

2020 APPU Executive Council

Report of the Physical Service and E-commerce Working Group

Report by the Co-Chairs (Australia and China (People's Rep.))

1 Subject	References/paragraphs
Report of the online meeting of the Physical Service and E-commerce Working Group held on 17 th June 2020	§1 - 17
2. Decisions expected The EC is invited to take note of: <ul style="list-style-type: none">- Update on the progress on the work of the IPP in the UPU and the related Congress document ;- Update on the progress on the work of the IRP in the UPU and the related Congress document;- Comments from member countries on the discussion of IPP & IRS proposals.	 §4 - 8 §9 - 13 §14 - 16

I. Opening of the meeting and adoption of the agenda

1. The meeting of the Physical Services and E-commerce Working Group was held online on 17th June 2020 as part of the APPU-EC meeting. 55 representatives from 19 member countries attended the meeting. The Bureau of APPU headed by the Secretary General Mr. LIN Hongliang participated in this meeting..

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

3. 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.

II. Update on the progress on the work of the IPP in the context of UPU

4. Australia, as Co-Chair of the Physical Services Development, E-Commerce and Integration Group (PSDEIG) of the Committee 2 of POC, presented an overview of the work progress of this group and the Congress document and proposals relating to the Integrated Product Plan (IPP) for 2021–2024 (Congress–Doc 35), the associated proposal of a general nature and related draft proposals to amend the Convention.

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

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

6. The Working Group was informed that the following IPP recommendations were derived from the market trends research, the IPP review survey and EAD requirements:

- Activities should be carried out that focus on identifying ways of increasing the 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;

- 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;
- Implementation of 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;
- 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;
- Continue product development to facilitate efficient compliance with the EAD roadmap implementation;
- Continue coordinating EAD issues between POC bodies in relation to e-commerce and IPP outreach communications and capacity building;
- Continue to develop UPU regulations and standards to support compliance with EAD requirements;
- 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
- 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.

7. During the presentation by Australia, regarding IPP-related proposals amending the Convention on the tracked delivery service, there are currently two proposed amendments to be submitted to the 2020 Congress, namely:

- Option 1 means it is made mandatory for inbound letter-post items (documents and goods) and remains optional for outbound letter-post items (documents and goods);

- Option 2 means it is made mandatory for inbound letter-post items containing goods only and remains optional for outbound letter-post items containing goods and for inbound and outbound letter-post items containing documents;
- It was noted that there were two Options being presented 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.
- If one of the two 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. The Co-Chair empathised the importance of reading Congress Documents 35 and 36 together as they relate to one another.

8. Australia presented the proposal of a general nature which 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 submit an updated version to the 28th Congress in 2024;

and also instructs the CA to:

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

Australia urged APPU member countries to carefully review Congress Document 35 and understand the implications ahead of the 27th Congress.

III. Update on the progress on the work of the IRP in the context of UPU

9. In response to the work on the IPP, the Remuneration Integration Group (RIG) of the Committee 2 of POC is aiming to rationalize and integrate the remunerations for all products in the UPU product portfolio as well as to develop remuneration response to the possible changes to the portfolio.

10. Singapore, as Co-Chair of RIG of the Committee 2 of POC, presented an overview of the work progress of this group and the Congress proposals (Congress-Doc 36) for the

updated Integrated Remuneration Plan (IRP) for 2021-2024 and an Integrated Remuneration System (IRS) for 2022-2025.

11. During the presentation, Singapore summarized the overview of all related 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 Terminal dues, Inward Land Rate, supplementary rates for registered/insured letter-post items, remuneration for tracked delivery items and remuneration for returned undeliverable letter-post items;
- 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 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.

12. The Working Group was informed by Singapore that the IRS proposals are:

- 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 (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 (2022-2025);
- Registered/ Insured 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's maximum possible remuneration is E format TD rates + 0.40 SDR surcharge + 0.75 SDR bonus payment (100% on-time transmission of all inbound events);
- Returned undeliverable items is charged with handling rate + conveyance rate for UD dispatches;
- ILR system is self-declared SDR rates below ceilings and ceiling rates to be reviewed in the next cycle and QS link bonus to be implemented in the 2021-2024 cycle;
- S10 non-compliance resulting to 0.50 SDR penalty for sending DO in case an S10 is

not applied;

- M bags rates increases by 2.8% annually;
- No changes to the sampling and rate thresholds decided in Geneva in 2019 were put forward.

13. Singapore also briefed the proposal of a general nature for IRP (2021-2024) which 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;
- Simplification of the remuneration systems and further progress the work towards a single terminal dues system; and
- 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.

IV. Discussion on IPP & IRS Proposals

14. After presentations by Australia and Singapore, a discussion on the Congress documents and proposals was conducted under the moderation of China (People's Rep.).

15. During the discussion, questions and views were expressed concerning the proposals relating to tracked delivery service. Thailand took the floor to seek further clarifications on the proposals, both Australia and Singapore gave explanations accordingly. 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. China (People's Rep.) clarified that the proposals on tracked delivery service came from the mandate of the 2nd Extraordinary Congress and were derived from the recommendations of survey responses of UPU member countries. China (People's Rep.) also stressed the necessity for UPU members to meet customer's requirements to

cope with E-commerce market competition and remind member countries to use UPU QSF Fund to improve necessary capacity building in the next 2 years. Singapore also called for more realization on the QSF Common Fund assistance.

16. Taking the above 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.

V. Closing

17. 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 coming 2020 Congress.

17 June, 2020

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Physical Services and Ecommerce Working Group Co- Chairs