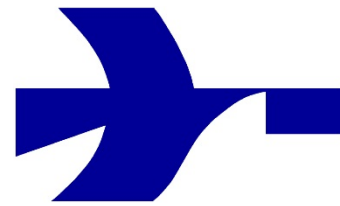


APPU Physical Service Group

Co Chairs – Australia and China

**ASIAN-PACIFIC POSTAL UNION EXECUTIVE COUNCIL MEETING
2-6 September 2019 , Tokyo, Japan**

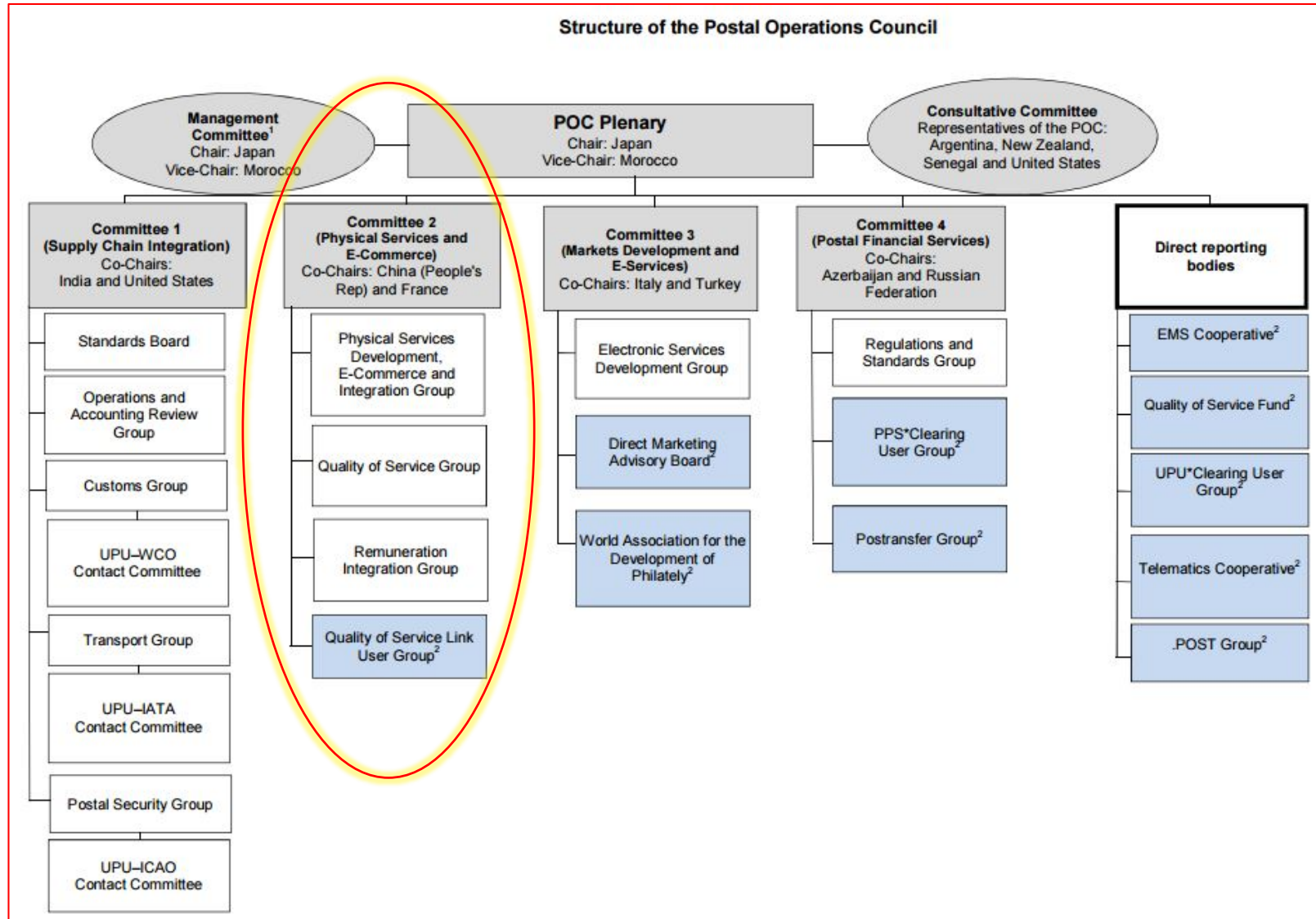
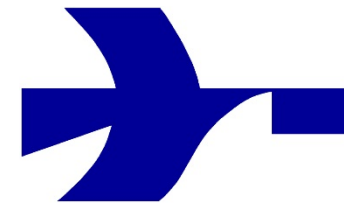
Agenda



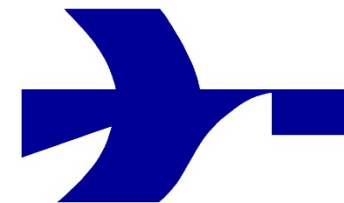
Focus on key issues relating to the work of the UPU Physical Services eCommerce Group:

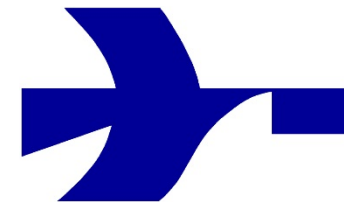
- Update from the **Remuneration Integration Group (RIG)** with a focus on proposals for the 2019 UPU Extraordinary Congress.
- Update from the work of the **Physical Services Development eCommerce Integration Group (PSDEIG)**.
- Other key issues

UPU Structure - recap



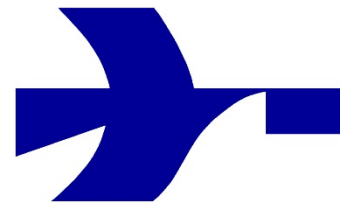
Remuneration Integration Group (RIG) - Singapore





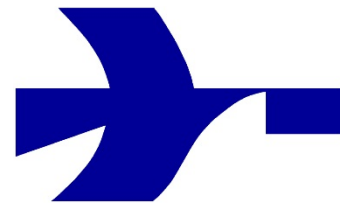
POC C2 – Remuneration Integration Group (RIG)

**ASIAN-PACIFIC POSTAL UNION EXECUTIVE COUNCIL MEETING
2-6 September 2019 , Tokyo, Japan**

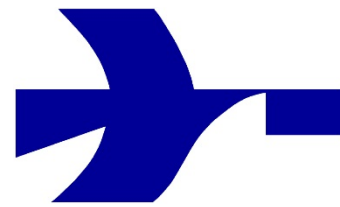


- The 2018 Extraordinary Congress adopted the Integrated Remuneration Plan (IRP) and Resolution C 6/2018 on the implementation of the IRP that should result in proposals for an Integrated Remuneration System (IRS) in which the remuneration for items with similar content is better aligned, integrated and more rational.
- During the remainder of this Congress cycle, in 2019 and 2020, the IRP will be implemented, resulting in IRS proposals to be presented to the 2020 Congress in Abidjan.

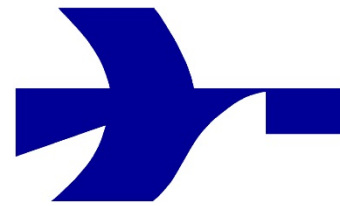
RIG – After 2018 UPU Extraordinary Congress



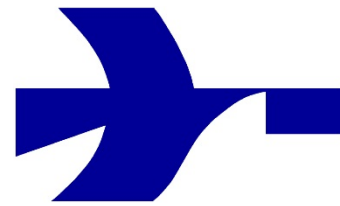
- During the CA S4 session in October 2018, some countries expressed concerns on the lack of cost coverage of the terminal dues applied to E-format letter-post items containing goods.
- In response, the CA decided on a process urgently reviewing those rates.
- POC C 2 RIG was invited to examine options for a possible revision of small packets remuneration before the end of this Congress cycle.
- The work initially resulted in 5 options that were then narrowed down to two options (options A and B).
- The 2019.2 RIG endorsed options A and B and submitted those to POC C 2 for its endorsement and forwarding to CA.



- At the joint meeting of the CA C 2 Expert Team on Remuneration and the RIG in February 2019, several countries supportive of either option A or B, expressed a willingness to find a compromise proposal.
- The remuneration convergence discussion group (RCDG) was created with 22 member countries to explore the possibilities of finding a common ground for a possible convergence proposal.
- RCDG was composed of members across all geographical regions and included balanced support for options A and B.
- RCDG engaged in wide-ranging, open, direct and constructive discussions based on a genuine willingness to find a way forward acceptable to all.
- France and Japan volunteered to be the authors of the convergence proposal, which after consideration by POC C 2 became **option C**.
- POC C 2 brings all 3 proposals (options A, B and C) to CA through document CA C 2 2019.1-Doc 6.



- **Option A**
- Represents changes to the terminal dues system on the basis of the continued application of the current methodology and parameters decided by consensus at the 2016 Congress. for the period of the Istanbul Acts (2018 to 2021):
 - Rates based on two country-specific domestic letter-post service tariff references, at 20 g (P-format documents) and 175 g (G-format documents), at a cost-to-tariff ratio of 70%
 - Brings forward the application of cap rates of group I to the countries in groups II and III in 2020 (harmonization of the E-format cap rates in 2020)
 - Maximum revenue increase of 13% lifted in 2020 and reintroduced in 2021
 - This approach would also apply to group IV countries
 - Format separation and sampling threshold at 50 tonnes (incl. group IV)



- **Option B**
- Allows countries to set self-declared rates for the remuneration of E-format items, on an optional basis.
- To guard against excessively high self-declared rates, option B proposes the setting of country-specific “ceiling” rates (per item and per kg), which would be established in accordance with a set of domestic tariff business rules.
- Rates determined on the basis of linear regression of 100% of 11 domestic tariffs for E-format items. The reference points used in the most recent domestic tariff survey are proposed, i.e. 20g, 35 g, 75 g, 175 g, 250 g, 375 g, 500 g, 750 g, 1,000 g, 1,500 g and 2,000 g
- Format separation and sampling threshold at 50 tonnes, including Group IV

Possible Impacts of Option A

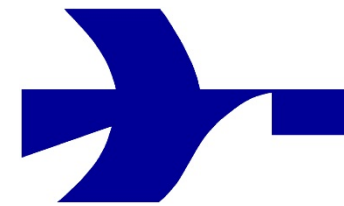


Table 0: Status quo (2020 compared to actual 2019 rates)

<i>Indicator</i>	<i>Group I</i>	<i>Group II</i>	<i>Group III</i>	<i>Group IV</i>
Average increase	2.9%	7.3%	7.7%	2.8%
Maximum increase	3.0%	9.5%	13.0%	2.8%

Table 1: Impacts resulting from the application of option A (2020 rates compared to actual 2019 rates)

	<i>Group I</i>	<i>Group II</i>	<i>Group III</i>	<i>Group IV</i>	
				<i>Above 50 t</i>	<i>Below 50 t</i>
Average impact	2.9%	17.1%	22.1%	30.8%	12.4%
Median impact	3.0%	16.9%	23.3%	23.3%	12.4%
Minimum impact	0.0%	0.0%	3.3%	23.3%	12.4%
Maximum impact	3.0%	23.3%	24.2%	50.2%	12.4%

Possible Impacts of Option B

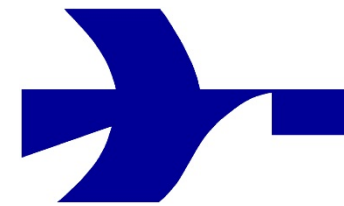
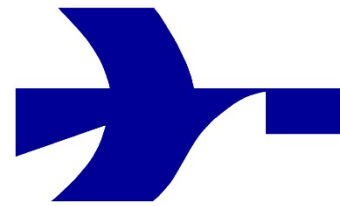


Table 0: Status quo (2020 compared to actual 2019 rates)

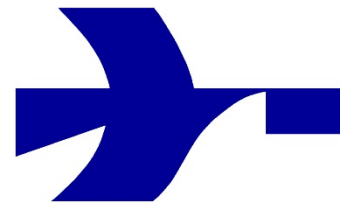
<i>Indicator</i>	<i>Group I</i>	<i>Group II</i>	<i>Group III</i>	<i>Group IV</i>
Average increase	2.9%	7.3%	7.7%	2.8%
Maximum increase	3.0%	9.5%	13.0%	2.8%

Table 2: Maximum increase limits resulting from the application of option B (2020 rates compared to 2019 actual rates)

	<i>Group I</i>	<i>Group II</i>	<i>Group III</i>	<i>Group IV</i>	
				<i>Above 50 t</i>	<i>Below 50 t</i>
Average	246.3%	211.0%	172.1%	162.6%	12.4%
Median	232.1%	164.9%	79.6%	48.9%	12.4%
Minimum	-4.4%	-4.1%	2.0%	23.3%	12.4%
Maximum	520.2%	603.5%	647.9%	804.1%	12.4%



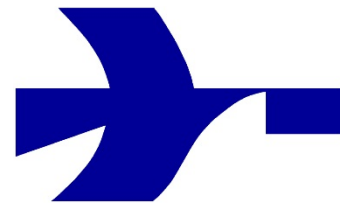
- **Option C**
- Implements a self-declared rate system in 2020 with effect from 1 January 2021, countries to set self-declared rates for the remuneration of E-format items, on an optional basis.
- To guard against excessively high self-declared rates, option C proposes:
 - 2020: Harmonization of the cap rates of groups I, II, III and IV in 2020 plus a further increase;
 - > 2021: Country-specific “ceiling” rates based on domestic tariffs at 70% cost-to-tariff ratio (same business rules apply as to Option B);
 - Transition (next slide) to avoid further price hikes with gradual increases throughout 2021 and the next Congress cycle;
 - 2020 Congress to decide on the end state beyond 2025 respecting and without prejudice to the self-declared rate system;
 - Group IV: volume threshold of 100 tonnes to protect from high self-declared rates on the outbound mail to countries in groups I, II and III



- **Option C – transition**

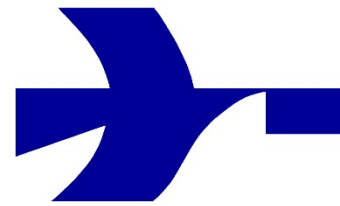
- Harmonization in 2020 at level of Group I cap rates in 2019 + 10%. After that, self-declared rates are accepted, if below country-specific ceiling rate or maximum revenue for relevant year
- Year-on-year increases to maximum revenue at 158g:

	<i>Group I</i>	<i>Group II</i>	<i>Group III</i>
2020	10%	24%	32%
2021	28%	28%	28%
2022	17%	17%	17%
2023	15%	15%	15%
2024	12%	12%	12%
2025	12%	12%	12%
> 2025	The need for further stipulations on maximum revenue increases after 2025 to be studied and proposed to 2020 Congress, respecting and without prejudice to the self-declared rate system		



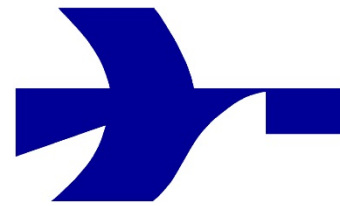
- **Floor rates**
- Options A, B and C: increase existing floor rates of 2020 by 20% (increase compared to 2019: 23.3%)
- Option C furthermore increases to floor rates throughout next cycle:

	Increase year-on-year	Cumulative. (base = 2019)
2020	23.3%	23.3%
2021	2.8%	26.7%
2022	2.8%	30.3%
2023	2.8%	33.9%
2024	2.8%	37.7%
2025	2.8%	41.5%



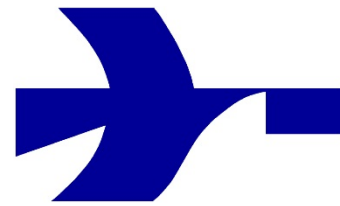
- **Other**
- Quality of Service Fund (QSF) for Options A, B and C: no modifications to the QSF payments as decided by the 2016 Congress, meaning that QSF payments as defined in the Convention would continue to be applicable.
- Quality of Service Link to TDs: Options A, B and C: no changes proposed, except that under option B bonus payments resulting in excess of the country specific ceiling rates are not allowed

Proposals Status



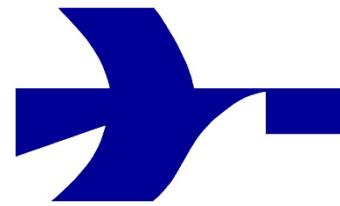
- **Proposals – status (24 July 2019)**
- POC and CA endorsed and submitted the package proposals Options A, B and C for the consideration of the 3rd Extraordinary Congress (EC) in September 2019
- Until 24 July, member countries could submit new proposals and amendment proposals to the POC/ CA proposals. The following proposals were received:
 - 12 proposals amending the POC/CA proposals (8 proposals to amend the Convention, 4 proposals to amend the Convention Regulations);
 - 1 new proposal for Convention change aimed at addressing remail through the bulk mail rules. Brought under urgent postal sector issues agenda item
- Amendment proposals to member country proposals can be received at any time until EC.
- Furthermore, amendment proposals can be made from the floor in relation to any proposal.

Option C – Amended by United States



- **Proposal 20.28.97 (USA)**
- US proposal is based on Option C amending two paragraphs:
- § 1.1.2
Accepting a 70% cost-to-tariff ratio in Option C although seeking flexibility in being able to increase the ratio annually by 1% subject to regulator validation.
- §6bis (new)
Amendment that would allow the US to implement self-declared rates from 1 July 2020 (Option C: implementation of self-declared rates from 1 January 2021) without maximum annual increases (transition). This approach would apply reciprocally, i.e. the US would also pay self-declared rates to other countries on the basis of the same terms;

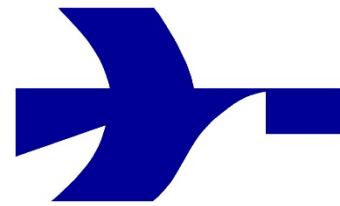
Option C – Amended by Brazil



- **Proposal 20.28.96 (Brazil)**
- Based on Option C, the Brazilian amendment proposes higher annual increases in the years 2021 to 2024 and a lower increase in 2025, as follows:

	<i>Option C (POC/ CA proposal)</i>	<i>Brazil amendment</i>
2021	28%	30%
2022	17%	30%
2023	15%	30%
2024	12%	30%
2025	12%	5%

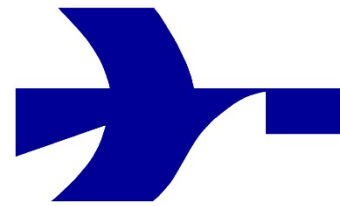
Option C – Amended by Germany & Others



- **Proposals 20.28.94 and 20.29.4 (Germany, France, Laos and Latvia)**
- Based on Option C, these proposals lower cap rates in 2020 followed by lower annual increases in the years 2021 to 2025, as follows:
- Proposed cap rates in article 29:
 - 2020: 0.748 SDR/ item and 1.681 SDR/ kg (same as under Option A)
~~0.799 SDR/ item and 1.795 SDR/ kg (POC/ CA proposal of Option C)~~
 - 2021: 0.770 SDR/ item and 1.731 SDR/ kg (same as under Option A)
~~0.823 SDR/ item and 1.849 SDR/ kg (POC/ CA proposal for Option C)~~
- Proposed annual increase % self-declared rates from 2021:

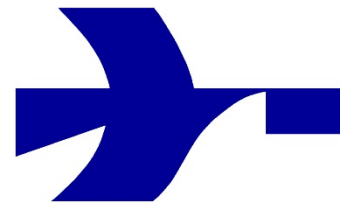
	<i>Option C (POC/ CA proposal)</i>	<i>Germany amendment</i>
2021	28%	13%
2022	17%	10%
2023	15%	10%
2024	12%	10%
2025	12%	10%

Option C – Amended by Italy & Others And Russia



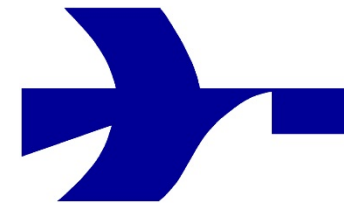
- **Proposals 20.28.93, 20.30.4 and 25.30-117.3 (Italy and Ireland)**
- Based on Option C, the proposal seeks to lower the sampling/ format separation threshold under which countries in the transitional system (Group IV) could benefit from paying floor rates to countries in the target system (Groups I to III)
- Italy proposes: 50 tonnes for all flows (compared to Option C which provides for 100t for Group IV)
- **Proposals 20.28.95, 20.30.5 and 25.30-117.4 (Russia)**
- Russia amends the threshold to 50 tonnes in 2021 (maintaining the threshold at 100 tonnes in 2020 as in Option C).

Proposal to Amend Definition of Bulk Mail





- **Proposals 20.28.3, 25.17-107.4 and 25.30-113.1 (Switzerland, Austria, Denmark, Finland, Germany, Ireland, Italy, Latvia, Liechtenstein, Poland, Russian Federation, Spain, Sweden)**
- Proposal inter alia by Switzerland to amend the definition of bulk mail in the Convention and consequential proposals in the Regulations to introduce new criteria under which any mail flow of which more than 90% is E format would be considered as bulk mail.
- This would subsequently allow the destination DO to charge per-item and per-kg rates rather than the floor kg rate.

Agenda for the UPU Extraordinary Congress

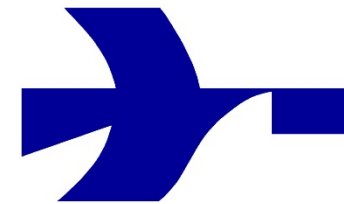


THIRD EXTRAORDINARY CONGRESS

Draft timetable of meetings

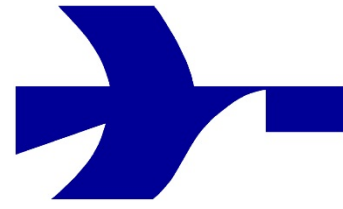
		Main Hall 1
Monday, 23 September		Registration
Tuesday, 24 September	8.00–9.00	
	9.00–12.00	(Registration) Opening session (10.00–12.00)
	12.00–14.00 (Lunch)	
	14.00–17.00	Plenary – Session 1
	18.00–20.00	(Reserved)

Agenda for the UPU Extraordinary Congress

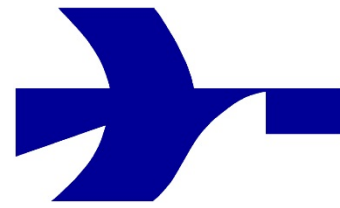


Wednesday, 25 September	8.00–9.00	
	9.00–12.00	Plenary – Session 2
	12.00–14.00 <i>(Lunch)</i>	
Thursday, 26 September ⁷	9.00–12.00	Closing session Report of C 1, appeals, approval of the Acts
	12.00–14.00 <i>(Lunch)</i>	
	14.00–18.00	POC extraordinary session
Thursday, 26 September ⁷	9.00–12.00	Closing session Report of C 1, appeals, approval of the Acts
	12.00–14.00 <i>(Lunch)</i>	
	14.00–18.00	POC extraordinary session

Questions?

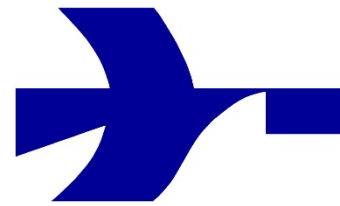


Physical Services Development eCommerce Integration



Group (PSDEIG) - Australia

- Update on key work matters – 2019
 - Update on parcels minimum specifications
 - Review of the tracked delivery service
 - Small packets – sizes, dimensions and packaging
 - Treatment of small packets lacking an S10 identifier
 - Results and recommendations of “IPP Review” questionnaire
 - Integrated Product Plan for 2021–2024
 - Training and workshops on IPP, e-commerce and physical products



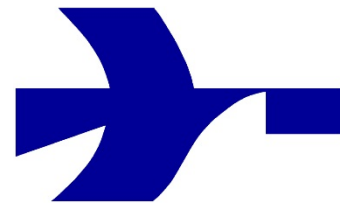
1. Update on parcels minimum specifications

Already achieved this year:

- Delivery standards: postponing work on validation of delivery standards until 2020;
- Track and trace – minimum event capture requirements: no proposals for new mandatory events or for the introduction of reason and action codes would be made in 2019;
- Track and trace – indicative targets: reduction of the transmission time of EMH/EMI/EDH from 48 hours to within 24 elapsed hours from 1 January 2020;
- Customs, security and transport: the mandatory exchange of EDI messaging standard M33 ITMATT V1 for parcels and small packets from 1 January 2021

To be achieved this year – subject to S 6 POC approval

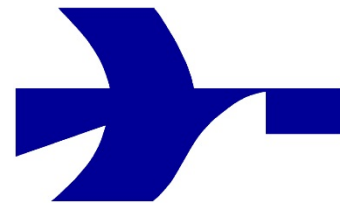
- Customer inquiries – performance targets. The 2019.1 S5 POC agreed to study whether new performance indicators and minimum targets are required and, if necessary, draft proposals to associate the new indicators and minimum targets with a bonus



2. Review of the tracked delivery service

Already achieved this year:

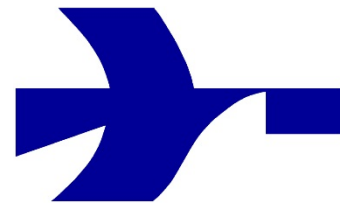
- The 2019.1 POC session adopted eight recommendations, which all related to the Tracked delivery service
- Two of the recommendations were concerned with proposed amendments to Regulations article 18-102 (Tracked items) and article 30-104 (Supplementary remuneration for registered, insured and tracked items). Both recommendations and their proposals were approved by the S5 POC session so no further action is therefore required in their regard.
- To be achieved this year – subject to S 6 POC approval
- Four recommendations linked to a review of the current regulations related to the Tracked delivery service submitted to the S 6 POC for approval.
- Two recommendations relating to the possible impact of the Tracked Delivery service becoming mandatory on the SRP for Registered and Insured services.



3. Small packets – sizes, dimensions and packaging

PSDEIG mandate

- To establish whether the current regulations relating to size limits, dimensions and packaging for small packets are sufficient or whether they need to be modified or improved
- Draft a survey to ascertain the scope of the problems (if any) related to the size limits, dimensions and packaging for small packets and whether the problems are operational, regulatory, or both
- Due to the complexity of the “small packets” mandate, PSDEIG structured the questionnaire into 10 sections, each of which focused on a specific challenge.



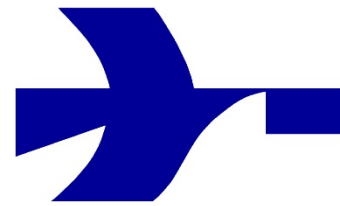
4. Small packets – sizes, dimensions and packaging

10 Challenges

- *No clear dimensions defined for “small packets – E format”*
- *Items received that are smaller than the minimum dimensions*
- *Machinability of items*
- *Deliverability of “boxable” items*
- *Placement of labels, content of labels, customs declarations and barcodes on items and size of labels*
- *Volumetric attributes and lack of shared information with airlines*
- *Label size and font sizes on labels*
- *Acceptable languages*
- *Enforcing compliance with the rules (incentives and sanctions)*

Next steps:

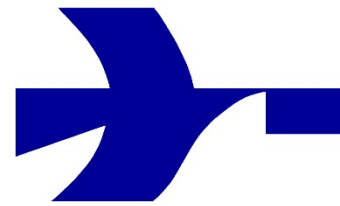
- Further study on some of the issues appears necessary to more specifically develop appropriate proposals on future regulation.



5. Treatment of small packets lacking an S10 identifier

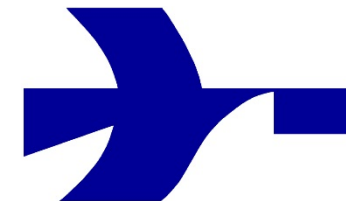
- Step 1 of the IPP facilitated the implementation of EAD by making the application of an S10 identifier mandatory on all small packets as of 1 January 2018
- However, not all small packets are arriving at their destination with the mandatory identifier attached
- The lack of the S10 identifier is causing operational difficulties for some DOs.
- Since the study of the treatment of small packets lacking an S10 identifier began, the 2019.1 POC approved amendments to the regulations making the exchange of UPU EDI Messaging Standard M33 (ITMATT V1) mandatory from 1 January 2021. It is important to note that the provision of ITMATT is contingent on the item bearing an S 10 identifier
- It is recommended that a PSDEIG Expert Team should take a holistic approach to studying the issue of the treatment of small packets lacking an S10 identifier to include studying the issue of items arriving without ITMATT

6. Results and recommendations of “IPP Review” questionnaire



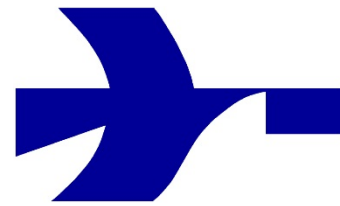
- The April 2019 POC session in Berne approved a survey aimed at reviewing the IPP, and approved its distribution to all 192 UPU member countries. The results of the survey would be used to guide the drafting of the revised IPP for 2021 to 2024 cycle
- A total of 110 member countries responded to the survey, representing a response rate of 57%. All regions were well represented
- A total of 11 recommendations for the IPP will be submitted to the S 6 POC session for approval.

11 recommendations on the IPP

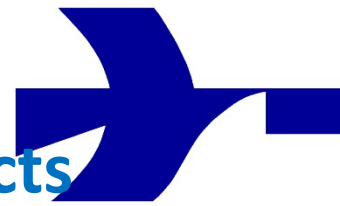


- 1:** the advice of delivery, cash-on-delivery (COD), delivery to the addressee in person, cumbersome parcels and delivery free of charges services be further developed and modernized in the next Congress cycle (2021 to 2024).
- 2:** the Second Extraordinary Congress also mandated the POC with submitting a recommendation, to the 27th Congress, to make the Tracked delivery service mandatory, with an implementation date of 2022, if approved. Note an IRS proposal will be submitted together with this.
- 3:** the IPP, for 2021 to 2024, should include activities that focus on identifying ways to increase Posts' share of the "over 2Kg" market.
- 4:** the IPP, for 2021 to 2024, should be flexible enough to facilitate the new technological needs, described in paragraphs 17 to 19, in a fast-changing market and should include provisions for a common data framework that enables communication amongst posts. Frictionless interactions across the supply chain are necessary to satisfy customer demands.
- 5:** the IPP, for 2021 to 2024, should evaluate a framework to enable delivery duty paid (DDP) transactions on Postal traffic.
- 6:** the IPP, for 2021 to 2024, should look at improving the Merchandise returns service offered by Designated Operators, as low cost and efficient returns are a vital element of cross-border e-commerce for the postal customer and retailers.
- 7:** the menu of services provided in the IPP, for 2021 to 2024, must also clearly define standards and expectations for visibility.
- 8:** the IPP, for 2021 to 2024, should aim to facilitate the diversification and integration of sustainable products and services by focusing its efforts on its activities on e-commerce, product and service diversification and harmonization.
- 9:** activities should be included in the IPP, for 2021 to 2024, with the aim of developing/maintaining/improving these factors to ensure they meet customer requirements.
- 10:** the development of the e-commerce product market should be included in the IPP, for 2021 to 2024, and that it should continue to be a priority for the next cycle. Development of the traditional letter-post markets should also continue.
- 11:** include activities relating to the development of the above-mentioned services in the IPP, for 2021 to 2024, to ensure that they align with customer and market requirements for reliability, tracking, network coverage and the other factors referred to in Recommendation 8. It is also recommended that the development of the above-mentioned services in the 2021 to 2024 IPP should be in alignment with the principles of the IPP, with particular emphasis placed on the "menu approach" and simplicity".

7. Integrated Product Plan for 2021–2024



- The second Extraordinary Congress adopted resolution C 5/2018 (Implementation of updated Integrated Product Plan), which instructed the POC to, among other things:
 - develop and implement POC activities that are driven by product definition and development, with a view to further rationalizing and modernizing products and services, while at the same time recognizing customer, market and supply chain needs;
 - ensure close coordination between the UPU body responsible for providing the roadmap for the implementation of electronic advance data and the body responsible for the implementation of the IPP;
 - submit a recommendation, to the 27th Congress, to make the Tracked delivery service mandatory, with an implementation date of 2022, if approved; and
 - ensure the ongoing review of the IPP with the aim of submitting an updated version to the 27th Congress in 2020;



8. Training and workshops on IPP, e-commerce and physical products

Current status

- New training course and material tested by a select number of member countries from each region. This step was necessary to the validity of the new course – that is, to determine from a broad user base whether the course is comprehensive, easy to follow, and distinctly unique within the TRAINPOST programme
- Results from the testing phase were used to finalize the training course by way of translating the STP into distance learning format. The new course is currently being translated in all the four TRAINPOST languages: English, Arabic, Spanish and Russian

Next steps

- The next step is to deploy the new course on the TRAINPOST platform, expected by S6, and registration and training on the course to commence soon thereafter

Questions

