

## APPU-EC Meeting

### Physical Services Working Group

Istanbul Congress Preparatory Discussion on Doha Cycle Parcel Post Developments

Presentation by the Parcel Post Remuneration Group (PPRG) Chair (Malaysia)

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## Discussion items

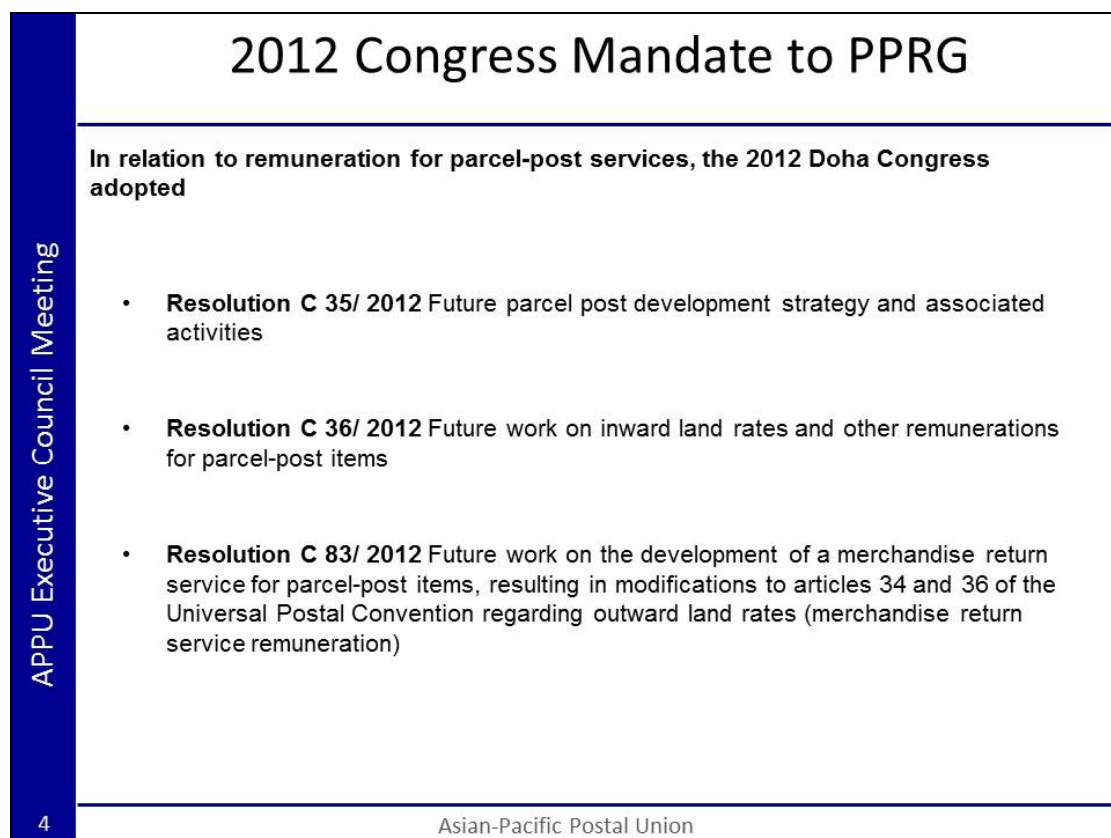
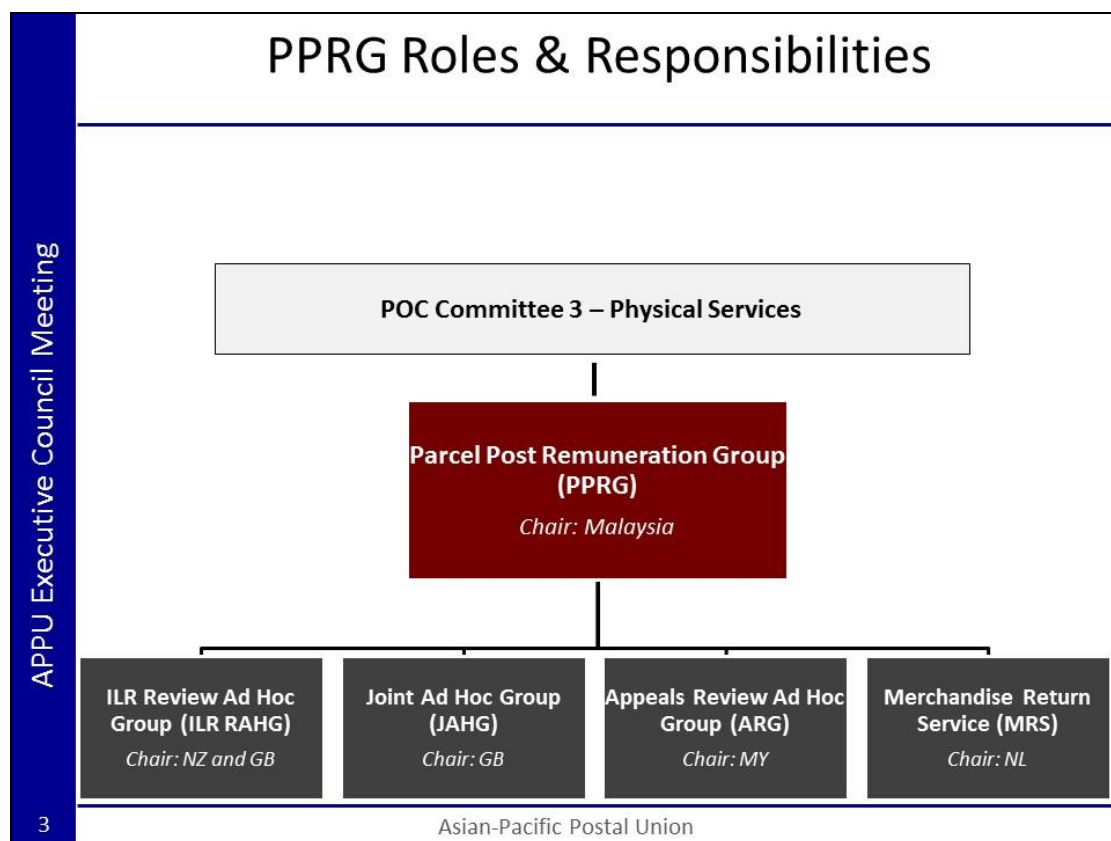
APPU Executive Council Meeting

1. Parcel Post Remuneration Group (PPRG) – Roles and Responsibilities
2. The 2012 Congress Mandate for the work of the PPRG
3. The review of the Inward Land Rates (ILR) Model
  - Base / Bonus Ratio
  - Inflation Adjustment
  - Caps and Floor Rates
  - Conclusions and Recommendations
4. The review of the Inward Land Rates (ILR) Bonus
  - Service Feature 1 – Track and Trace
  - Service Feature 4 – Internet Based Inquiry System
  - Conclusions, Implementation and Recommendations and Next Steps
5. Other remuneration – Transit Charges
6. ECOMPRO – eCommerce Parcel
  - Service overview
  - Remuneration Model Phase I
  - Remuneration Model Phase II
  - Recommendations and Next Steps
7. Questions / Floor Open for discussion / Close

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## Review of the Inward Land Rates

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Review of the ILR base rates and bonuses

**Main actions in relation to reform of the ILR system**

<b>MODEL</b>	<ul style="list-style-type: none"> <li>Base rate/ bonus ratio</li> <li>Inflation adjustment</li> <li>Caps and floor rates</li> </ul>
<b>BONUSES</b>	<ul style="list-style-type: none"> <li>ILR minimum performance requirements</li> </ul>

**Other main actions**

<b>OTHER</b>	<ul style="list-style-type: none"> <li>– Remuneration for open and closed transit</li> </ul>
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## Review of the ILR Model

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## Review of the ILR Model

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**Mandate – INWARD LAND RATES (2013 – 2016 work cycle)**

**Resolution C 36/ 2012** Future work on ILR and other remuneration for parcel-post items

Progress the ILR reform work on based on the high-level recommendations in POC C 2 2012.1-Doc 4.Rev1 and Congress-Doc 21:

- Adjustment model base rates/ bonus component
- Principles for reviewing the ILR bonus system
  - Actual and measurable performance
  - Ensuring incentives are large enough to promote and maintain change
  - Performance criteria to be developed consistent with the minimum specifications
- Evaluate the potential for pricing mechanisms relating to lightweight parcel items (to respond to opportunities related to e-commerce)

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## ILR Base / Bonus Ratio, 1

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**I. Base rate/ bonus ratio:**

- **Action:** review base rate/ bonus ratio according to instructions resolution C 36/ 2012

↑

**BONUSES**

**BASE RATE**  
*(71.4% of 2004 ILR)*

↑

**Maximum bonus component = 40% of base rate**

40% of 71.4 = 28.6%

Therefore, base rate + total bonus can build up to 100% ILRs

SDR

CURRENT

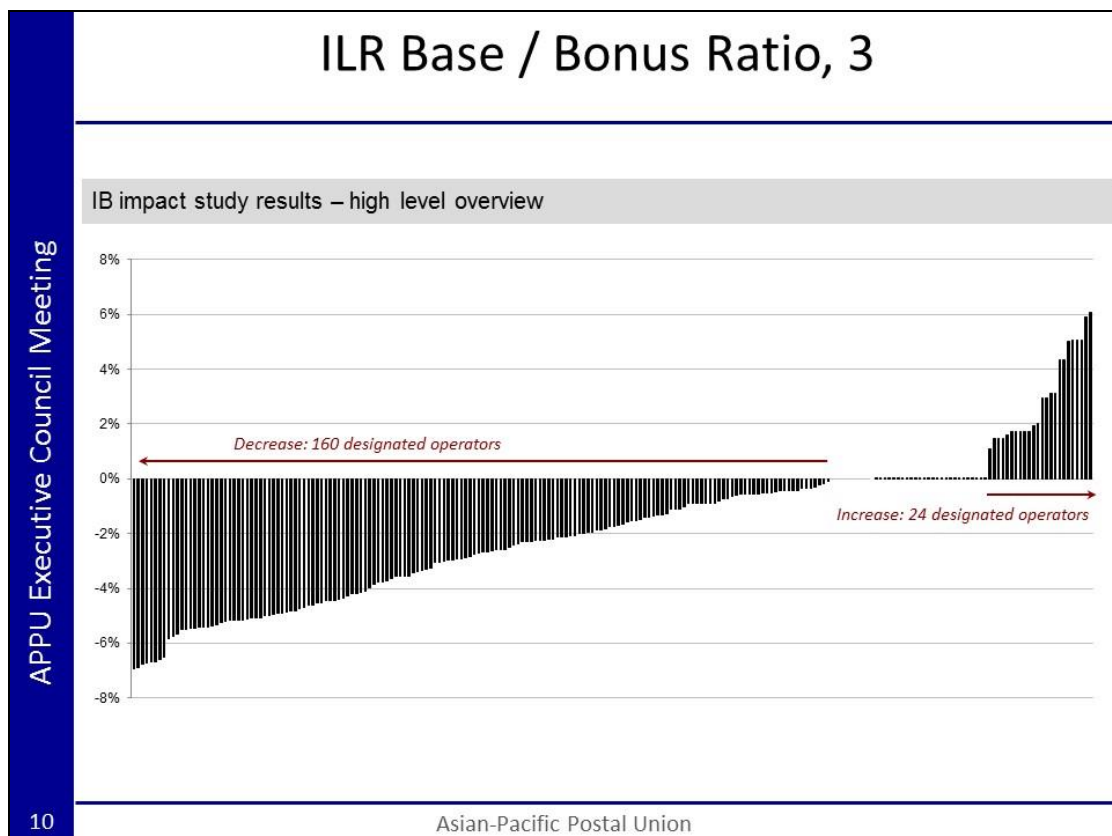
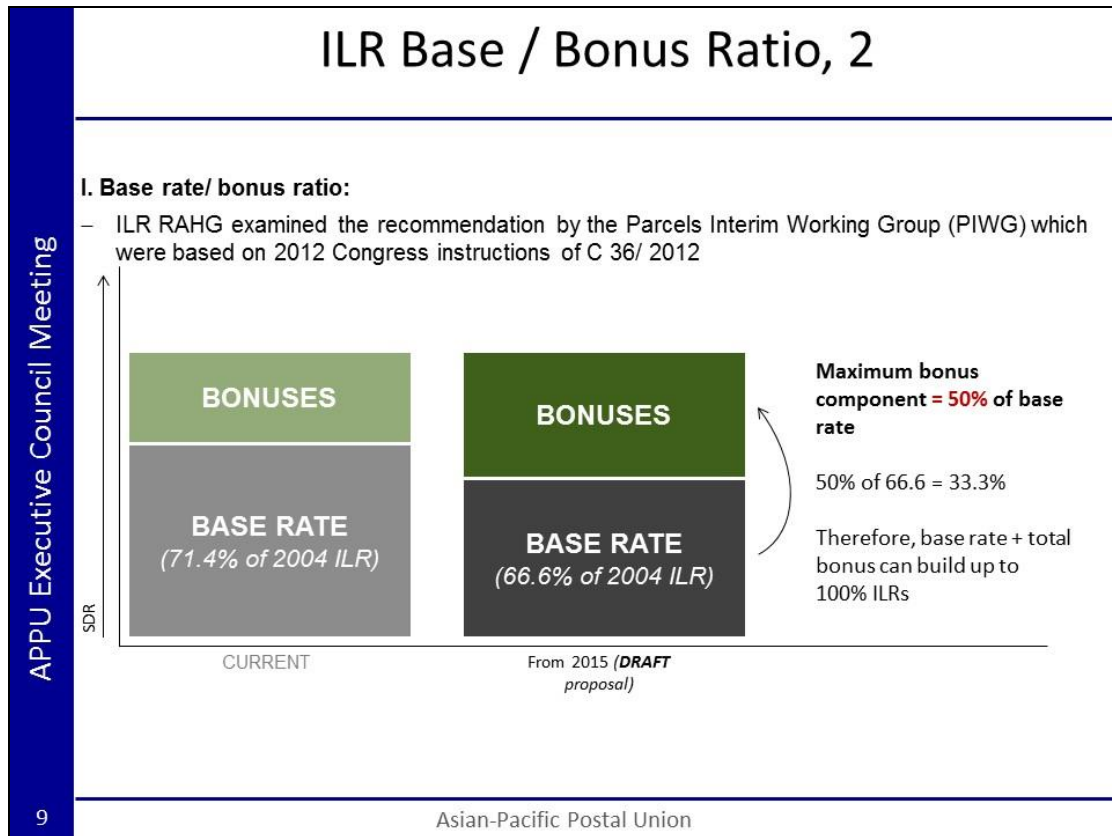
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APPU Executive Council Meeting	<h2 style="margin: 0;">ILR Base / Bonus Ratio, 4</h2>
	<p><b>I. Base rate/ bonus ratio</b></p> <ul style="list-style-type: none"> <li>– <b>Action:</b> review base rate/ bonus ratio according to PIWG recommendations and instructions resolution C 36/ 2012 =&gt; reduce base rate from 71.4% to 66.6% and increase bonus from 40% to 50%</li> <li>– <b>Analysis:</b> IB impact studies showed a reduction of the fixed income guarantee of over 70% of the membership, in particular DC's</li> <li>– <b>Result:</b> Based on impact analysis, the PPRG endorsed the recommendation by the ILR RAHG not to change the existing ratio, but rather:             <ul style="list-style-type: none"> <li>– Seek mandate to develop remuneration model options that respond to the three main criteria of being more equitable, cost-based and competitive</li> <li>– In PPRG endorsed actions that support gradually moving away from mere service compliance to <b>actual service performance focus</b> in bonus features</li> </ul> </li> </ul>
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APPU Executive Council Meeting	<h2 style="margin: 0;">ILR Inflation Adjustment</h2>
	<p><b>II. Inflation adjustment</b></p> <ul style="list-style-type: none"> <li>– <b>Action:</b> review of the inflation adjustment conditions of article RC 196</li> <li>– <b>Analysis:</b> high inflation adjustment was studied but historic analysis showed that conversion of domestic currency to SDR neutralizes cases of high inflation. However, significant rate increases were identified as an issue due to backdating of adjustment claims</li> <li>– <b>Result:</b> POC approved rules for inflation claims once a year and for one year period only</li> </ul>
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APPU Executive Council Meeting	<h2>ILR Caps and Floor Rates</h2>
	<p><b>III. Caps and floor rates</b></p> <ul style="list-style-type: none"> <li>– <b>Action:</b> review caps and floor rates of ILRs</li> <li>– <b>Analysis:</b> 83 DOs responded to 2014 survey collecting information on the published domestic tariffs of a 5 kg priority and non-priority items for the purpose of reviewing the floor rates and caps <ul style="list-style-type: none"> <li>• For both 5 kg priority and non-priority parcel, domestic rates are predominantly lower than inward land rates, for both DC and IC respondents (POC C 3 PPRG 2014.2 – Doc 3a)</li> <li>• Considerations: social tariffs, subsidization of domestic parcel rates, as well as to the differences between countries in relation to customs clearance fees and import duties</li> </ul> </li> <li>– <b>Conclusion:</b> reducing floor rates would impact a significant number of DOs, most of them DC's. Furthermore, the minimum income guarantee is important for DC's infrastructure investment and quality improvement.</li> <li>– <b>Result:</b> maintain floor rate at 4.25 SDR for a 5 kg item, cap rates to be reviewed after conclusion of review of product portfolio (Integrated Product Plan / IPP)</li> </ul>
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APPU Executive Council Meeting	<h2>ILR Model Conclusions</h2>
	<p><b>Conclusions ILR review</b></p> <ul style="list-style-type: none"> <li>– PPRG endorsed ILR RAHG's recommendations not changing the model (ratios, etc.) as it would reduce the fixed income guarantee of over 70% of the membership, in particular DC's.</li> <li>– Floor rate is also maintained (at 4.25 SDR per 5kg parcel) to ensure guaranteed income for a significant number of DOs, most of them DC's (44 DOs benefit from floor rate)</li> <li>– In the process of coming to both conclusions above, the Congress Resolution C 36/2012 principles of the ILR system to be <b>fair and equitable</b>; and to <b>maintain adequate cost coverage</b> were the driving principles</li> <li>– Based on impact studies, the Parcels Interim Working Group (PIWG) recommendations were not pursued by the PPRG instead new model options should be identified</li> <li>– These model options should be based on studies identifying the cost drivers within domestic, non-express, postal parcel networks and cross-border parcel delivery (in particular border entry, handling, transporting and delivery of inbound parcels)</li> </ul>
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APPU Executive Council Meeting	<h2 style="text-align: center;">ILR Model Recommendations</h2>	
	<p><b>Recommendations ILR model endorsed by 2015.2 PPRG</b></p>	
	<p>Bring about evolution in the inward land rates system and ECOMPRO rates to a system characterized by country-specific, cost-based remuneration principles</p> <ul style="list-style-type: none"> <li>– Identify new remuneration model options that respond to all three main criteria of the model to be more equitable, competitive and cost-based than the current ILR system</li> <li>– Identify indicators, drivers and elements that support the future work on developing an ILR system that is more cost-based</li> <li>– Develop the quality of service link by setting out of provisions governing the link between inward land rates and quality of delivery service with respect to bonuses and penalties as well as applicable standards and targets</li> <li>– Resume work on caps after completion of the Integrated Product Plan (IPP)</li> </ul>	
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APPU Executive Council Meeting	<h2 style="text-align: center;">Review of the Inward Land Rates Bonus</h2>					
	<p><b>Review of the ILR base rates and bonuses</b></p>					
	<p><b>Main actions in relation to reform of the ILR system</b></p> <table border="1" style="width: 100%;"> <tr> <td style="background-color: #d9e1f2;"><b>MODEL</b></td> <td> <ul style="list-style-type: none"> <li>• Base rate/ bonus ratio</li> <li>• Inflation adjustment</li> <li>• Caps and floor rates</li> </ul> </td> </tr> <tr> <td style="background-color: #d9e1f2;"><b>BONUSES</b></td> <td> <ul style="list-style-type: none"> <li>• ILR minimum performance requirements</li> </ul> </td> </tr> </table>		<b>MODEL</b>	<ul style="list-style-type: none"> <li>• Base rate/ bonus ratio</li> <li>• Inflation adjustment</li> <li>• Caps and floor rates</li> </ul>	<b>BONUSES</b>	<ul style="list-style-type: none"> <li>• ILR minimum performance requirements</li> </ul>
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APPU Executive Council Meeting	<h2>Review of the Inward Land Rates Bonus</h2>	
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APPU Executive Council Meeting	<h2>Review of the Inward Land Rates Bonus, 2</h2>	
	<b>ILR bonuses and minimum performance requirements</b>	
	<ul style="list-style-type: none"> <li>POC approved resolutions with minimum performance requirements for 2015 (CEP 3/2014.1) and 2016 (CEP 6/ 2015.1)</li> <li>PPRG 2015.2 endorsed draft resolution for minimum performance requirements for 2017/ 2018</li> </ul>	
	<p>Main changes approved during current cycle:</p> <ul style="list-style-type: none"> <li>EMF over EME ratio target changed from 50% (2012) to 70% (2013) to 80% (2015)</li> <li>PREDES v2.1 as minimum requirement from 2016</li> <li>Internet-based inquiry system (IBIS): new specifications applicable since 2015. Application for 2016 ILR bonuses – new target at 80% (from 95%)</li> </ul> <p>Also finalized this work cycle at POC Feb 2016:</p> <ul style="list-style-type: none"> <li>EMH/ I over EMD: Enhance the target and bonuses</li> <li>IBIS: Improve bonus allocation and increase target from 80% to 90%</li> </ul>	
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## Review of the Inward Land Rates Bonus, 3

**PPRG 2015.2 endorsed the draft resolution for 2017/ 2018 minimum performance requirements and ILR bonuses:**

Most requirements and bonus percentages to remain the same, proposed changes are:

- Service Feature 1:** Revise the EMH/ I over EMD targets and bonuses to change according to compromise solution (see next slide)
- Service Feature 4:** IBIS requirements and bonuses to change as follows:

<i>Performance indicator + target</i>	<i>IBIS (service feature 4) –ILR bonus</i>
Minimum <b>90%</b> on-time response *	<b>3%</b>
Maximum average time to open a request (16 working hours)	<b>1%</b>
Maximum average time to open a reply (16 working hours)	<b>1%</b>

\* 95% on-time response target in 2015, 80% in 2016

## Review of the Inward Land Rates Bonus, 4

### Minimum performance requirements – EMH/ I over EMD

Meeting minimum requirements in relation to EMH/ I over EMD ratio was identified as critical service feature to the customer

- Meaningful to the customer: responding to needs for full tracking and delivery events
- Supportive of other features: inquiries / on-time delivery measurement on basis of these events

2014.2 and 2015.1 PPRG endorsed a proposal which would:

- Discontinue the intermediary bonus of 6% for achievement of the 80% target
- Maintain total bonus of 11% if DO achieves the 90% target
- However Committee 3 of the 2015.1 POC rejected the proposal and therefore in 2016 the ratios/ bonuses remain unchanged

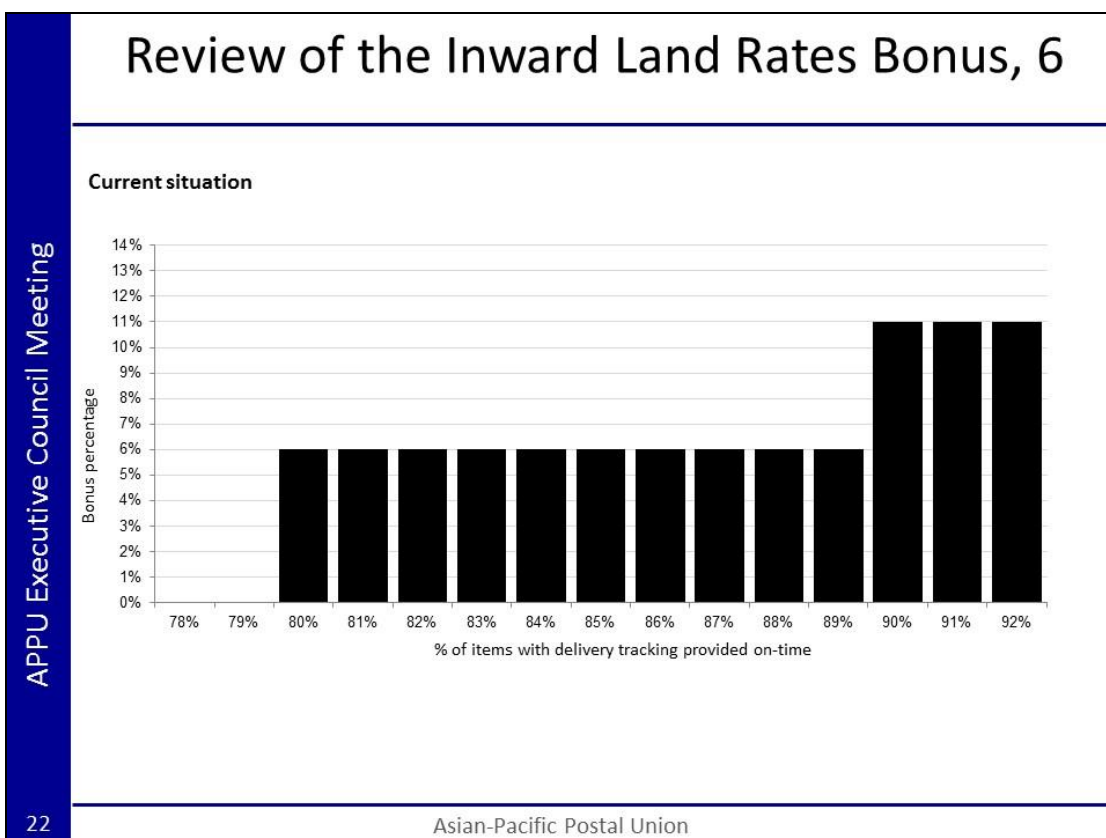
The JAHG has taken all comments made during the 2015.1 PPRG and POC C 3 in consideration and developed a so-called **compromise solution**



Review of the Inward Land Rates Bonus, 5			
Compromise proposal EMH/ I over EMD			
Performance	Current situation	Compromise solution	Rejected proposal
79%	No bonus	No bonus	No bonus
80%	6% bonus	1% bonus	No bonus
81%	6% bonus	2% bonus	No bonus
82%	6% bonus	3% bonus	No bonus
83%	6% bonus	4% bonus	No bonus
84%	6% bonus	5% bonus	No bonus
85%	6% bonus	6% bonus	No bonus
86%	6% bonus	7% bonus	No bonus
87%	6% bonus	8% bonus	No bonus
88%	6% bonus	9% bonus	No bonus
89%	6% bonus	10% bonus	No bonus
90%	11% bonus	11% bonus	11% bonus

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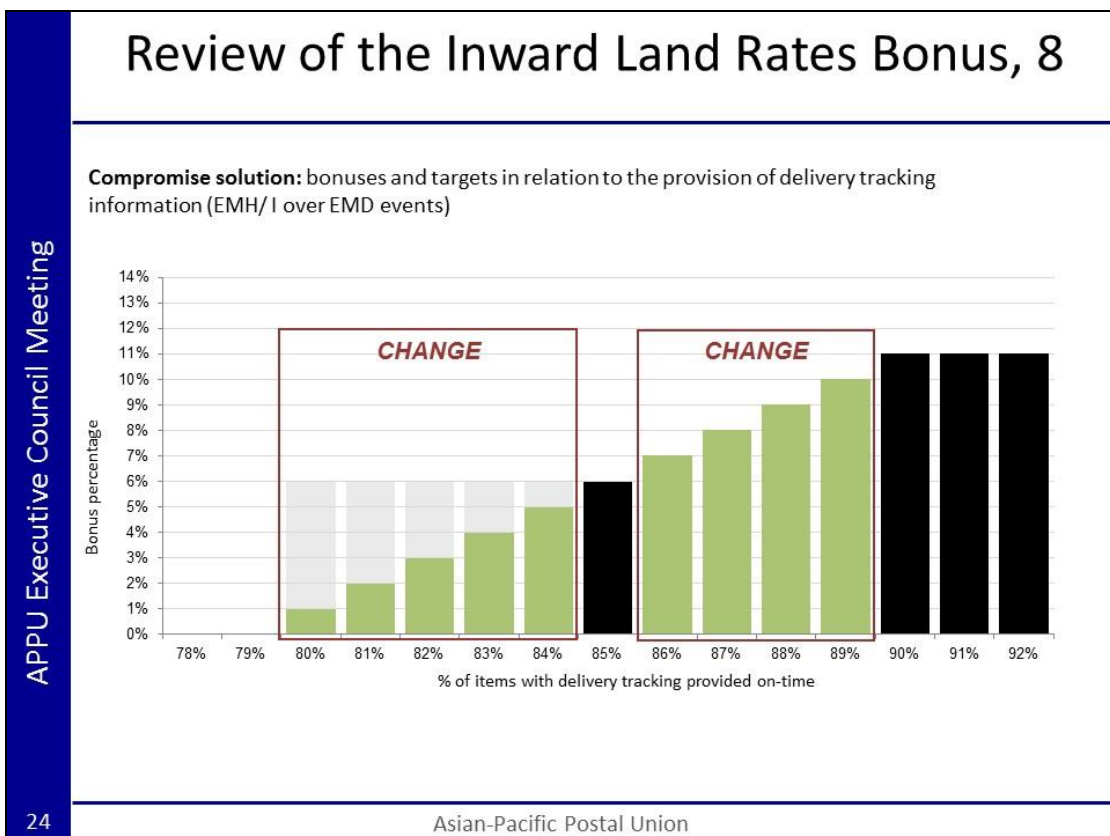
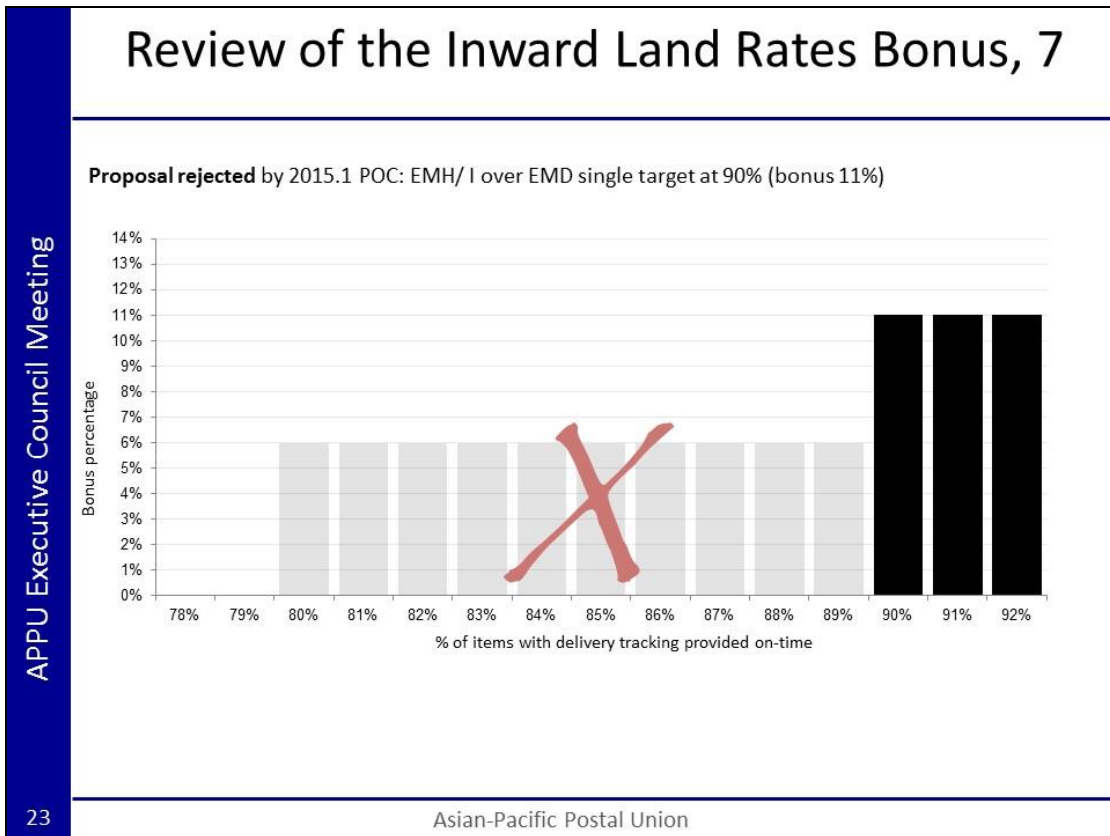
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APPU Executive Council Meeting	<b>Review of the Inward Land Rates Bonus, 9</b>		
	<b>IB impact study – bonus assessment based on July 2015 ILR performance data</b>		
	<b>Bonus %</b>	<b>Compromise solution</b>	<b>Rejected proposal</b>
	+ 1%	1	0
	+ 2%	5	0
	+ 3%	5	0
	+ 4%	6	0
	+ 5%	0	0
	<b>DOs higher bonus</b>	<b>17</b>	<b>0</b>
	- 6%	0	35
	- 5%	1	0
	- 4%	6	0
	- 3%	2	0
	- 2%	5	0
	- 1%	2	0
	<b>DOs lower bonus</b>	<b>16</b>	<b>35</b>
	<b>No change</b>	<b>187</b>	<b>185</b>
	<b>Total</b>	<b>220</b>	<b>220</b>
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APPU Executive Council Meeting	<b>Conclusions of ILR Bonus Review</b>		
	<b>Conclusion EMH/ I over EMD</b>		
	The Congress gave a clear mandate to reform the ILR system and clearly specified that the system should "incentivize improved service performance"		
	The <b>compromise solution</b> addresses a number of important considerations:		
	<ul style="list-style-type: none"> <li>– The compromise solution, if approved, would demonstrate change and improvement without unduly penalising a "near-miss" service performance failure</li> <li>– The compromise solution responds to the voices and comments made during the 2015.1 PPRG and 2015.1 POC C 3</li> <li>– The solution demonstrates a willingness to compromise while still progressing on the task contained in Congress Resolution C 36 /2012 instructing the POC to take actions to reform the ILR system</li> </ul>		
	2015.2 PPRG endorsed the compromise solution, POC is invited to adopt the resolution on the minimum performance requirements contained in document <b>POC 2016.1–Doc 12k</b>		
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APPU Executive Council Meeting	<h2>Outcome of ILR Bonus Review</h2>
	<p>2015.2 PPRG endorsed the compromise solution, POC is invited to adopt the resolution on the minimum performance requirements contained in document POC 2016.1–Doc 12k</p>
	<p>Approved – implementation date 1 Jan 2017</p>
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APPU Executive Council Meeting	<h2>ILR Bonus Review Endorsed Recommendations</h2>
	<p><b>Recommendations concerning the ILR bonuses and minimum performance requirements endorsed by 2015.2 PPRG</b></p> <p>Review and develop the ILR bonus system incentivizing improved service performance through minimum performance requirements:</p> <ul style="list-style-type: none"><li>– Review and develop <b>outbound compliance criteria to qualify for ILR bonuses</b> to underline the importance of an end-to-end approach to the parcel service</li><li>– Carefully evaluate <b>on-time delivery performance measurement</b>, including minimum performance requirements and bonus allocation</li><li>– Identify <b>alternative delivery options</b> and clear compliance criteria to modernize the home delivery bonus requirements in line with market needs</li><li>– Carefully review the possibility to introduce bonuses for DOs providing inbound tracking information on the basis of the original outbound S10 barcode, this review to include capacity assessment and development of appropriate compliance criteria</li><li>– Further evaluate the minimum performance requirements for the enhanced <b>IBIS</b></li></ul>
	<p>Included in the work proposal - Istanbul Congress Business Plan: Work Proposal 27</p>
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APPU Executive Council Meeting	<h2>Review of the Inward Land Rates</h2>	
	<b>Review of the ILR base rates and bonuses</b>	
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APPU Executive Council Meeting	<h2>Review of the Inward Land Rates</h2>	
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	<b>OTHER</b>	– Remuneration for open and closed transit
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Other Remuneration – Transit Charges, 1

**Review of the transportation charges for transit items (open and closed transit)**

- 2014 POC decided on alignment of rates in RC 197 and RC 199 with those transportation rates for letter-post items since the costs are essentially the same for transportation

**Review of the handling charges for transit items (closed transit)**

- 2014 POC decided on alignment of rates in RC 197 regarding the handling costs for items in closed transit with those of letter-post items

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Other Remuneration – Transit Charges, 2

**Review of the handling charges for transit items (open transit)**

- **Analysis:** PPRG concluded that the handling costs for parcel post items in open transit needs to be updated since the last update was from 2003 while operations have changed significantly (in particular data collection and exchange requirements in open transit)

The PPRG considered that since the handling charge is an universal charge, the most appropriate adjustment would be based on inflation experienced since 2003 in the SDR basket countries (USD, EUR, GBP and JPY)

- **Result:** PPRG endorsed the proposal to update the open transit handling charge from **0.40 SDR** to **0.51 SDR**. POC 2016.1 will be invited to approve the amendment to RC 197.

Approved – implementation date 1 Jan 2017

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## Summary of ILR and Minimum Performance

PPRG concluded all items on its work plan and brought the following proposals to POC 2016.1 for approval.

### 1. POC 2016.1 – Doc 12d. Annexes 9 and 10:

- Amendments to RC 195 for internet-based inquiry system targets and bonuses
- Amendments to RC 197 regarding open transit handling charges

### 2. POC 2016.1 – Doc 12k. Annex 1

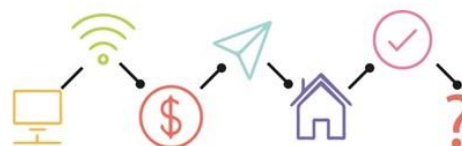
- Resolution CEP X/ 2016.1 regarding the minimum performance requirements for inward land rate bonuses for 2017/ 2018

Approved – implementation date 1 Jan 2017

## Development of ECOMPRO\* Rates

Pilot was launched in July 2015

First exchange: Belarus and Russia



INTEGRATING POSTS INTO THE WORLD OF E-COMMERCE



\*ECOMPRO formerly known as:

E-Commerce Parcel



APPU Executive Council Meeting	<h2 style="margin: 0;">ECOMPRO Remuneration, 1</h2>
	<p><b>E-commerce parcel remuneration</b> – the UPU system of payment between designated operators providing the parcel-post service under the optional e-commerce parcel delivery category</p> <p><b>E-commerce parcel delivery remuneration is part of the ILR system under the Acts</b></p> <p><b>Art. 35 of the Universal Postal Convention</b></p> <p>35.1 Parcels exchanged between two designated operators shall be subject to inward land rates calculated by combining the <b>base rate per parcel and base rate per kg</b> laid down in the Regulations</p> <p>35.1.1 Supplementary rates (<b>bonuses</b>) <b>per parcel and per kg</b> in accordance with provisions laid down in the regulations</p> <p>35.1.2 These rates are payable by the country of origin</p> <p>35.1.3 The ILRs shall be uniform for the whole of the territory of each country</p> <p><b>Art. RC 195 of the Parcel Post Regulations (Inward Land Rates)</b></p> <p>2.3ter Rates applicable to parcels under the optional e-commerce delivery category defined in article RC 116bis</p>
	<div style="display: flex; justify-content: space-between;"> <span>35</span> <span>Asian-Pacific Postal Union</span> </div>

APPU Executive Council Meeting	<h2 style="margin: 0;">ECOMPRO Remuneration, 2</h2>
	<p><b>E-commerce parcels</b> are items carried under the <b>optional</b> e-commerce parcel-post delivery category</p> <p>Designated operators may agree between themselves to convey parcel-post items generated by e-commerce activities by air with priority and in accordance with the delivery specifications outlined in article RC 116bis of the Parcel Post Regulations:</p> <ul style="list-style-type: none"> <li>– Parcels up to 30 kg</li> <li>– Unique S10 identifier (HA-HZ range)</li> <li>– Provide all tracking events within data transmission time standards and targets</li> <li>– Internet-based inquiry response time observed</li> <li>– ITMATT / EMSEVT v3 (messaging standards for tracking and customs notification)</li> <li>– DOs endeavor to observe delivery time of 5 days</li> <li>– No signature (anticipated: removal of liability by 2016 Congress)</li> </ul> <p>More details: <b>POC 2014.2 – Doc 5c</b> or in the <b>e-commerce user guide</b></p>
	<div style="display: flex; justify-content: space-between;"> <span>36</span> <span>Asian-Pacific Postal Union</span> </div>



APPU Executive Council Meeting	<h2>ECOMPRO Remuneration, 3</h2>
	<p><b>E-commerce parcel remuneration – approach</b></p> <ul style="list-style-type: none"> <li>– Remuneration model needs to be <b>quick to market and responsive to e-commerce customer needs</b></li> <li>– To improve the capability of fast implementation, a <b>two-phased approach</b> was agreed to: <ul style="list-style-type: none"> <li>• <b>Phase I</b> – Simple and straightforward remuneration system that can be implemented without any delay</li> <li>• <b>Phase II</b> – Review all possible aspects around the remuneration system, including the rate structure and other remuneration features</li> </ul> </li> <li>– <b>Phase I: principles</b> <ul style="list-style-type: none"> <li>– Self-declared <b>base rates</b> that shall not be higher than the <b>base rates</b> of ILR parcels</li> <li>– No floor rates applicable (since rates are self-declared)</li> <li>– Same total bonus % will be added to the base rate as for ILR parcels</li> </ul> </li> </ul>
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APPU Executive Council Meeting	<h2>ECOMPRO Remuneration, 4</h2>
	<p><b>E-commerce parcel remuneration – rationale</b></p> <p><i>General observations:</i></p> <ul style="list-style-type: none"> <li>– <b>Current ILRs too high</b> to respond to e-commerce opportunities</li> <li>– Removal of product features signature and liability lead to <b>avoided costs</b> in comparison to the ILR parcel (lower operational costs should be reflected in e-commerce parcel rates)</li> </ul> <p><i>Sending DO/ destination DO perspective:</i></p> <ul style="list-style-type: none"> <li>– <b>Sending DO/ customer</b> willing to accept removal of liability and signature if it can thus obtain a lower shipping price and/ or pay destination DO lower rates</li> <li>– <b>Destination DO</b> willing to receive lower remuneration per item because: <ul style="list-style-type: none"> <li>• Identifies the market needs and competition pressure requiring rates to be more competitive to <b>attract new volume and to maintain current volume</b></li> <li>• Identifies that the cost of providing the e-commerce parcel delivery is lower than standard parcels</li> </ul> </li> </ul>
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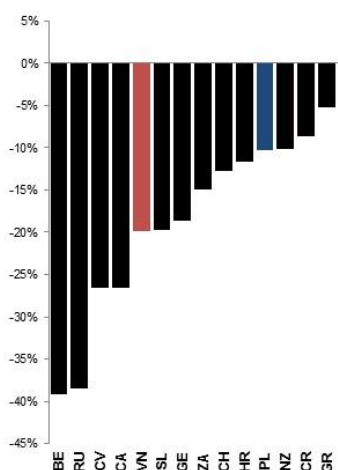
## ECOMPRO Remuneration, 5

### PHASE I

- Approved by POC 2015.1 April, implementation: 1 January 2016
- The applicable rates only concern traffic observing conditions in article RC 116bis
- Conditions for self-declared remuneration laid down in amended article RC 195
- 43 DOs declared their **base rates**
  - Number is expected to increase following the compliance with messaging standards (EMSEVT v3.0 and ITMATT, e.g.)
- Circular 164/2015 of 28 September 2015 contains the final e-commerce parcel delivery rates (including bonuses) for the period 1 January 2016 to 30 June 2016
- Other designated operators can submit their base rates by 31 August 2016 for 2017

## ECOMPRO Remuneration, 6

### E-commerce parcel delivery rates vs ILRs



#### Lower rates of some countries (2016):

Belgium:	-39%
Russian Federation:	-38%
Canada:	-27%
<b><i>Viet Nam:</i></b>	-20%
South Africa:	-15%
Switzerland:	-13%

14 DOs submitted base rates lower than their respective ILR base rates

All 43 DOs can voluntarily lower their base rates further in 2016 (RC 196.5)

All other DOs can set their rates for 2017, respecting deadline of 31 August 2016



APPU Executive Council Meeting	<h2>ECOMPRO Remuneration, 7</h2>
	<p>To operationalise the parcel-post service under the e-commerce parcel delivery category also requires:</p> <ul style="list-style-type: none"><li>– Compliance with the mandatory requirements as contained in RC 116bis and as approved by POC (POC 2014.2- Doc 5c)</li><li>– Explicit agreement on a bilateral level (sending and destination DOs must agree before shipment)</li></ul>
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APPU Executive Council Meeting	<h2>ECOMPRO Remuneration, 8</h2>
	<p><b>PHASE II</b></p> <ul style="list-style-type: none"><li>– PPRG reviewed different options around rate structure and pricing references in terms meeting the criteria of market-needs, operator's ability to implement and overall effectiveness and flexibility</li><li>– After detailed studies and consultations, the 2015.2 PPRG endorsed the draft proposal for weight bands as follows:<ul style="list-style-type: none"><li><b>Bracket 1: 0 to 2 kilogramme</b></li><li><b>Bracket 2: 2 to 5 kilogramme</b></li><li><b>Bracket 3: 5 to 30 kilogramme</b></li></ul></li><li>– Item and kg rates can be set differently according to weight band as long as the rates are in accordance with conditions in RC 195</li><li>– Operations and accounting solutions are reviewed by the OARG including proposals in support of weight steps (POC C 1 OARG 2016.1 – Doc 4a)</li></ul>
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APPU Executive Council Meeting	<h2>ECOMPRO Remuneration, 9</h2>
	<b>Rationale – weight steps</b>
	<b>Weight steps</b> would provide more flexibility and present opportunities such as :
	<ul style="list-style-type: none"><li>– Better support domestic rate structure</li><li>– Incentivize DOs to opt in for the e-commerce parcel, for example by providing access to lower rates for low-weight items</li><li>– Better consider the different delivery networks (mail delivery vs courier e.g.)</li><li>– Rates could be set in alignment with those of letter-post items (terminal dues)</li><li>– Give destination designated operator more flexibility to price in accordance with market requirements</li></ul>
	<p>PPRG 2015.2 endorsed the proposals amending art. RC 195 accommodating for phase II remuneration model with weight steps.</p> <p>POC approved amendments contained in POC 2016.1 – Doc 12d. Annex 10</p>
43	<div style="border: 2px solid red; padding: 5px; text-align: center;"><b>Approved – implementation date 1 Jan 2017</b></div> <p>Asian-Pacific Postal Union</p>

APPU Executive Council Meeting	<h2>ECOMPRO Remuneration, 10</h2>
	<b>Recommendations e-commerce parcel remuneration endorsed by 2015.2 PPRG</b>
	After phase I and II, further develop the e-commerce parcel remuneration system based on country-specific and cost-based remuneration principles, in particular
	<ol style="list-style-type: none"><li>1) Review the pay-for-performance aspect of the e-commerce parcel delivery remuneration model fully tailored to its specific service attributes and features</li><li>2) Identify (further) actions promoting competitive pricing for lightweight items</li></ol>
	<div style="border: 2px solid red; padding: 5px; text-align: center;"><b>Included in the work proposal - Istanbul Congress Business Plan: Work Proposal 27</b></div>
44	<p>Asian-Pacific Postal Union</p>



APPU Executive Council Meeting	Question / Comments / Discussion
	<p>Thank you for your time, attention and participation.</p> <p>The floor is now open to further discussion on any of the points covered during this session of the Physical Services Working Group on the work of the POC Committee 3 – Parcel Post Remuneration Group.</p>
	<p>45 Asian-Pacific Postal Union</p>

APPU Executive Council Meeting	This slide intentionally left blank.
	<p>46 Asian-Pacific Postal Union</p>



**Additional PPRG material follows, should  
the need arise for clarification /  
elaboration of work completed and the  
outcomes in terms of Istanbul Congress  
Business Plan work proposals**

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**Further PPRG Work Summary Content, 1**

Two parts :

- **Part 1:** Contribution to draft **Congress-Doc 10**
  - Contribution to the Comprehensive report on the activities of the POC 2013 - 2016 (Congress-Doc 10)
- **Part 2:** Approval of 2017-2020 **Istanbul Business Plan Work - Proposal 027**
  - Inward rates system and ECOMPRO rates management and implementation

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APPU Executive Council Meeting	<h2>Further PPRG Work Summary Content, 2</h2>	
	<p><b>Part 1:</b> Contribution to draft Congress – Doc 10 (POC 2016.1 – Doc 5.Chapter 8.3)</p>	
	<b>Action 1:</b>	<b>E-commerce parcel remuneration model</b>
	Phase I implemented with rates for 43 DOs, phase II proposals developed.	
	<b>Action 2:</b>	<b>Review of level of base rate and bonus component</b>
	Thorough review model options, impact studies, no major change pending outcomes IPP	
	<b>Action 3:</b>	<b>Review of payment systems for parcels in open and closed transit</b>
	All rates open and closed transit updated (handling and transportation rates)	
	<b>Action 4:</b>	<b>Market research and cost studies</b>
	<b>Action 5:</b>	<b>ILR bonus system and minimum performance requirements</b>
Requirements set annually, increased targets, more DOs achieving bonuses		
<b>Action 6:</b>	<b>Appeals review procedures and decisions</b>	
New appeals procedures, 2 decisions on appeals		
<b>Action 7:</b>	<b>Merchandise return service remuneration</b>	
Remuneration solution for merchandise return solution developed and implemented		
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APPU Executive Council Meeting	<h2>Further PPRG Work Summary Content, 2</h2>	
	<p><b>Part 2:</b> Approval of 2017-2020 Istanbul Business Plan Work Proposal 027</p>	
	<b>Title:</b>	<b>Inward rates system and ECOMPRO rates management and implementation</b>
	<b>Scope:</b>	Implement the decisions of the Istanbul Congress and manage the ILR system and the ECOMPRO rates for the remuneration of exchanges between designated operators until the implementation of a new, integrated UPU remuneration system to be developed and proposed to Congress, or a UPU Council mandated by Congress, for adoption.
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