



**23rd Congress  
of the Universal Postal Union  
2004**

**Bucharest - Romania**

**Public meeting on UPU issues:  
Results of the  
2004 Bucharest UPU Congress**

**November 19, 2004**

**1.**

**Welcome**

**and**

**Introductions**

**2.**

**Highlights  
of the Bucharest  
Congress**

## Overview of the Bucharest Congress

- ▶ Who from the U.S. attended Congress, and who contributed to Congress preparations
- ▶ Major U.S. achievements at Congress
- ▶ The way forward for the U.S. within the UPU



**3.**

**Detailed Review  
of Major Outcomes**

## Major issues at Congress

- Consultative Committee
- Terminal dues
- Country classification and Quality of Service Fund
- ETOEs
- Quality Link and Performance measurement
- Successful U.S. proposals
- Unsuccessful U.S. proposals
- Elections
- CA and POC constituent meetings



## Formation of Consultative Committee

- ▶ At opening of Congress, September 15, Congress admitted private-sector participants for duration of Congress
- ▶ One day later, Congress approved High Level Group recommendations and officially created Consultative Committee
- ▶ Constituent meeting on October 5, where Charles Prescott of DMA elected Chair, and Spain gained Vice Chair



## CC Management Committee and work plan

Nine CC Management Committee members are:  
PostCom; DMA; FEDMA; GEA; IMAG;  
UNI-POSTAL and Benin, Great Britain and Spain

Work Plan to include:

- ▶ Quality of Service Fund
- ▶ Performance measurement
- ▶ Standards, particularly addressing issues
- ▶ Customs clearance
- ▶ WTO and trade issues
- ▶ Security



## Consultative Committee work plan (2)

Work plan also to include:

- ▶ Regulatory issues such as night flights and hub operations
- ▶ Environmental issues
- ▶ Training
- ▶ Further reform of UPU
- ▶ Expansion of CC membership

Next Consultative Committee meeting  
during January 2005 POC



## Terminal dues decisions at Bucharest

- ▶ Separate systems for ICs and DCs maintained
- ▶ IC system is the **TARGET** system
- ▶ DC system is the **TRANSITIONAL** system
- ▶ Broad agreement in Bucharest to merge two systems over coming eight years
- ▶ Convergence Group proposal finds overwhelming support at Congress



## Convergence proposal summary: ICs

A **TARGET** system for ICs pegged to domestic postage rates (20-gram letter):

- ▶ From 60% of domestic rates to 68%
  - ▶ 2% increase per year
- ▶ 13% cap increase
  - ▶ 2006: +5%    2007-2009: +2.5%
- ▶ 9% increase in floor
  - ▶ 2006: +3%    2007-2009: +2%



## Convergence proposal summary: DCs

A **TRANSITIONAL** system for DCs based on a single flat rate of **3.727** SDR per kg (increase of 9% over Beijing Congress)

For flows over 100 tons, current Target system floor per item/per kg rates apply (.147 SDR per item and .1491 SDR per item)



# Convergence proposal provisions

## Additional rates and provisions:

- ▶ M bags: 0.793 SDR per kg
- ▶ Registered items: additional 0.5 SDR per item
- ▶ Insured items: additional 1 SDR per item
- ▶ ICs may now invoke downward revision mechanism on DCs that invoke mechanism first

Further information on Bucharest terminal dues decisions in handout ...



## Convergence proposal: Future work

- ▶ Work towards end date of December 2013 for transitional system
- ▶ Monitor WTO developments and seek compatibility with WTO decisions
- ▶ Further study relation between postage rates and costs
- ▶ Ensure that all administrations have a standardized cost accounting system by 2009



## Convergence proposal: Future UPU work (2)

- ▶ Evaluate impact of single terminal dues system on postal administrations
- ▶ Endeavor to bring UPU's terminal dues as close as possible to costs
- ▶ Promote direct access
- ▶ Take account of liberalization of postal markets
- ▶ Further develop Quality of Service Link, ensuring in particular appropriate monitoring systems



## Convergence triumphant with two changes

- ▶ At Bucharest, delegates herded closely around Convergence Group proposal
- ▶ Entire Convergence Group proposal adopted with two modifications:
  - Israel/Slovenia proposal to allow up to 100% of domestic postage rates within target system (if rates do not exceed floor rates)
  - Pakistan proposal permitting DCs to invoke downward revision mechanism on other DCs



## U.S. tweaks to Convergence proposal fail

Two U.S. proposals:

- ▶ First sought removal of 50-ton threshold in system harmonization mechanism provisions – to minimize arbitrage
  - Although proposal not accepted (delegates may not have understood arbitrage situation), concept could be taken up within POC
- ▶ Second proposal – also not accepted - sought amendment to Congress resolution to define that terminal dues must cover marginal costs and make reasonable contribution to fixed and variable costs



# Country Classification

- ▶ Congress adapted new UNDP country classification system for QSF payments:
  - Industrialized countries
  - Net contributor countries or NCCs (where Gross National Income per capita is higher than \$4,700)
  - Middle income countries
  - Low income countries or LDCs (Least Developed Countries)
- ▶ Middle income countries and LDCs are “TRAC 1” countries, which makes them eligible for UNDP funding



## But UPU modifies UNDP country classification

- ▶ Congress “deferred” reclassification of NCCs that received less than \$65,000 in QSF payments in 2002; these “not quite NCCs” will remain eligible to receive QSF payments as TRAC 1 countries
- ▶ CA to study whether UPU should adopt its own country classification system based on postal criteria and levels of postal development



# Changes in Quality of Service Fund payments

- ▶ Post-Bucharest QSF continues to be based on mail volumes directly exchanged between individual countries
- ▶ Direct payments under new QSF system:
  - All countries except LDCs pay **16.5 %** of terminal dues to LDCs
  - ICs pay **8%** of terminal dues to TRAC 1 countries and to “not quite NCCs” (that receive **LESS** than \$65,000 in QSF payments)
  - ICs pay 1% to “real NCCs” (those that receive **MORE** than \$65,000 in QSF payments)



## Extra-territorial offices of exchange (ETOEs)

An ETOE is an office or facility that is:

- ▶ Operated by (or in connection with) a postal operator outside its national territory on the territory of another country
- ▶ Established by postal operator for commercial purposes to draw business in markets outside its own national territory



## Bucharest decision on ETOEs

- ▶ ETOEs provoked sharp debate at Congress
- ▶ Issue reduced to two main proposals: 048 of Canada, Japan, Spain and U.S; and 049 of European ETOE operator countries
- ▶ Proposal 048 prevailed as many developing countries also realize threat of revenue losses caused by ETOEs
- ▶ Congress decision effectively pushes oversight and legal responsibility for ETOEs from UPU to member country governments



## What Congress decided about ETOEs

- ▶ ETOEs are commercial entities outside scope of UPU Acts
- ▶ ETOE items shall be treated according to country of destination's national legislation, regulation or policy
- ▶ As examples, member countries that receive ETOE items have choice to:
  - Accept ETOE items at domestic postage rates, or
  - Accept ETOE items at terminal dues rates (if, for example, these rates are higher than domestic rates)
  - Accept ETOE items at negotiated rates



# ETOE documentation and customs clearance

- ▶ Destination countries may decide that items from ETOEs cannot carry UPU documentation (e.g. CN 38 waybill or CN 22 and CN 23 customs declarations)
- ▶ Destination countries can decide that ETOEs must be cleared using commercial customs clearance procedures, **not** postal clearance



# Establishment of ETOEs and codes

- ▶ ETOE operators must obtain agreement of UPU member country before setting up ETOE in that country
- ▶ UPU member countries requested to inform UPU International Bureau of their policies towards ETOEs
- ▶ POC to ensure that structure of IMPC (International Mail Processing Center) codes issued by UPU are consistent with Congress decisions on ETOEs



## New UPU stress on performance measurement

- ▶ Confirmation of Quality Link for terminal dues
- ▶ Confirmation of quarterly and annual report cards and Pay-for-performance Plan within EMS Cooperative
- ▶ Adoption of Congress resolution C 48 (based on a U.S. proposal) calling for publication of periodic report cards on service performance



## What Resolution C 48 calls for

- ▶ Publication of report cards on postal administrations' performance in delivering letter post and parcels and airline performance in transporting mail
- ▶ Annual POC reviews of performance achieved
- ▶ Quantifiable performance goals for countries, regions and UPU membership
- ▶ Further study on pay-for-performance arrangements



# Quality Link for terminal dues

- ▶ Pay-for-performance for letters begins January 2005 among all ICs
- ▶ Incentive payments:
  - +2.5% to participate and
  - +2.5% if target is met
- ▶ Penalties if target not achieved:
  - Sliding scale up to 5% reduction in terminal dues



## Quality Link (2)

- ▶ Future Quality Link (January 2006) to include both ICs and DCs in design stage
- ▶ High-volume countries to use same system as ICs (UNEX)
- ▶ Medium- and small-volume countries to continue to use UPU continuous testing system
- ▶ No penalties for DCs initially
- ▶ Need to take QSF incentives and payments in design of quality link (pay-for-performance) that involves DCs



# Successful U.S. proposals

- ▶ Comprehensive review of operational and accounting procedures in UPU Acts:
  - move from paper documentation to data
  - link all IT systems used in mail operations
  - possibly redraft Acts as result of review
- ▶ Admission of *drosophila melanogaster* flies for genetic research in international mails
- ▶ Resolution urging UPU bodies to take action to combat use of international mail as a vehicle for terrorism



## Decisions where U.S. had decisive impact

- ▶ Congress decisions where U.S. played a major, behind-the-scenes role:
  - Redraft of UPU Convention and Regulations
  - Congress period reduced from 5 to 4 years
  - Sanctions for countries in arrears, and adjusted quorums for Congress meetings
  - Deferred decision on definition of “postal administration” in UPU Acts
  - Reciprocal application of reservations, and deadlines for submission of reservations



# 1 Unsuccessful, 1 Half-successful U.S. proposal

- ▶ Proposal on inward land charges for parcels:
  - POC proposed that POC have authority to set inward land charges for parcels
  - POC proposal put forward system of rates based on service features, but U.S. skeptical of design and reliability of UPU systems to measure features
  - U.S. proposed that administrations should retain right to set charges at levels sufficient to cover costs
  - U.S. unsuccessful in fighting tide at Congress anxious to reduce inward land charges at all costs
- ▶ Proposal to eliminate inquiries on ordinary items
  - Actually more than half successful: U.S. must accept inquiries on ordinary parcels only; no inquiries for ordinary LC items allowed



## UPU Elections – New Leadership

- Director General  
Mr. Edouard Dayan, Director of European and International Affairs, French Post
- Deputy Director General  
Mr. Huang Guozhong, Assistant Postmaster General of China Post and outgoing Chair of the Council of Administration



# 40 Newly Elected CA Members

Algeria	China	Italy	Portugal
Angola	Colombia	Japan	Senegal
Armenia	Costa Rica	Kazakhstan	Spain
Australia	Cuba	Korea	Sudan
Azerbaijan	Ecuador	Malaysia	Trinidad and Tobago
Belgium	Germany	Morocco	Tunisia
Benin	Great Britain	Nigeria	Uganda
Brazil	Hungary	Pakistan	United Arab Emirates
Cameroon	Indonesia	Panama	Vietnam
Chile	Iran	Poland	Zimbabwe

# 40 Newly Elected POC Members

Algeria	Egypt	Japan	Russia
Australia	France	Kenya	Saudi Arabia
Barbados	Germany	Korea	Singapore
Belgium	Ghana	Malaysia	Spain
Brazil	Great Britain	Morocco	Sweden
Burkina Faso	Greece	Netherlands	Switzerland
Canada	Hungary	New Zealand	Thailand
China	India	Pakistan	Tunisia
Cote d'Ivoire	Indonesia	Portugal	Ukraine
Cuba	Italy	Romania	United States

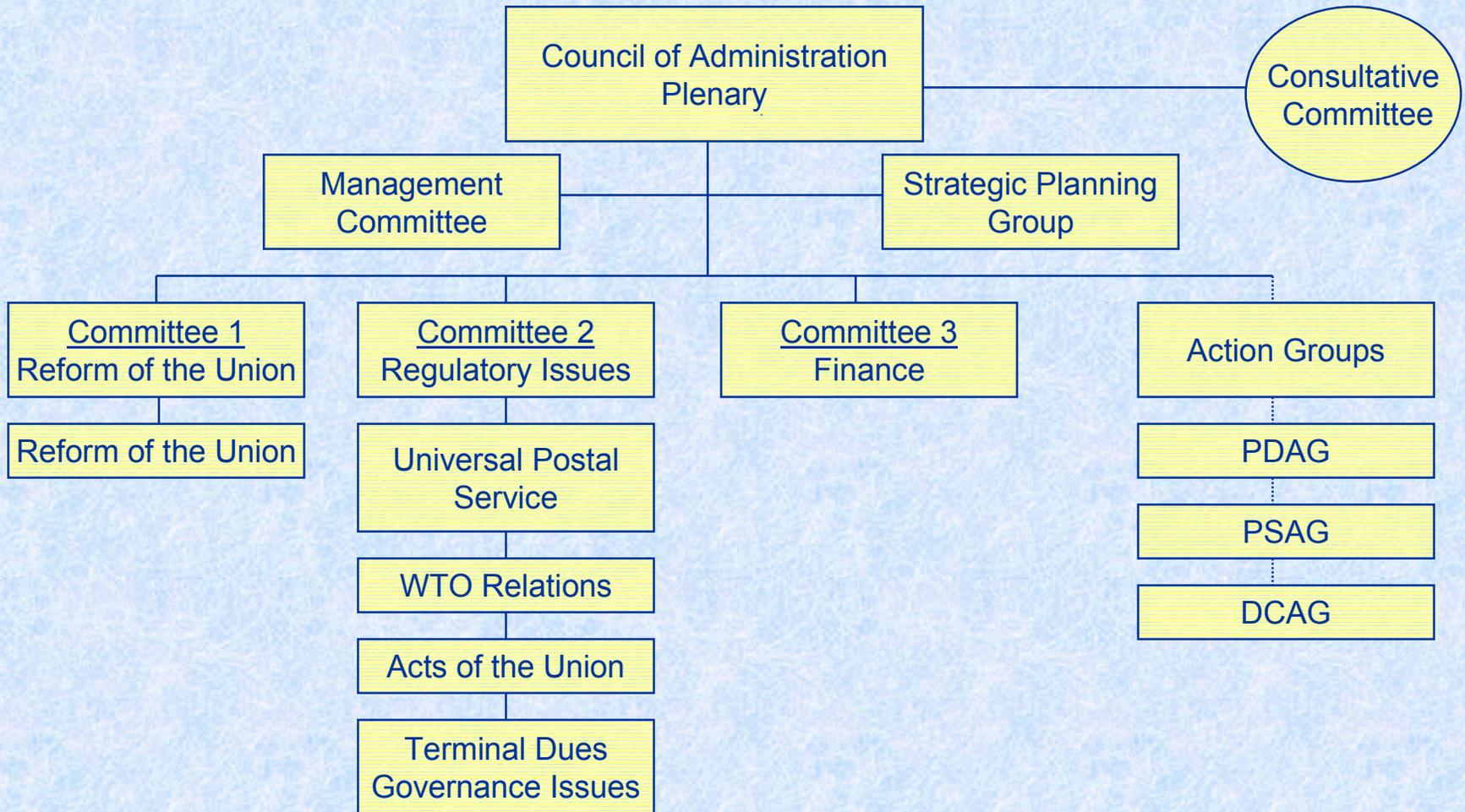
# CA Constituent Meeting

## Major Decisions:

- Election of leadership
- Approval of organizational structure
- Selection of committee chairs
- Appointment of CA representatives to Strategic Planning Group and Consultative Committee



# CA Organizational Chart



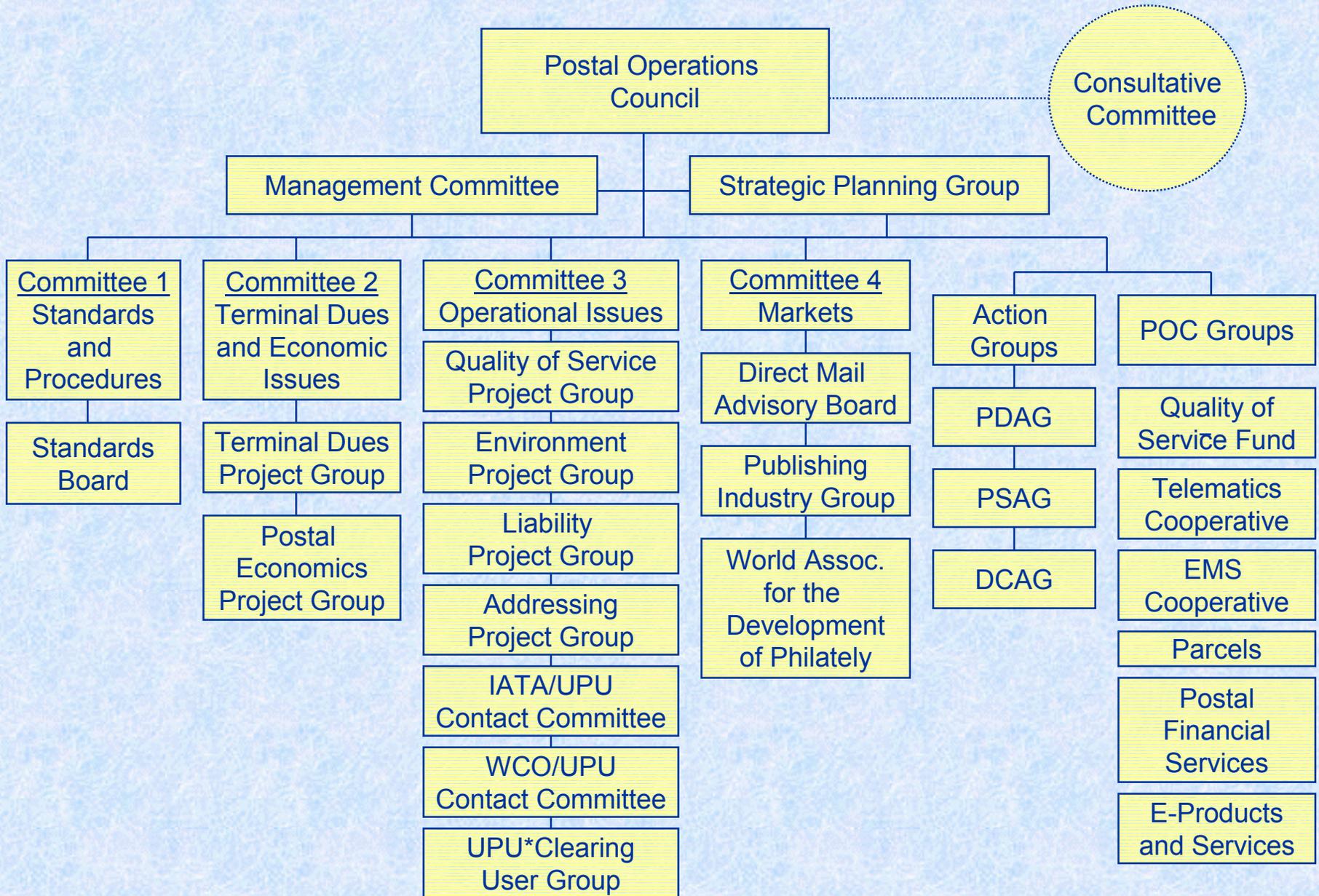
# POC Constituent Meeting

## Major Decisions:

- Election of leadership
- Approval of organizational structure
- Selection of committee chairs
- Appointment of POC representatives to Strategic Planning Group and Consultative Committee



# POC Organizational Chart



## U.S. leadership in UPU

- Chair POC
- Chair of Postal Security Action Group (PSAG)
- Chair of Standards Board
- Retain seat on QSF Board of Trustees until 2008



## U.S. participation in CA groups

- Terminal dues
- WTO issues Project Group
- Committee 3 – Finance
- Committee 1 – Reform of the Union
- Acts of the Union
- Universal Postal Service



# Participation in POC Groups

- Terminal dues: Letter Post Pricing Group; Quality Link Group; and Statistics and Accounting Group
- Quality of Service Project Group
- WCO/UPU Contact Committee
- Strategic Planning Group
- Parcels Group
- Postal Development Action Group, including membership on Planning Team
- Direct Mail Advisory Board
- Addressing Project Group (POST\*Code)
- Liability Project Group



# 23<sup>rd</sup> UPU Congress by the Numbers

Delegates	1745
Countries represented (including 6 proxies)	180
Countries with voting powers (including 6 proxies)	173
Observers and guests	122
International Bureau Secretariat and translators	166
Romanian hostesses and guides	230
Distances traveled	230,000 km
Congress documents and proposals discussed	555
Words translated	255,000
Pages printed and distributed during Congress	3,688,000

**4.**

**Postal Operations  
Council Meeting -  
January 2005**

**5.**

**U.S. Strategic Plan  
for the UPU -  
Bucharest World  
Postal Strategy**

## U.S. strategic plan for the UPU

- ▶ Main priorities remain:
  - Economic issues, e.g. terminal dues
  - Performance measurement
  - Consultative Committee
- ▶ Plan to be posted on State Dept. website shortly, after clearance by U.S. government agencies
- ▶ Quantifiable goals to be included in plan



# Bucharest World Postal Strategy

- ▶ One-day conference on September 17 on current state of posts worldwide and UPU's four-year strategy paper, "Bucharest World Postal Strategy"
- ▶ U.S. comments at conference stressed need to include quantifiable goals and measurements as part of Strategy
- ▶ U.S. to work with POC, CA and International Bureau to develop concepts for quantifiable goals and measurements



# The five points in the World Postal Strategy

1. Universal postal service
2. Quality of service and efficiency of the network (includes performance measurement, standards, tracking and IT systems, terminal dues and security)
3. Markets and responding to customer needs
4. Postal reform and sustainable development
5. Cooperation and interaction among stakeholders



**6.**

**Next Public Meeting  
on UPU Issues**

**See you  
next year!**