

2018 Executive Council

Report of the Physical Service and Ecommerce Working Group

Report by the Co-Chairs (Australia and China)

1 Subject Report of the meeting of the Physical Service and Ecommerce Working Group held on 26 June 2018.	References/paragraphs § § 1 - 13
2 Decisions expected The APPU EC Plenary is invited to take note of this report and approve the actions contained in it	 § § 14 - 15

I. Introduction

1. The meeting of the Physical Services and Ecommerce Working Group was held in Da Nang, Viet Nam on 26 June 2018 as part of the APPU-EC meeting.
2. This meeting was presided by the Co-chairs of China and Australia with the agreed agenda as follows. The meeting was well attended by members of 16-member countries present – Australia, Bhutan, China, India, Indonesia, Iran, Japan, Korea, Malaysia, Maldives, New Zealand, Pakistan, Singapore, Sri Lanka, Thailand and Viet Nam.
3. A number of other members participated in the working group meeting as observers.

II. Update on the progress of the UPU PSDEIG and RIG

4. China as one of the Co-chair of the working group presented a general picture of the IPP and IRP with the introduction and mandate of the work followed by background information, and finally the roadmap of IPP and IRP which was developed from a number of the studies carried out by the UPU Standing groups.

5. Australia as Co-chair of PSDEIG Standing group of Committee 2 of the POC briefed members of the working progress of the group in accordance with POC work plan and the future work based on Resolution C15/2016 of Istanbul Congress.

6. Singapore as Co-chair of the RIG Standing group of Committee 2 of the POC introduced the progress and future integrated remuneration system of RIG in accordance with POC work plan.

III. Introduction of the Proposals on the IPP and IRP for the Extraordinary Congress

7. Given the importance of the work on the IPP and IRP, the meeting focused on the introduction to the content of the POC/CA proposal a decision on which will be taken at the Extraordinary Congress later this year. Australia introduced the IPP part of the POC/CA proposal on IPP and IRP. Singapore then went onto introduce the IRP part of the POC/CA proposal on IPP and IRP. Both Co-Chairs noted that the proposal has been presented to the S3 POC and endorsed by both the POC and CA in April 2018.

8. The POC/CA proposal on the IPP contains three groups of recommendations and two options for an implementation date for any changes. China, Australia, and Singapore as one of the Committee 2 Co-chair and PSDEIG and RIG Co-chair of POC took the position of sharing the knowledge with all member countries in APPU among whom only 8 out 32 are the POC members.

9. Focusing on the critical elements of the proposal, the Co-chairs summarized the key difference between the Option 1 and 2 on the implementation timeframe for change and explained the implications to members to ensure the clear awareness and full understanding that option 1 would provide members with around one and half year to be prepared for delivering the tracked packet as a mandatory service and meet the customer needs rapidly, while under Option 2 members would be allowed further time to develop their capability to provide the service with the date of implementation being 2022. The potential impact on catering to the market needs, the QSF investment was also addressed to the participants.

10. In the open discussion, Australia, New Zealand and Vanuatu (who spoke on behalf of the Pacific Island countries) noted their concern with the proposal on the IPP particularly the

mandatory application of a tracked service however they noted that as a way to compromise the POC/CA proposal with option 2 in terms of implementation of the proposed changes could be an option. These countries noted that Option 2 was a better solution (although not perfect) for the various situations and conditions among UPU members with different development levels as it would allow time for capacity building. Viet Nam then took the floor for supporting the POC/CA proposal with the preference of option 1 and they emphasize the urgency of reacting to the market needs. In addition, Viet Nam sought clarification of the difference of the registered and the tracked service features.

11. After the introduction to the POC/CA proposal, China as the Co-chair mentioned the possible ongoing proposal by the other countries in the other region. Singapore pointed out the potential negative impact on the shrinking scale of the available QSF for our regional members if changes are made to letter post items.

12. Singapore as Co-Chair of the RIG then provided an update on the work on the IRP and the second part of the Congress proposal. Singapore noted that the IRP proposal for the Extraordinary Congress is in essence a road map and plan for future work. Singapore urged member countries to ensure that they engaged in the work on the IRP and responded to surveys where applicable.

13. In conclusion, China emphasized again that the POC/CA proposal stemmed from the results of UPU impact study which has the highest recorded 59% response rate is in compliance with the due procedure of POC and is the outcome of hard work of all UPU membership. It was also noted that the two implementation options included in POC/CA proposal provided opportunities for UPU member countries to make their choice on considering the requirements on urgent market needs and better capacity building.

IV. Next Step

14. Given there are only two months before the Extraordinary Congress meeting, the Co-chairs called for the members to pay sincere attention to, input more resources in and take action as much as possible on the IPP and IRP proposals particularly through the following:

- Follow up and look into the proposals which will be provided by the deadline of 2 July;
- Pay attention to the upcoming UPU questionnaire and reply to the UPU where possible within the deadline;
- Arrange a teleconference with the help of the APPU Bureau before the Extraordinary Congress to discuss the issues relating to the IPP and IRP and any other related

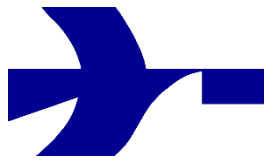
documents and proposals to help our region member countries better understanding of the impact of the various proposals.

V. Next meeting

15. The next working group meeting is scheduled to take place during the 2019 EC meeting in Japan.

Da Nang 26 June 2018

Bhavana Chhagan and Wang Dong
Physical service and eCommerce Working Group Co-Chair

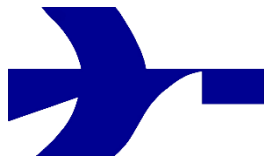


2018 Congress – Update on Integrated Product Plan (IPP) Proposal (2017 – 2020)

Presentation by Co-Chair Physical Services Development &
eCommerce Integration Group (PSDEIG)

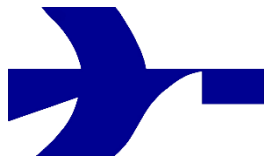
Bhavana Chhagan (Australia)

ASIAN-PACIFIC POSTAL UNION EXECUTIVE COUNCIL MEETING
25-29 June 2018, Da Nang, Viet Nam



Agenda

1. Introduction
2. Background - Integrated Product Plan (IPP) mandate and resolution C 15/2016
3. Update on IPP progress
4. Recommendations to Congress – decisions expected September 2018
5. A visualization of the new products in the IPP
6. Implementation date options for the IPP
7. Development activities and timelines for future work

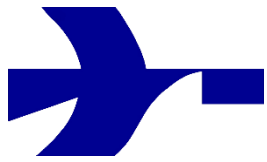


Introduction

What is the IPP and why does it matter?

- One of the main aims of the IPP is to develop a fully integrated portfolio of physical products (letter-post items, parcel-post items and EMS), and adequate and competitive remuneration systems that cover the costs of delivering the products. This would ensure that opportunities created by e-commerce could be taken up by the whole UPU membership.
- Original IPP (2016 Congress-Doc 39. Rev 1)
- In line with resolution, C 15/2016, a proposal for an Updated IPP must be submitted to 2018 Extraordinary Congress
- Committee POC 2 (PSDEIG) has prepared an updated IPP including the following recommendations:
 - Product portfolio matrices
 - Remuneration response
 - Electronic Advance Data

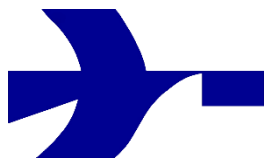
Background – IPP mandate and resolution C 15/2016



To implement all of the recommendations contained in the IPP presented in Congress–Doc 39, namely:

1. Step 1 to be implemented from 1 January 2018, with a target for transitioning to implementation of Step 2 from 1 January 2020;
2. a comprehensive review to be carried out on optional and mandatory supplementary services, with recommendations made to the 2018 Extraordinary Congress and implemented immediately in order to modernize them in line with market requirements and objectives of the IPP;
3. a comprehensive operational and accounting impact study to be completed in advance of the implementation of Step 2; and
4. the development activities and timelines to be respected in order to ensure that implementation of the IPP is in line with the wishes of the UPU member countries.

Update on IPP progress to date



Implementation of Step 1

September 2016 – Original IPP approved by Congress

Implementation date – 1 January 2018

Introduction of classification by content –documents and goods

Application of an S10 barcode to small packets containing goods

Survey on mandatory and optional supplementary services

May 2017 –Survey despatched

Survey sent to all 192 member countries

Survey results fed into product matrices presented to and approved by the 2017.2 POC

The questions of the impact study were derived from and based on the product matrices

Impact Study

November 2017 – Study despatched

Draft Impact Study questions were approved by the 2017.2 POC and comments received from S 2 POC and CA C 2 were also taken into account

Study was sent to all 192 UPU member countries

Updated IPP for 2018 Congress approval

September 2018 – Updated IPP to be submitted to Extraordinary Congress

Mandate C 15/2016

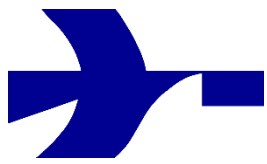
Following on from the comprehensive review that was carried out on optional and mandatory supplementary services.....

.....recommendations are to be made to the 2018 Extraordinary Congress and implemented immediately afterwards in order to modernize them in line with market requirements and objectives of the IPP

IPP recommendations for the 2018 Extraordinary Congress

Group 1 recommendations – Basic services for implementation from 1 January 2020

Basic services	Description
1 Items for the blind	<p>Recommendation 1: It is recommended that items for the blind be added to the definition of "letter-post items containing goods".</p> <p>Note that the Convention Regulations restrict the content of items for the blind (article 17-107.5.1.2).</p>
Remuneration response	Apply existing small packet (E) rates.
2 M bags	<p>Recommendation 2: It is recommended that M bags be added to the definition of "letter-post items containing goods".</p> <p>In addition, we will need to amend the Regulations to ensure that designated operators (DOs) apply a single barcode identifier conforming to UPU Technical Standard S10 to M bags containing goods to enable the provision of cross-border customs pre-advice in compliance with UPU Technical Standard M33 – ITMATT V1.</p> <p>Note that the Convention Regulations restrict the contents of M bags (article 17-107.7.1).</p>
Remuneration response	Apply existing rates for M bags.
All other basic services	No changes to be made.



Group 2 recommendation – Value-added services (supplementary services) – implementation date to be approved by Congress

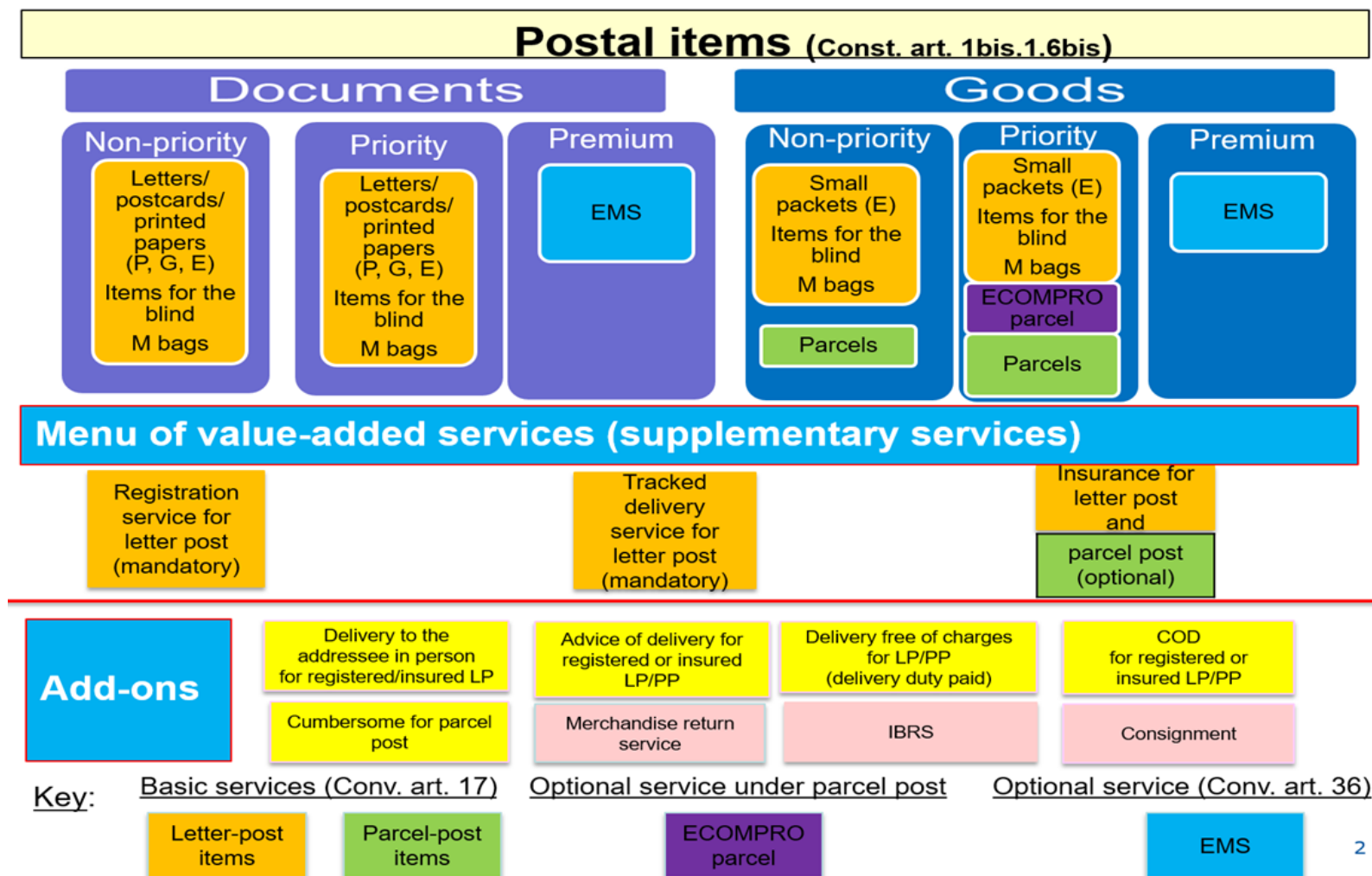
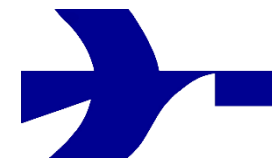
Value-added service	Description
3 Tracked delivery service	<p>Recommendation 3: It is recommended that this service become mandatory.</p> <p>It is recommended that the current product specification that apply to the optional tracked delivery service under the Supplementary Remuneration Programme in article 30-104 apply to the mandatory service.</p>
Remuneration response	<p>Apply the existing supplementary remuneration as provided in article 30-104 of the Regulations for 2020 and 2021 (if this change is to be implemented from 1 January 2020).</p> <p>For 2020 apply 0.73 SDR and for 2021 apply 0.75 SDR per qualifying item in article 30-104.</p> <p>The supplementary remuneration for tracking is conditional on meeting the Supplementary Remuneration Programme performance criteria as set out in article 30-104.</p>



Group 3 recommendations – Add-ons (services that can be added on to the basic services or supplementary services) for implementation from 1 January 2020 (fragile parcels) and 1 January 2022 (for all other Add-ons)

Add-ons	Description
4 Advice of delivery	<p>Recommendation 4: It is recommended that the POC review this service.</p> <p>Recommendations will be submitted to the 2020 Congress, if appropriate.</p> <p>Work on the remuneration response will start once a decision has been taken on product specifications.</p>
5 Delivery to the addressee in person	<p>Recommendation 5: It is recommended that the POC review this service.</p> <p>Recommendations will be submitted to the 2020 Congress, if appropriate.</p> <p>Work on the remuneration response will start once a decision has been taken on product specifications.</p>
6 COD (cash on delivery)	<p>Recommendation 6: It is recommended that the POC review this service.</p> <p>Based on the results of the review, recommendations will be submitted to the 2020 Congress, if appropriate.</p> <p>Work on the remuneration response will start once a decision has been taken on product specifications.</p>
7 Cumbersome for parcel post	<p>Recommendation 7: It is recommended that the POC review this service.</p> <p>Recommendations will be submitted to the 2020 Congress, if appropriate.</p> <p>Work on the remuneration response will start once a decision has been taken on product specifications.</p>
8 Delivery free of charges (delivery duty paid)	<p>Recommendation 8: It is recommended that the POC review this service.</p> <p>Recommendations will be submitted to the 2020 Congress, if appropriate.</p> <p>Work on the remuneration response will start once a decision has been taken on product specifications.</p>
9 Fragile parcels	<p>Recommendation 9: It is recommended that the optional fragile parcels service be discontinued.</p>
Merchandise return service, IBRS, consignment	No changes.

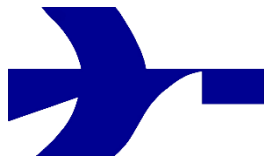
A visualisation of the new Products in the IPP



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Status Quo

Service to be reviewed

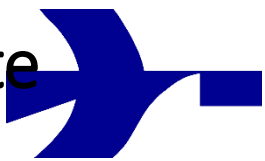


Implementation date options

When will the changes come into effect? Congress will be asked to vote on one of the below:

- *Option 1*
- 2018 Extraordinary Congress: Approval of group 1 recommendations (see group 1, basic services) with the date of implementation set at 1 January 2020.
- 2018 Extraordinary Congress: Approval of group 2 recommendation (see group 2, value-added services) with the date of implementation set at 1 January 2020.
- 2018 Extraordinary Congress: Approval of group 3 recommendations (see group 3, add-ons) with consequential proposals to be submitted to the 2020 Congress and with the implementation date of proposals set at 1 January 2022.
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- *Option 2*
- 2018 Extraordinary Congress: Approval of group 1 recommendations (see group 1, basic services) with the date of implementation set at 1 January 2020.
- 2020 Congress: Approval of group 2 recommendation (see group 2, value-added services) with the date of implementation set at 1 January 2022 if approved.
- 2018 Extraordinary Congress: Approval of group 3 recommendations (see group 3, add-ons) with consequential proposals to be submitted to the 2020 Congress and with the implementation date of proposals set at 1 January 2022.

The key difference between the two options is the implementation date in relation to the group 2 recommendation (value-added services).

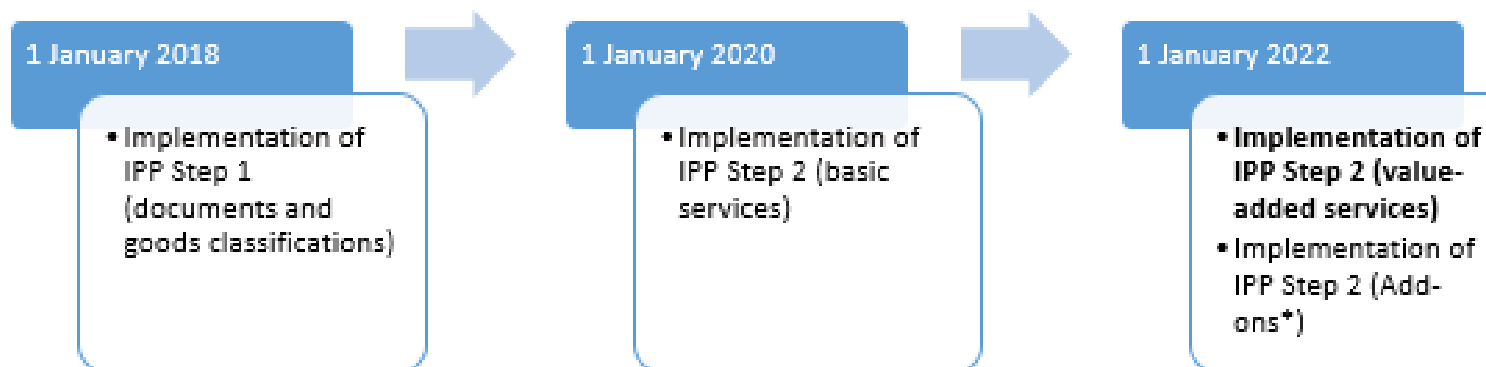


Option 2 has been added to provide the POC with more time to develop appropriate proposals to allow UPU members can invest more time in capacity building. A visualisation of the two implementation options is set out below. The key change is set out in bold:

Option 1



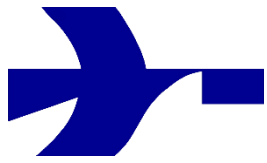
Option 2



Development activities and timelines for future work



Date	Activities to be undertaken	Responsibility
September 2018	Submission of updated version of the IPP to the Extraordinary Congress for final approval of the implementation of Step 2 from 2020.	Extraordinary Congress
October–December 2018	The relevant POC bodies review and develop specifications for each of the approved services, drafting proposals to change the Regulations as appropriate. The relevant POC bodies review and develop as necessary the add-on features, drafting proposals to change the Regulations as appropriate.	POC bodies
2019	The relevant POC bodies continue to review and develop the specifications for each service and amend the Convention Regulations as necessary. The relevant POC bodies continue to review and develop the add-on features. Development of draft IPP 2021–2024 for submission to the 2020 Congress.	2019 POC
1 January 2020	Commencement of Step 2 implementation	Extraordinary Congress
2020	Endorsement of the draft IPP 2021–2024, for submission to the 2020 Congress. Continued development of an EAD implementation roadmap.	2020 POC/CA
2020	Submission of updated IPP 2021–2024 to 2020 Congress.	2020 Congress



Thank you