



**APPU EC Meeting 2016
Integrated Product Plan (IPP) v3 & Congress
Proposal**

Bhavana Chhagan
Manager, International Regulations & Policy
International Regulatory Affairs
Australia Post

1

Agenda

- Update on work progressed since the APPU Regional meeting in Kolkata in January 2016.
- Our queries from the Kolkata meeting and PSIG Chairs response.
- Update from the POC 2016.1 PSIG session.
- Updated version of the IPP – v3 to be presented to the Istanbul Congress
- Some key questions addressed
- Business Plan and Future considerations

APPU Executive Council Meeting

2

Asian-Pacific Postal Union

3	APPU Regional meeting - Kolkata	
	<ul style="list-style-type: none"> • In January 2016 APPU members met to discuss a number of key UPU issues, including the IPP. • A small number of concerns were raised and questions posed to the PSIG. • The regions concerns were addressed by the PSIG Chair and some changes made to the IPP (v2) which was presented during the POC/CA 2016.1 • We will have one final proposal on the IPP (v3) for Congress (available late May 2016). 	
	Asian-Pacific Postal Union	

4	APPU queries and PSIG response	
	APPU concerns	PSIG response
	<ul style="list-style-type: none"> • We urge PSIG to carefully consider the need for an integrated approach to future remuneration of the IPP. In particular, this work needs to be conducted in coordination with development of the IPP and will need to be undertaken in a manner inclusive of all UPU members. • We seek clarification as to which remuneration systems will apply for Stage 1 – Letters (LCAO), Parcels and EMS. We would also urge PSIG to consider, in the context of the review of supplementary services, the need for a tracked packet service that meets customer demands. • Whilst the APPU region supports the work progressed by PSIG in conducting impact studies ahead of any Stage 1 changes, we would urge the PSIG to ensure inclusive and thorough impact studies are completed ahead of any decision or change. In particular, we have some concerns with the Stage 1 impact studies which included the use of ‘closed questions’ and did not allow members to provide their honest and open feedback. Further, can you please advise when the results from the Stage 1 impact studies will be made available to UPU members? The comments on the use of closed questions are well noted and will be taken into account for future impact studies. • We support the need for further work on the proposed approach to divide postal items into ‘document’ and ‘goods’. We have some concerns around the relevance of the physical split and in particular, whether such change is required and market relevant. We suggest further work be carried out on this matter and alternative approaches considered – i.e.: it is primarily weight and size which dictates the cost of delivery, not the physical contents of an item. • We seek confirmation on who it is proposed, will carry out work on future remuneration, operations and regulatory matters associated with the IPP. Which new Committee/Group would hold overall responsibility for this work? 	<ul style="list-style-type: none"> • I agree this is a very important issue but I’m confident a future coordinated approach will be the case in the new UPU work cycle once Congress has made their decision. • Both the Product side and Remuneration were key to the POC Resolution (Case for Change) passed in 2015.1 • There are no remuneration issues for stage one and this is clarified in the latest IPP version. The tracked packet need has come out of the recent supplementary services consultation (survey monkey). • One key point is that members indicated that the express product without tracking does not fit customer’s needs and therefore the service should continue as optional, but with mandatory tracking. • PSIG agreed to conduct this Impact study really quickly to meet the needs of PSIG. With more time it could have been “fine- tuned”. • No physical split is required under Step 1 and this misunderstanding has been corrected in the latest IPP version attached... The word classification is now being used rather than the word split. • The EAD Roadmap is aligned to this proposed classification change too as we have a cultural issue to address as we move from a letter to goods operational model for the UPU. • PSIG cannot answer this point. This is subject to current proposals under the Reform of the Union at the CA and then eventually what new structure is agreed by Congress later this year.

APPU Executive Council Meeting	<h2 style="margin: 0;">Key principles of the IPP</h2>
	<ul style="list-style-type: none"> Commitment to the concept of a <u>single postal territory</u> for the reciprocal exchange of letter-post items; Supportive of the idea of lasting development of <u>efficient and accessible postal services</u>; Commitment to the universal postal service by <u>supporting development</u>; Understand that the universal postal service was established to ensure that users/customers have the <u>right to high-quality, basic postal services</u>; Recognize that the international postal market is increasingly characterized by <u>liberalization, deregulation, and rising customer expectations</u>, in addition to <u>growing competition from technological substitution and private competitors</u>, as well as between the public operators of member countries; Aware that <u>Letters, Cards and other forms of written communications are on the decline but the volume of small packets, e-Commerce parcels is increasing</u>; and <u>Recognise and are committed to the mandate of the PSIG to rationalise and modernise the UPU product suite</u> through the development of a proposed Integrated Product (IPP).
5	Asian-Pacific Postal Union

APPU Executive Council Meeting	<h2 style="margin: 0;">Update PSIG 2016 meeting</h2>
	<ul style="list-style-type: none"> In February 2016 PSIG presented the IPP (v 2) to members and POC. A genuine effort was made to address the concerns of UPU members and the APPU region. The IPP was endorsed with minor changes to be made to the Congress proposal - IPP v3. It was clear that future work will be required between Congresses to ensure that the work on the UPP is progressed in line with members needs and concerns addressed – set out in the Istanbul Business Plan. Final IPP proposal will be available for UPU members in late May 2016.
6	Asian-Pacific Postal Union

APPU Executive Council Meeting	<h1>IPP v3</h1>
	<p>Key components:</p> <ul style="list-style-type: none">• Two phased approach – Step 1 will entail differentiation by content (the definition of Letter Post remains untouched) in 2018, followed by Step 2 which entails full integration in 2020. Step 2 will have regulatory, operational, accounting and remuneration consequences.• For Step 1 the introduction of definitions for “documents” and “goods” to allow for Step 1 development and content differentiation as well as concept of “postal items”. Parcels and EMS will be unchanged.• Step 1 will not require any physical separation it is a classification change only.• It is clear that the two Steps should occur in a progressive manner, to allow for impact studies, capacity building and operational adjustments.<ul style="list-style-type: none">– Note: implementation of both Steps will be subject to the completion of satisfactory impact studies and final approval by Congress, a mid-term Congress, or relevant body designated by Congress.• Satisfactory Impact studies must be completed prior to each Step.• Clear target timelines for progression towards full integration of postal items in 2020.• A single coordinated UPU committee will be established in next cycle to assume responsibility for management and implementation of the recommendations of the IPP.• Taking into account future customs and security requirements for EAD the application of S10 identifier for small packets to be obligatory from 2018 will be proposed to 2016 Congress. This will enable the provision of cross-border EAD effective 1 January 2018.
7	Asian-Pacific Postal Union

APPU Executive Council Meeting	
	<h1>Some key questions addressed</h1>
8	Asian-Pacific Postal Union

APPU Executive Council Meeting	<h2 style="margin: 0;">How will/could the concept of the universal postal service (UPS) be impacted by the implementation of the IPP?</h2>
	<ul style="list-style-type: none"> The Convention (articles 13 and 15) sets certain mandatory postal services which represent the minimum set of services every member country must offer. Nevertheless, a member country is also <u>free to determine</u> a wider range of international postal services as part of its USO Article 3.2 of the Convention requires member countries to set forth the scope of their UPS by taking into account both the needs of the population and the national conditions, within the framework of their national postal legislation or by other customary means. Therefore, it is up to <u>each member country to decide on the scope of the USO within its territory</u>, which may comprise other services beyond the mandatory international postal services Any proposals relating to the IPP which may lead to adjustments in the scope of mandatory international postal services under the Acts <u>do not necessarily impact</u> a member country's ability to define the scope of its own USO within the framework of its domestic legislation and procedures, without prejudice to the international obligations referred to herein. <p>Therefore, implementation of the IPP will have no impact on a member country's ability to define the scope of its own USO. Neither will it alter the fact that member countries are obliged to accept, handle and deliver both letter-post and parcel-post items as per the conditions outlined in the UPU Convention.</p>
9	Asian-Pacific Postal Union

APPU Executive Council Meeting	<h2 style="margin: 0;">What is the operational impact, if any, of the implementation of Step 1?</h2>
	<ul style="list-style-type: none"> As part of the implementation of step 1, the first stage will be to introduce a documents and goods classification only. Letter formats P and G will be restricted to documents while small packets (letter format E) can contain goods and documents. Parcels and EMS will be unchanged. We are <u>not</u> talking about a physical separation of goods and documents. The UPU roadmap for electronic advance data (EAD) anticipates that all items for which Electronic Advance Data (EAD) must have a unique S10 identifier, it is recommended (as part of the implementation of Step 1) the application of the S10 identifier to small packets obligatory as of 1 January 2018. This will enable the provision of cross-border EAD by 1 January 2020. The main operational impact in Step 1 will be for DOs be to ensure all small packets (containing goods) have an S10 bar-coded. DOs failing to apply barcodes as of 1 January 2018 will not be penalised.
10	Asian-Pacific Postal Union

APPU Executive Council Meeting	What are the regulatory impacts, if any, of the implementation of Step 1?
	<ul style="list-style-type: none">• Given the fact that “postal items” are to be classified by content, a definition for both documents and goods will need to be introduced into the Acts.• A definition will need to be introduced into the Letter Post Regulations to show that small packets (letter format E) are letter-post items containing documents or goods, with physical specifications as defined in the Acts. Furthermore, the current definitions of small letters (P) and large letters (G) will need to be amended to show that their contents are to be restricted to documents.• Given the above, a number of proposed amendments to the Acts are to be submitted to Congress.
11	Asian-Pacific Postal Union

APPU Executive Council Meeting	What action is being taken to ensure that implementation of the IPP is supported by a robust system of remuneration?
	<ul style="list-style-type: none">• Steps will be taken to ensure close cooperation in the 2017–2020 cycle (and beyond) between the Union bodies concerned to make sure that the ongoing development of a system of integrated remuneration is fully in line with the requirements of the IPP.• This is set out in the Business Plan.
12	Asian-Pacific Postal Union

What is the reasoning behind the definition of “postal items” in Step 2 of the IPP?

- Article 1.6 (Convention) states that all items handled by DOs (incl. EMS) are considered to be “Postal items” which is a generic term for all items despatched/delivered by DOs regardless of whether a certain service is mandatory or optional.
- **As far as the IPP Step 2 is concerned, this is the stage when UPU members will adopt a fully integrated product portfolio.** All items will be classified as "postal Items", as defined in article 1.6 of the Convention. Categorization by product (e.g. letters, parcels, EMS) will be decided upon at a later stage.

Isn't there a danger that in IPP Step 2, small packets will be classified as parcels and will then be subject to unattractive and uncompetitive ILRs?

- The development of the fully integrated product portfolio will take place in tandem with the development of a system of integrated remuneration which is in line with the product development.
- It is clear that a future remuneration system will be developed to ensure that the rates to be paid for all products (including parcels and small packets) are attractive and fully competitive.

Next steps and Future considerations

APPU Executive Council Meeting

- Congress proposal on 2 Step IPP will be submitted to the 2016 Congress for endorsement.
- The Istanbul Business Plan outlines the work programme of the IPP for the next cycle.
- Ongoing development of integrated remuneration systems in line with the IPP will progress over the period 2017-2020.
- A review of the mandatory and optional supplementary services will be undertaken immediately after 2016 Congress, to align with the content (document/goods) split.
- Impact studies to understand the impact of the two steps and likely changes.
- Comprehensive study of the operational and accounting impacts will be carried out in advance of implementation of Step 2.
- EAD roadmap development and its interface with the future UPU Product suite.

15

Asian-Pacific Postal Union

•Thank you

APPU Executive Council Meeting

16

Asian-Pacific Postal Union