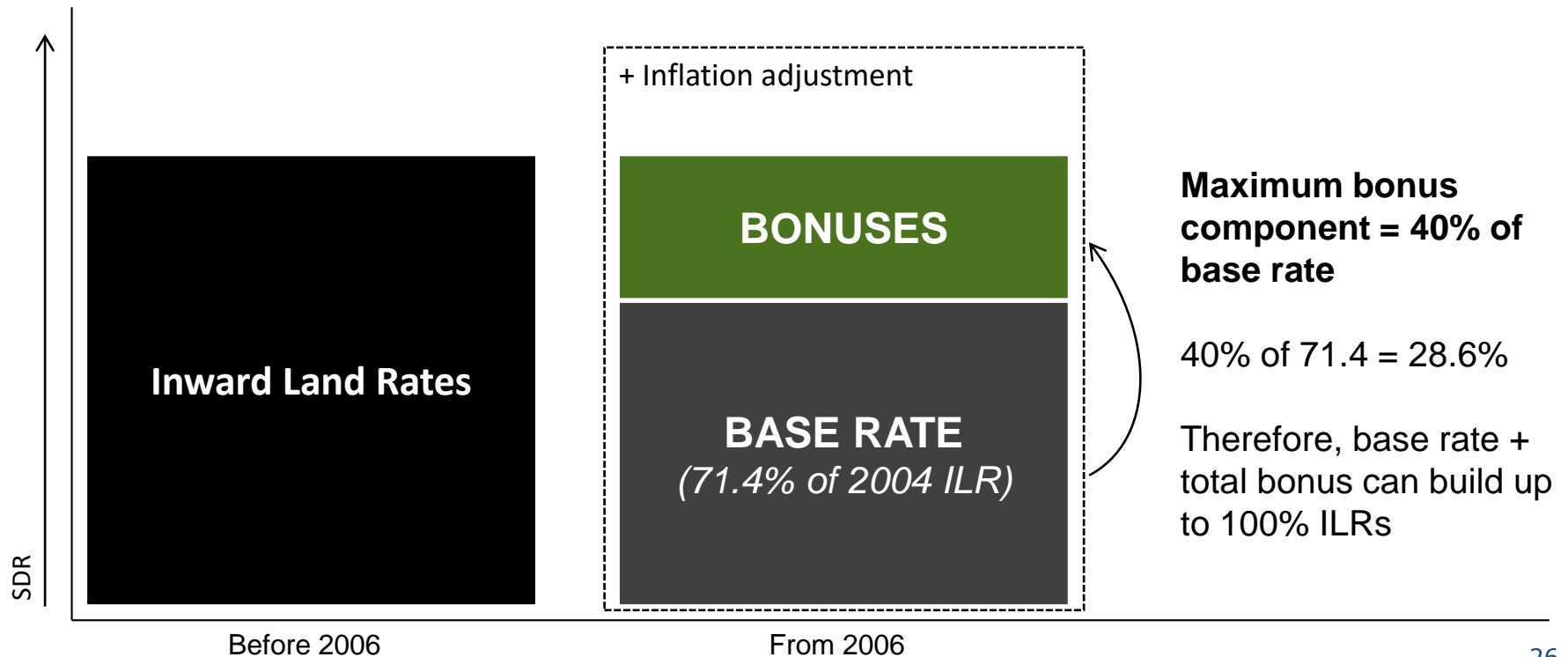
ILR base rate = 71.4% of 2004 ILRs





Overview of UPU remuneration systems

ILR base rate = 71.4% of 2004 ILRs, adjusted for inflation increases





Overview of UPU remuneration systems

Main components

- Base rate: 71.4% of the 2004 rates as set by DOs
- Global minimum base rate of 4.25 SDR for a 5 kg parcel (2.85 SDR/ item and 0.28 SDR/ kg)
- Bonus elements up to maximum of 40% based on service features provided

Inflation adjustment

- Possible once a year
- Maximum 5% per 12 months period (art. RC 196.2)

Prerequisites to access bonus system

- Application of barcodes on all outbound parcels
- Acceptance of liability for all types of parcels
- Entry in the Parcel Post Compendium Online (PPCO)



Overview of UPU remuneration systems

SERVICE FEATURE 1	SERVICE FEATURE 2	SERVICE FEATURE 3	SERVICE FEATURE 4
EMC over EMD Bonus 2%	Home delivery Bonus 5%	Delivery standards Bonus 5%	IBIS Bonus 5%
EMD over EMC Bonus 2%	Maximum of total bonuses = 40%		
EMH/ I over EMD Bonus 0 – 11%			
EMF over EME Bonus 5%			
RESDES/ PREDES Bonus 5%			



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Remuneration of ECOMPRO parcels



Overview of UPU remuneration systems

ECOMPRO remuneration

Remuneration solution for ECOMPRO parcels exchanged on the basis of article RC 116bis (16-206), POC 2014.2- Doc 5c and Congress decisions, e.g. removal of liability

ECOMPRO remuneration (phase I) linked ECOMPRO rates to those of ILRs:

- Item and kg rates
- Bonus payments same as for ILR parcels (based on ILR parcel performance measurement, allocating same bonus % to base rates)
- ECOMPRO rates were capped by the ILR AIR rates

Optionally, rates can be broken down in weight steps (phase II), as follows:

Bracket 1: 0 to 2 kilogramme;

Bracket 2: 2 to 5 kilogramme;

Bracket 3: 5 to 30 kilogramme



Overview of UPU remuneration systems

Amendments to article 31 of the UPU Convention

- ✓ Congress approved proposals 20.31.1. and 20.34.1. The amendments to Article 31 of the UPU Convention will enable designated operators providing the optional service - ECOMPRO parcels - to set self-declared rates.

Amendment adopted by Congress

Article 31

Parcel post land and sea rates

- 1 With the exception of parcels belonging to the optional ECOMPRO service category, parcels exchanged between two designated operators shall be subject to inward land rates calculated by combining the base rate per parcel and base rate per kilogramme laid down in the Regulations.



Overview of UPU remuneration systems

Consequential amendments to article 31-201 (former RC 195) adopted by 2016.2 POC

The consequential amendments to article 31-201 comprise the following changes:

- **ECOMPRO rates fully self-declared** and disconnected from ILRs
- **No cap rates** (self-declared ECOMPRO rates can be set in excess of the country's ILRs despite the fact that ILRs include service features such as signature and liability)
- **Bonus element may be discontinued from 2018** (due to disconnection with ILRs), RIG to develop a new bonus remuneration specific to ECOMPRO
- **Weight steps still possible**, accounting and IT solutions provide for up to three weight steps
- IB publishes ECOMPRO rates through Circular



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RIG deliverables matrix and key performance indicators

Documents: POC C 2 2017.1–Doc 6a



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Deliverables matrix and key performance indicators

Istanbul Business Plan – Work Proposals on Remuneration

Allocated to CA C 2:

WP 25 – Classification of countries and territories for TD and QSF purposes

Allocated to Remuneration Integration Group (POC C 2 RIG):

WP 24 – Integrated Remuneration Plan – Development and Implementation

WP 26 – Terminal Dues system management and implementation

WP 27 – ILR system and ECOMPRO rates management and implementation

Allocated to Quality Link User Group (POC C2 QLUG):

WP 28 – Management of the Quality Link User Group (QLUG)



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Deliverables matrix and key performance indicators

WP 24: Integrated remuneration plan (IRP) development and implementation

Development of a new integrated remuneration system for physical products, reflective of quality-of-service measurement and performance, in order to foster competitive products in support of the Integrated Product Plan (IPP).

WP 26: Terminal dues system management and implementation

Implementation and management of the Istanbul Congress decisions and work on further development of TD system until such a date when (and if) an integrated remuneration system is adopted and implemented.

WP 27: Inward land rates system and ECOMPRO rates management and implementation

Implementation and management of the Istanbul Congress decisions and work on further development of cost-based ILR system responsive to e-commerce opportunities until such a date when (and if) an integrated remuneration system is adopted and implemented.



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Deliverables matrix and key performance indicators

IRP deliverables short term – BEFORE extraordinary Congress 2018

- Current state and outcomes of 2016 Congress
- Identify operational cost versus product value anomalies
- Remaining distortions (if any) and ways to close the gap, avoiding conflicting proposals
- Roadmap to change (proposal to the 2018 extraordinary Congress)

IRP deliverables longer term – AFTER extraordinary Congress 2020

- Fully integrated plan supporting IPP including: influence of e-commerce; other market models; defined rates v self-declared rates; integrated product and remuneration, etc.
- Congress proposal - mandate to deliver in next cycle



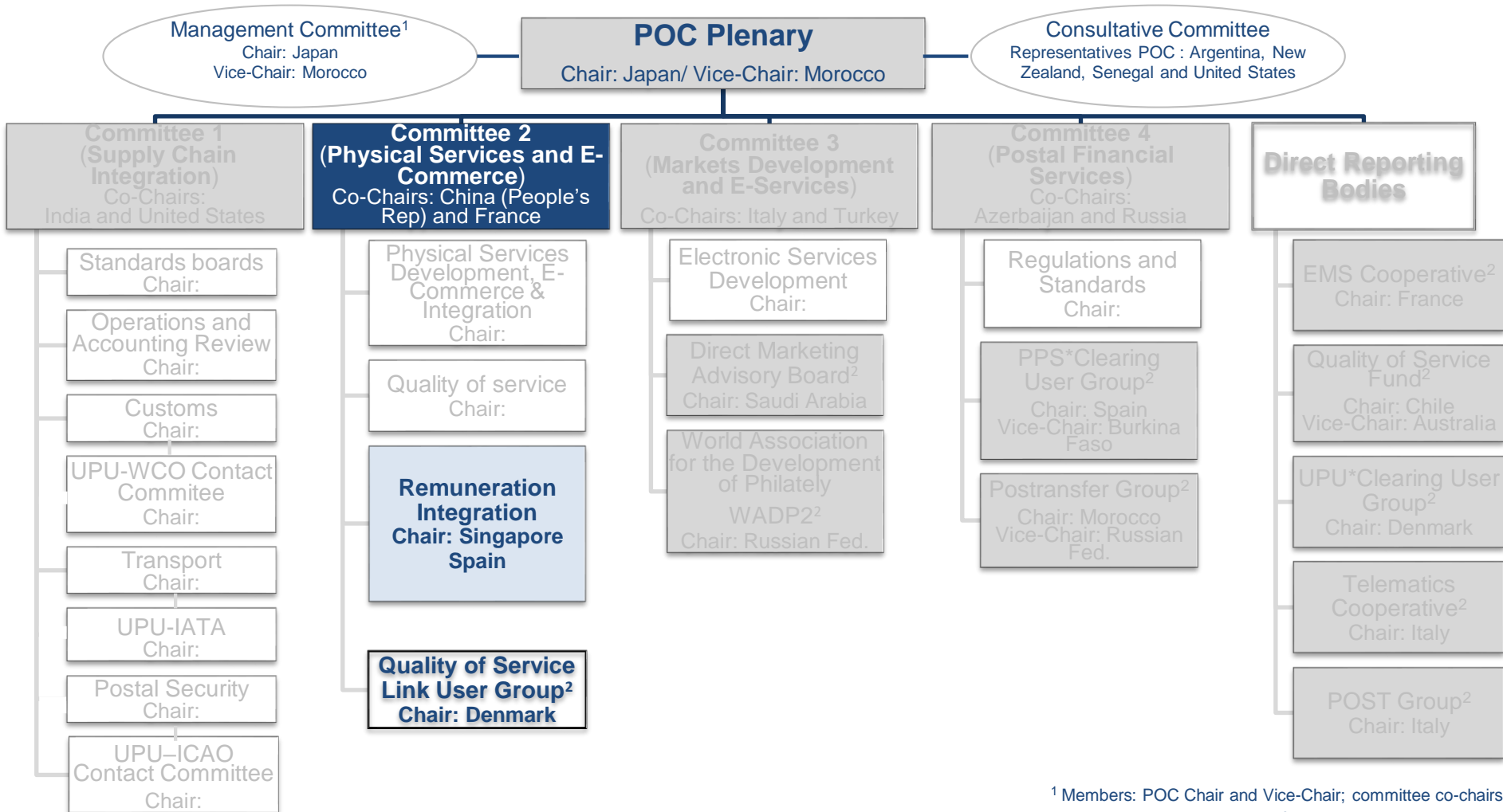
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Organization of the Remuneration Integration Group's work



Organization of the Remuneration Integration Group's work



¹ Members: POC Chair and Vice-Chair; committee co-chairs .

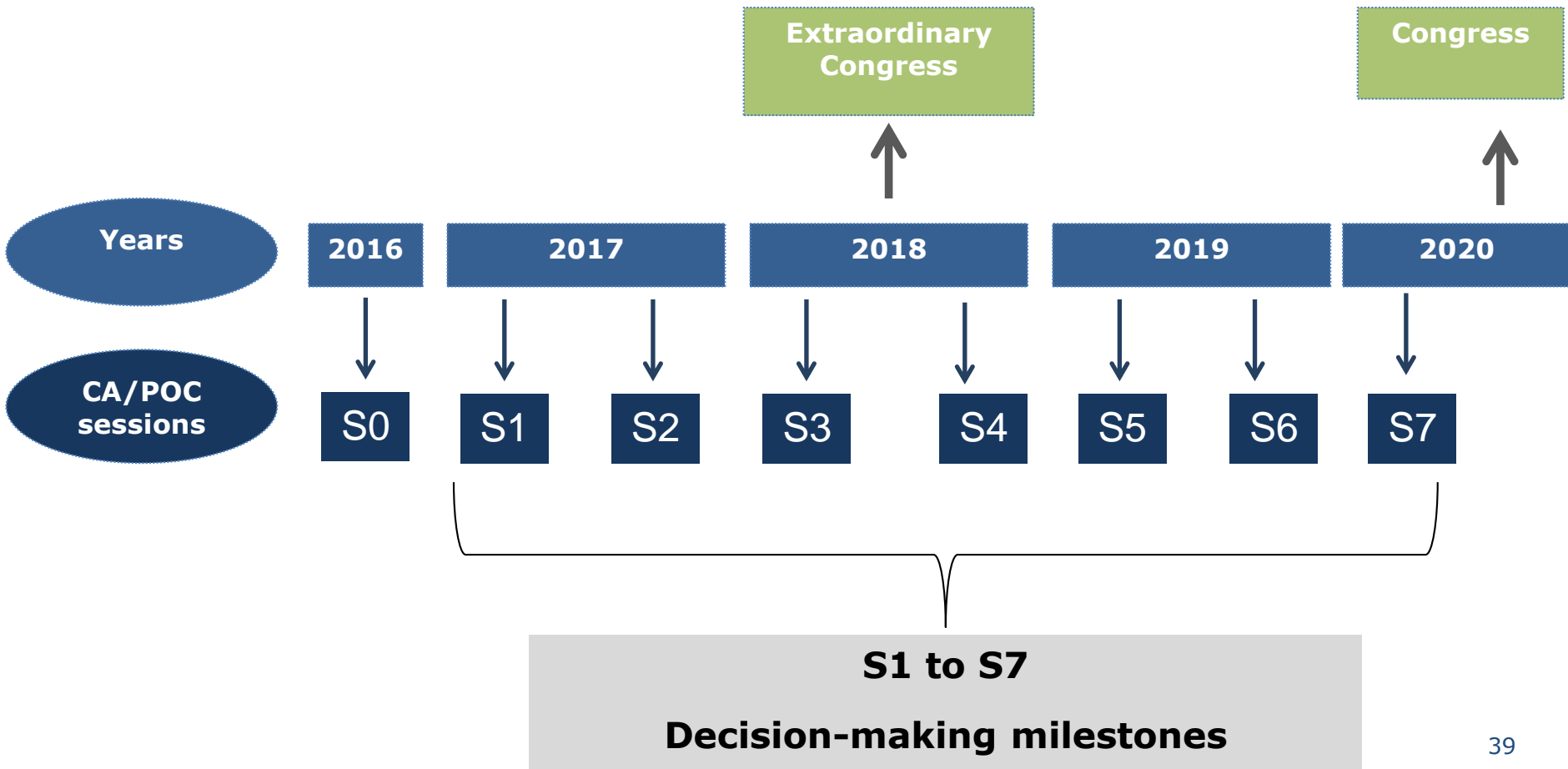
² User-funded subsidiary body.



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Organization of the Remuneration Integration Group's work





Team	Subject	Leads and Co-leads		Remuneration Experts
I	IRP methodology	Netherlands (Jan Sertons)		Paul SCHOORL
II	Supporting studies	Germany (Bernhard Koch)		Paul SCHOORL
III	Small packets remuneration review	France (Barbara Crestin)		Philippe GRONDEIN
IV	Parcels and ECOMPRO bonus schemes review and development	Great Britain (Michael Anderson)	New Zealand (Lindsay Welsh)	Paul SCHOORL
V	Statistics and Accounting Guide and transit charges	Great Britain (Tom Ryall)	Norway (Stig Brox)	Philippe GRONDEIN
VI	Returned/undelivered registered small packets	Russia (Olga Kulakova)		Philippe GRONDEIN



EXPERT TEAM	DELIVERABLE		DATE
EXPERT TEAM I	D2.2	Identification operational costs vs. product value anomalies	S2 (October 2017)
	D2.3	Identification remuneration distortions & ways to close the gap	S2 (October 2017)
	D3.1	Examination of possible options (with support of Expert Team II)	S4 (October 2018)
	D3.2	Differentiation based on product features (docs and goods), value added services and QS measurements of the delivery	S5 (April 2019)
	D3.3	Simplification of remuneration system attributes and parameters	S5 (April 2019)
EXPERT TEAM II	D4.1	Comparative study UPU remuneration systems for similar weight items	S2 (October 2017)
	D4.2	Benchmarks/indicators defining gaps/relationship between UPU remuneration systems	S2 (October 2017)
	D4.6	Identification of other studies required for the completion of the aforementioned deliverables	S2 (October 2017)



EXPERT TEAM	DELIVERABLE		DATE
EXPERT TEAMS I AND II	D3.1	Proposals for Congress	S7
EXPERT TEAM III	D2.5	E format small packet remuneration with proposals to 2018 Congress	S3 (April 2018)
EXPERT TEAM IV (Experts on parcel remuneration)	D9.1	Development ECOMPRO rates and bonus scheme	S3 (April 2018)
	D10.1	Proposals on the ILR minimum performance requirements and corresponding bonuses	S3 (April 2018) S5 (April 2019) S7 (April 2020)
EXPERT TEAM V (S&A Experts – full work cycle)	D5	Proposal on the updating of statistics & accounting guide (SAG)	S2 (October 2017) S4 (October 2018) S6 (October 2019)
EXPERT TEAM VI (Authors of the proposal plus volunteers)	D2.6	Remuneration return/undeliverable registered small packets	S3 (April 2018)
ALL EXPERT TEAMS PLUS IB	D2.4	Roadmap for change with specific proposals for 2018 Congress	S3 (April 2018)



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Questions?

Thank you!

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Physical services development, e-commerce and integration group (PSDEIG) – Update for APPU

APPU Congress, Tehran, July 2017

Work to date - PSDEIG

Item discussed	Key outcome / Matters arising
PSDEIG deliverables matrix and KPIs	Set baseline and use statistical basis for targets
Parcels minimum specifications	More clarifications sought on some items
	Ad hoc group expanded to review work
IPP – Step 1 implementation	Three key changes effective 01.01.2018
	S10 barcodes identifier for small packets
Update on the EAD roadmap	Will impact on the IPP: EMS, parcels, small packets
	Transversal monitoring team required
IPP Step 2 - Product portfolio verification	Review of IPP principles and product matrix (annex 1)
	Terms of reference for rationalization study (annex 2)
Amending the Convention Regulations	Re-drafting the 'reasons' section of proposal 27.9.1
Compliance to UPU standards	Will support product development and quality of service



Item discussed (PSDEIG)	Key outcome / Matters arising (PSDEIG)
PSDEIG deliverables matrix and KPIs	Approved by POC C2
Parcels minimum specifications	Reviewed and approved by POC C2 Included actions to be advanced in 2017-2020 cycle
IPP – Step 1 implementation	Approved by POC C2
IPP Step 2 - Product portfolio verification	POC C2 approved draft survey on modernization and rationalization of existing mandatory and optional services To incorporate comments by Austria and Israel
Amending the Convention Regulations	Deferred proposal 25.17-101.2.Rev 1



PSDEIG deliverables for 2017-2020

No	Deliverable
D1	Deliverables matrix and KPIs for PSDEIG
D2	Network specifications for letters and parcels for the period 2017-2020 completed for approval by the POC
D3	Drafting of IPP step 1 implementation report completed and submitted to S1 POC session for approval and distribution to all Designated Operators
D4	Impact study and recommendations for IPP step 2 implementation completed and approved by S4 POC session
D5	Initial study and recommendations on rationalisation and modernisation of existing mandatory and optional services completed and approved by the S3 POC session
D6	Updated version of the IPP completed and presented to Congress for consideration and approval by October 2020
D7	New range of added-value physical products, features and tools developed by 2020
D8	Regional integration and capacity-building strategy developed and implemented by 2020
D9	Implementation of ECOMPRO activities, designed to co-ordinate and accelerate e-commerce development, in order to increase the volumes of postal items generated through e-commerce by 2020



Key work programme 1 - Integrated Product Plan (IPP) –Update on implementation of Step 1

Key changes relating to the IPP (effective 01.01.2018)

- Definition of both documents and goods
- Classification of letter-post items based on their formats and content
- Mandatory application of an S10 barcode identifier on all small packets containing goods

Integrated Product Plan (IPP) –Update on implementation of Step 1

Classification of postal items by content

- Customs Group examining whether it would be appropriate to remove the “documents” tick box from the CN 22/23
- OARG is investigating impact of IPP on mail subclasses and format separation; and possible goods and documents subclasses to replace current subclasses for LC and AO

Integrated Product Plan (IPP) –Update on implementation of Step 1

Mandatory application of S10 barcode on small packets containing goods (format E)

- Circular sent to all DOs on the mandatory application of S10 barcode on small packets effective 01 January 2018:
 - Included:
 - ✓ short questionnaire;
 - ✓ printing of S10 labels by IB Quality of Service programme if requested; and
 - ✓ that PTC can provide technical assistance

Integrated Product Plan (IPP) –Update on implementation of Step 1

Small Packets User Guide

- Aimed at assisting member countries to understand the key changes for the implementation of IPP step 1:
 - Includes:
 - Background information;
 - Details of the small packet service other than registered, insured and tracked;
 - Definition of documents and goods
 - Classification of postal items by content
 - Mandatory application of S10 barcode in small packets containing goods (format E)

Key work programme 2 - Development of a fully integrated product matrix

Update on current version of the product matrix

Main purpose of the document:

- to review and agree on the version of the matrix to be submitted to the S2 POC C2 session for approval
 - Information materials provided include:
 - The IPP principles
 - Proposed draft version of the product matrix
 - Focus only on the baseline products: letter-post items; parcel-post items and EMS
- Menu of value added services to be considered later



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Development of a fully integrated product matrix

Update on current version of the product matrix

Main aims of the product matrix:

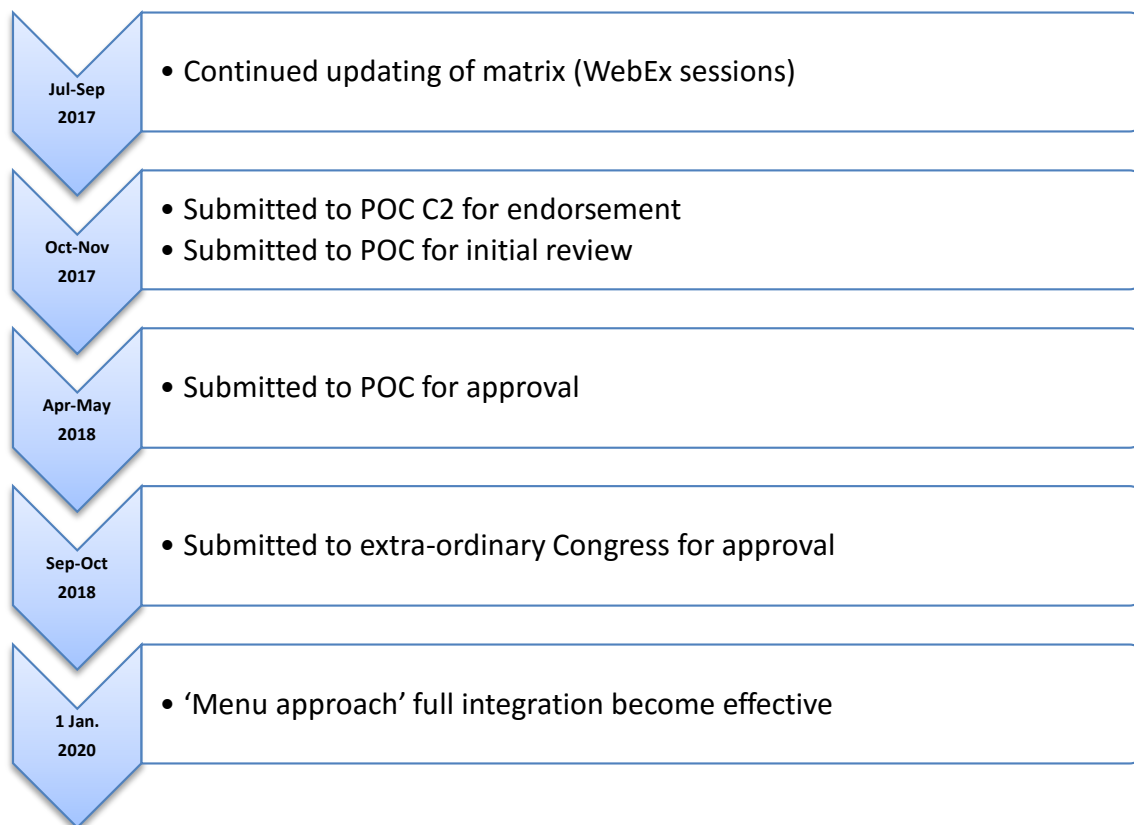
- In line with progression principle and is evolutionary
- To be presented to the 2018 mid-term Congress for approval
- Fully integrated product portfolio matrix to be implemented by 1 January 2020
- The Remuneration Integration Group with a view to modernizing the UPU remuneration system



Development of a fully integrated product matrix

Update on current version of the product matrix

Key timelines:



Postal items (Const. Art. 1bis1.6bis)

(Weight thresholds, dimensions and sizes are as defined in the Regulations) (Regs. Art. 17-103 to 17-105 inc. and 17-203)

Documents

Goods

Non-priority

Letters

(P, G, E)

Items for the
blind

Postcards

Printed paper

M bags

Priority

Letters

(P, G, E)

Items for the
blind

Postcards

Printed paper

M bags

Premium

EMS

Non-Priority

Small packets
(E)

Parcels

Priority

Small packets
(E)

Parcels

ECOMPRO
parcel

Premium

EMS

+

Menu of value-added service feature options

(details to be added after the results of the “Survey on mandatory and optional services “ have been analyzed)

Key:

Basic services (Conv. Art 17)

Letter Post
items

Parcel Post
items

Optional service under parcel-post

ECOMPRO
parcel

Optional service (Conv. Art. 36)

EMS



Key work programme 3 - Updated specifications, attributes, delivery rates and user guide for the ECOMPRO parcel

Background

- Expert team of seven designated operators that have implemented ECOMPRO met on 1 June 2017 to advance S2 deliverable PSDEIG–D9.1

Review of ECOMPRO parcel specifications

- Reviewed and updated ECOMPRO User Guide
- All references to the Regulations were updated to reflect Congress decision
- Aligned ECOMPRO parcel to the parcels minimum specifications
 - Actions regarding customs, security and transport be postponed until 2018
 - Certification review postponed
 - Requirements for reporting to be considered in 2018

Implementation of ECOMPRO

Updated specifications, attributes, delivery rates and user guide for the ECOMPRO parcel

Remuneration

- Self-declared rates
- Not linked to ILR rates from 2018
- Bonus plan or pay-for-performance scheme to be considered in 2018
- Defined timelines to notify the IB of ECOMPRO rates
 - Notification deadline: 31 August for rates coming into force on 1 January the following year

General information and communication

- Information is on the UPU website
- Frequently asked question also added



Key work programme 4 - Parcels minimum specification

Introduction

- POC 2007.1 approved **UPU parcel services features – minimum specifications** for 2018 – 2021
- Teleconference of expert team members held on 31 May 2017
- Principles of reviewing the parcels minimum specifications:
 - Maintain differentiation between parcels and EMS
 - Benefit of changes must outweigh costs – Business reasons
 - Set realistic timelines for development and implementation
 - Fully understand impact of changes prior to implementation

Recommended Actions

1. End to end delivery standards (EMA to EMH/I) – establish the need and once established, further detailed work to take place in 2018;
1. Track and Trace - Minimum event capture requirements –
 - Review EMSEVT v3 events and submit a proposal regarding proposed mandatory events for UPU Parcels
 - Study the possible introduction of reason and action codes
 - Assess the impact of making PRECON, RESCON and CARDIT mandatory;
3. Track and Trace Performance target – Analyse the impact of reducing the target transmission time from 48 to 24 elapsed hours, with a further study in 2018 and associated proposals for 2019.



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Thank you!