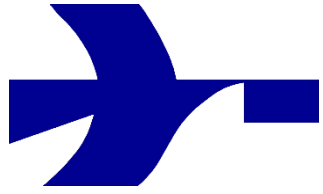


Physical Services Working Group

UPU Remuneration

Report by:
Lee Hon Chew
Director, International Affairs
Singapore Post

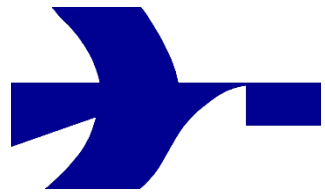
ASIAN-PACIFIC POSTAL UNION EXECUTIVE COUNCIL MEETING
23 June 2021 , Online Session



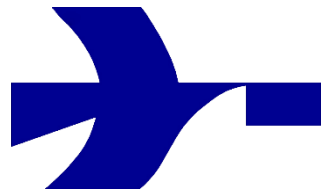
Agenda

- Recap of the Remuneration Proposals to the UPU Congress
- Further Work Done in RIG
- Amendments to the Remuneration Proposal to UPU Congress

Recap of Remuneration Proposals to UPU Congress



- Most Important Document: Congress Doc 36
 - Details the Integration Remuneration System proposal as worked by the Remuneration Integration Group (RIG) that was accepted by the World Round Table on Remuneration in Feb 2020 and endorsed by the POC/CA for presentation to the 27th UPU Congress



Structure of Congress Doc 36

I. Introduction

- Mandate, IRP (C 6/2018) and IRS principles of current work cycle (2017-2020)

II. Modernizing, rationalizing and integrating UPU remuneration systems

- Rate proposals for basic services (PG, E and ILRs) according to IRP (C 6/2018)

III. Remuneration supplementary services and other service features

- Remuneration supplementary services, undeliverable items, M bags, S10 & IPP

IV. Transition

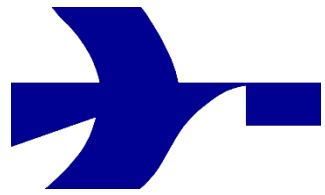
- Harmonization and integration of TD groups, thresholds

V. Pay-for-performance

- QS Link to terminal dues, QS Link to ILR bonus payments and ECOMPRO

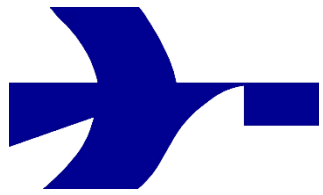
VI. Draft proposals to Congress

- Overview of draft proposals to Congress (amendment proposals, proposal of a general nature, proposed technical studies in the next cycle)



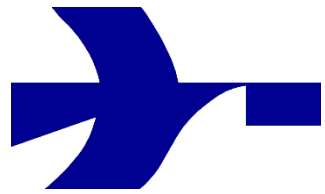
IRS principles (work cycle 2017-2020)

- 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;
 - Being transparent, straightforward and mindful of the different resource and implementation constraints among UPU members while incentivizing improved service performance;
- Supporting the interoperability, sustainability and development of the global postal network under the least market-distortive terms by:
 - 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.



Modernizing, rationalizing and integrating the remuneration systems:

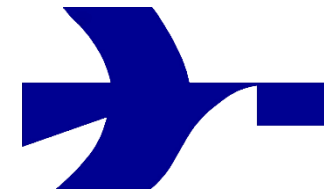
- Proposals for remuneration of basic letter-post services (P/G and E format items), parcel-post items (inward land rate system), ECOMPRO parcels
 - Review P/G cap and floor rates
 - E format cap rates
 - Review inward land rate system – base rates



I. Modernizing, rationalizing and integrating the remuneration systems:

Resolution C 6/2018:

- Make changes to the current remuneration systems in order to **achieve better alignment, integration and rationalization of the systems**, and to minimize the effects of distortions created by the current systems
- For mail flows to, from and between countries of the target system, update the remuneration of basic letter-post services for small letters (P) and large (G) letter-post items containing documents, including a **review of the cap and floor rates**
- As a next step in the **transition** of transition countries towards the target system, proposals are to be developed to, **harmonize the application of terminal dues rates for all countries** in particular for small packets (E);
- **Review the methodology** that determines the item and kg rates for E format items, in particular whether these rates should continue to be derived from the P/G format rate line or be based on the domestic charges associated with items that are provided against similar conditions;



Modernizing, rationalizing and integrating the remuneration systems:

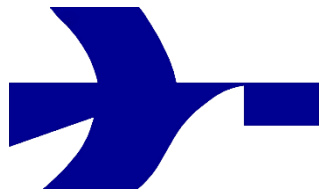
- **P/G format items (documents) – Cap Rates**

- By end of cycle (i.e. year 2021), P/G cap rates of group I are 14.9% higher than those of group II and 29.7% higher than those of group III
- Proposal to harmonize the P/G cap rates of all groups (including group IV) by 2025:

	<i>Group I</i>	<i>Group II</i>	<i>Group III</i>	<i>Group IV</i>
Annual increase	5.0%	8.7%	12.1%	15.5%*
<i>Cumulative **</i>	<i>21.6%</i>	<i>39.7%</i>	<i>57.7%</i>	<i>78.1%</i>

* 100 t threshold protection group IV

** 4 years (2022 – 2025)



Modernizing, rationalizing and integrating the remuneration systems:

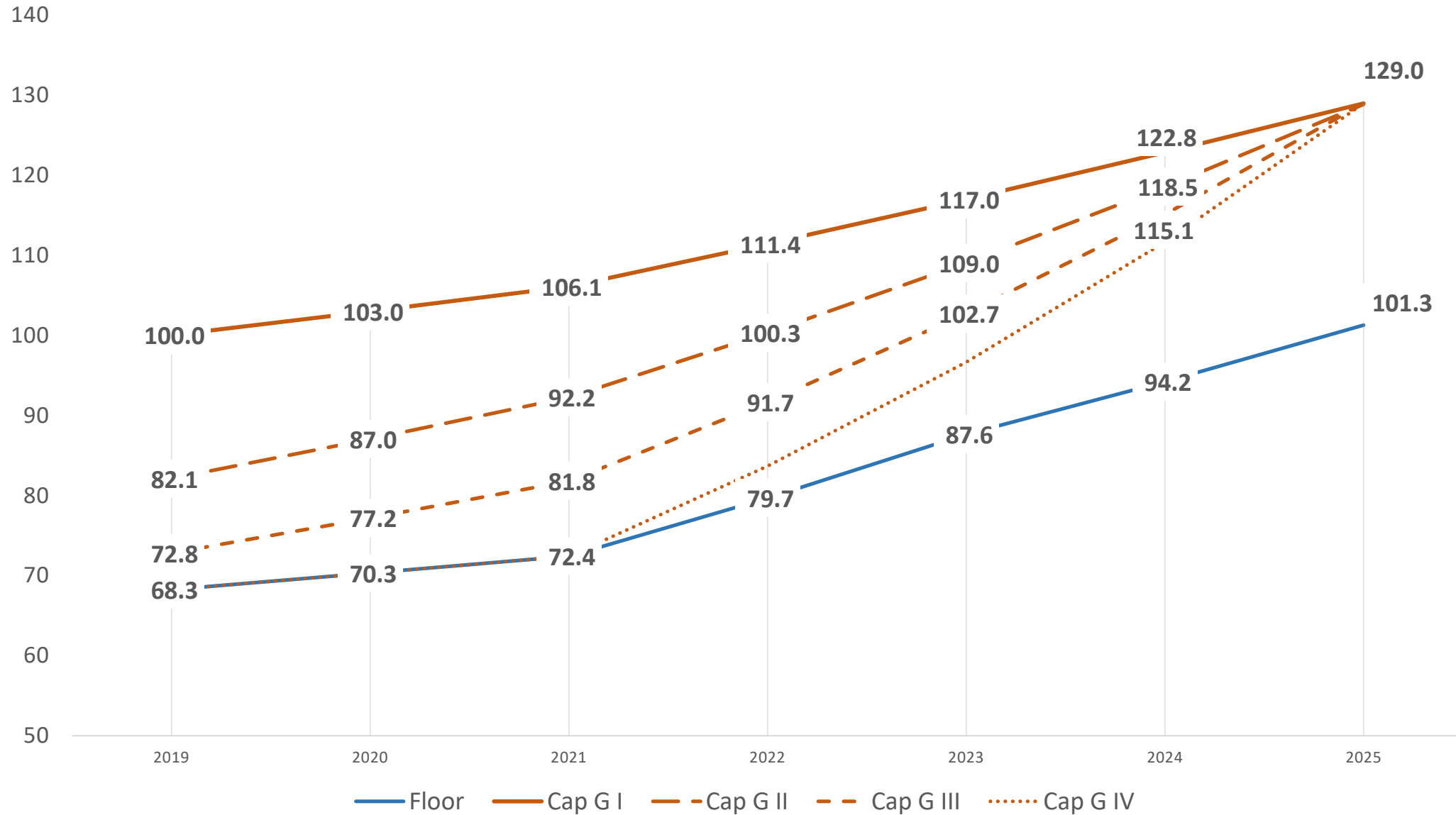
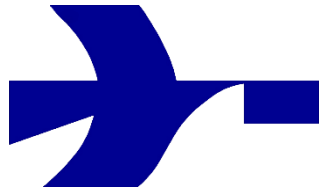
P/G format items (documents) – Floor Rates

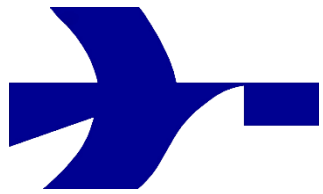
- P/G floor rates already harmonized for all groups
- Proposal to increase by following percentages:

Year	% annual increase	Rate per item	Rate per kg
2021*	2.8%	0.247	1.928
2022	10.0%	0.272	2.121
2023	7.5%	0.292	2.280
2024	7.5%	0.314	2.451
2025	5.0%	0.330	2.574

* 2021 is provided for reference.

PG format cap and floor rates 2022-25





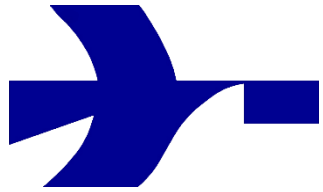
Modernizing, rationalizing and integrating the remuneration systems:

E format items – Cap Rates

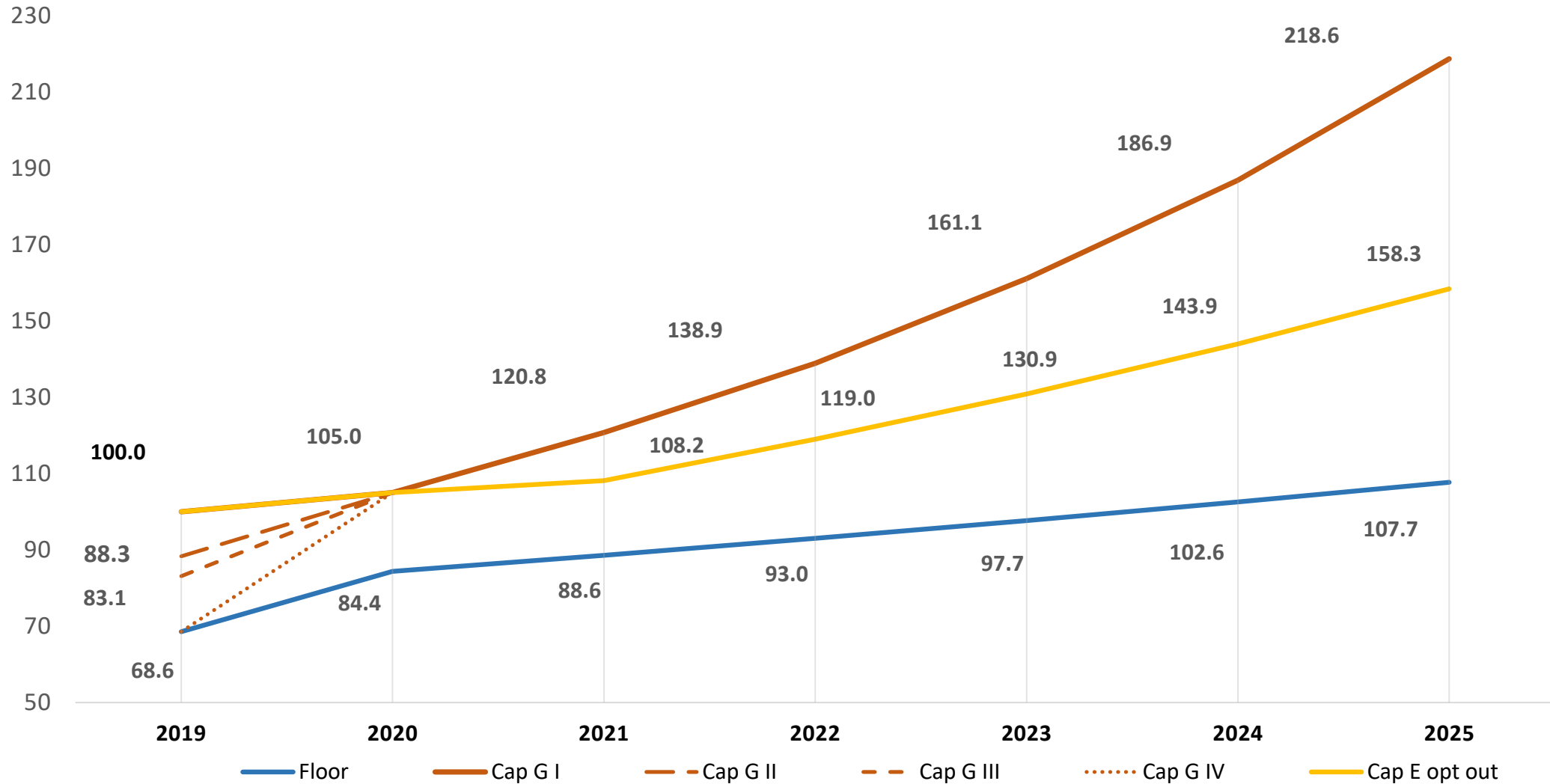
Bulky (E) and small packet (E) letter-post items (opt-out Art. 28bis)

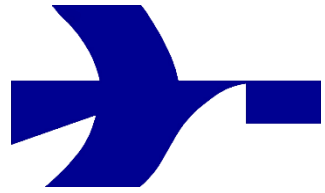
- Floor rates 2022 to 2025 already set by 3rd Extra Congress (no proposal required)
- 3rd Extraordinary Congress harmonized the cap rates for E format in 2020
- It is proposed to increase the cap rates by 10% annually from 2022 to 2025

	<i>All groups</i>
Annual increase 2022-2025	10.0%
<i>Cumulative (2022 – 2025)</i>	46.4%



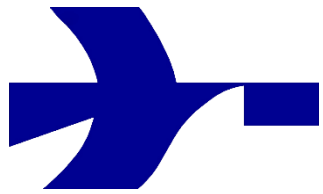
E format cap and floor rates 2022-25





Summary: P/G and E format cap rate increases

		Group I		Group II		Group III		Group IV	
Cap PG		5.0%		8.7%		12.1%		15.5%	
	Rates	Item	Kg	Item	Kg	Item	Kg	Item	Kg
	2022	0.380	2.966	0.342	2.672	0.313	2.443	0.285	2.227
	2023	0.399	3.114	0.372	2.905	0.351	2.738	0.329	2.573
	2024	0.419	3.270	0.404	3.158	0.393	3.068	0.380	2.973
	2025	0.440	3.434	0.440	3.434	0.440	3.434	0.440	3.434
Cap E		10.0%		10.0%		10.0%		10.0%	
	Rates	Item	Kg	Item	Kg	Item	Kg	Item	Kg
	2022	0.864	1.942	0.864	1.942	0.864	1.942	0.864	1.942
	2023	0.950	2.136	0.950	2.136	0.950	2.136	0.950	2.136
	2024	1.045	2.350	1.045	2.350	1.045	2.350	1.045	2.350
	2025	1.150	2.585	1.150	2.585	1.150	2.585	1.150	2.585



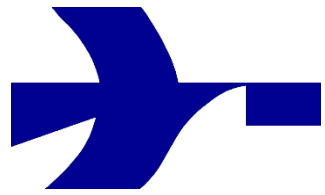
Total Rate per Kg (2022-2025)

- PG floor rates and PG cap rate increases and harmonization
- E format cap rate increases current system (table does not consider self-declared rates)

	<i>Maximum rate per kg for flows below sampling threshold</i>				<i>Minimum rate per kg</i>
<i>Year</i>	<i>Group I</i>	<i>Group II</i>	<i>Group III</i>	<i>Group IV</i>	<i>All groups</i>
2021	7.180	6.683	6.304	5.966	5.368
2022	8.303	8.111	7.964	7.822	6.376
2023	9.034	8.898	8.791	8.681	6.729
2024	9.837	9.762	9.706	9.641	7.105
2025	10.718	10.718	10.718	10.718	7.459
2021-25	49.3%	60.4%	70.0%	79.6%	39.0%

Combined KG rate on basis of worldwide average composition of mail (2022-2025 period):

- 3.97 PG format items weighing 0.14 kg
- 5.45 E format items weighing 0.86 kg

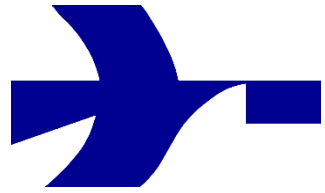


I. Modernizing, rationalizing and integrating the remuneration systems: Inward land rates (ILRs) - Parcels

IRP C 6/2018 (and Doc 8 Part II para 30), to achieve better alignment:

- Review the methodology that determines the item and kg rates for bulky letters (E) and small packets (E) – **conclusion: done by 2019 Extra Congress introducing self-declared rates subject to ceiling rates;**
- Review the ILR system and explore options that will lead to a more equitable, competitive and cost-based model as compared to the current ILR system, such as:
 1. Examining the possibilities of introducing weight steps for parcels, with different Remuneration of parcel items below 2 kilogrammes (0 to 2 kg) and above 2 kg;
 2. Modernizing the current base ILRs by introducing rates based on domestic charges associated with parcel items that are provided under similar conditions;
 - 3. Identifying the options for applying a methodology similar to that proposed for setting the rates of bulky letters (E) and small packets (E);**

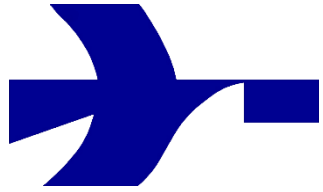
2019 RIG consultation on ILR review: majority of respondents disagreed with developing proposals in relation to points 1 and 2 above. Majority for point 3.



I. Modernizing, rationalizing and integrating the remuneration systems: Inward land rates (ILRs) - Parcels

In accordance with resolution C 6/2018, IRS proposal:

- Introduces “ceiling rates” which would be the exact same ILR base rates (ILRs without the bonuses);
- DO would have the flexibility to self-declare its ILR base rates lower than its ceiling rates, but would be entitled to maintain ILR base rates at level of the ceiling rates;
- Ceiling rates increase with same inflation-linked adjustments as in the current system (only if DO makes the claim by 31 Aug, subject to IB verification, i.e. no change);
- Flexibility in adjusting ILR base rate from one year to the next as long as the ILR base rates do not exceed the ceiling rates.
- Clear mandate to review methodology ILR ceiling base rates in the next work cycle, further aligning with E format

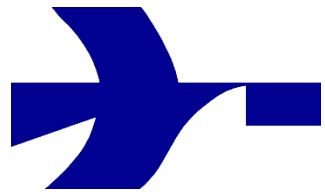


II. Remuneration of supplementary services and other product features

Proposals for remuneration of:

- Supplementary services (registered, insured and tracked delivery items)
- M bags
- S10 barcode on small packets
- Returned undeliverable items
- Remuneration response to IPP

Supplementary Services (Registered & Insured)

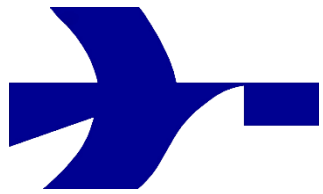


Current cycle (2018-2021)

- **Registered items:** Surcharge increased from 0.670 SDR (2017) to 1.400 (2021)
- **Insured items:** Surcharge increased from 1.342 SDR (2017) to 1.700 (2021)
- **Registered and insured:** optional tracking bonus of 0.50 SDR per qualifying item through participation in the UPU Supplementary Remuneration Programme (SRP)

IRS proposal:

- Registered and insured items: annual increase of 4.5% to surcharges (next slide)
- No change to tracking bonus (SRP) of 0.50 SDR per qualifying item
- Study in the next cycle if it is possible to separate documents from goods among registered items and remunerate registered documents as PG items instead of E format items

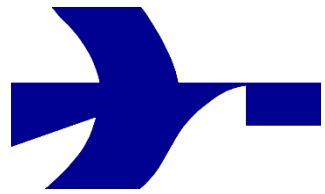


Supplementary Services (Registered & Insured)

Proposal IRS Remuneration Registered and Insured Items

	<i>Registered items</i>		<i>Insured items</i>	
<i>Year</i>	<i>% annual increase</i>	<i>Surcharge</i>	<i>% annual increase</i>	<i>Surcharge</i>
2021*	7.69%	1.400	6.25%	1.700
2022	4.50%	1.463	4.50%	1.777
2023	4.50%	1.529	4.50%	1.857
2024	4.50%	1.598	4.50%	1.941
2025	4.50%	1.670	4.50%	2.028

* 2021 is provided for reference.

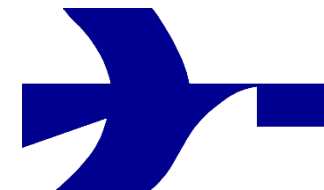


Supplementary services (Tracked Delivery)

Tracked service (2021): No surcharge in Convention but a tracking bonus (SRP) of 0.75 SDR per qualifying item (in case 56% of items have timely transmitted EDI data events)

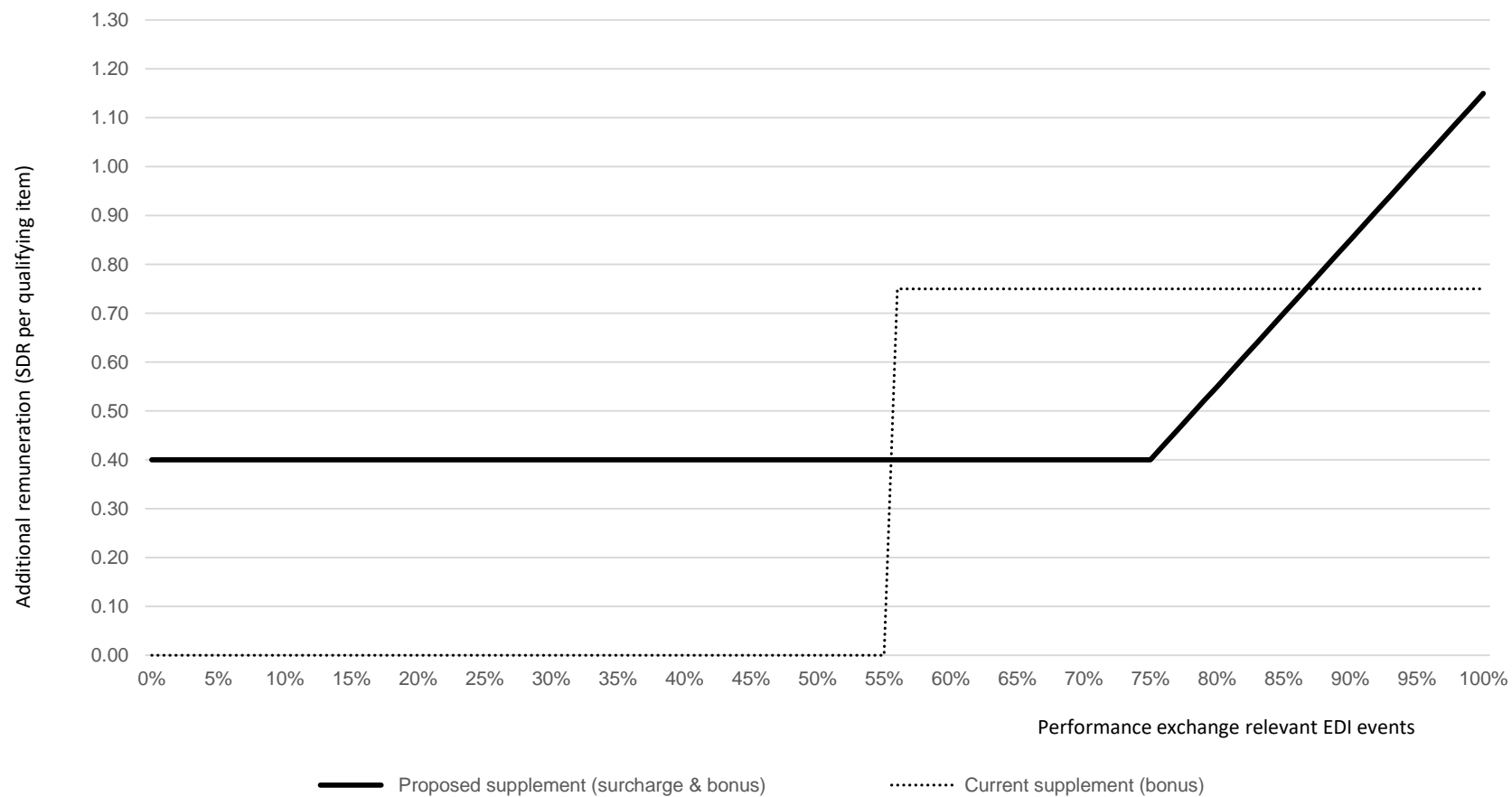
Tracked delivery remuneration 2022-2025

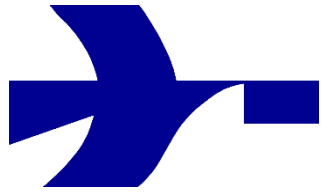
- Surcharge: 0.40 SDR for every item with EMH/I delivery scan (groups I, II and III);
- Surcharge: 0.40 SDR for every item with EMD scan for countries in group IV (instead of EMH/I events) only for the years 2022 and 2023, to support roll out of infrastructure for tracking. This arrangement would be temporary for 2 years so that from 2024 the payment of surcharges would be based on the same conditions as in the target system;
- Bonus: 0.03 SDR per performance % point above 75%
- 75%-100% (0.00 SDR (75%) to 0.75 SDR (if 100%))
- Max. remuneration: E format + 0.40 SDR (surcharge) + 0.75 SDR (bonus)



Tracked Delivery Remuneration 2022-2025

Total amount of remuneration (surcharges + bonus payments) on top of E format rates

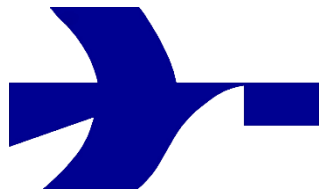




M Bags

- IRS proposal to increase M bags by 2.8% annually (same increases as in 2018-2021 Congress cycle)

Year	% annual increase	Rate per kg
2021*	2.8%	0.988
2022	2.8%	1.016
2023	2.8%	1.044
2024	2.8%	1.073
2025	2.8%	1.103

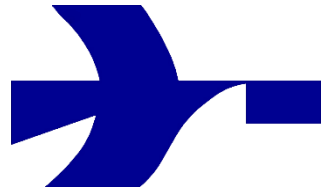


Remuneration for the Return of Undeliverable Items

IRS proposal: Introduce remuneration for returned undeliverable letter-post items based on main cost drivers (transportation + open transit handling)

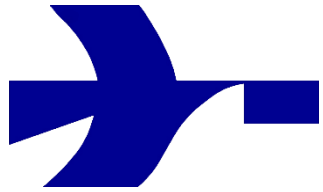
- To keep the system simple and avoid to invoice return for documents, the following is proposed a overall statistical approach:
 - No operational separation of P/G documents and E format items
 - All items sent in UD dispatches
 - Exclude documents from this remuneration by applying a coefficient of 0.86 (recognizing that worldwide average 14% of weight is attributable to documents)
 - Therefore: (transportation rates + open transit handling rates) x 0.86
 - Ratio of 0.86 to be reviewed each Cycle

S10/ ITMATT



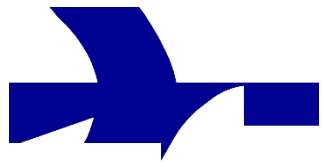
Remuneration Response to IPP – S10 barcode

- Application of S10 barcodes on small packets (E) items is mandatory since 2018
- Review PSDEIG on the treatment of small packets not carrying S10:
 - Application of an S10 barcode identifier is crucial to the provision of EAD
 - Non-application implies costs for the destination DO and manual treatment of the item (also in those cases that the items are sent back)
 - Missing ITMATT has serious implications on customs clearance from 2021 and in some countries it may not be possible to follow the manual handling procedure
 - Bonus and penalties were identified as instruments that incentivize the application of the barcodes and thereby support the implementation of ITMATT



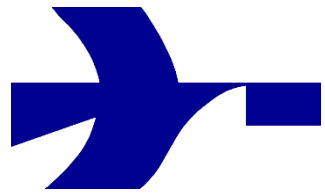
S10/ ITMATT

- As S10 is a mandatory compliance requirement, incentive bonuses would not give the right signal. A penalty is more appropriate and consistent with existing remuneration for registered/ insured items not carrying S10.
- Proposal: extend the existing S10 penalty of 0.50 SDR currently in place for registered/ insured items not carrying S10 to include small packet items and tracked delivery items which also require S10 barcodes
- Objective is to 1) encourage sending DOs to comply with the mandatory S10 requirements and 2) to compensate the receiving DO for the additional handling costs in case no S10 is applied
- Implementation date: **1.1.2021** to align with obligation to provide ITMATT
- Proposal is consistent and supports the PSDEIG review on the treatment of missing S10, in particular as S10 is essential for ITMATT
- It is too premature to propose any remuneration (incentives/ penalties) for ITMATT compliance and/ or performance.
- Possible future incentives should be examined in the next work cycle and subject to the availability of an objective indicator that determines an acceptable level of compliance with the ITMATT standards (such a measure needs to be established by the relevant product and supply chain groups first)



III. Transition and Thresholds

- Achieve harmonization and alignment where possible to reduce the current numbers of TD groups (TD classification with fewer than the current four groups to be proposed to 2024 Congress), in particular:
 - The Third Extraordinary Congress decided on the harmonization of E format rates for all groups;
 - IRS proposals to harmonize cap rates of P/G by 2025
- Thresholds to remain as decided in Geneva
 - 25t rate threshold for flows with groups II and III (self-declared/ current)
 - 50t sampling/ format separation for groups II and III
 - 100t threshold for group IV



IV. Pay for performance

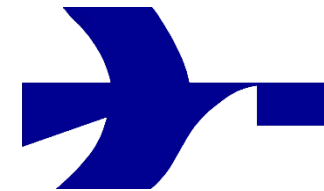
Next work cycle: establish and improve the link between remuneration and items containing goods

Terminal Dues:

- QS Link to TDs: no changes to current system as countries in Group IV are joining the QS Link to TDs from 2020

Inward Land Rates (ILRs) and ECOMPRO:

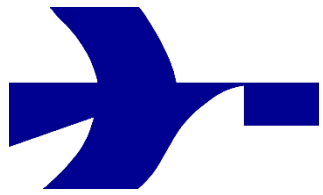
- 2020 Congress to mandate POC to develop and implement a quality of service link to ILR bonus payments to incentivize quality of service improvements of parcels.
- Work proposals for mandate to assess the benefits and needs for a bonus system for ECOMPRO parcels in next work cycle.



Mail Exchanges between DOs in Group I

IRS proposals 2022-2025

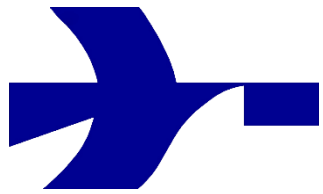
Format separation		<ul style="list-style-type: none"> Below 50t: optional (art. 17-116.2) Above 50t: mandatory
Sampling		Mandatory
TD rates	PG format	Country-specific per-item and per-kg rates based on current methodology (Art. 29)
	E format	1) Destination DO self-declared rates, or 2) Destination DO per item per kg rates based on current methodology
Number of items per format		Sampled number of items per format P, G and E



Mail Exchanges between Groups II/III and from Groups II/III to Group I

IRS proposals 2022-2025

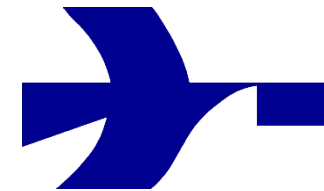
Format separation		Mandatory > 50 tons Non-mandatory (optional) < 50 tons
Sampling		Mandatory > 50 tons Non-mandatory (optional) < 50 tons
TD rates	PG format	Country-specific per-item and per-kg rates based on current methodology (Art. 29)
	E format	Opt-in (destination DO self-declared rates): > 25 tons: self-declared rates (art. 28bis) < 25 tons: E format rates based on current methodology (art. 29) Destination DO does not opt-in: E format rates based on current methodology (art. 29)
Number of items per format		> 50 t: Sampled number of items per format P/G and E < 50 t: World average composition of 1 kg of mail applied to relevant destination DO per item per kg rates



Mail exchanges Group I to Groups II/III

IRS Proposals 2022-2025

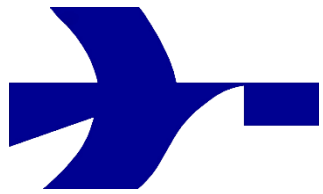
Format separation		Mandatory > 50 tons Non-mandatory (optional) < 50 tons
Sampling		Mandatory > 50 tons Non-mandatory (optional) < 50 tons
TD rates	PG format	Country-specific per-item and per-kg rates based on current methodology (Art. 29)
	E format	Opt-in (destination DO self-declared rates): Self-declared rates (art. 28bis) (also below 25t) Destination DO does not opt-in: E format rates based on current methodology (art. 29)
Number of items per format		> 50 t: Sampled number of items per format P/G and E < 50 t: World average composition of 1 kg of mail applied to relevant destination DO per item per kg rates



Mail Exchanges from Group IV to All Countries

IRS Proposals 2022-2025

Format separation		Non-mandatory (optional)
Sampling		<ul style="list-style-type: none"> Not mandatory (optional)
TD rates	PG format	< 100 tonnes: floor rates (art. 30.6bis) > 100 tonnes: country-specific per-item and per-kg PG rates
	E format	Opt-in (destination DO self-declared rates): < 100 tonnes: floor rates (art. 30.6bis) > 100 tonnes: self-declared rates Destination DO does not opt-in: < 100 tonnes: floor rates (art. 30.6bis) > 100 tonnes: E format rates based on current methodology (art. 30.5)
Number of items per format		World average composition of 1 kg of mail applied to: <ul style="list-style-type: none"> Below 100t: PG floor and E floor rates if below 100t Above 100t: Country-specific PG and E format (self-declared or current methodology)

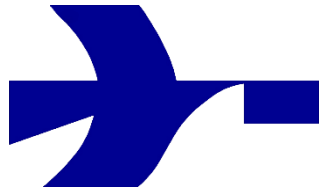


Mail exchanges from Target System Countries (I, II and III) to Group IV

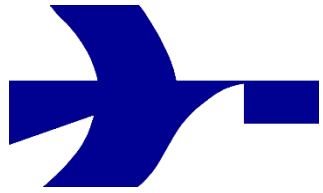
IRS Proposals 2022-2025

Format separation		Non-mandatory (optional)
Sampling		<ul style="list-style-type: none"> Not mandatory (optional)
TD rates	PG format	Country-specific per-item and per-kg PG rates (also below 100t)
	E format	<p>Opt-in (destination DO self-declared rates): Self-declared E format rates (also below 100t)</p> <p>Destination DO does not opt-in: Country-specific E format rates based on current methodology (art. 30.5)</p>
Number of items per format		World average composition of 1 kg of mail applied to country-specific PG and E rates based on self-declared or current methodology (also below 100t)

Summary of IRS Proposals

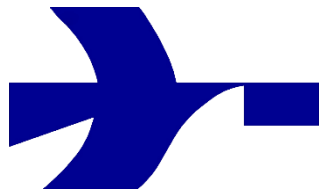


- Ensure harmonization across all 4 groups for all base TD remuneration, with low volume protection thresholds in place for groups II to IV
- **PG format cap rate** increases 5% (2022-2025) for group I, 8.7% for group II, 12.1% for group III and 15.5% for group IV
- **PG format floor rate** increase 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)



Further Work by RIG

- As Congress was delayed by one year, the RIG had to continue work so as to get a head start in preparing for the next Congress Work Cycle as well as address new issues concerning Regulations



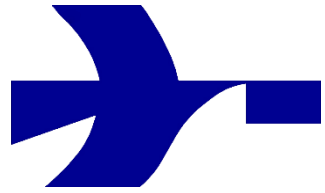
IBRS items containing goods

S8: POC approved proposal amending art. 18-104. Amendments clarify that it is mandatory for IBRS items containing goods to comply with EAD requirements.

The RIG was tasked with reviewing IBRS remuneration in accordance with the amendments to art. 18-104.

RIG agreed:

- No review IBRS remuneration as IBRS merchandise is optional and dealt with on a bilateral basis.
- Reconsider in the next work cycle as part of developing remuneration for IBRS (IRS 2025-2028) in accordance with IPP



Analysis of costs, penalties and remuneration for small packet (E) letter-post items lacking ITMATT

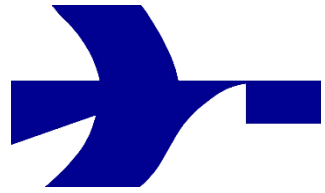
Congress proposals with relevance to S10/ITMATT

- Step 1: Penalty for S10 non-compliance: 0.50 SDR per item aligning with the existing penalties for registered and insured items: see proposal 20.28.1
- Step 2: Proposal of a general nature 01: 27th Congress to instruct POC to review S10 barcode penalty and develop proposals to introduce remuneration, such as bonus payments or penalties, with a view of encouraging designated operators of origin to obtain and exchange ITMATT data
- Congress-Doc 36 §§ 44 to 47 describe the proposals

S8: Report on the treatment of items lacking ITMATT (POC 2020.2–Doc 2b)

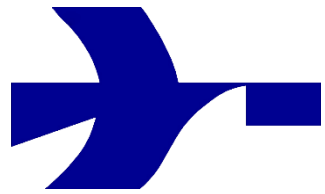
- Customs Group requests the RIG to perform an analysis of costs, penalties and remuneration considering the different impacts on destination DOs, following the recommendations section IV of POC 2020.2–Doc 2b

Analysis of costs, penalties and remuneration for small packet (E) letter-post items lacking ITMATT



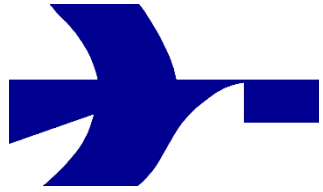
Conclusions review

- Continue phased approach and start with S10 barcode penalty (no changes)
- Recommendation: OARG to review procedures for settlement S10 penalty
- ITMATT remuneration is subject to the availability of ITMATT compliance and performance reports
- Recommendation: OARG and CG to review the requirements for compliance and/or performance reporting and calculation rules of performance ratios
- **Proposal: amend Congress proposal 20.28.1 to authorize POC to fix EAD remuneration**
- After Congress, review status of implementation of recommendations in particular on ITMATT compliance and performance reports
- Follow a phased approach for ITMATT remuneration and start simple
- Study on costs of handling items lacking S10 barcode and/ or handling items that are not compliant with mandatory ITMATT requirements
- Based on availability of metrics (incl. quality of data) further enhance incentive system and consider information obtained from (cost) studies



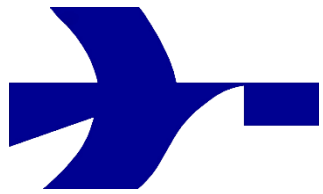
ILR minimum performance requirements 2022

- A general observation is that the current ILR Bonus system is performing acceptably and that it does not require a great deal of change at present.
- Furthermore, many operators are already finding the current standards challenging and also recognizing the amount and scale of changes that were implemented this Congress cycle (EMSEVT v3 mandatory, PREDES v2.1, changes in the IBIS bonus structure, etc.).
- ET IV members agreed not to make changes so close to Congress especially as the proposal of a general nature 01 on the IRP seeks a mandate from the Congress to implement a quality-linked bonus system including on-time delivery performance targets
- Therefore the ET IV proposes to roll over the existing requirements, targets and bonuses vis-à-vis those of the year 2021



There were 3 other items that RIG worked on:

- Review the proposal concerning the cost-to-tariff ratio escalation (ref.: article 28bis.6ter)
- Review the impact of the COVID-19 pandemic on sampling and format-separation in 2022
- Review procedures concerning the notification of domestic tariff information and self-declared rates and the publication of terminal dues rates



Cost-to-tariff escalator

Article 28bis.6ter: Further specifications related to the costs and revenues to be used for the calculation of the specific cost-to-tariff ratio shall be provided in the Regulations.

Proposal was sent to PIC for further study at S8. The PIC reviewed the proposal and following different findings, the RIG endorsed the proposal.

Compared to

➤ Single method revenue (C)

➤ Average revenue
• Calculated
• Only

➤ Average cost

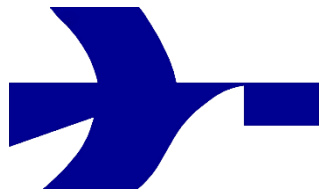
- The average costs shall reflect average weight and average composition of the items by dimension

Very Complicated but important as it affects how much TDs can increase year on year for countries who Self-Declare.

However, this has been decided by the experts that this is reasonable and equitable for all.

stage of

red



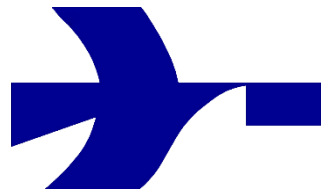
Sampling and format separation in 2022

- Deadline: End of September the year preceding the year in question (end of September 2021 for sampling and format separation 2022)
- Volumes to be used: Last 4 approved consecutive quarters (normally N-2 Q2 to N-1 Q1, so for 2022 it would be 2020 Q2 to 2021 Q1)
- A survey showed that a majority wanted to change the reference period (the thresholds cannot be changed)

A survey showed a general significant drop in volume due to Covid-19. However, the picture was not so clear when looking at each flow (DO to DO). There were some flows with increases in volume.

Recommendation is to keep the current rules because:

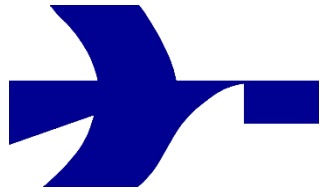
- Variation in impact (DO to DO)
- Uncertainty about the duration of the impact of Covid-19 on international mail volumes and whether some changes are permanent



Provisional 2022 terminal dues rates

Due to postponement of 2020 Congress, some information needed for the calculation of the provisional terminal dues rates for 2022 is not available, in particular:

- Floor rates PG format in 2022
- Cap rates PG format in 2022
- Cap rates E format in 2022 (default TD system)
- Rates tracked delivery in 2022 for ceiling rates E format self declared (where applicable)
- Update composition of mail (kilo profile) to calculate the total rate per kg
- PG country-specific TD rates for flows in the transitional system (proposed new rule)
- 100t rate protection threshold to be expanded to group IV countries outbound in the default TD system + rates to be set for 2022 onwards (art. 30.6bis)

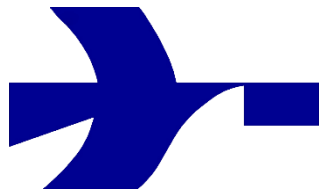


Provisional 2022 terminal dues rates

The calculation of the provisional 2022 TD rates in accordance with the IRS proposals are important for financial planning, 2022 budgeting, regulatory approval of rate increases and other commercial purposes.

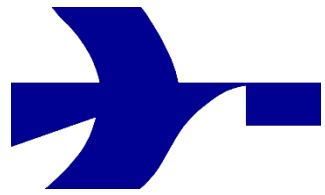
Proposal:

- Calculate the 2022 QS-linked TD rates in accordance with the Convention and Convention Regulations and IRS Congress proposals.
- The amount of 1.15 SDR will be used for the deduction of tracked service features from the ceiling rates (0.40 SDR + 0.75 SDR)
- The final 2022 QS-linked terminal dues rates will be implemented in accordance with the decisions of the 27th Congress



Review and update of Congress–Doc 36 and Congress proposals on the Integrated Remuneration System (IRS)

- Amendments to Doc 36 because of S10 barcode penalty to be implemented from 2022 instead of 2021 (due to postponement Congress)
- Amendments to Doc 36 and to proposal 25.30-104.1 to make adjustments as a result of the proposed new implementation date of mandatory tracked delivery service
- Amendments to proposal 20.28.1 to give a clear mandate to the POC to fix remuneration for EAD and returned undeliverable letter-post items



Update Congress-Doc 36 and Congress Proposal 25.30-104.1

PSEDIG Proposal: changes to the implementation date of Recommendation 2 on mandatory tracked delivery service: 2023 instead of 2022.

IRS proposals include remuneration for tracked delivery service (proposals 20.28.1 and 25.30104.1) from 2022. Implementation IRS cannot be delayed until 2023 otherwise there would be no additional remuneration in 2022 for tracked delivery service items.

RIG proposes to amend proposal 20.28.1 and 25.30104.1 to extend the grace period for group IV countries until 2024 (instead of 2023):

- 2022-2024: DO Group IV to receive 0.40 SDR for all tracked delivery items for which it provides an EMD scan (event arrival at OE)
- 2025: DO group IV to receive 0.40 SDR for all tracked delivery items for which it provides a delivery scan (EMH/I)

Thank You

