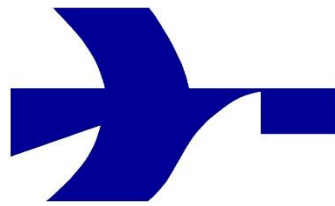


# APPU PHYSICAL SERVICES WORKING GROUP MEETING

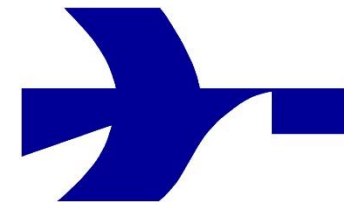
CHAired BY: CHINA & AUSTRALIA

**ASIAN-PACIFIC POSTAL UNION EXECUTIVE COUNCIL MEETING**  
**17 June 2020 , Online Session**



## Today's Agenda

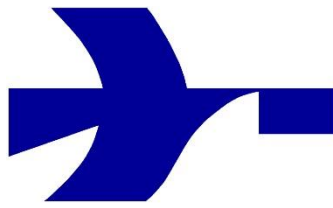
1. Welcome and Introduction to the work of the Physical Services Working Group – *China*
2. Overview of the work streams in the UPU - *China*
3. Presentation of the work on the Integrated Product Plan (IPP) – *Australia*
4. Presentation of the work on the Integrated Remuneration Plan (IRP) – *Singapore*
5. Q & A – moderated by *China*
6. Closing remarks – *Australia*



# Integrated Product Plan (IPP) for 2021 to 2024 Congress Doc 35

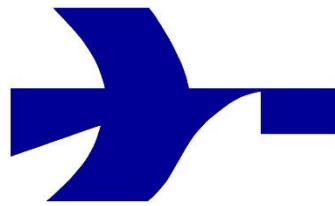
Presentation by Co-Chair of PSDEIG (Australia)

**ASIAN-PACIFIC POSTAL UNION EXECUTIVE COUNCIL MEETING**  
**17 June 2020 , Online Session**



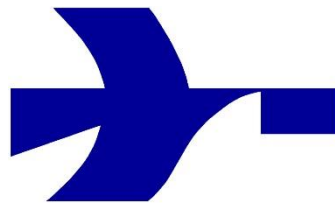
## Agenda

- 1. Introduction**
- 2. Why do we need the Integrated Product Plan (IPP)?**
- 3. What is the aim of the IPP?**
- 4. Structure of the IPP for 2021 to 2024 - Congress Doc 35**
  - IPP recommendations
  - IPP proposal of a general nature
  - IPP related proposals to amend the Convention
  - Next steps



## 1. Introduction

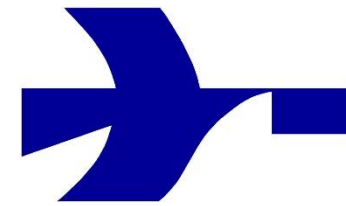
- The mandate of the work came from two Congress Resolutions:
  - Resolution C 15/2016, the 26<sup>th</sup> Congress instructed the Postal Operations Council (POC) to:
    - ensure that the UPU keeps pace with change by modernizing products and ensuring speedier decision making; and
    - develop and implement POC activities that are driven by product definition customer, market and supply chain needs.
  - Further in Resolution C 5/2018, the second Extraordinary Congress instructed the POC to continue the ongoing review of the Integrated Product Plan (IPP) and submit an updated version to Congress in 2020.



## 2. Why do we need the Integrated Product Plan (IPP)?

**Customers and the marketplace are telling us that the UPU is NOT meeting their needs...we need to make urgent changes.**

- DO's share is lagging the pace of e-commerce boom;
- Many DOs , particularly in developing countries have not shared in traffic growth despite steady growth in their regions; and
- DO's are losing market share. Alternative networks are offering what the customers want and need.



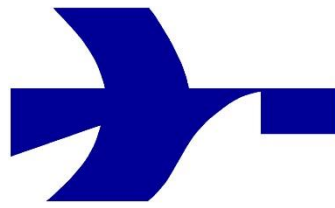
## What have we done?

### 3. Development of the IPP?

- A plan to help the UPU develop a fully integrated portfolio of physical products (letter-post, parcel-post, EMS) with adequate and competitive remuneration systems that cover the costs and meet the requirements of the market, customer needs and the supply chain (EAD).

### Main objectives:

- The UPU's response and roadmap to modernized and integrated services aligned to current needs;
- Opportunities created by e-commerce are realized for the entire UPU membership;
- Integrated and outward facing approach to product development; and
- Ensure alignment with emerging security and customs EAD requirements.



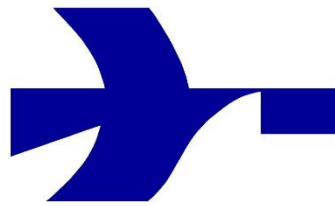
## 4. Structure of the IPP for 2021 to 2024 – Congress Doc 35

Set out in a document with a number of sections:

- The IPP outcomes and achievements for 2017 -2020 (inc. 2 recommendations)
- Market trends and recommended responses (inc. 6 recommendations)
- Results and recommendations from the IPP review questionnaire and review of the IPP (inc. 9 recommendations)
- EAD recommendations relating to the 2020 IPP (inc. 1 recommendation)
- Resolution on the implementation of the IPP
- IPP-related proposals to amend the Convention and Regulations
- Implementation of the IPP for the period 2021-2024

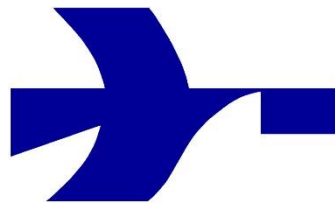


## IPP recommendations – derived from Market trends research

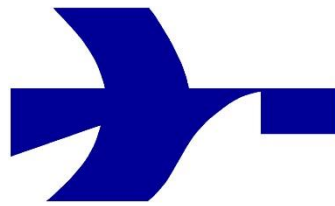


1. Activities should be carried out that focus on identifying ways of increasing Posts' share in the "over 2 kg" market while at the same time consolidating the posts position as a major player in the under 2 kilo market segment;
2. Facilitate new technological needs (such as mobile devices, software 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; and
3. Develop a framework to enable delivery duty paid (DDP) transactions for postal traffic.

## IPP recommendations – derived from Market Trends



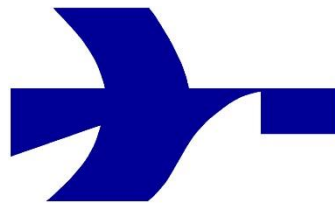
- 4. Considering the capabilities of all member countries, the menu of services provided in the IPP should also clearly define visibility (tracking) standards and expectations, as appropriate, for each level of service while bearing in mind the “menu approach” principle.
- 5. Implementation of activities aimed at improving delivery reliability through optimization of current processes and operations. These activities should include:
  - reviewing and developing solutions to improve label design, address presentation, sizes and dimensions of items, packaging and compliance with UPU regulations; and
  - facilitating processes that enable flexible delivery options.
- 6. Look at 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.



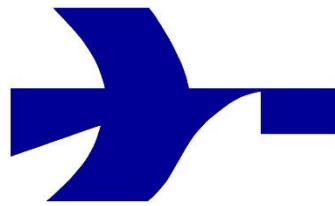
## IPP recommendations – derived from IPP review

7. Develop, improve and maintain factors, such as speed of delivery, customer inquiry service, and easy customs clearance, to ensure they meet customer requirements
8. 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
9. 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, as speed of delivery, customer inquiry service, and easy customs clearance
10. 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.

## IPP recommendations – derived from EAD requirements

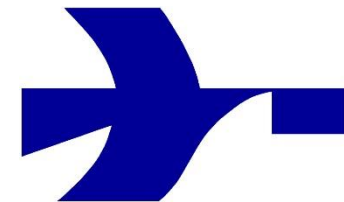


11. Continue product development to facilitate efficient compliance with the EAD roadmap implementation;
12. Continue coordinating EAD issues between POC bodies in relation to e-commerce and IPP outreach communications and capacity building;
13. Continue to develop UPU regulations and standards to support compliance with EAD requirements;
14. 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); and;
15. Develop and implement plans in collaboration with the QSF Common Fund to help member countries implement EAD, and especially to help designated operators build bridges for electronic data interchange with national customs authorities and airlines.



## IPP proposal of a general nature

- This sets up the implementation of the IPP for 2021 to 2024 and 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; and
  - Ensure the ongoing review of the IPP with a view to submitting an updated version to the 28th Congress in 2024.
- It also instructs the CA to:
  - Ensure issues of government policy and regulatory issues are properly address, discussed and decided in relation to the IPP.



## IPP-related proposals to amend the Convention – Tracked Deliver Service

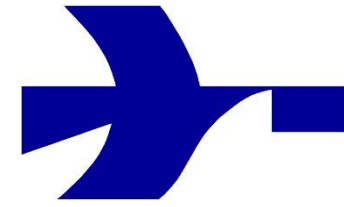
There are currently 2 **proposed alternative amendments** to the Convention on the Tracked Delivery Service: M = Mandatory O = Optional.

Members also have the option to reject both proposals and remain with the tracked delivery service being optional as it is today.

**Only 1 Option can be chosen.** If one of the below 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.

| Option | Inbound Goods | Outbound Goods | Inbound Documents | Outbound Documents |
|--------|---------------|----------------|-------------------|--------------------|
| 1      | M             | O              | M                 | O                  |
| 2      | M             | O              | O                 | O                  |

- **Note:** All proposals to make the tracked delivery service mandatory will be submitted to the Congress with remuneration responses as a “package”. This is in line with the results of the IPP survey where 90% of members stated that remuneration should be reviewed if the service is to become mandatory.



**Thank you!!**



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## **Congress-Doc 36**

Integrated Remuneration Plan (2021–2024) and Integrated  
Remuneration System (2022–2025)

Hon Chew Lee, Singapore





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## **Mandate and development of proposals**

## **Mandate**

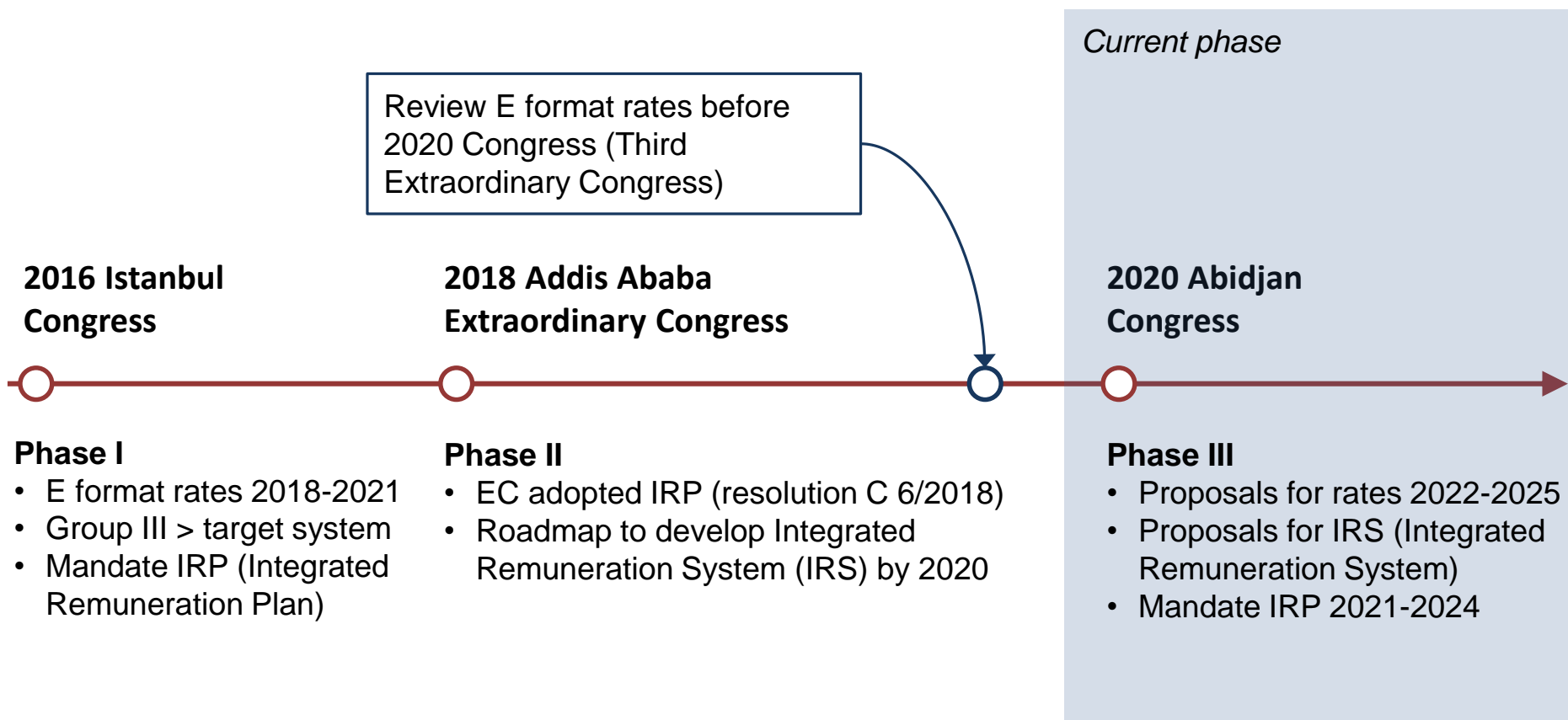
Annex 24 of Resolution C 24/2016 instructed the CA and POC to develop and implement the Integrated Remuneration Plan (IRP), which is focused on the rationalization, harmonization and integration of the UPU remuneration systems

## **Objectives**

1. Modernize, rationalize and integrate the UPU remuneration systems
  - Terminal Dues, Inward Land Rates, EMS developed independently from each other over time.
  - Comparative study identified gaps and inconsistencies between the remuneration systems
  - Alignment and rationalization of the remuneration systems required
  - Future proposals guided by the integrated remuneration principles approved by the 2016 Congress
2. Provide for remuneration for all services in the UPU product portfolio and respond to (future) changes to the product portfolio
  - Update to UPU portfolio of physical products (IPP) to 2020 Congress
  - IRP and IRS proposals support the implementation of the IPP

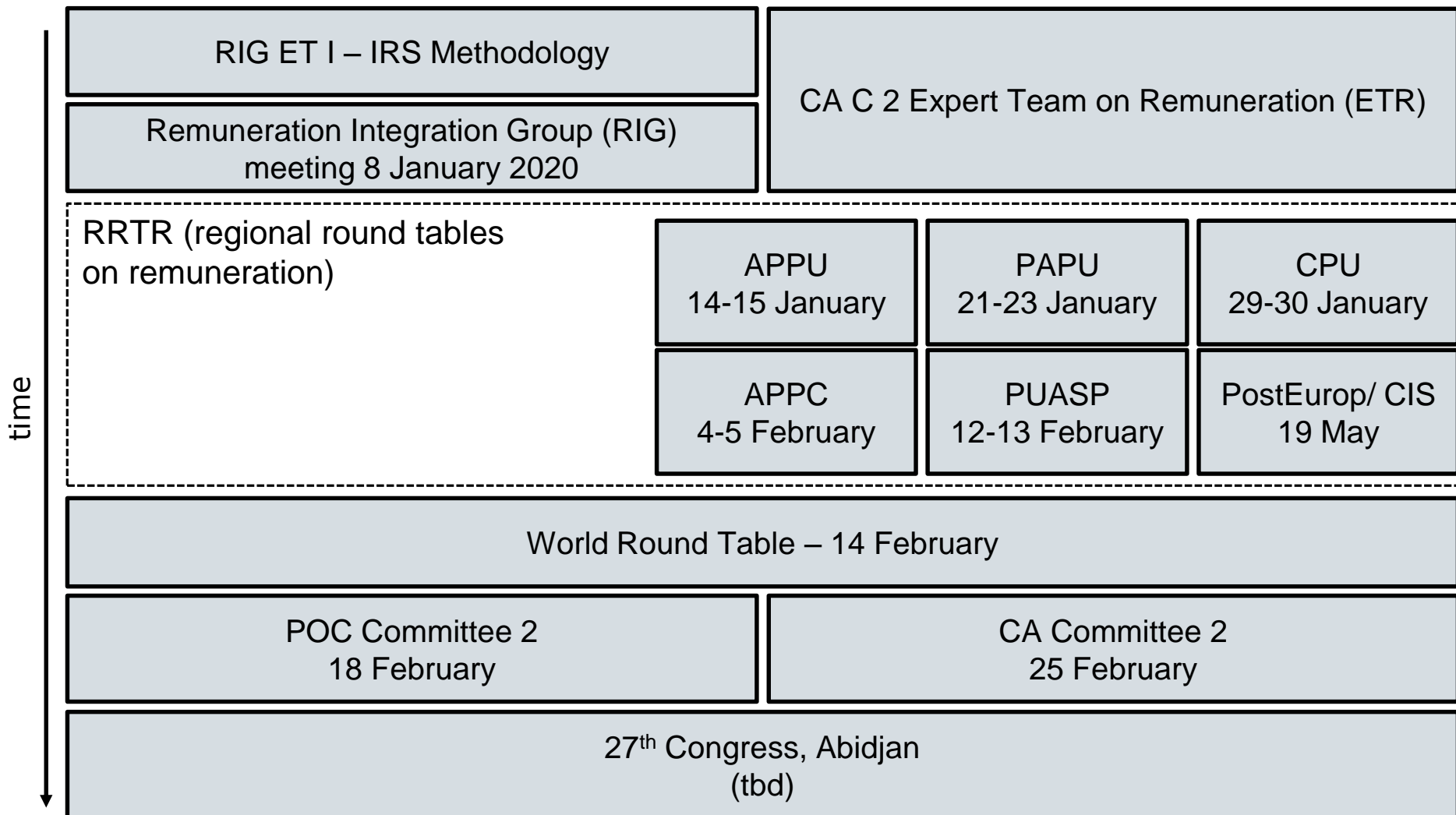


## IRP - timeline





## IRS timeline since S6 (November 2019 until 27<sup>th</sup> Congress)



## **IRP Phase III: implementation 2nd Extraordinary Congress resolution C 6/2018**

### **I. Introduction**

Instructs the POC to implement the IRP and develop proposals for an IRS for presentation to the 2020 Congress, in particular:

### **II. Modernizing, rationalizing and integrating the remuneration systems:**

Proposals for remuneration of basic letter-post services (P/G and E format items) and parcels and a better alignment between the systems;

### **III. Remuneration of supplementary services and other product features:**

Proposals for remuneration of registered, insured and tracked items, M bags, returned undeliverable items and remuneration response to IPP;

### **IV. Transition:**

Proposals for harmonization of rates and thresholds of different groups by 2025 to ensure integration.

### **V. Pay for performance:**

Proposals to link remuneration of all postal items with quality of service

### **VI. Proposals to Congress**



## IRS principles (work cycle 2017-2020)

- Ensuring the provision of an affordable and viable universal postal service through sustainable remuneration to delivery designated operators;
- Supporting the efficient and economically viable provision of international postal services in line with market conditions, customer interests and regulatory requirements;
- Differentiating the various UPU-regulated postal products based on service specifications and market needs;
- Supporting the interoperability, sustainability and development of the global postal network under the least market-distortive terms by:
  - Being transparent, straightforward and mindful of the different resource and implementation constraints among UPU members while incentivizing improved service performance;
  - Ensuring non-discriminatory access to destination markets according to country-specific, cost-based remuneration rates, while :
    - respecting, in particular, the right to affordable access to international postal services for the least developed member countries with limited international mail volumes,
    - preventing the abusive practice of remailing,
    - respecting the need for higher remuneration for the processing and delivery of inbound international mail in cases where domestic rates are set below cost owing to social or similar policies.



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## **Overview all proposals**

## **Summary overview of all POC/ CA proposals concerning remuneration to 27<sup>th</sup> Congress (does not include member country proposals)**

### **A. Integrated Remuneration System (IRS) 2022-2025**

- Proposals 20.28.1, 20.29.1 and 20.30.1 amending the Convention, already published
- Proposals to amend the regulations: inward land rates, remuneration for tracked delivery items and remuneration for returned undeliverable letter-post items

### **B. IRP 2021-2024**

- Proposal of a general nature 1 concerning the implementation of the IRP in the 2021-2024 work cycle

### **C. Other proposals to 27<sup>th</sup> Congress resulting from the work of RIG**

- Proposals amending the Convention such as: sampling group IV, exchange rate period, etc.
- Proposals to amend the regulations consequential to proposals amending the Convention



## **A. Integrated Remuneration System (IRS) 2022-2025**

## Summary of IRS proposals

- 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% (2022-2025) for group I, 8.7% for group II, 12.1% for group III and 15.5% for group IV
- **PG format floor rate** increase of 10% (2022) and 7.5% (2023 and 2024) and 5% (2025)
- **E format cap rate** increases of 10% per year (2022-2025)
- **Registered/ Insured:** 4.5% annual increase 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:** maximum possible remuneration: E format + 0.40 SDR surcharge + 0.75 SDR bonus payment (100% on-time transmission of all inbound events)
- **Returned undeliverable items:** handling rate + conveyance rate for UD dispatches
- **ILR:** SD rates below ceilings, review ceiling rates in the next cycle, QS link bonus to be implemented in 2021-24 work cycle;
- **S10 non-compliance:** 0.50 SDR penalty for sending DO in case an S10 is not applied. Penalty to apply to all items requiring S10, i.e. small packets (E) and tracked delivery UX (0.50 SDR penalty is already in place for UR items)
- **M bags:** rates to increase by 2.8% annually
- **No changes to the sampling and rate thresholds** decided in Geneva (e.g. 100t threshold Group IV or 25t (rate) and 50t (format separation and sampling) threshold)



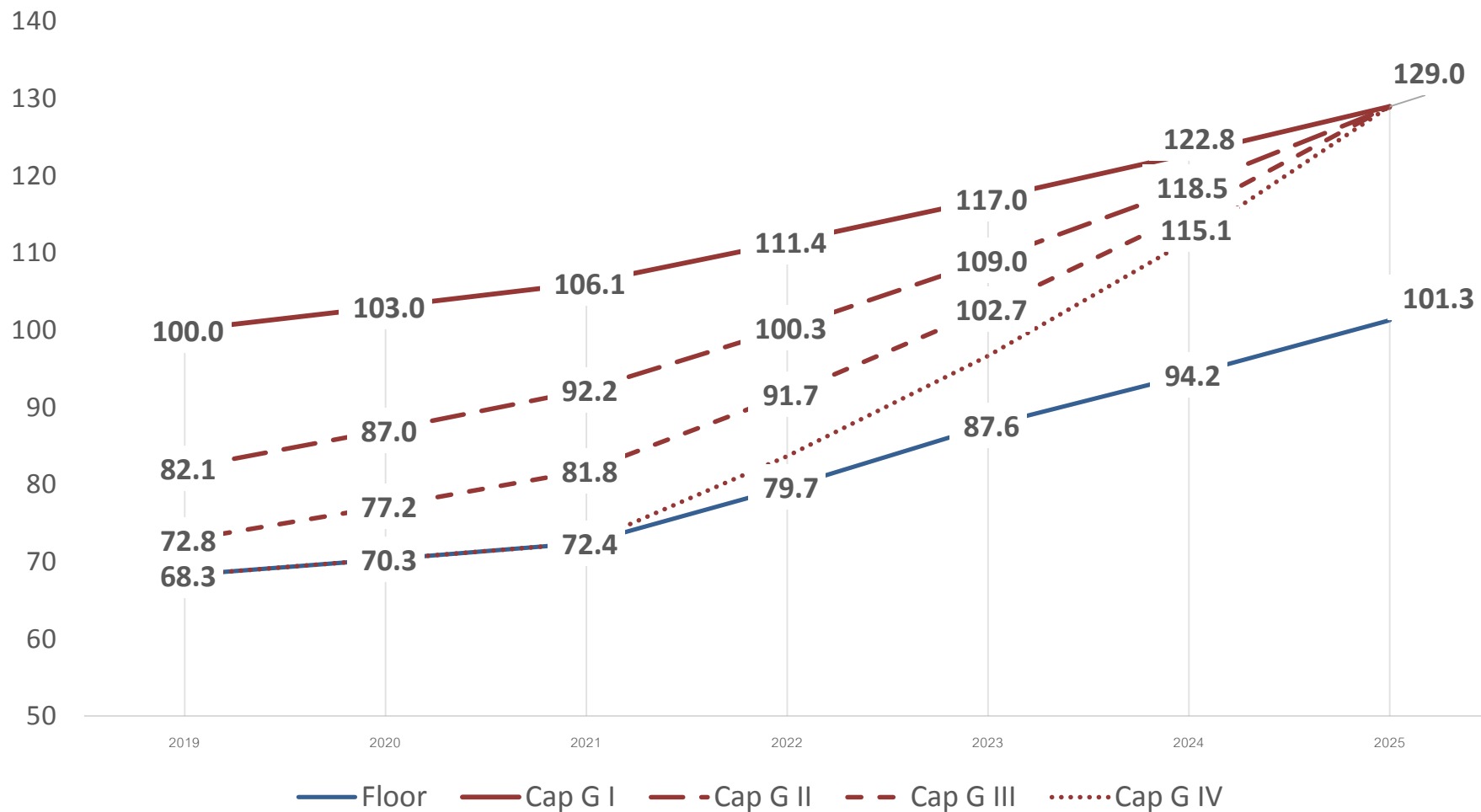
## Overview letter-post rate increases

|                             |                |  |                 |                  |                  |
|-----------------------------|----------------|--|-----------------|------------------|------------------|
| <b>Cap E</b>                | 2022           | 10%  |                 |                  |                  |
|                             | 2023           | 10%  |                 |                  |                  |
|                             | 2024           | 10%  |                 |                  |                  |
|                             | 2025           | 10%  |                 |                  |                  |
| <b>Cap P/G</b>              |                | <i>Group I</i>                                     | <i>Group II</i> | <i>Group III</i> | <i>Group IV*</i> |
|                             | 2022           | 5.0%   | 8.7%            | 12.1%            | 15.5%            |
|                             | 2023           | 5.0%   | 8.7%            | 12.1%            | 15.5%            |
|                             | 2024           | 5.0%   | 8.7%            | 12.1%            | 15.5%            |
|                             | 2025           | 5.0%   | 8.7%            | 12.1%            | 15.5%            |
| <b>Floor P/G</b>            | 2022           | 10.0%  |                 |                  |                  |
|                             | 2023           | 7.5%   |                 |                  |                  |
|                             | 2024           | 7.5%   |                 |                  |                  |
|                             | 2025           | 5.0%   |                 |                  |                  |
| <b>Registered / Insured</b> | Surcharge      | 4.5% p.a.  |                 |                  |                  |
|                             | Tracking-bonus | Unchanged (0.50 SDR per qualifying item)           |                 |                  |                  |
| <b>Tracked</b>              | Surcharge      | 0.40 SDR   |                 |                  |                  |
|                             | Tracking-bonus | 0.03 SDR per % point 75%-100% (0.75 SDR max bonus) |                 |                  |                  |

\* Not applicable to flows below 100t

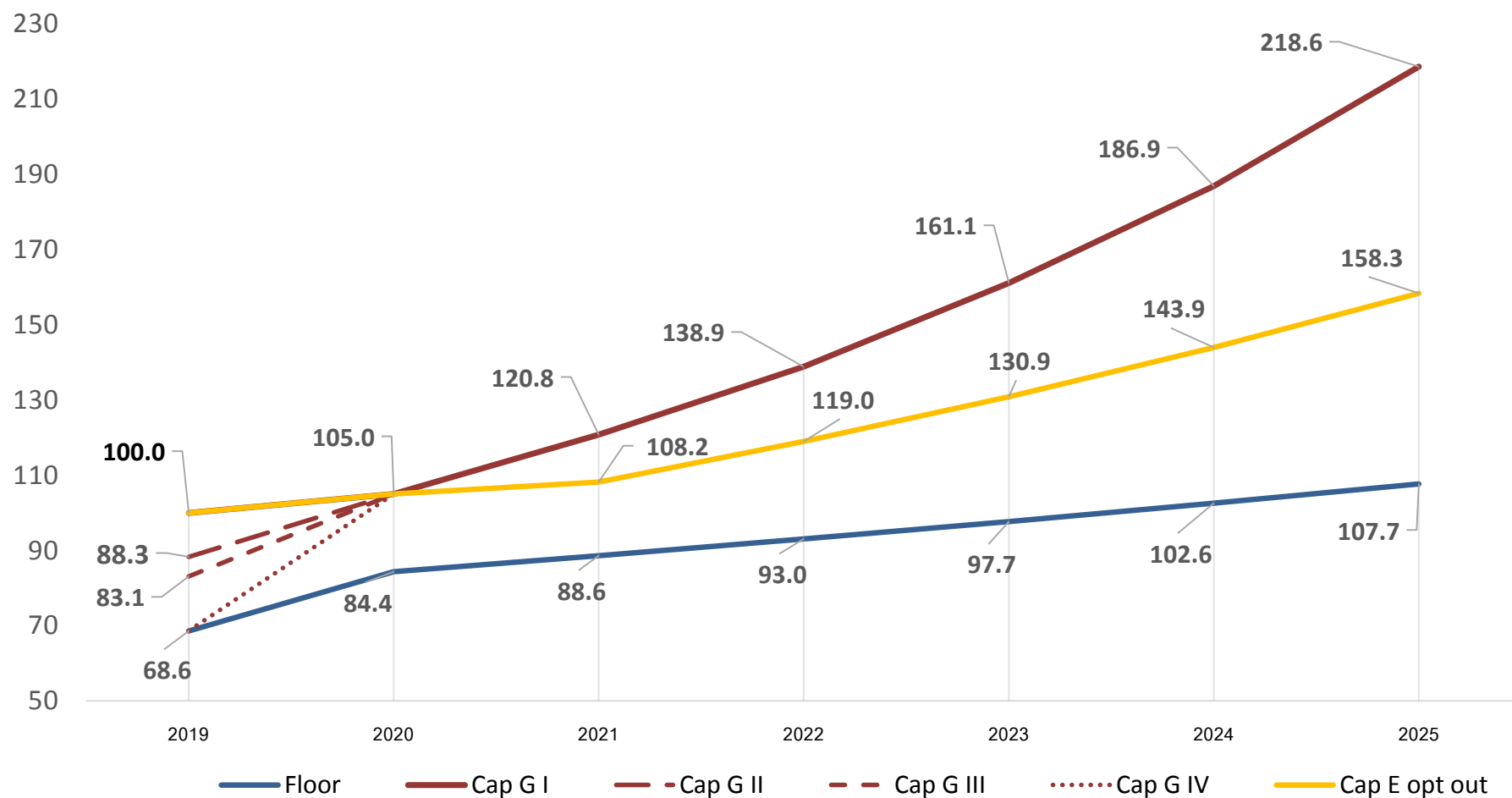


## PG format cap and floor rates 2022-25





## E format cap and floor rates 2022-25



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## **B. Integrated Remuneration Pan (IRP) 2021-2024**



## **Proposal of a general nature for IRP (2021-2024)**

A proposal of a general nature for IRP (2021-2024), currently drafted, will be included in Annex of the document (POC C2 Doc 4c) and contains:

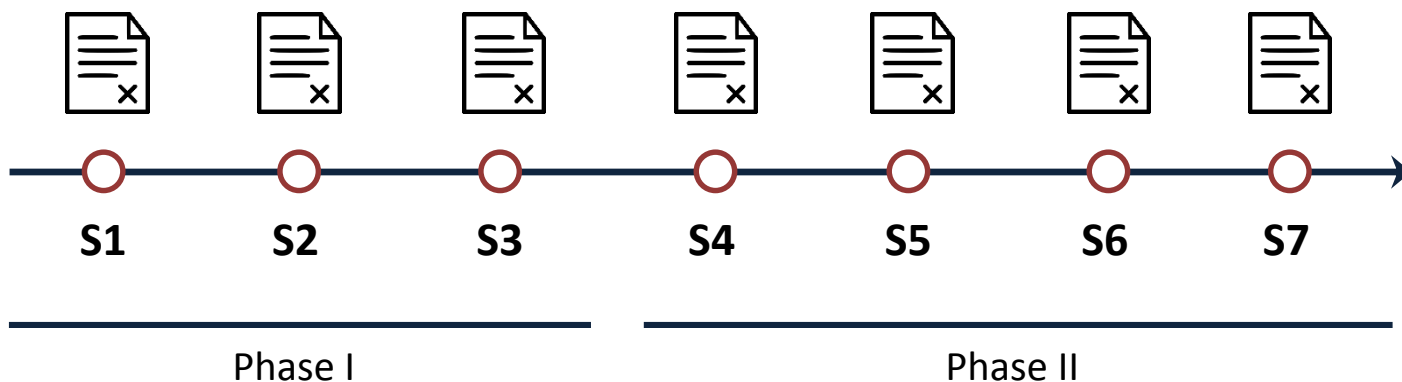
- Integrated remuneration system (IRS) principles for next work cycle
- Country classification system for the next Congress cycle
- Instructions on POC, CA and IB to implement IRP and develop the future remuneration systems in the next work cycle with focus on:
  - Review the remuneration of basic services 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
  - Transition: simplification of 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

## Proposal of a general nature for IRP (2021-2024)

IRP implementation progress report to every POC/CA session

Phase I (S1 – S3): concerns the drafting of the strategic direction and roadmap towards developing the IRS 2026-2029 proposals

Phase II (S4 to S7): the detailed progress reporting on the conclusions of the different studies and the development of draft IRS 2026-2029 proposals in accordance with the IRS principles and the direction as identified in phase I



### CONGRESS 2024

Proposals for an  
Integrated  
Remuneration System  
(2026-2029)



## **C. Other proposals to 27th Congress**

## POC mandate for RIG work items after S7 (POC 2020.1 – Doc 5.Rev1)

| Work items |   | ET V subgroup members      |
|------------|---|----------------------------|
| 1          | IRS proposals: consequential proposals to amend the Regs                                      | NO, UK                     |
| 2          | Proposals concerning implementation of article 28bis:   | --                         |
|            | a) Midpoint rates   | UK (L), NO, US, FR, CA     |
|            | b) Cost and revenue information for cost-to-tariff escalator                                  | NO (L), UK, US             |
|            | c) Item-to-kg ratio where flat item rate is set   | NO (L), UK                 |
|            | d) IACs in combined kg rates of Group IV flows  | UK (L), NO, US, NL, FR     |
|            | e) Self-declaration E format in SDR or local currency and review average exchange rate period | NO (L), UK, US, AT         |
|            | f) Modifications to CN 61 in case different rates apply within 2020                           | NO (L), UK, US, FR, CH, NL |
| 3          | Update SAG  | UK (L), NO, US, CH, NL, CA |
| 4          | Accounting procedures for tracked letter-post items if mandatory                              | UK (L), NO, CH, CA, NL, AT |
| 5          | Amend transportation and transit rates  | NO (L), UK, NL             |

- Work items in highlight were developed for consideration by 27<sup>th</sup> Congress
- The ones not highlighted are for POC in S0



## **Other proposals to 27<sup>th</sup> Congress or to POC in S0**

RIG met on 13 and 14 May 2020 and endorsed proposals:

For consideration to 27<sup>th</sup> Congress:

- Draft proposal 20.30.x: self-declared rates for group IV countries without sampling
- Draft proposal 20.28.9x: notification of self-declared rates for E format items in SDR or local currency and adjustment to the period for which the average monthly exchange rates are calculated (relevant to both ceiling rates and current methodology)

Consequential proposals:

- Draft proposals 25.30-117.x and 25.30-118.x: simplification of sampling rules group IV flows
- Draft proposal 20.30-107.x to change the average exchange rate period in the Regulations

Still in progress, but with a view to be presented to 27<sup>th</sup> Congress

- Cost and revenue information for the cost-to-tariff escalation for the purpose of the calculation of ceiling rates relevant for the self-declaration of E format rates for flows to/ from the US



## Other proposals to 27<sup>th</sup> Congress

Proposal 20.30.x:

- Ensure that countries in Group IV can self-declare E format rates even if they do not sample their inbound flows
- Use of the worldwide average composition of 1 kg of mail in case the mail is not sampled
- Group IV country can decide to sample the inbound mail above 50 tonnes (no sampling below 50 tonnes, above 50 tonnes optional)

This proposal gives group IV countries the right to self-declare their E format rates and use the worldwide composition of mail so that they do not have to sample their inbound mail to be able to self-declare their E format rates

It is important to bear in mind that the 100 t rate protection threshold of 30.6bis would remain unchanged! Countries in group IV pay outbound floor rates under 100 tonnes (no changes!!)