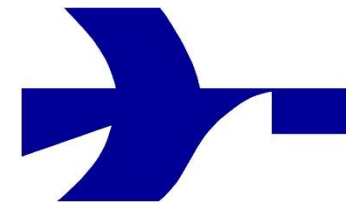


Physical Services Working Group

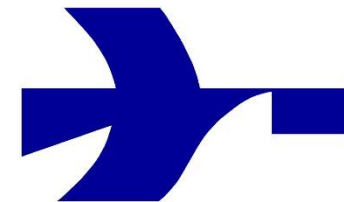
Co Chair's – Australia & China

ASIAN-PACIFIC POSTAL UNION CONGRESS
29 August – 2 September 2022 ,Bangkok, Thailand

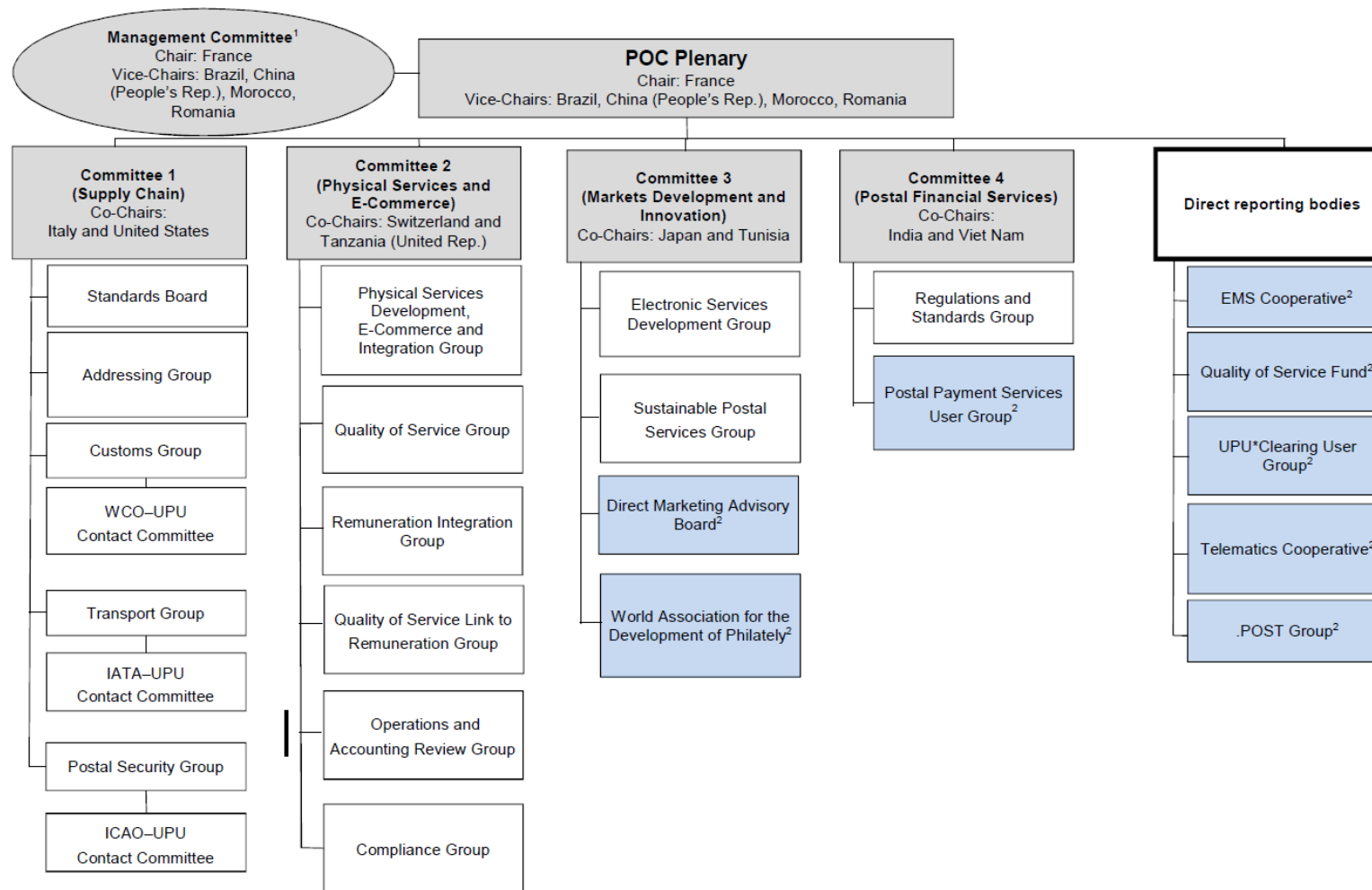


Agenda

1. Open/Introduction to the work
2. Overview of the C2 work this cycle
3. Update from RIG – Malaysia
4. Update from PSEDIG – Belgium/Canada (remote)
5. Q&A Close

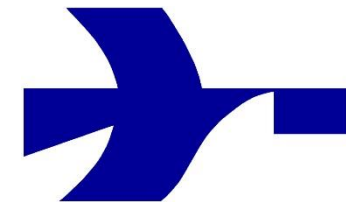


Structure of the POC from 2022 to 2025



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

² User-funded subsidiary body



Overview of the Work of C2 this Cycle

Committee 2 of the POC is chaired by Switzerland and Tanzania (United Rep.) and consists of six standing groups. A summary of each groups' main work items is shown below:

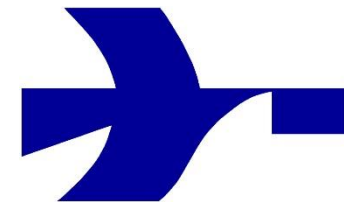
1 Physical Services Development, E-Commerce and Integration Group

- Continue work on the Integrated Product Plan (IPP) including:
 - Review of the current product matrix to better align with customer expectations and develop strategies to implement the updates.
 - Review of UPU regulations to ensure compliance with e-commerce and EAD requirements.
 - Research strategies to increase Posts' share in the 'over 2kg' and development of traditional letter-post markets.
 - Revision of Trainpost modules in line with changes to physical services made by the Group.
 - Draft IPP 2026 – 2029.
- Modernize services such as cash-on-delivery, advice of delivery, within the scope of the IPP.

2 Quality of Service Group & Link to

3 Remuneration Group

- Implement the quality of service improvement program to boost operational efficiencies and e-commerce development.
- Set up regional centres of competence and a resource portal to support designated operators to improve their QoS.
- Review UPU quality management certification system.
- Develop measurements for emerging postal products.
- Implementation of IT solutions to support the GMS.
- Develop proposals to harmonize procedures and rules concerning force majeure for inward land rates (ILRs) and the Supplementary Remuneration Programme (SRP).
- Review and submit proposals for updating QoS standards and targets for the QoS Link, ILRs and SRP (in collaboration with the Remuneration Integration Group).



Overview of the Work of C2 this Cycle

4 Remuneration Integration Group

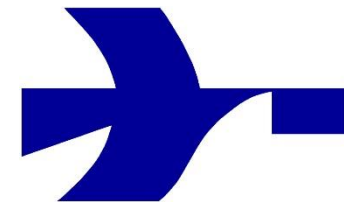
- Review current UPU remuneration systems including studies on:
 - Remuneration systems for items of similar weight.
 - Pay-for-performance systems.
 - Remuneration and costs of supplementary and add-on services.
 - Costs of processing open and closed transit mail items.
- Draft proposal for an Integrated Remuneration Plan (IRP) and an Integrated Remuneration System (IRS)
- Develop strategies to mitigate the financial impact of transitioning to new remuneration systems.
- Draft proposals on further development for the QS Link to remuneration
- Introduction of penalties/bonus payments for the use of S10 barcodes and exchange of ITMATT on small packets and tracked delivery items .
- Assessment of operational, financial and regulatory issues associated with remailing.
- Publication of terminal dues rates, ILRs, ECOMPRO parcel rates and the Transit Compendium.

5 Operations and Accounting Review Group

- Analysis and review of operations and accounting processes.
- Preparation of proposals for technology based improvements such as the replacement of paper exchanges with electronic exchanges.
- Amendments to existing form completion instructions documents and development of any new documents.

6 Compliance Group

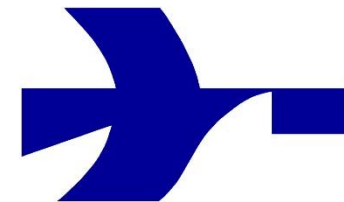
- Investigation into new compliance measurements.
- Respond to enquiries from DOs concerning compliance results.
- Implement a system for gathering and storing monthly data used for compliance reporting.



Remuneration Integration Group (RIG) Work update

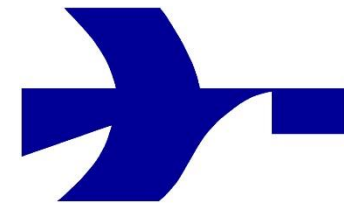
Presentation by: Adawiyah Jafar, Malaysia (Co-Chair POC C 2 RIG)

13th APPU Congress (Bangkok, Thailand) 29 Aug – 2 Sep 2022



Mandate

1. **Congress Resolution C 13/2021 on the Integrated Remuneration Plan (IRP)**
2. **Abidjan Business Plan work proposals (main RIG deliverables):**
 - **WP 1.1.19 REM 2 (Forum) –> CA and POC**
Events, meetings, round tables of future Remuneration Groups in POC and CA
 - **WP 1.2.12 REM 1 (Treaties and international agreements) –> CA and POC**
Studies, technical support to the work on the development of the remuneration systems, including IRP and IRS to 28th Congress
3. **Other work proposals (IB implementation deliverables that may require consideration by RIG)**
 - **WP 1.3.7 REM 5 (Settlement mechanisms) –> POC**
Implementation of the Acts and decisions of Congress, POC and CA, including calculation and publication of terminal dues, inward land rates, ECOMPRO, etc.
 - **WP 2.1.20 REM 4 (Capacity building) –> POC**
Workshops, UPU member support, TRAIN.POST, member support for cost accounting, etc.

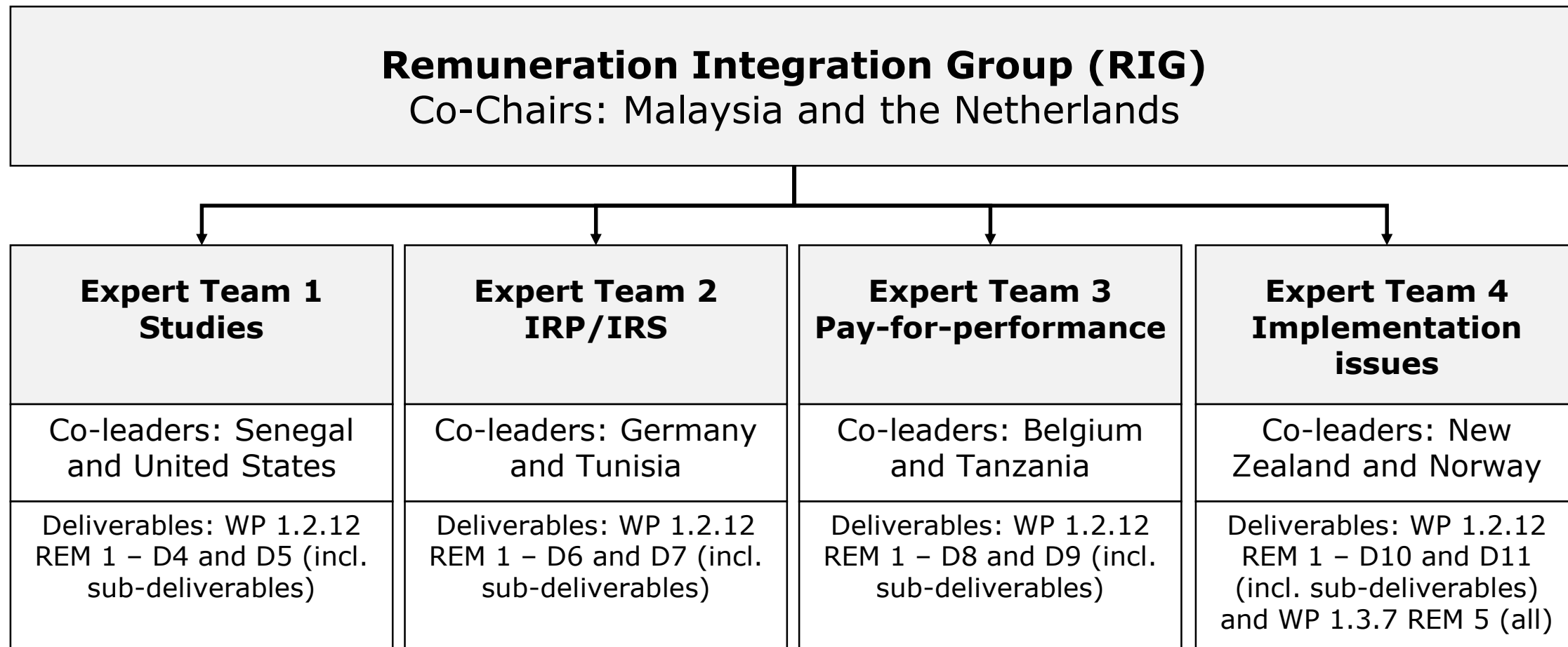
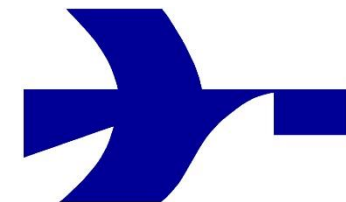


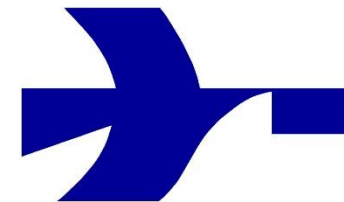
Resolution C 13/2021 on the Integrated Remuneration Plan (IRP)

Resolution C 13/2021 instructs the POC and CA to develop proposals for the modernization, integration and rationalization of the UPU remuneration systems (including rates) for the 2026-2030 period to be submitted to the 28th Congress. IRP implementation progress report to every POC/CA session

Objectives (summarized):

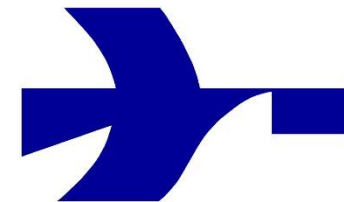
- **IRP Pillar 1:** review the remuneration of basic services (modernization, integration and rationalization of the UPU remuneration systems: reviewing in particular the **methodologies** that underlie the determination of the **basic rates of letter-post, parcel-post and EMS** items)
- **IRP Pillar 2:** review the remuneration of supplementary services, reflecting the product value of these services relative to other services, examine the remuneration of services that can be added on to the basic and supplementary services, and evaluate all remuneration in relation to any modifications to the portfolio of physical services (see the IPP)
- **IRP Pillar 3:** Drive simplification of the remuneration systems, address the market distortion effects of the remuneration systems and further progress the work towards a single terminal dues system
- **IRP Pillar 4:** Incentivize quality of service and operational improvements that enhance customer, operational and supply chain visibility of all items, in particular those containing goods, travelling through the UPU network





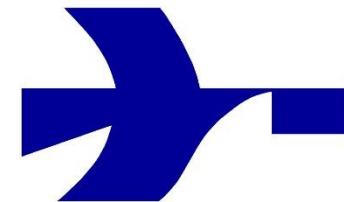
RIG high-level deliverables (WP REM 1 and REM 5 and Resolution C 13/2021 on IRP)

- REM 1/D4:** Assessment current remuneration systems
- REM 1/D5:** Technical studies (cost study, tariff study, items-per-kg (IPK study), study on pay-for-performance systems, supplementary services remuneration, mail flow study, transit mail)
- REM 1/D6:** Implementation of the Integrated Remuneration Plan (resolution C 13/2021 on IRP)
- REM 1/D7:** Proposals for an Integrated Remuneration System (IRS) with remuneration rates for the 2026–2030 period
- REM 1/D8-9:** Proposals on the further development of the QS Link to TDs, and on pay-for-performance schemes for ILR and ECOMPRO
- REM 1/D10-11:** Proposals to improve statistical, operational and accounting procedures
- REM 1/D11:** Assessment of remailing issues
- REM 5/All:** Any issue resulting from the implementation of WP REM 5 on the calculation of rates



RIG work-to-date

- Study that compares the different UPU remuneration systems for items containing goods
- Review of calculation rules of transit charges
- First draft of the IRP implementation report (report reflecting work to date on the implementation of Congress resolution C 13/2021 on developing proposals for remuneration rates applicable in the next Congress cycle)
- Results of consultation on possible future remuneration (methodology to determine rates)
- Draft study to assess impacts of the decisions of the 2019 Geneva Congress (S2)
- Draft study on tariffs for domestic postal items (S2)
- Quality link between inward land rates and quality of service performance (work in progress)



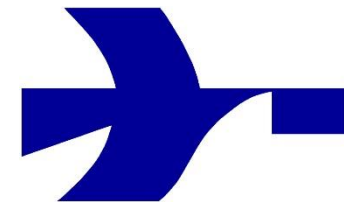
Outcome of Work – Way Forward

1. Comparative study

- 5 July 2022: RIG endorsed the updated terms of reference for submission to POC S2
- July 2022: IB updated the comparative study results according to the amended terms of reference
- August 2022: RIG ET 1 to review the conclusions based on the updated results by S2

2. Draft survey on the initial impacts of the decisions taken by the 2019 Extraordinary Congress

- RIG members commented the draft survey and suggested possible improvements
- August 2022: RIG ET 1 members to review second draft
- S2: after RIG endorsement, survey to be submitted to POC for approval
- December 2022: questionnaire send to DOs for completion and return by end of February 2023
- S3: POC to approve the study results



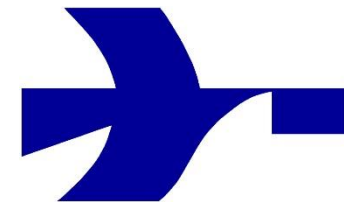
Outcome of Work – Way Forward

3. Tariff study

- 5 July 2022: RIG members commented the draft survey and suggested possible improvements
- August 2022: RIG ET 1 members to review second draft
- S2: after RIG endorsement, survey to be submitted to POC for approval
- December 2022: questionnaire send to DOs for completion and return by end of February 2023
- S3: POC to approve the study results

4. Item-Per-Kg (IPK) study

- Important study concerning sampling of mails to determine worldwide average composition of mail which will determine the future remuneration rates
- August 2022: RIG ET 1 members to review draft
- S2: After RIG endorsement, survey to be submitted to POC for approval
- May 2023: DOs to perform sampling and send results to the IB for calculation of average weights and determination of average profile of mail



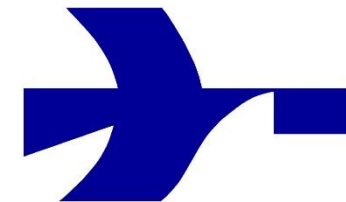
Outcome of Work – Way Forward

5. Quality of Service (QoS) link to ILR

- RIG took note and provided feedback on the request for information to support the work on developing a link between QS and ILR remuneration, similar to the bonus payments under the QS Link to terminal dues.

6. Remuneration in relation to S10 and EAD (ITMATT)

- Remuneration Integration Group (RIG) is working with the Customs Group (C1), Compliance Group and PSDEIG to identify the requirements around ITMATT (key aspects) and set intermediate deliverables and define contributions of each of these groups according to a timeline. Ideally by S5, proposals are made to remunerate the level of performance and compliance against the criteria around ITMATT.
- Status: work in progress



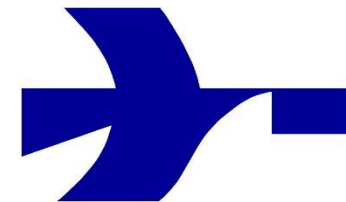
Outcome of Work – Way Forward

7. Integrated Remuneration Plan

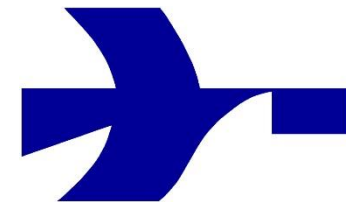
- RIG members were consulted on the current methods of calculating terminal dues and inward land rates. The results of the consultation determine the way forward for proposals concerning the way that terminal dues rates and other remuneration is going to be determined.
- Status: updated report to POC C 2 on work progress. After S2 the main methodology options and calculation rules to be worked out in more detail.

8. Transit charges

- Designated operators notify the IB of the transit charges by 31 October (Transit Compendium). The IB built a tool that supports DOs in calculating the average transit charges of each group (handling and transportation charges and TD increments) that are to be notified to the IB.
- Status: review ongoing on some of the calculation rules. Notifications of charges are due by 31 Oct.



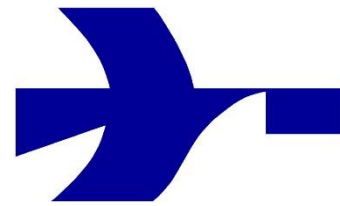
THANK YOU



Physical Services Development & eCommerce Integration Group (PSDEIG) update

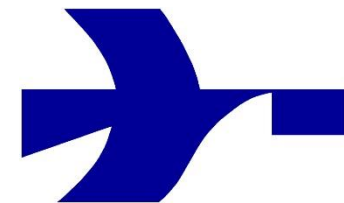
Evolution of the work related to the UPU Product Portfolio

Presentation by: Jorge Gutierrez (Canada), Nadine Devisch (Belgium) (Co-Chair's POC C2 PSDEIG)



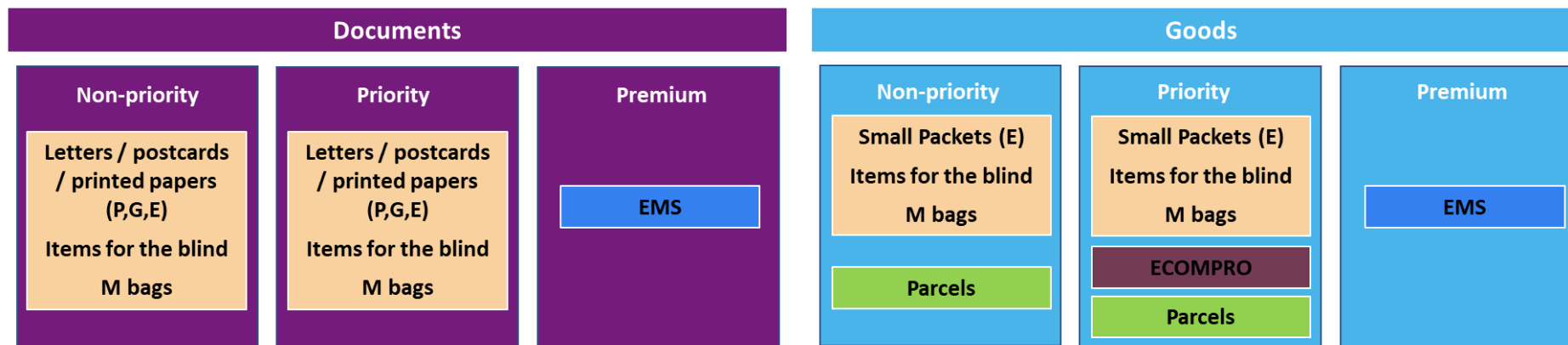
The Integrated Product Plan (IPP) Principles

- 96%
 - Addresses the needs of the marketplace as well as customers;
 - Facilitates efficient compliance with emerging security and customs requirements for electronic advance data (EAD);
 - Results in clear and relevant definitions and regulations;
- 94%
 - Compliance principle: Ensure the alignment of product development with emerging security, transport and electronic customs pre-advice requirements;
- 91%
 - Differentiates products by content (documents/goods);
 - Simplicity principle: The implementation of the IPP will simplify the range of product categories and will also minimize overlaps and eliminate redundancies, thereby heading towards a more integrated portfolio of services;
 - Creates a classification based on content (documents and goods), remuneration and product features

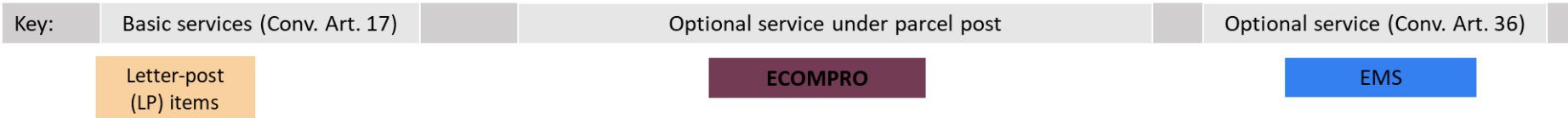
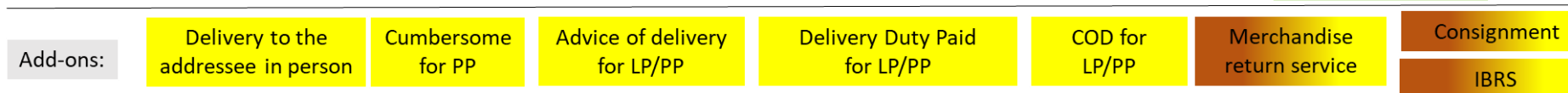


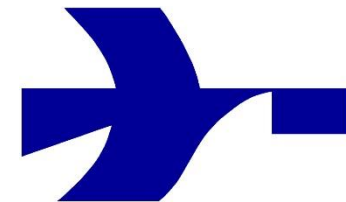
Current UPU Product Matrix

Postal Items (Const. art. 1bis.1.6bis)



Menu of value-added services (Supplementary Services)





PSDEIG Key Takeaways

Postal market share is declining very quickly (what is it for documents vs goods?)

Integrators are investing millions to grow their network and improve E to E service offering

Significant increase of logistics start-ups offering local or last-mile delivery

Major e-retailers building their own network and fulfilling their own deliveries

Shifting business models – direct entry, domestic warehousing, on-shoring

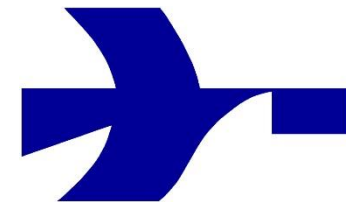
The competition is doing things better – we need to respond in a significant and urgent manner

Changes and pressure not just from “demand” side, but also regulatory and external factors

Greater parcel volumes generates additional revenues but also increases costs

Customers don't care about our internal regulation – goods are goods

No excuse not to provide service features for customers – need to be bold, no incremental change



Summary of responses to questions discussed during the PSDEIG meetings on 4th July and August 23rd 2022

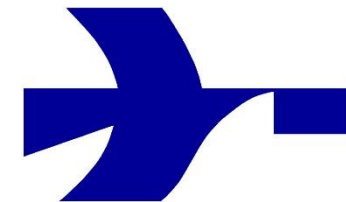
- A. Documents vs Goods split

1. Should we rename the “Letter Post Regulations” category “Postal Document Regulations” and the “Parcel Post Regulations” category “Postal Goods Regulations”?
2. Should we then transfer all small-packet-related regulations (E format, currently in the “Letter Post Regulations”) to the “Postal Goods Regulations” under their own section?

Recommendations:

- The proposed concepts as implied in the two questions should be developed to see what we can get out of them. The IB will look at which articles need to be amended to conclude this “cleanup” of the acts and execution of the two IPP principles on separation of documents vs goods.
- *Further discussion will be needed with the Remuneration Integration Group (RIG) and the Operations and Accounting Review Group. Operational discussions still need to happen (e.g. segregated dispatches for documents and goods and the impact on remuneration, sampling, etc.).*
- Creation of a joint PSDEIG/RIG steering group to regularly discuss touch points of mutual interest.

Summary of responses to questions discussed during the PSDEIG meetings on 4th July and August 23rd 2022



B. Revision of G and E format item specifications (sizes and weights)

3. Should the specifications of G format items be redefined to allow for a bigger size and increased weight?

Recommendations:

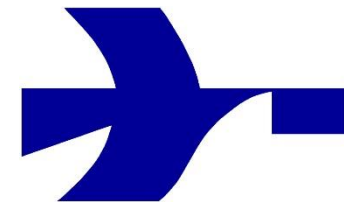
- No changes proposed for G format item specifications at this stage.
- A study be conducted to better understand the proportion of items containing documents are over 500g.

4. Should the specifications of E format items (small packets) be redefined to include different size and weight steps?

Recommendations:

- Work with the RIG to develop different weight steps for E format items (for example, 0-500g, 500g-1kg, 1kg-2kg), along with establishing smaller dimensions for the lowest weight step (for example a maximum cubic dimension of 3000 cm³ (20cm x 15cm x 10cm) with the largest side not exceeding 30 cm).

Summary of responses to questions discussed during the PSDEIG meetings on 4th July and August 23rd 2022



C. Registered items service to be limited to documents only

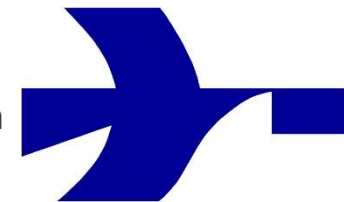
5. Should the registered items service be limited to documents only? (This would remove EAD ambiguity at item level, expedite processing of registered items containing documents, and streamline items containing goods.)

6. Also, should the registered items service for documents be considered as a basic service rather than a supplementary service?

Recommendations:

- A mandatory registered items service be limited to documents but should include tracking as well as signature capture. It should remain a supplementary service offering.
- The appropriate provisions of the Regulations be updated to reflect the fact that the service is no longer being used in line with its original purpose, which was to provide proof of posting and a signature for mostly legal documents.
- Customers wishing to have a registered-type service for sending goods opt for a small packet and add tracking, liability and signature from the menu of value added features (which still needs to be developed). As for question 5, the Regulations would need to be amended to add the “signature feature”, which does not exist at the moment.

Summary of responses to questions discussed during the PSDEIG meetings on 4th July and August 23rd 2022

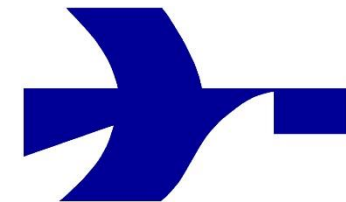


D. All mandatory supplementary services (registered items, advice of delivery, International Business Reply Service (IBRS) and international reply coupon (IRC) services) to be considered as optional

7. Should all mandatory supplementary services (registered items, advice of delivery, IBRS and IRC services) be considered as optional under a menu-based approach that customers can choose to include or not, as value-added features to the basic services?

Recommendations:

- IBRS and IRCs are standard stand-alone products that should no longer be considered as supplementary services. The Regulations should be amended to reflect this fact.
- Registered service should remain mandatory for items containing documents. For items containing goods, it is recommended that customers have the option of adding tracking, signature and liability to basic small packets from the “menu of value added-services”. The Regulations should be amended to add the “signature feature”, which does not exist at the moment.



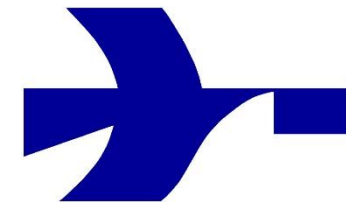
E. Tracking

8. Should all small packets be tracked? (This could be at bag level, with items tracked until the country of destination using nesting and dispatch scanning (PREDES/RESDES), or item level)

Recommendations:

- Make tracking at receptacle or item level, mandatory (with items tracked until the country of destination using nesting and dispatch scanning (PREDES/RESDES)). The current remuneration could apply to this as there would be no additional requirements for the delivering DO.
- Consider full end-to-end mandatory tracking once it is clear that members' capabilities and capacities can meet the demands that making a supplementary version of the service mandatory would entail. A different remuneration mechanism/structure would need to be developed, as this proposal was already rejected twice by two different Congresses.

Summary of responses to questions discussed during the PSDEIG meetings on 4th July and August 23rd 2022



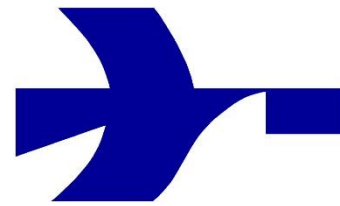
E. Tracking

9. Is a signature necessary for parcels (as part of the basic service), or would tracking of a parcel provide sufficient information on delivery?

- a) Do we need to review the basic liability amount and compare it to what is offered in the market?
- b) Do we need to distinguish between the insurance offered to the senders and the liability between operators?

Recommendations (part 1):

- The features of ECOMPRO become the basic features or service for parcels, making it the economy product offering for parcels sent by customers who wish to opt for a less expensive parcel service without signature or liability features.



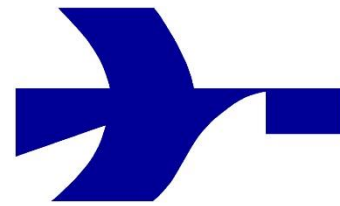
E. Tracking

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- a) Do we need to review the basic liability amount and compare it to what is offered in the market?
- b) Do we need to distinguish between the insurance offered to the senders and the liability between operators?

Recommendations (part 2):

- Parcels, as currently defined (including tracking, signature and liability), be the solution where a customer requires an enhanced parcel service with the full range of value-added services (tracking, signature and liability). It would have to be determined what prefixes should be used for each of the products (basic parcel and enhanced parcel) to allow for different rates to be utilized. For example, we could assign the C prefix to the economy parcel (no liability and no signature) and the V prefix to the enhanced parcel (with signature and liability). This would also allow selling DOs to price the two services differently and sell them accordingly where different rates are available. Essentially, the basic parcel service would have the current ECOMPRO features (tracking but no signature and no liability. Customers who want to use an enhanced parcel service could opt for adding signature and liability to the basic parcel service.

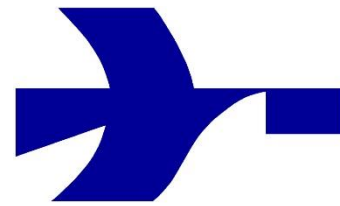


E. Tracking

10. Is advice of delivery still necessary if tracking is provided?

Recommendations:

- Further evaluate the need to keep advice of delivery for items containing documents only, as a supplementary service (with an associated supplementary remuneration).



F. Development of value-added features

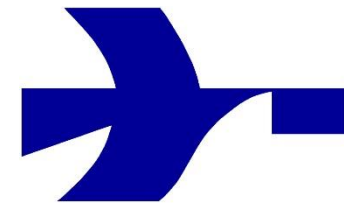
11. How do we go about improving the current UPU processes for the merchandise returns service, with the aim of making the service more user-friendly, efficient and attractive for customers, e-retailers and supply chain stakeholders alike?

12. How can we best develop a framework to enable delivery duty paid and “pre-registration” transactions for postal traffic?

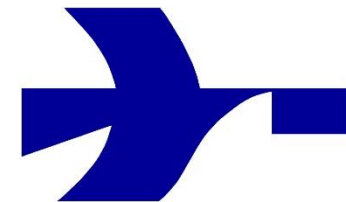
Recommendations:

- Questions be further evaluated in a survey addressed to all members to determine if there is sufficient support to continue evaluating the development of a merchandise returns service (esp. linked to tax refund issues beyond the control of postal operators) and a delivery duty paid solution.

Question & Answers



Close



Thank you