
Opening up the UPU to wider postal sector players – background and context

- The Universal Postal Union (UPU) is a United Nations specialised agency and treaty-making body that sets global standards and payment rates for secure, safe and efficient international post.
- A founding objective of the UPU is to maintain a single universal postal territory, however the rise of eCommerce in a growing and increasingly competitive parcels market has resulted in around 60% of international parcels handled by operators which are not designated operators and therefore not subject to the obligations under the Acts of the UPU.
 - For clarity, this means that non-designated operators do not have to meet the universal service and other obligations under the UPU Treaty required of designated operators.
- In response, UPU members are considering opening up the UPU to the broader postal and logistics sector, which could involve:
 - a new organisational and membership model that integrates non-designated operators and wider sector players, and could include airlines, customs bodies, e-retailers, courier and logistics companies.
 - offering UPU products and services to that new membership base on a pay-for-access model.
- Opening up could deliver a better integrated, efficient and secure postal supply chain, ensure the ongoing relevance of the UPU as eCommerce continues to grow, and inject much needed revenue to the UPU.
- Given the fundamental nature of the proposed changes on citizens, designated operators and the eCommerce sector, it is very important that governments are involved in the decision making process.

- A key question raised by many of the UPU's current members is how to balance opening up the UPU with preserving the ability of designated operators to continue to afford to meet their universal service and other treaty obligations under the UPU.
 - Meeting these universal service obligations guarantees everybody in a nation's territory the permanent right to enjoy quality basic postal services, irrespective of the wealth of that country.
 - Citizens should continue to have the right to choose their postal service. However, where non-designated operators can pass on the cost to deliver internationally directly to customers, designated operators cannot.
 - Designated operators also need to bear the cost of delivering to the 'last mile', even when those routes are unprofitable.

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| <ul style="list-style-type: none">○ Any proposal to open up the UPU needs to address these fundamental issues. |
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How will these critical issues be resolved, and by when?

- A number of ‘opening up’ proposals are being developed by both UPU member states as well as a Taskforce open to all UPU member countries.
- The Taskforce has adopted an ambitious work program over the coming months to develop a proposal for opening to be presented to the UPU’s Council of Administration at its April 2021 meeting and then submitted to the 2021 Congress in August.
- The Taskforce will meet regularly throughout March to work through at least eight key dimensions of opening up (see page 3 under ‘Options’, below).

Work undertaken by the Taskforce to date

- The Taskforce believes that any decisions on how and when to open up the UPU should be informed by careful study, be guided by overarching principles and objectives of what opening up the UPU would look like in the short, medium and long term for stakeholders.
- - This could include a staging of opening up the UPU to non-designated operators (over a period of time) as well as a piloting of access to certain products and services.
- - Above all, change should continue to support sustainable development in postal services, in line with the Sustainable Development Agenda 2030.
- - We urge APPU member states to engage in the discussion on opening up at our regional meeting on 24 February 2021.
- - We offer to below points for your consideration to better inform that discussion.
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Frequently Asked Questions

What does Opening up the UPU mean?

- There is a spectrum of what could constitute opening up — from making available a number of the UPU’s suite of services to allowing new types of organisations to become full or associate members.
- The question of how much the Union will open up, the pace of opening up, and what products and obligations any new players will receive as a result, are core issues in this discussion.

Why is the UPU membership looking at open up?

- The postal sector is increasingly competitive, with not only digital versus paper competition, but also the growth of e-commerce and the emergence of new players such as platforms. The globalised economy requires more than ever a worldwide network that encompasses the needs of all the players, whatever they are and wherever they are.
 - The UPU aims to maintain a standardised universal postal environment. As more and more postal volumes occur outside of the UPU, its core services are being undermined. Opening up may help ensure continued relevance of the UPU.
- The international postal sector is a network weakened by declining mail volumes and uneven development between countries and regions. At the same time, customs and security requirements are increasing, creating new needs for the supply chain: interoperability, traceability, digital data exchanges, etc.
 - Countries might enjoy more control over the security and customs implications of increased eCommerce by channelling more items through the postal channel and allowing customs agencies to access UPU products.
- Consumers are becoming more and more demanding in terms of speed, reliability, ease of transactions and price.
 - Increasing access to UPU services may encourage greater competition, which would benefit citizens through quicker and cheaper postal services worldwide.
- The UPU was 235 million CHF in debt as of 31 December 2019.
 - Some advocates of opening up argue that increased membership and access to products will increase revenue and help the UPU's long-term financial sustainability. This is a matter the UPU has been trying to address for many years.

What is the Taskforce?

- The Council of Administration created the Taskforce in 2019 to provide a roadmap for opening up the UPU and its products and services. 22 member countries participated in the Taskforce, however now all member countries can join. Belgium and Kenya are leading the Taskforce, with invaluable support from the International Bureau (IB).
- The Taskforce is open to all UPU member countries and we would urge everyone to understand this complex issue.

What options are there to open up?

- There are a number of proposals on opening up. Some note the importance of pragmatic partnerships between designated operators (DOs) and postal sector players, others call for a more agile UPU decision-making process, while others advocate for transformation in stages, with consensus measures implemented at the 27th Congress and a roadmap agreed for more contentious proposals at the next Congress.
- The Taskforce is working through eight dimensions:
 - Membership categories

- Stakeholder allocations
- Product and service eligibility to Member categories
- Rights and obligations according to Member category
- Financial contributions — the Taskforce is considering annual fees for members, and the pricing of products and services
- Organization structure — the Taskforce is considering an Executive Council for governmental and regulatory issues and a Business Council for business and operational matters
- Amendments to the Rules
- Implementation timeline effects

Who might benefit from the opening up of the UPU?

- Member states: nations might enjoy more control over the security and customs implications of increased eCommerce if more items were channelled through the postal channel and customs agencies were provided with access to UPU products.
- Consumers: Customers are becoming more and more demanding in terms of speed, reliability, ease of transactions and price. Increasing access to UPU services may encourage greater competition, with citizens potentially benefiting from quicker and cheaper postal services worldwide.
- The UPU: the organisation was 235 million CHF in debt as of 31 December 2019. Increased membership and access to UPU products could increase revenue and help the UPU's long-term financial position.
- eCommerce sector and eCommerce enablers: increased access to UPU products and services, such as UPU's interoperable systems and research and analytical services, could benefit commercial undertakings.

What organisations could join an opened-up UPU?

- This has not been finalised, however the IB memorandum summarising the Taskforce report on opening up (the IB report) provides a list of proposed categories. It is likely that other postal operators (which are not DOs) and players in the postal industry more widely would be eligible for a form of full or associate membership. Examples of wider players include airlines, customs, e-retailers, and courier and logistics companies.

What are the risks in opening up?

- Every nation designates at least one postal operator within its territory to fulfil its significant obligations, including providing a universal postal service in its territory. This operator (normally one per country) is known as the designated operator (DO). This essential service must be viable, affordable and of quality, regardless of economic or business pressures.
- Each DO has access to UPU products, like International Mail Processing Centre (IMPC) codes and access to the UPU's interoperable system, which facilitates efficient and secure international post delivery. Increasing access to these competitive products and services could worsen the financial situations of DOs through increased competition. Particularly if other operators do not have to meet or pay for the provision of the universal service.
- While surveys have indicated that many member countries, DOs and other stakeholders support in-principle the opening up of the UPU, many are concerned that comprehensive

studies have not yet been undertaken to understand the full impacts of various options under discussion, and that opening up to wider postal sector players could have far-reaching consequences for the business models of DOs.

- Many member countries have thus advocated for careful work to be carried out before proposals are developed.
- Given the risks, it is important that all UPU member states are involved and engaged in the debate within the UPU about opening up.

Would an opened-up UPU be relevant (i.e. would organisations want to join)?

- This is dependent on the form and timeline for opening up that the Congress adopts.
- Because a range of organisations might be able to join, Australia is consulting across our region and domestically to determine levels of interest and what forms of opening up would be appealing. Other countries may find this process valuable as they form their position.

What is the timing and key dates of the opening up process?

- The UPU has been looking at ways to open up for over 20 years, incorporating the wider postal sector in 2004 with the Consultative Committee. In 2012, the UPU Congress resolved to investigate how offering UPU services to operators would work, and in 2016, Congress decided to increase the industry's access to the UPU's products and services.
- The Council of Administration, which the Taskforce reports to, is meeting in late April 2021 to discuss this process. The IB report will inform this discussion. Countries' proposals for opening up have to be submitted by 9 June 2021 (assuming they satisfy the UPU's rules of procedure), and the Congress is scheduled to meet in August to determine a way forward. Amendments can be moved by countries on the floor of the Congress.
- For further information regarding the dates proposals need to be submitted, please look at the Director-General's letter to member countries dated 17 December 2020, "New deadlines for submission of proposals to the 27th Congress (9 to 27 August 2021)".

Does this issue have to be voted on this Congress?

- Given the UPU's current financial situation, the increasingly fragmented global postal market, the rise of eCommerce and other structural transformations, and the decisions made at previous UPU Congresses mean that there is strong momentum for some level of reform at this time.
- Member states will cast their votes at Congress in August 2021. Therefore, every nation will be required to come to a position regarding what the UPU's opening up should look like and how it should be implemented. By engaging now, countries can express their concerns and help shape proposals in the drafting stage.
 - It is important that a wide range of UPU members' views are considered on this matter.

Why should governments get involved and not just leave this to DOs?

- Opening up the UPU represents a fundamental shift for the 147-year old union. Expansion will impact DOs (many owned by governments) as well as the postal sector, businesses and citizens, as market dynamics change and new product offerings enter the market because of increased access to the UPU. Governments must advocate for their citizens, DO(s) and broader postal sector.
- The texts of the UPU (the UPU Acts) are treaties that bind member states; therefore, Member states must play their role to ensure that their interests are represented in the texts they sign.

What is the UPU's current organisational structure?

- The UPU's supreme body is its Congress, consisting of all 192 member countries. Congress usually meets every four years, and will next meet in Abidjan during August 2021, having been postponed due to Covid-19. In between congresses, the Council of Administration is responsible for the UPU's administration. The Postal Operations Council meets in between Congresses, and is responsible for operational, commercial, technical and economic matters relating to the international postal service. The UPU, and these two councils, are supported by its secretariat, the IB.
- In 2004, the UPU created the Consultative Committee, consisting of member nations and non-governmental organizations representing customers, delivery-service providers, workers' unions, and so on. Individual companies cannot join. The Consultative Committee's mandate is to provide the UPU with insights into issues facing the postal sector more broadly.

What studies have been undertaken on the impacts of opening up?

- In 2012, the UPU Congress resolved to conduct studies on how offering UPU services and products to operators would work, and what risks and benefits are involved. In 2014 the Council of Administration reviewed the UPU products and services that could be offered to an expanded range of stakeholders.
- During 2019 the Taskforce surveyed stakeholders about opening up and presented these findings to the Council of Administration; and several rounds of questionnaires from member states about how they view these plans and findings were conducted. These documents are now available on the Workspace UPU intranet.

How will opening up impact the USO?

- The UPU's Acts leave it up to each member country to determine its universal service. Countries may wish to consider whether their existing arrangements are suitable should the UPU open up, including the impact on DOs' financial viability and citizens' access to postal services.