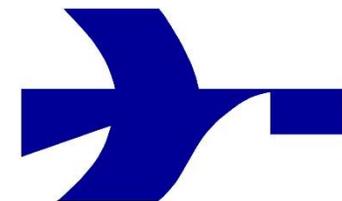


Report of the Physical Service and E-commerce Working Group

Report by the WG Co-Chair (Australia and China (People's Rep.))
-represented by Ms. DONG Hongmei, China Post

ASIAN-PACIFIC POSTAL UNION EXECUTIVE COUNCIL MEETING

22 July 2020 , Online Session



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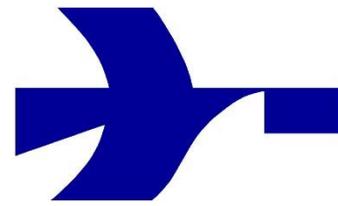
● **Update on the progress on the work of the IPP
in UPU and related Congress document**

● **Update on the progress on the work of the IRP
in UPU and related Congress document**

● **Discussion on IPP & IRS Proposals and comments**



1. Opening of the meeting and adoption of the agenda



held on 17th
June, 2020

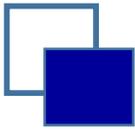
55
representa-
tives attended

from 19
member
countries

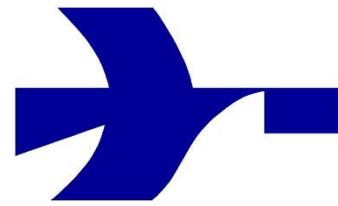
the Bureau
of APPU
joined

Australia, one of the two Co-Chairs of this Working Group, opened the meeting and confirmed the meeting agenda which was duly approved.

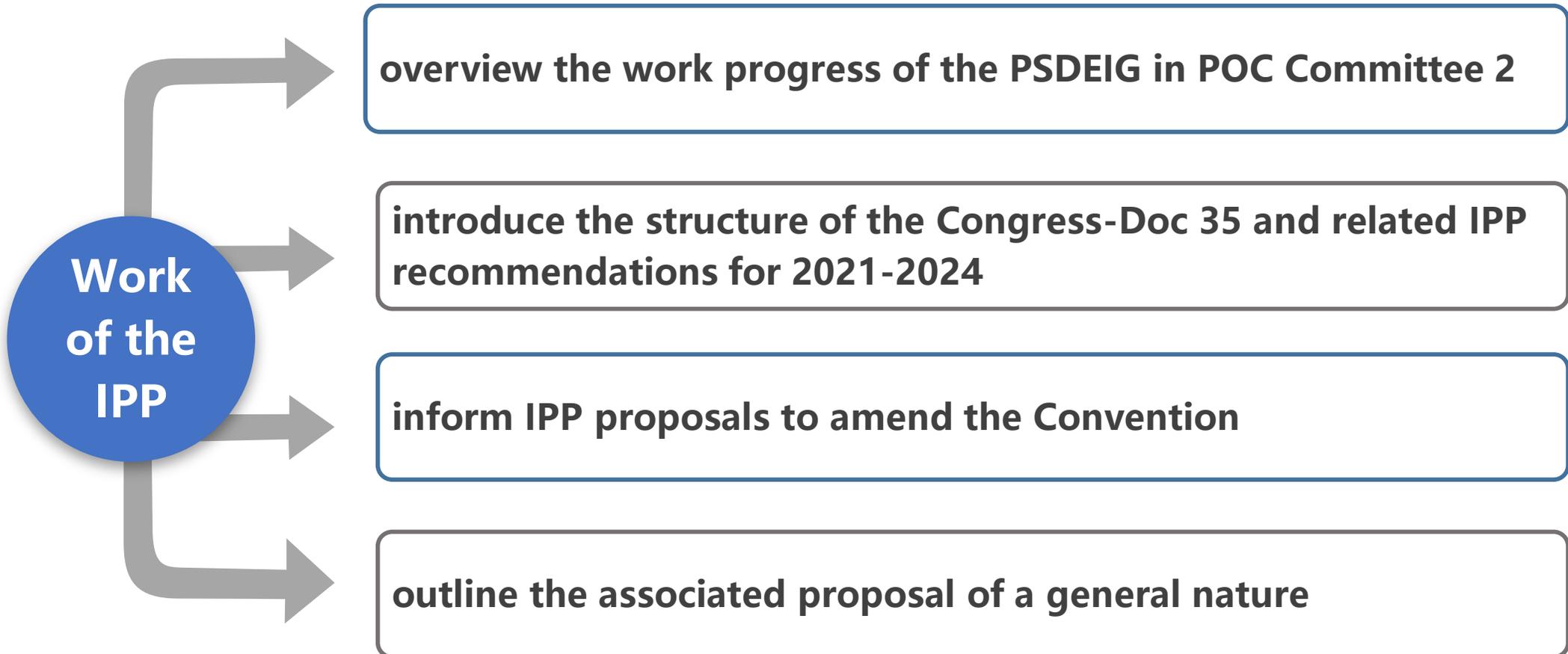
China (People's Rep.), the other Co-Chair, outlined the work stream in the UPU and the recent work done by the Committee 2 in the POC Session (S7) during February 2020, relating to the Congress proposals on the Integrated Product Plan (Congress-Doc 35) and the Integrated Remuneration Plan (Congress-Doc 36), both of which have been endorsed by CA/POC Session (S7) for submission to the 2020 Congress for approval.

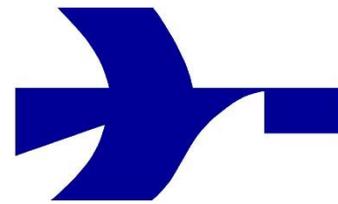


2. Update on the progress on the work of the IPP in UPU and related Congress document



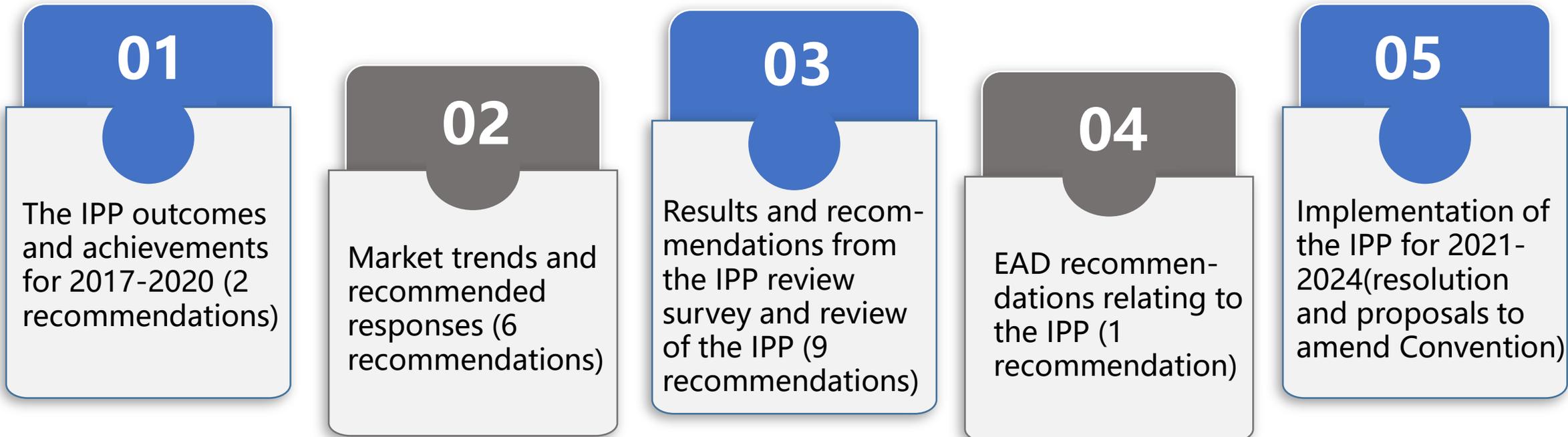
Australia, as Co-Chair of the Physical Services Development, E-Commerce and Integration Group (PSDEIG) of the Committee 2 of POC presented following content:



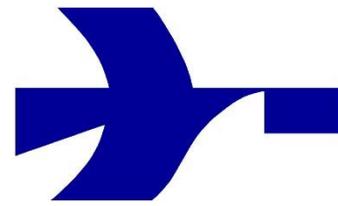


2.1 Structure of Congress-Doc 35 on the IPP

It was noted the Congress-Doc 35 relating to the Integrated Product Plan for 2021–2024 included five sections:



2.2 IPP-related recommendations



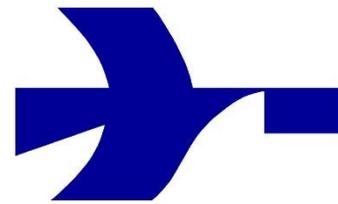
IPP recommendations derived from the market trends research(1/2):

Activities should be carried out that focus on identifying ways of increasing Posts' share in the "over 2 kg" market, while at the same time consolidating the posts position as a major player in the "under 2 kilo" market segment

Facilitate new technological needs (such as mobile devices, software modifications, IT infrastructure, cloud based infrastructure, etc.), and develop provisions for a common data framework enabling communication among Posts and between Posts and other stakeholders

Develop a framework to enable delivery duty paid (DDP) transactions for postal traffic

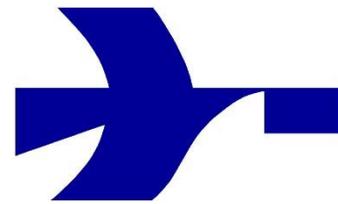
2.2 IPP-related recommendations



IPP recommendations derived from the market trends research(2/2):

- Considering the capabilities of all member countries, the menu of services provided in the IPP should also clearly define visibility (tracking) standards and expectations, as appropriate, for each level of service while bearing in mind the “menu approach” principle
- Implementing activities aimed at improving delivery reliability through optimization of current processes and operations
- 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-tailers and supply chain stakeholders alike

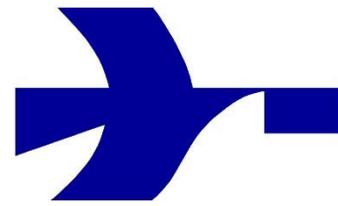
2.2 IPP-related recommendations



IPP recommendations derived from the IPP review survey:

-  Develop, improve and maintain factors, such as speed of delivery, customer inquiry service, and easy customs clearance, to ensure they meet customer requirements
-  E-commerce product market development should continue to be a priority for the next cycle, development of the traditional letter-post markets should also continue
-  Activities relating to the development of parcels, small packets and EMS should ensure that the services align with customer and market requirements for reliability, tracking, network coverage, speed of delivery, customer inquiry service, and easy customs clearance
-  The issue of countries being unsure about when they will be able to exchange ITMATT messages should be addressed as a priority during the next cycle

2.2 IPP-related recommendations



IPP recommendations derived from the EAD requirements:

02 Continue coordinating EAD issues between POC bodies in relation to e-commerce and IPP outreach communications and capacity building

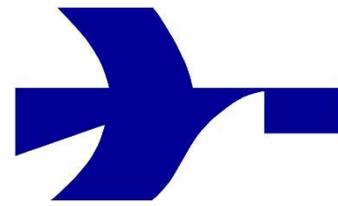
01 Continue product development to facilitate efficient compliance with the EAD roadmap implementation

03 Continue to develop UPU regulations and standards to support compliance with EAD requirements

04 Develop and implement plans for assessing quality of service and the level of compliance regarding the sending of UPU EDI messaging standard M33 (ITMATT V1)

05 Develop and implement plans in collaboration with the QSF Common Fund to help member countries implement EAD, and especially to help DOs build bridges for electronic data interchange with national customs authorities and airlines

2.3 IPP proposals to amend the Convention



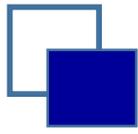
During the presentation by Australia, regarding IPP-related proposals to amend the Convention on the **Tracked Delivery Service**, there are currently two proposed amendments to be submitted to the 2020 Congress :

Options	Inbound goods	Inbound documents	outbound goods	outbound documents
01	Mandatory	Mandatory	Optional	Optional
02	Mandatory	Optional	Optional	Optional

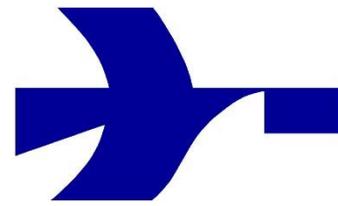
Note 1: there were two Options being presented, among which if either were approved would make the tracked delivery service mandatory from 2022. If both Options 1 and 2 were rejected the tracked delivery service would remain an optional service, as it is today.

Note 2: if one of the above options is chosen, from 2022 all member countries will have to provide the tracked delivery service with remuneration as set out under the Integrated Remuneration Plan (IRP) in Congress-Doc 36.

Note 3: to review the proposals to make the tracked delivery service mandatory together with remuneration response as they relate to each other.



2.4 IPP-related proposal of a general nature

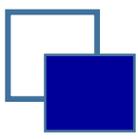


This draft resolution instructs the POC to:

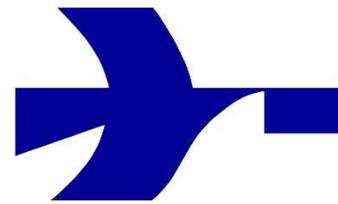
- Ensure that the UPU keeps pace with changes by modernizing the products using an integrated approach;
- Develop and implement POC activities driven by product definition in line with customer, market and supply chain needs;
- Ensure close coordination between the UPU bodies providing a roadmap for implementation of EAD;
- Ensure the ongoing review of the IPP with a view to summing an updated version to the 28th Congress in 2024.

This draft resolution also instructs the CA to:

- Ensure issues of government policy and regulatory issues are properly address, discussed and decided in relation to the IPP.



3. Update on the progress on the work of the IRP in UPU and related Congress document



Singapore, as Co-Chair of RIG of the Committee 2 of POC presented following POC/CA proposals concerning remuneration to be submitted to the 2020 Congress



Integrated Remuneration System (IRS) for 2022-2025

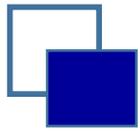
Proposals to amend the Convention and Convention Regulations including TDs, ILR, registered/insured letter-post items, tracked delivery service and returned undeliverable letter-post items for 2022-2025

Integrated Remuneration Plan (IRP) for 2021-2024

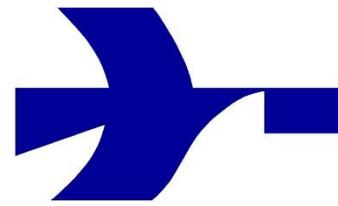
Proposal of a general nature concerning the implementation of the IRP in the 2021-2024 cycle

Other proposals to the 2020 Congress resulting from the work of RIG

Proposals to amend the Convention and Regulations concerning the implementation of self-declared rates and consequential to proposals amending the Convention

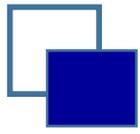


3.1 Overview of IRS proposals(1/2)

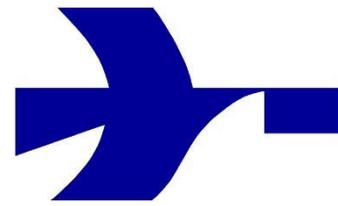


Summary of IRS proposals for 2022-2025 in the Congress-Doc 36:

-  **Ensure harmonization** across all 4 groups for all base TD remuneration, with low volume protection thresholds in place for groups II to IV
-  **PG format cap rate** increases 5% for group I, 8.7% for group II, 12.1% for group III and 15.5% for group IV per year during 2022-2025
-  **PG format floor rate** increases 10% (2022) and 7.5% (2023 and 2024) and 5% (2025)
-  **E format cap rate** increases 10% per year during 2022-2025
-  **Registered/ Insured** letter-posts: supplementary rate increases 4.5% annually and study in the next cycle a possible split on basis of format and content (PG vs E format) so that the base rate remuneration could reflect the actual format and content of registered items received
-  **Tracked delivery service:** maximum possible remuneration includes E format TD rates+ 0.40 SDR surcharge + 0.75 SDR bonus payment (100% on-time transmission of all inbound events)



3.1 Overview of IRS proposals(2/2)



Summary of IRS proposals for 2022-2025 in the Congress-Doc 36:



Returned undeliverable items are charged with handling rate + conveyance rate for UD dispatches



ILR system is self-declared SDR rates below ceilings, with ceiling rates to be reviewed in the next cycle and QS link bonus to be implemented in the 2021-2024 cycle



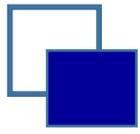
S10 non-compliance: 0.50 SDR penalty for sending DO in case an S10 is not applied



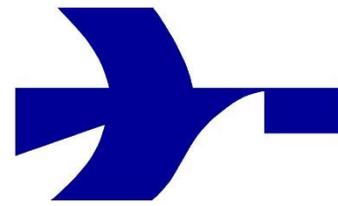
M bags rates increases by 2.8% annually during 2022-2025



No changes to the sampling and rate thresholds decided in Geneva in 2019 were put forward



3.2 IRP-related proposal of a general nature



The proposal of a general nature for IRP (2021-2024) contains:

- Integrated remuneration system (IRS) principles for next work cycle (2022-2025)
- Country classification system for the next Congress cycle
- Instructions on POC, CA and IB to implement IRP and develop the future remuneration systems in the next work cycle with focus on:
 - Review the remuneration of basic services seeking further modernization, integration and alignment of the remuneration systems, in particular concerning items containing goods
 - Review the remuneration of supplementary services and services that can be added on to the basic and supplementary services
 - Simplify the remuneration systems and further progress the work towards a single terminal dues system
 - Incentivize quality of service and operational improvements that enhance the customer, operational and supply chain visibility of all items, in particular those containing goods, traveling through the UPU network



4. Discussion on IPP & IRS Proposals and comments

During the discussion under the moderation of China (People's Rep.), questions and views were expressed concerning the proposals relating to tracked delivery service:



Thailand took the floor to seek further clarifications on the proposals.

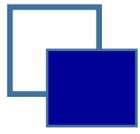


New Zealand and Vanuatu expressed the need for cost-coverage and capacity building resulting from additional invests needed to meet the mandatory PFP tracking requirements if the service is turned mandatory.

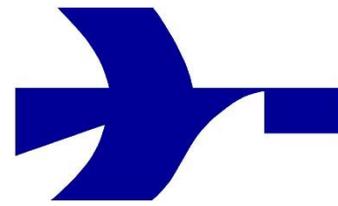


P.R.China clarified that proposals came from the mandate of the 2nd EC & recommendations of UPU survey response, and stressed the necessity to meet customer's requirements in E-commerce market & use of UPU QSF Fund.

- Both Australia and Singapore gave explanations on member country's question accordingly.
- Singapore also called for more realization on the QSF Common Fund assistance.
- Taking all comments into account, the Working Group took note of the presentations, and noted that Congress proposals relating to IPP and IRP will be submitted to the 2020 Congress for review and decision.



Closing of the meeting



In conclusion, Australia, as the Co-Chair of the Working Group, closed the online meeting with the urge for member countries to remain engaged in the work of IPP/IRP and to be prepared for the 2020 Congress.

THANKS
