



UNITED STATES DELEGATION REPORT

RESULTS OF THE 23RD UPU CONGRESS

SEPTEMBER 15 - OCTOBER 5, 2004

BUCHAREST, ROMANIA

TABLE OF CONTENTS

INTRODUCTION	4
PLENARY DECISIONS	5
BUCHAREST WORLD POSTAL STRATEGY	6
COMMITTEE 2 - FINANCE	6
COMMITTEE 3 - GENERAL MATTERS AND STRUCTURE OF THE UNION	7
EXTRATERRITORIAL OFFICES OF EXCHANGE (ETOE).....	7
CONSULTATIVE COMMITTEE: PARTICIPATION OF THE PRIVATE SECTOR	8
OTHER UPU REFORM	9
RESERVATIONS	9
AMENDMENT OF THE CONVENTION BETWEEN CONGRESSES	10
DEFINITION OF TERMS	10
PROPOSALS FOR CHANGES TO THE REGULATIONS IN LIGHT OF CONGRESS DECISIONS.....	10
WORLD TRADE ORGANIZATION (WTO) ISSUES.....	11
COMMITTEE 4 - CONVENTION: ECONOMIC AND REGULATORY ISSUES	11
TERMINAL DUES.....	11
COUNTRY CLASSIFICATION FOR TERMINAL DUES AND THE QUALITY OF SERVICE FUND	12
CONTRIBUTIONS TO THE QUALITY OF SERVICE FUND	12
PARCEL INWARD LAND RATES.....	12
TRANSIT CHARGES AND INTERNAL AIR CONVEYANCE RATES	13
BASIC SERVICES	14
SUPPLEMENTARY SERVICES	14
ARTICLE 23 REMAIL	14
FREEDOM OF TRANSIT	14
PROHIBITIONS.....	15
INQUIRIES.....	15
LIABILITY	15
COMMITTEE 5 - POSTAL FINANCIAL SERVICES	16
COMMITTEE 6 - QUALITY OF SERVICE, SECURITY AND STANDARDIZATION	16
QUALITY OF SERVICE	16
COMPREHENSIVE REVIEW OF OPERATIONAL AND ACCOUNTING PROCEDURES	17
STANDARDS.....	17
TELEMATICS AND EMS.....	17
POSTAL SECURITY	18
OTHER SUBJECTS TAKEN UP BY COMMITTEE 6 – IATA AND WCO.....	18
COMMITTEE 7: MARKETS AND PRODUCTS .. ERROR! BOOKMARK NOT DEFINED.	
COMMITTEE 8: DEVELOPMENT COOPERATION	19

BOARD OF TRUSTEES OF THE QUALITY OF SERVICE FUND.....	20
EMS COOPERATIVE	21
TELEMATICS COOPERATIVE	21
ELECTIONS HELD AT CONGRESS.....	22
DIRECTOR GENERAL AND DEPUTY DIRECTOR GENERAL.....	22
COUNCIL OF ADMINISTRATION (CA) AND POSTAL OPERATIONS COUNCIL (POC).....	22
CONSTITUENT MEETING OF THE POSTAL OPERATIONS COUNCIL (POC).....	26
CONSTITUENT MEETING OF THE COUNCIL OF ADMINISTRATION (CA).....	27
CONSTITUENT MEETING OF THE CONSULTATIVE COMMITTEE	29
ANNEX 1: BUCHAREST CONGRESS DECISIONS ON TERMINAL DUES	31
ANNEX 2: LEAST DEVELOPED COUNTRIES (LDCS) AS OF DECEMBER 2003	34
ANNEX 3: TARGET SYSTEM TERMINAL DUES RATES EFFECTIVE 2006 TO 2009	35
GLOSSARY OF ABBREVIATIONS AND TERMS	37

INTRODUCTION

This report summarizes the results of the 23rd Congress of the Universal Postal Union held in Bucharest, Romania from September 15 to October 5, 2004 from the perspective of the United States delegation.

Since 1874 the UPU has met in Congress roughly every five years. The main purpose of UPU Congresses has traditionally been to take decisions on the provisions of the UPU Acts, particularly the UPU Convention, which govern the legal and practical arrangements for the exchange of mail between UPU member countries, which now number 190. Congress also elects the leadership of the UPU, including the Director General, the Deputy Director General and the members of the Council of Administration and Postal Operations Council; takes decisions on policy issues of major importance to member countries; fixes the budget ceiling for the Congress period (which will now be four rather than five years); revises its organizational structure as necessary; and sets out the strategic plan that the organization intends to accomplish – in this case the “Bucharest World Postal Strategy” – in the four years until the next Congress.

The report below tells the story of the decisions taken by the Bucharest Congress in some detail. For the U.S. delegation, the results of the Congress were particularly positive, since all the major policy objectives of the United States at Bucharest were achieved. These objectives included the following:

- approval of system of terminal dues that will ultimately lead to inter-administration payments that are country specific and based on costs and quality of service;
- a greater stress on precise measurement of service performance in the form of periodic report cards to support future pay-for-performance arrangements;
- strengthened provisions regarding ownership of transit mail containing dangerous items or narcotics aimed at enhancing homeland security;
- fuller participation of private-sector stakeholders within the UPU;
- adoption of a clear policy decision concerning extra-territorial offices of exchange;
- introduction of quantifiable goals and measurement for evaluating UPU achievement in carrying out the Bucharest World Postal Strategy and setting priorities for the UPU budget.

In addition to achieving these main policy goals in Bucharest, the United States was elected Chair of the Postal Operations Council (in the person of James Wade of the U.S. Postal Service), thereby maintaining a leadership role within the UPU in view of the impending retirement of Thomas Leavey, an American citizen, as Director General of the UPU in December of this year.

Richard T. Miller, Deputy Assistant Secretary of State, led the U.S. delegation to the Bucharest Congress, which included 31 delegates from the State Department, the Postal Rate Commission and the U.S. Postal Service. Donald E. Booth of the State Department served as Alternate Head of Delegation while Michael J. Regan of the Postal Service was Deputy Delegation Head.

Representatives of several U.S. private-sector stakeholder associations also attended Congress as members of the UPU Consultative Committee, which was created at the Bucharest Congress.

PLENARY DECISIONS

The Plenary reviewed and approved decisions taken by the committees and served as a forum for approving appointments and distribution of work, reviewing reports on UPU activities, discussing the Bucharest World Postal Strategy and strategic planning efforts, and listening to communications from member countries.

Director General Thomas Leavey presented a report on the activities and major achievements of the International Bureau (IB) from 2000-2004. Congress subsequently approved by consensus relevant proposals concerning UPU relations with organizations in the UN system, posts and the information society, increased communication with stakeholders in the postal sector, the publication of email addresses of postal administration officials, and access to information on the UPU website.

The Chairs of the Council of Administration (CA) and Postal Operations Council (POC) presented reports on their respective activities from 2000-2004. One of the main achievements for the CA included the work of the High Level Group in laying the foundation for the Consultative Committee – whose creation had just been approved by Congress. Other highlights included the continued application of the zero nominal growth of the UPU's budget, the recast (and simplification) of the Acts of the Union, studies on extraterritorial offices of exchange (ETOE) and terminal dues. The POC also reported on many accomplishments, including the creation of the Quality of Service Fund (QSF), the drafting of a new terminal dues system for the Union, and the improvement of the quality of service measurement systems. The Chairs of the High Level Group and Advisory Group also presented reports on their work.

Throughout the plenary sessions, a number of member countries delivered communications highlighting recent developments and achievements in their respective postal sectors. Of special note, the Secretary General of the Caribbean Postal Union drew Congress's attention to the hurricane season that several countries in the region had recently suffered and made an appeal for help for the affected administrations.

In the final plenary session, member countries approved a bid by Kenya to host the 2008 UPU Congress. Member countries also reviewed the Bucharest World Postal Strategy and unanimously adopted two proposals concerning strategic planning activities. In closing, member countries approved resolutions and amendments other than those amending the Acts (73 resolutions, 3 recommendations, 4 decisions, 1 formal opinion) and the draft 2004 Bucharest Acts (General Regulations of the UPU, Rules of Procedure of Congresses, the Convention and Final Protocol, and the Postal Payment Services Agreement).

BUCHAREST WORLD POSTAL STRATEGY

Continuing a tradition begun at Hamburg twenty years earlier, the Bucharest Congress adopted its principle policy document – the Bucharest World Postal Strategy – following a day of discussion on September 17 dedicated to assessing the current state of postal markets worldwide; reviewing the individual actions taken by governments and postal administrations to meet the challenges faced; and generating ideas about the overall strategic direction that UPU activities should take from 2005 through 2008.

The act of drafting the Congress strategy document – in this case the Bucharest World Postal Strategy – has become a continuous process from Congress to Congress. By early 2004, the International Bureau (IB), CA and POC had conducted a review of the results of the Beijing Postal Strategy, which showed that the UPU's strategic direction required adjustment. The Bucharest World Postal Strategy ultimately approved by the Bucharest Congress focuses on the following five main areas of critical interest to UPU stakeholders:

- Universal postal service;
- Quality of service and efficiency of the postal network (including economic issues such as terminal dues, standards and postal security);
- Markets and responding to customer needs;
- Postal reform and sustainable development;
- Cooperation and interaction among stakeholders.

COMMITTEE 2 - FINANCE

Committee 2 reviewed documents and took decisions on the UPU's budget ceiling, the budget period, contribution classes and the financial implications of extrabudgetary activities.

Director General Thomas Leavey provided an assessment of the UPU's finances over the past five years, stressing the importance of finance in the management of the Union's work. In his report, Mr. Leavey highlighted the recent introduction of a system of priorities and performance indicators in the UPU Program and Budget, a decrease of 2 million Swiss francs (CHF) in the amount of arrears of mandatory contributions, and an increase in the Reserve Fund to 7 million CHF.

The Committee noted the work completed since the 1999 Beijing Congress and the information provided on the Union's Program and Budget from 2000-2004. The Committee unanimously adopted a proposal to have the next financial period cover the years 2005-2008 to correspond with the change in the period between Congresses.

The Committee set the expenditure ceiling at the current level for the next four years, that is, 74 million CHF per biennial period or 37 million CHF per year. The ceiling for expenditures on the 2008 Congress was set at 2.9 million CHF. The U.S. argued in favor of an annual ceiling of 35 million CHF to match the rate of actual expenditures and of maintaining the principle of zero nominal budget growth. The U.S. did not oppose the approval of the 37 million ceiling on the understanding that the CA, when examining the budgets, would defend the principle of zero nominal budget growth.

The Committee discussed the proposal put forward by the CA to amend paragraph 4 of article 127 of the General Regulations to include criteria for reviewing changes in contribution class. These criteria are natural disasters, wars or other conflicts, and the particular country's ability to pay. The proposal also called upon member countries to refrain from requests for a reduction in contribution class that would make their UPU contribution lower than their assessed contribution to the UN. The U.S. argued that the principle of freedom of choice would be undermined by the amendment and that certain provisions for urgent cases already appear in paragraph 6. The Chairman put the CA proposal on article 127 to a vote. It was rejected; however, the Committee voted to present an amended text to the plenary. Member countries reviewed the new language during the plenary and recommended sending the issue back to the CA for further study. The Committee also approved the harmonization of article 127.1 of the General Regulations to include a 45-unit and a 30-unit contribution class to the existing classes.

The Committee approved a proposal by Brazil and Japan that calls upon the CA to conduct a study on an approach for calculating the support costs for the UPU's extrabudgetary activities, in particular the work carried out by the Cooperatives. The Committee also adopted a resolution to use the remaining balance from the international reply coupon service after its financial cycle closes in 2006, to safeguard the UPU Provident Scheme's commitments.

COMMITTEE 3 - GENERAL MATTERS AND STRUCTURE OF THE UNION

EXTRATERRITORIAL OFFICES OF EXCHANGE (ETOEs)

In addition to a range of major issues concerning legal, organizational and trade matters, Committee 3 was assigned the task of deciding on the contentious question of Extraterritorial Offices of Exchange (ETOEs).

ETOEs are offices or facilities operated by or in connection with a postal operator outside its national territory, in the territory of another country. ETOEs are established by postal operators for commercial purposes, that is, to draw in business in markets outside their own national territory. After more than three years of heated and divisive debates within both UPU Councils on the issue of ETOEs, the Bucharest Congress took a decisive policy decision by choosing between two competing proposals with opposite views.

The first proposal (048), co-authored by Canada, Japan, Spain and the U.S. and supported by 14 other countries, held that ETOEs are strictly commercial entities outside the scope of the UPU Acts since they are not in the same situation as postal administrations that fulfill reciprocal universal service obligations under these Acts. National policies should determine whether to accept ETOE items under domestic rates, terms and conditions or under terminal dues rates – the latter a policy that many developing countries favor, since their domestic rates are often subsidized and hence much lower than terminal dues.

The second proposal (049) was co-authored by the world's five largest ETOE operators – Belgium, Germany, Netherlands, Sweden, and Switzerland. Proposal 049 held that ETOEs should fall within the scope of the UPU Acts unless national legislation explicitly prohibits their operating within a specific country.

A last-minute effort by Greece and Slovenia to submit a “compromise” amendment to proposal 048 was rejected by Committee 3. A full debate was held on the two opposing proposals during which more than 20 countries took the floor. The outcome became clear when over 15 countries from Africa, Asia, the Americas and Europe spoke in favor of proposal 048 (the proposal of Canada, Japan, Spain and the U.S.), while only the proposal co-authors plus New Zealand and Greece spoke in support of proposal 049. The vote overwhelmingly favored the policy supported by the U.S., with 95 votes for proposal 048 and 96 votes against proposal 049.

CONSULTATIVE COMMITTEE: PARTICIPATION OF THE PRIVATE SECTOR

On September 15, in one of its first decisions, Congress approved participation of members of the mainly private-sector Advisory Group as observers at all Congress meetings until more permanent action could be taken on their admittance as members of the as-yet-to-be-formed Consultative Committee (CC). Following this ruling, representatives of private-sector associations were free to attend all plenary and committee sessions at Bucharest.

On September 16, Committee 3 adopted the High Level Group's recommendation to form the Consultative Committee with immediate effect. Like its predecessor Advisory Group, the CC consists mainly of private sector associations, plus three member countries each from the CA and the POC. Not only does the CC serve as a forum for the exchange of views, the CC now gives its private-sector members the right to attend UPU meetings and receive Congress, CA and POC documents. As observers, private-sector CC members have the right to participate in meetings with the permission of the committee and plenary chairs, but cannot vote. Private-sector CC members may now also attend Action Group or Project Team meetings and receive documents in the same manner that UPU member countries that are not members of such groups can attend these meetings and receive documents.

In the coming months, the CC is expected to develop its own four-year work plan.

OTHER UPU REFORM

In another major decision resulting from the High Level Group recommendations, Committee 3 adopted proposals to hold Congress every four years, thereby abandoning the UPU's quinquennial rhythm of recent decades. The terms of office of the Director General and Deputy Director General were also reduced to four years each with corresponding changes in pension benefits.

Changes in quorums for meetings and voting majorities were adopted to take into account sanctions against member countries that have debts in arrears. In decisions taken at the Beijing Congress, member countries with debts in arrears totaling two years of mandatory contributions lose their right to vote at Congress, their right to serve on the CA and POC and – if they are already a CA or POC member – their voting privileges in those bodies. To apply these sanctions at Bucharest, the required quorums and voting majorities were adjusted to include only those members that had the right to vote.

The UPU mission statement was added to the preamble of the Constitution. Since the preamble is an integral part of the treaty, the UPU's mission is now reflected in the legal structure of the Union.

The CA was charged with the responsibility of developing a comprehensive proposal for replacement of the term "postal administration" wherever that term appears in the UPU Acts. This work also implies adjustment of the application in the Acts of the terms "member country", "government" and "operator" and "regulator". The work must be completed by the 2006 CA session, and proposals on the result of this work are to be submitted to the 2008 Congress.

Also consigned to a CA study was a proposal to give the CA the power to supervise the POC's adoption of Regulations. Under the proposal, the CA would review draft Regulations before they are taken up by the POC.

Finally, Committee 3 directed the CA to continue studying reform of the UPU.

RESERVATIONS

Reservations are provisions of the Final Protocols of the Convention and Regulations whereby specific countries are relieved of the requirement to comply with certain provisions of those Acts. In order to deal more effectively with reservations, the Committee revised the Congress Rules of Procedure to require that proposals for reservations be submitted by a deadline established by the Secretariat. This would ensure that all proposals for reservations could be subject to review and discussion before they were approved or rejected. In order to make the application of reservations fairer, the Committee approved new Convention articles making all reservations, to the extent practicable, apply reciprocally. Specifically, reservations concerning liability and compensation must apply reciprocally. Thus, if a country takes a reservation against paying certain charges, it may not claim those charges from other countries. The Committee also adopted the principle that reservations must be consistent with the

object and purpose of the Convention and encouraged countries not to take unnecessary reservations. As part of these decisions, the Committee also determined that no reservations could be taken against the Constitution or General Regulations.

As a consequence of the deadline for submitting proposals for reservations, the Committee adjusted the deadline for submitting appeals from decisions of committees and Congress. The adjustment arose from the need for Congress to take final decisions on the underlying articles of the Convention before members propose reservations to these same articles. Under the new procedure, appeals must be submitted no later than 48 hours after the close of the Congress committee or plenary session that took the decision under appeal.

AMENDMENT OF THE CONVENTION BETWEEN CONGRESSES

Currently, the UPU Convention can be amended between Congresses. Under this process, a member country can submit a proposal for such an amendment to the IB, which circulates the proposal to all member countries for comment. After comments are received, the IB circulates the proposal for a vote. The Committee revised these provisions to clarify that this is a two-step process in which the member countries vote only *after* the request for comments.

DEFINITION OF TERMS

The UPU Acts have traditionally contained no definitions of the specialized terms used in the Acts. On the recommendation of the High Level Group, the Committee approved proposed amendments to the Constitution and Convention to add definitions of selected terms in the Acts. At the same time, the Committee rejected a proposal to make the UPU Multilingual Vocabulary the official reference for definitions, since that document is an operational reference tool not approved by any of the UPU bodies.

PROPOSALS FOR CHANGES TO THE REGULATIONS IN LIGHT OF CONGRESS DECISIONS

The POC is responsible for drawing up new Letter Post and Parcel Post Regulations within six months of the end of Congress. In general, proposals for changes to the Regulations are to be submitted at the same time as proposals for the other Acts. Since it is not possible to know what decisions Congress will make, situations can arise where Congress decisions require changes to the Regulations, but no member country submits a proposal to the POC for this purpose. To close this gap, the Committee approved changes to the General Regulations that would authorize the submission of proposals concerning changes resulting from decisions taken by Congress not later than two months before the POC session begins. The Director General now has the authority to submit such proposals to the POC if necessary.

WORLD TRADE ORGANIZATION (WTO) ISSUES

The Committee adopted two proposals concerning World Trade Organization (WTO) issues. The first is a resolution instructing the CA and IB to continue efforts to secure cooperation between the UPU and the WTO through a memorandum of understanding as well as observer status for the UPU within the WTO. The resolution also directs the CA and IB to continue efforts to monitor developments on international law regarding trade in services in order to inform UPU members of developments in the field. Finally, the draft resolution instructs the CA and IB to “seek compatibility” between UPU and WTO rules.

The second WTO-related proposal, put forward by France, calls for a study on classification for WTO negotiating purposes. The proposal by France instructs the IB to conduct a study on proposals concerning the classification of postal and courier services submitted to the WTO. The U.S. suggested that the CA, rather than the IB, undertake the study. By a narrow margin, the Committee rejected the U.S. amendment, and adopted the version of the resolution proposed by France. The resolution calls upon the IB to complete the study by the end of March 2005.

COMMITTEE 4 - CONVENTION: ECONOMIC AND REGULATORY ISSUES

TERMINAL DUES

The Bucharest Congress faced a daunting task early on in the work of Committee 4 with nearly 75 proposals up for consideration under the topic of terminal dues and the related issues of country classification, the Quality of Service Fund, reservations and future work. As expected, the so-called Convergence Group terminal dues package that the POC and CA sent forward to Congress in February was adopted by large margins. Detailed information about the Bucharest Congress decisions on terminal dues may be found in Annexes 1, 2, and 3 of this report.

Most of the attempted amendments to this package – including those by Australia, China, Great Britain, Netherlands, New Zealand and the U.S. – either failed to gain support or were withdrawn by the authors. The few amendments that did pass were considered to be refinements that did not go against the spirit of the Convergence Group’s package of proposals. For example, Committee 4 adopted a proposal by Australia and New Zealand that removed the POC’s ability to change terminal dues rates between Congresses. A proposal by Belarus was also adopted under which no reservations can be taken on the terminal dues articles in the Convention. All other previously-established reservations on terminal dues were removed from the Convention.

COUNTRY CLASSIFICATION FOR TERMINAL DUES AND THE QUALITY OF SERVICE FUND

One of the most controversial topics at Congress for many developing countries was the new United Nations Development Program (UNDP) classification of countries adopted by the CA in February 2004, which introduced a new category of developing countries – Net Contributor Countries, or NCCs. According to the CA proposal, some 30 NCCs would remain in the transitional system, but would no longer receive Quality of Service Fund (QSF) payments. Congress considered several amendments to the proposal, including one by Australia and New Zealand seeking to place the NCCs directly in the target system beginning in 2006, as well as a proposal by several Caribbean countries, Canada, France and the U.S. whereby this reclassification would be deferred for NCCs that received less than \$65,000 in QSF funds for the year 2002. The Committee adopted the CA reclassification proposal with a surprising 103 countries voting in favor. The proposal by Australia and New Zealand was rejected while Committee approved the Caribbean proposal.

CONTRIBUTIONS TO THE QUALITY OF SERVICE FUND

Congress adopted new Article 26bis that establishes the contributions to the Quality of Service Fund (QSF) as follows:

- Least Developed Countries (LDCs) receive 16.5% from all countries (except other LDCs);
- Industrialized countries will pay an 8% contribution to TRAC 1 countries as well as to NCCs that received less than \$65,000 in QSF funds for 2002;
- Industrialized countries will pay a 1% contribution to the remaining NCCs (those that received more than \$65,000 QSF for 2002).

Although at the start of Congress there appeared to be some reticence regarding this proposal calling for direct payments based on mail volumes between nations, the proposal passed with a very large majority of 132 votes. Committee 4 adopted a further amendment to this article submitted by several countries in the Postal Union of the Americas, Spain and Portugal (PUASP) whereby TRAC 1 countries can petition the CA to be considered as LDCs, and NCCs can petition the CA to be considered as TRAC 1 countries for the purposes of QSF funds. The U.S. made a formal declaration that the classification of LDCs should remain the sole purview of the UN Economic and Social Council (ECOSOC).

Detailed information about the Bucharest Congress decisions on terminal dues may be found in Annexes 1, 2 and 3 of this report.

PARCEL INWARD LAND RATES

Committee 4 adopted two proposals resulting in significant changes in the procedure for setting inward land rates for parcels. In lieu of the current practice, which allows

destination postal administrations to set inward land rates, the Committee voted to transfer rate-setting authority for inward land rates to the POC. Under related proposals to be acted upon by the January 2005 POC, beginning in 2006 inward land *base* rates would be reduced to 71.4% of 2003 rates, subject to an inflation factor. Destination countries would be eligible for supplementary payments of up to 40% of the 71.4%, based on the provision of prescribed delivery and customer services shown in the chart below. Inward land rates for 2007 and beyond would be set by the POC.

The proposals to be acted on in January 2005 would provide supplementary payments according to the following schedule:

<i>if an administration provides...</i>	<i>it becomes eligible for a supplementary payment of....</i>
Tracking information on the arrival, into and out of customs, and delivery	15%
Home delivery	10%
Liability	5%
Signature on delivery	5%
Publication of delivery standards in the Parcel Post delivery compendium	5%
Total	40%

Thus, if an administration provides all services, it would be eligible to receive 100% of its 2003 inward land rate.

A significant problem with the new rate-setting regime from the U.S. perspective is that it could preclude administrations from setting inward land rates at levels sufficient to cover costs (including those such as the U.S., which in practice set reasonably low inward land rates relative to costs). At Bucharest, the U.S. delegation therefore proposed an exception authorizing countries to set inward land rates at a level necessary to cover costs. Committee 4 however rejected this proposal. The U.S. and several other countries thereafter proposed a reservation to give reserving countries the right to set inward land rates sufficient to cover costs. The proposed reservations, though, were also rejected in Plenary.

TRANSIT CHARGES AND INTERNAL AIR CONVEYANCE RATES

The Committee voted to adopt a proposal eliminating all reservations on internal air conveyance dues, including the U.S. reservation. In addition, the Committee adopted a proposal by consensus authorizing the POC to use “other relevant criteria” to determine internal air conveyance charges. The “other relevant criteria” for air conveyance dues refer to the size and population of a given country, as well as whether origin countries make up their dispatches to multiple offices of exchange.

BASIC SERVICES

The Committee rejected proposals raising the weight limit of printed papers to 5 kilograms and a proposal reducing the maximum weight of M-bags from 30 to 20 kilograms. The Committee approved a proposal from the POC making outbound advice of delivery an optional service. A proposal restricting registered service to priority and airmail letter post items was also adopted.

SUPPLEMENTARY SERVICES

The Committee debated a proposal identifying logistics services as one of several services that may be offered by agreement among postal administrations. The U.S. expressed concern about this proposal and suggested that clarifications be added. A majority favored the proposal without changes suggested by the United States.

The Committee also adopted by unanimous consent a proposal by Brazil and Japan defining EMS more clearly in the Convention. Finally, the Committee approved a proposal for a study by the POC of the present system of mandatory advance payment for the international reply coupon service.

ARTICLE 23 REMAIL

The Committee rejected two proposals by Germany concerning the provisions in UPU Convention article 23 dealing with remail. The first proposal would have introduced a presumption that if large numbers of items were posted abroad, the sender's intention was to profit from more favorable rate conditions. The second proposal was designed to facilitate the forwarding or return of items posted abroad, providing information to the origin administration.

Ireland and the U.S. withdrew their proposals addressing the relationship between Article 23 and extraterritorial offices of exchange (ETOE). These proposals were no longer necessary since Committee 3 had adopted a resolution comprehensively addressing ETOE practices in the UPU system.

FREEDOM OF TRANSIT

The Committee overwhelmingly approved a proposal co-sponsored by the U.S. to specify that a sender's ownership rights cease when an item containing dangerous articles or narcotics is seized by the country of transit. A proposal by Iran extending this principle to obscene or immoral materials was rejected by a significant margin.

The Committee voted in favor of a proposal by Pakistan allowing UPU members the option of not admitting certain items in open transit whose contents do not satisfy the legal requirements in the country crossed.

The Committee also debated proposals that would provide that postal vehicles belonging to postal administrations be given unhindered priority passage free of charge through border control points of neighboring countries. The Congress Secretariat shared views provided to the IB by the World Customs Organization on these proposals. Both proposals were ultimately withdrawn by their sponsors.

PROHIBITIONS

The Committee approved a key proposal authorizing UPU member countries to list import prohibitions in a compendium. This proposal thus eliminates the need for countries to list country-specific prohibitions in reservations to the Convention. Committee 4 also made several decisions on prohibitions. The Committee approved several proposals of particular interest to the U.S., including the following:

- a U.S. proposal to allowing the mailing of flies of the family Drosophilidae for biomedical research;
- a proposal prohibiting the mailing of items which may expose the general public to danger;
- a proposal prohibiting the mailing of items sent in furtherance of a fraudulent act or with the intention of avoiding full payment of postage.

INQUIRIES

The Committee approved a proposal clarifying that postal administrations need only respond to inquiries about non-receipt of ordinary letter post items and parcels. The U.S. and many other countries added their names to a proposal reserving the right not to respond to inquiries on ordinary (uninsured) parcels. Several countries appealed the reservation on grounds that it was inconsistent with other decisions of Committee. Congress resolved the appeal by eliminating the reservation as regards processing of inquiries on ordinary parcels.

LIABILITY

The Committee adopted a proposal establishing that postal administrations are not liable for prohibited items. This measure should significantly reduce the number of reservations in the Convention. In addition, the Committee voted to eliminate all existing reservations and pending proposals for reservations related to payment of indemnity. This decision implies that, contrary to past practice, the U.S. will have to assume liability for ordinary (i.e., uninsured) parcels. The Committee also approved a resolution calling for further in-depth study of liability issues.

COMMITTEE 5 - POSTAL FINANCIAL SERVICES

The work of Committee 5 involved a series of presentations by leading countries about recent developments of postal financial services and the challenges facing the UPU in its efforts to develop postal financial services, followed by discussion of and adoption of the UPU work program in this field for 2005-2008.

The presentations on current trends stressed the viability of postal financial services and recommended introduction of new service features such as micro-credit, life insurance, account-based services and innovative business practices, for example, partnerships that would allow for outsourcing back-office costs and risk management.

The presentations addressing challenges faced focused on the need to expand the IFS (International Financial Services) network and on making network quality improvements, standardization and customer satisfaction the top priorities within the UPU work program in the coming Congress period.

The Committee approved the UPU's 2005-2008 work plan for postal financial services, which is designed to tackle the challenges identified and further develop these services. The Committee also approved the recast of the Postal Payment Services Act, which was carried out in conjunction with the recast of the UPU Acts.

COMMITTEE 6 - QUALITY OF SERVICE, SECURITY AND STANDARDIZATION

QUALITY OF SERVICE

Committee 6 adopted a proposal developed by the POC which sets J + 5 as the worldwide standard for international service quality for letter post items. (In postal terminology, "J" is the day that a postal item is mailed, so that, for example, a letter delivered on "J + 5" arrives at the destination address abroad five working days after posting). The worldwide target for achievement of the J + 5 is set initially at 50%, which would be the minimum number of items delivered within this standard. Further, specific standards and targets will be developed for intraregional and interregional mail flows, which could be more stringent than the worldwide standard and target.

Committee 6 also approved a U.S. proposal instructing the POC to develop and publish periodic, country specific, report cards on the performance of administrations in delivering all classes of mail. The report cards would indicate the performance of postal administrations and contractors, such as airlines, in handling, transporting and delivering – and tracking – international mail items and dispatches. The proposal calls for the adoption of annual performance reviews and adjustable annual goals for service performance. The decision instructs the POC to continue to develop and expand the UPU's pay-for-performance arrangements under which the amounts that administrations receive for terminal dues and other delivery payments are based on

their performance in tracking and delivering inbound international mail. This is particularly important for letter post, because by January 1, 2013 all postal administrations are expected to move from the *transitional* system to the *target* system, where terminal dues payments are based on performance achieved. The report cards are seen as an important tool in preparing administrations to join the disciplines of the target terminal dues system. Further, Committee 6 recognized that the application of barcodes on parcels, and tracking event data for parcels, would have to become mandatory if usable report cards on parcel quality of service are to be produced. It is expected that those receiving UPU documents will receive these report cards. However, this has not been formally decided.

COMPREHENSIVE REVIEW OF OPERATIONAL AND ACCOUNTING PROCEDURES

Committee 6 also approved a major proposal submitted by the U.S. that would have the POC carry out a comprehensive review of all operational and accounting procedures in the UPU Convention and Regulations. The purpose of the review would be to identify those procedures and forms that could be entirely computerized, applying the technical standards already developed by the UPU Standards Board and approved by the POC. Following this comprehensive review, the POC would redraft the procedures in the Convention and particularly the Regulations so that computerized procedures are considered the norm, while the current paper-based procedures become the alternative, or exceptional, processes. The POC would likely redraft the UPU Convention based on the results of this review for presentation to the 2008 Congress.

STANDARDS

The Committee recognized the work done by the U.S. as Chair of the Standards Board since the Beijing Congress, during which the number of UPU technical standards grew from 59 to 110, and decided that the POC should continue its work related to development and management of postal technical standards.

TELEMATICS AND EMS

The Committee approved a CA proposal under which the Telematics Cooperative would receive financial support from the UPU budget for the four-year period of 2005 through 2008. The resolution on this subject adopted by the Committee slightly limits the autonomy of the Telematics Cooperative. (Note: In recent years, the U.S. has urged the Telematics Cooperative to carry out a full-blown revision of its Statutes under which all members of the Telematics Cooperative would be elected directly by the entire Cooperative membership. Active U.S. participation in the Telematics Cooperative depends on the revision of these statutes, whose status should be taken up at the next General Assembly of that organization.)

The Committee approved a CA proposal under which the EMS Cooperative would henceforth cover the costs of two permanent IB positions, which would now revert back from the EMS Unit (the secretariat of the EMS Cooperative) to the IB. Unlike the Telematics Cooperative, the EMS Cooperative would no longer depend directly on the

UPU budget. However, like all other extra-budgetary groups within the UPU, the EMS Cooperative would not pay overhead costs to the UPU budget until the CA elected at Bucharest completes its study on determining the costs for these groups.

POSTAL SECURITY

The Committee recognized the body of work accomplished by the Postal Security Action Group (PSAG), which the U.S. has chaired since its formation in the early 1990s. The Committee also approved a proposal of critical importance to the U.S. concerning the provisional (that is, immediate) application of provisions related to the ownership of postal items containing dangerous articles or narcotics that are seized in the country of transit. Also adopted by the Committee was a proposal aimed at stepping up POC work to combat the use of the international mails by terrorists.

Congress adopted a proposal which instructs the CA to establish relationships with PSAG's Financial Action Task Force and World Bank to set objectives to ensure that postal financial systems are not employed for money laundering or terrorist funding. A further proposal adopted calls upon UPU member countries to use "eMaria", the international mail loss and irregularities tracking database.

OTHER SUBJECTS TAKEN UP BY COMMITTEE 6 – IATA AND WCO

The Committee decided that the POC work in the fields of customs, the environment, airmail and parcels should be continued throughout the next Congress period. Specifically, the Committee authorized the continuance of the UPU-IATA Contact Committee, the UPU-WCO Contact Committee and the Customs Support Group.

COMMITTEE 7: MARKETS AND PRODUCTS

During its two sessions, Committee 7 heard presentations and considered proposals on postal markets, direct mail, international express service, postal coding and addressing, philately and customer service relationships.

The Committee approved a draft resolution that calls upon the POC to continue its work on both the "POST*Code" and "Universal @ddressing" projects. The Committee noted that use of "POST*Code" products and services has led to better addressing – significantly improving the quality of letter mail routing and delivery. The U.S. offered an amendment to the resolution, which the Committee accepted. The U.S. amendment was aimed at maintaining a balance between the privacy of addressees and protecting sources of income for postal administrations. The term "privacy" in this context refers to accessing the Universal Postal List of Localities in electronic format. It doesn't concern individuals' names, but rather the listing of mailing addresses.

The Committee approved resolutions instructing the POC to undertake work to facilitate the growth of mail and improve knowledge of postal markets among postal managers;

study the development of electronic shopping; and further develop international express service. The Committee also approved a series of resolutions aimed at safeguarding the integrity of the postage stamp against counterfeiting and introduction of partnership programs to stimulate development of philatelic sales.

The Committee considered and approved three proposals presented by Tunisia, and opposed by the U.S., to amend Article 8 of the UPU Convention. The proposals collectively introduced penal measures (e.g. prevent, prosecute, and punish guilty parties) for various postal violations. In addition, the Committee approved – without discussion – a proposal presented by Iran concerning a Universal Postal Declaration of Customer Rights. The U.S. opposed the proposal and issued a declaration in the UPU Acts explaining that although customer rights is an important concept supported by U.S. law and practice, the U.S. believes that access to postal services does not rise to the level of human rights such as those listed in the Universal Declaration of Human Rights.

COMMITTEE 8: DEVELOPMENT COOPERATION

Committee 8 examined several proposals and documents related to Postal Reform and Development, the Quality of Service Fund and Development Cooperation.

The Committee noted the accomplishments of the Postal Development Action Group (PDAG), especially the work performed together with the World Bank, which has resulted in the initiation of several World Bank projects related to postal reform in developing countries. The World Bank postal development project portfolio has increased to approximately \$350 million. The Committee approved a resolution recommending continuance of the work being done by PDAG.

The Chair of the Quality of Service Fund (QSF) Board of Trustees presented the work of the Board since its formation in 2001. Russia submitted an addendum to this report that laid out the conclusions of the POC Management Committee's QSF Working Party, one of which related to a proposal to convert the QSF into a postal investment bank. In response to concerns raised by the U.S. and other countries, the Committee decided that the POC should carry out a feasibility study on the possible conversion of the QSF into a postal investment bank.

The Committee adopted a draft resolution aimed at updating QSF rules, approving continuation of QSF activities through 2009 and prolonging the Quality of Service until December 2012. Great Britain, a major contributor to the QSF by virtue of its large outward mail volumes, recommended that member countries receive more feedback on QSF projects with emphasis on evaluating the success of the projects. The U.S. recommendation was deferred to the QSF Board of Trustees for further action.

The Committee also reviewed and approved several proposals, namely:

- A proposal to set the Union's budget for development cooperation at levels at least equal to those of 2001-2004.

- A proposal to retain the current seven UPU Regional Adviser positions. Member countries engaged actively in the discussion on this issue, specifically to support the view that the Regional Advisors are key players in the postal sector, particularly for developing countries. There was overwhelming support within the Committee for maintaining and indeed enhancing the role of the Regional Advisors. However, the limitations of the UPU budget are likely to require that member countries make contributions to support the costs of financing all seven Regional Advisors. (On September 17, the U.S. delegation announced that the State Department would provide \$50,000 to support the UPU regional advisor program during 2005.)
- A proposal promoting the use of twinning projects among UPU member countries.

The Chair of the Technical Cooperation Action Group (TCAG) presented a report on the UPU's Technical Cooperation work since the Beijing Congress, which stressed programming and execution of the multiyear projects for the different regions. While expressing their satisfaction for the projects executed under this program, many developing countries recommended giving higher priority to training.

BOARD OF TRUSTEES OF THE QUALITY OF SERVICE FUND

The Board of Trustees of the Quality of Service Fund (QSF) held its 14th quarterly meeting in Bucharest in conjunction with Congress.

As of August 2004, the Board had approved 190 projects of a total value of \$21 million. Forty-one of these have been fully implemented. At this meeting, the Board approved 21 new projects and six project change requests. The cash assets of the Fund total \$56 million. For the first time, the Fund's investment income covered its management costs.

The Board took the following decisions in Bucharest:

- A catalog of project templates will be developed as a guide to help developing countries prepare projects.
- A procedure for processing project change requests was approved. If the change request falls within an established parameter, the change request is approved without recourse to the Board for a vote. This will simplify the Board's work methods and accelerate the start-up of projects.

A provision of the Deed of Trust was modified so that if the Chair is prevented from discharging his or her duties, he or she may designate another trustee to represent him or her.

EMS COOPERATIVE

At its annual General Assembly, the EMS Cooperative took up proposed revisions to its statutes, a report on the work accomplished over the past 12 months and its business plan for 2005-2008. The General Assembly approved changes in the statutes (to move the annual Assembly from the fall to the spring, during the annual POC session) and approved revisions to the EMS Pay-for-performance plan, which introduced a new introductory rate of 80% on time delivery for the first four quarters, as well as the Cooperative budget for 2005. The main change to the EMS Pay-for-performance Plan is the introduction of a mechanism to apply full payment to new members to the Plan when these administrations achieve 80% on-time delivery of inbound EMS items for the first four quarters of their participation in the Plan. (Up to now, all members of the Plan have needed to achieve 90% on-time performance to receive full payment). This introductory mechanism is expected to attract new members to EMS Pay-for-performance. Currently, the postal administrations that apply Pay-for-performance with one or more partner administrations are the following: Brazil, Great Britain, Hong Kong, Japan, Korea (Rep.), New Zealand, Singapore and the United States.

One important point on the agenda was a proposal to make tracking capability a requirement for membership in the EMS Cooperative as of January 2006. The final details of this proposal will be sent to all Cooperative members in late 2004 for comment. The January 2005 General Assembly will discuss this proposal to make tracking mandatory and take a final decision on the issue.

An announcement by the USPS to apply a new structure for its EMS delivery charge based on a per item and per kilogram charge was resisted by Cooperative member administrations attending the Assembly. Traditionally, EMS delivery charges have been based on a per item charge. The USPS asserted that its per item charge was no longer sufficient to cover its costs to deliver inbound international EMS items in the United States, since the average weight of these items continues to increase. Reaching a solution for this issue on the structure of EMS items will continue to present serious challenges for the leadership of the EMS Cooperative.

At the General Assembly, the USPS received a Silver Certification for 2003 based on its quality of service for the delivery of EMS items.

TELEMATICS COOPERATIVE

At its General Assembly on September 28, the Telematics Cooperative reviewed its work for the last year and its recent successes, including the acquisition of the top level domain “.post” which was recently approved by ICANN (the Internet Corporation for Assigned Names and Numbers), subject to final negotiations. The Telematics Cooperative also approved its business plan for 2005-2008.

Both the United States government and the U.S. Postal Service (the latter is the U.S. government entity that is the Cooperative member) continue to have serious concerns regarding the Telematics Cooperative, which focus on two major issues. The first is the urgent need for the Telematics Cooperative to revise its statutes in a manner so that the its Management Board members are elected directly by the entire membership, and not through elections held within the Cooperative's three user groups. This is the only effective manner to ensure that Board members are accountable to the Cooperative membership. The second issue of concern is to make the Cooperative budget more transparent.

Considerable work has been carried out on revision of the statutes with active participation of Postal Service managers; however, final approval of the revised statutes is not expected until a General Assembly scheduled during the January 2005 POC meeting. The General Assembly did not adopt the current version of the revised statutes, which do not provide for direct election of Management Board members and generally do not meet with the satisfaction of Cooperative membership.

ELECTIONS HELD AT CONGRESS

DIRECTOR GENERAL AND DEPUTY DIRECTOR GENERAL

On September 29, the plenipotentiaries of UPU member countries elected a new Director General and Deputy Director General to lead the organization until the next UPU Congress in 2008. Mr. Edouard Dayan, the Director of European and International Affairs at French Post was elected to the position of Director General, receiving 102 of 165 votes. Mr. Carlos Silva, the Inspector General of Posts and Telecommunications of Correios de Portugal and outgoing Chair of the UPU POC received 63 votes. Mr. Dayan succeeds Mr. Thomas Leavey, who served as Director General from 1995 through 2004.

Mr. Huang Guozhong, Assistant Postmaster General of China Post and outgoing Chair of the CA – and only candidate for the position of Deputy Director General – was elected by acclamation. Mr. Huang takes over from Mr. Moussibahou Mazou (Republic of Congo), who will retire after 43 years of service to the UPU.

COUNCIL OF ADMINISTRATION (CA) AND POSTAL OPERATIONS COUNCIL (POC)

Member countries also elected the 40 members of the CA and POC to serve for the next four years. As host country for this Congress, Romania automatically assumes Chairmanship of the CA. During the POC constituent meeting held on October 4, member countries elected Mr. James Wade of the United States by acclamation to serve as POC chair for the next four years.

The results of the elections of members to both UPU Councils are summarized in Tables 1 and 2 below.

Table 1. Countries elected to the Council of Administration (CA)

<i>Country</i>	<i>Geographical Group</i>	<i>Votes obtained</i>
China (People's Rep.)	4	156
Japan	4	153
Korea (Rep.)	4	144
Germany	3	137
Morocco	5	137
Pakistan	4	135
Nigeria	5	132
Belgium	3	131
Spain	3	129
Algeria	5	127
Portugal	3	126
Tunisia	5	125
Indonesia	4	124
United Arab Emirates	4	123
Australia	4	120
Vietnam	4	114
Cameroon	5	113
Malaysia	4	112
Italy	3	111
Uganda	5	107
Iran (Islamic Rep.)	4	106
Senegal	5	104
Angola	5	101
Great Britain	3	101
Benin	5	94
Sudan	5	88
Zimbabwe	5	88

Table 1 continued. Countries elected to the Council of Administration

Country	Geographical Group	Votes obtained
Armenia	2	*
Azerbaijan	2	*
Brazil	1	*
Chile	1	*
Colombia	1	*
Costa Rica	1	*
Cuba	1	*
Ecuador	1	*
Hungary (Rep.)	2	*
Kazakhstan	2	*
Panama (Rep.)	1	*
Poland	2	*
Trinidad and Tobago	1	*

* No vote was taken for geographical groups 1 and 2 because the number of reserved seats for both groups equaled the number of candidate countries.

** The U.S. could not stand for election to the Council Administration because it has served three consecutive terms – the first term as host of the 1989 Washington Congress (1990-1994) and two additional terms as a member country (1995-1999 and 2000-2004).

Table 2. Countries elected to the Postal Operations Council (POC)

<i>Country</i>	<i>Geographical group</i>	<i>Level of development</i>	<i>Votes obtained</i>
Canada	1	IC	143
Japan	4	IC	143
China (People's Rep.)	4	DC	138
Belgium	3	IC	136
France	3	IC	136
New Zealand	4	IC	135
Switzerland	3	IC	135
Germany	3	IC	133
United States	1	IC	131
Romania	2	DC	127
Brazil	1	DC	126
Sweden	3	IC	125
Egypt	5	DC	124
Portugal	3	IC	124
Spain	3	IC	124
Korea (Rep.)	4	DC	122
Australia	4	IC	120
Kenya	5	DC	120
Morocco	5	DC	119
Russian Federation	2	DC	119
Great Britain	3	IC	118
Italy	3	IC	117
India	4	DC	113
Greece	3	IC	112
Netherlands	3	IC	110
Cuba	1	DC	106
Pakistan	4	DC	100
Algeria	5	DC	97
Barbados	1	DC	96
Burkina Faso	5	DC	96
Thailand	4	DC	92
Tunisia	5	DC	92
Ghana	5	DC	91
Malaysia	4	DC	91
Saudi Arabia	4	DC	86
Singapore	4	DC	86
Ukraine	2	DC	85
Hungary (Rep.)	2	DC	84
Cote d'Ivoire (Rep.)	5	DC	83
Indonesia	4	DC	82

CONSTITUENT MEETING OF THE POSTAL OPERATIONS COUNCIL (POC)

On October 4, newly elected POC members met to elect a Chair and Vice Chair; determine the future structure of the POC; select the chairmen of committees; appoint POC representatives to the Strategic Planning Group and the Consultative Committee; and determine the date and location of the next meeting of the POC and POC Management Committee.

As noted above, POC member countries elected the United States (James Wade) to serve as POC Chair. Kenya (Dan Ameyo) was chosen as Vice Chair. Both candidates were unopposed, and thus were elected by acclamation.

The IB presented a proposed structure for the POC to the member countries. Member countries provisionally approved the proposed structure by acclamation.

The Chair presented a proposal for committee chairs and vice-chairs, as well as chairs of POC groups, stressing that key factors in determining the proposed list were: expressions of interest by POC members; balanced geographical representation; and commitment of resources to the work (see below):

Committee 1: Standards and procedures

- Chair: Portugal
- Vice Chair: Côte d'Ivoire
- Standards Board: United States

Committee 2: Terminal Dues and other economic issues

- Chair: Cuba
- Vice Chair: China
- Terminal Dues Project Team: Switzerland (Chair), Canada (Vice Chair)
- Postal Economic Group: France (Chair), Tunisia (Vice Chair)

Committee 3: Operational Issues

- Chair: India
- Vice Chair: Romania
- Quality of Service Project Group: Sweden (Chair)
- Environment Project Group: France (Chair)
- Liability Project Group: Italy (Chair)
- Addressing Project Group: Morocco (Chair)
- IATA/UPU Contact Committee: Pakistan (Chair)
- WCO/UPU Contact Committee: Germany (Chair)

Committee 4: Markets

- Chair: New Zealand
- Vice Chair: Burkina Faso
- Direct Mail Advisory Board: Brazil (Chair), Saudi Arabia (Vice Chair)
- Publishing Sector Industry Group: Italy (Chair)
- World Association for the Development of Philately: Tunisia (Chair)

Action Groups

- Postal Security Action Group: United States (Chair)
- Postal Development Action Group: Canada (Chair)
- Development Cooperation Action Group: Spain (Chair), Pakistan (Vice Chair)

POC Groups

- Quality of Service Fund: Board of Trustees rotating annual Chair (India)
- Parcels: Great Britain (Chair)
- Postal Financial Services: Japan (Chair)
- E-Products and Services: Canada (Chair)

The U.S. holds the view that the user groups, that is, cooperatives within the POC should have a distinct position within the POC organization chart, since these user groups have their own statutes, their own budgets and elect their own leadership. Specifically, these cooperatives are the EMS Cooperative, the Telematics Cooperative and UPU*Clearing.

The Chair presented a proposal for POC representation on the Strategic Planning Group: Russia (Chair), Australia, Egypt, France, and the United States. The Chair also presented a proposal for POC representation on the Consultative Committee: Barbados, Great Britain, and Korea. Member countries adopted both proposals by acclamation.

The next POC meeting will be held in Bern, Switzerland from January 17 to January 28, 2005. This session will take up about 400 proposals to amend the regulations. The POC Management Committee, which consists of the POC Chair, Vice Chair, the Chairs of the committees, and the Chair of the Strategic Planning Group, will meet on January 17, 2005.

CONSTITUENT MEETING OF THE COUNCIL OF ADMINISTRATION (CA)

On October 4, newly elected CA members met to elect their leadership, determine the future structure of the CA; select the chairmen of committees; appoint CA representatives to the Strategic Planning Group and the Consultative Committee; take

decisions on two financial issues; and determine the date and location of the next meeting of the CA and CA Management Committee.

As host country of Congress, Romania automatically assumed the Chairmanship of the CA, while Algeria, Italy, Pakistan and Trinidad and Tobago were elected as Vice Chairs.

The IB presented a proposed structure for the CA, which was provisionally approved by acclamation.

The Chair presented a proposal for committee chairs, stressing that geographical representation was a key factor in the decisions (see below):

Committee 1: Reform of the Union

- Chair: Germany
- Vice Chair: Iran

Committee 2: Regulatory Issues

- Chair: Brazil
- Vice Chair: Morocco
- WTO Issues Project Group: Malaysia (Chair)

Committee 3: Finance

- Chair: Nigeria
- Vice Chair: Hungary

The Chair presented a proposal for CA representation on the Strategic Planning Group: Belgium, Cameroon, China, Costa Rica, and Romania. The Chair also proposed that Benin, Japan, and Spain represent the CA on the Consultative Committee. Member countries adopted both proposals by acclamation.

In addition to the above, the CA also took decisions on two financial questions, the first concerning requests made by Azerbaijan, Kyrgyzstan, and Tajikistan for a temporary reduction in the class of mandatory contributions to the Union budget. After a review of their arguments, the CA unanimously approved all three requests.

The CA was also charged with approving the regular budget of the Union for 2005-2006. The International Bureau presented a document proposing a budget increase of 1% and a withdrawal \$1.7 million from the UPU Reserve Fund to cover the loss in contribution units as a result of the above reductions. The U.S. urged member countries to reject these proposals and recommended maintaining the budget from 2003-2004 until the Program and Budget for 2005-2006 is completed and reviewed. Great Britain supported the U.S. comments, pointing out that a review of existing programs and activities be conducted in order to identify those activities that may no longer be

needed – rather than simply request additional funding. Member countries decided to adopt the 2003-2004 budget provisionally and finance the gap from the reduction in contribution units from the Reserve Fund. The final decision on the program and budget will fall to the plenary of the CA in October 2005

The next session of the CA will be held in Bern, Switzerland from October 5 to October 14, 2005.

CONSTITUENT MEETING OF THE CONSULTATIVE COMMITTEE

At its constituent meeting on October 5, the newly formed Consultative Committee (CC) selected its leadership and discussed the broad lines of its work program over the next four years.

Charles Prescott of the New York-based Direct Marketing Association was elected Chairman of the Committee, while Spain, represented by Rosa Cifuentes of the Ministry of Development, was selected as Vice Chairman.

The Committee elected the nine members of its Management Committee. Six members – the Association for Postal Commerce (PostCom); the Direct Marketing Association; the Federation of European Direct and Interactive Marketing (FEDMA); Global Express Association; International Mailers Advisory Group, and Union Network International (UNI-POSTAL) – are private sector associations, while the remaining three are the UPU member countries of Benin, Great Britain and Spain.

Between POC and CA sessions in Bern, the Management Committee will hold its meetings whenever possible through scheduled conference calls.

The Committee accepted an offer put forward by the Air Courier Conference of America (ACCA) to lead CC working groups on customs issues and trade issues, particularly those related to the WTO.

Once these organizational decisions were taken, the Committee focused on setting out the broad outlines of its 2005-2008 work program. An extensive discussion ensued, in which the following subjects were raised for potential inclusion in the CC's work program:

- Quality of Service Fund. The private sector could become involved in some manner in the process of reviewing QSF projects as well as the overall work of the QSF Board.
- Performance measurement. FEDMA suggested that the Committee study the work done by FIPP (Fédération Internationale de la Presse Périodique) on quality of service in Europe.
- Standards. The private sector (PostCom) is already involved in the POC work on addressing, Post*Code and standard S 42. The work of the Standards Board could

focus more directly on the needs of customers and could consider new areas of standardization of specific benefit to customers.

- Access models. Great Britain, where the domestic postal market is opening increasingly to alternative delivery providers, raised this subject, which refers to the manner in which international mail from abroad may be entered into a country's domestic mail stream.
- Customs clearance.
- WTO and trade issues.
- Security of mail and express delivery items.
- Environmental issues.
- Regulatory issues related to night flights (noise requirements, etc.) and hub operations.
- Training.
- Further reform of the UPU, specifically further separation of regulatory and operational functions within the UPU.
- Membership. The CC should reach out in particular to private sector associations in developing countries in an effort to increase membership.

Participants generally agreed that no firm decision should be taken to establish working groups within the CC until a solid consensus had been reached on the Committee's work program.

The next meeting of the Consultative Committee will take place during the January 2005 session of the Postal Operations Council in Bern.

ANNEX 1: BUCHAREST CONGRESS DECISIONS ON TERMINAL DUES

The new terminal dues system

The Bucharest Congress adopted a new terminal dues system consisting of a *target system* to replace the current industrialized country (IC) system and a *transitional system*, which replaces the current developing country (DC) system. Terminal dues rates in the target system are country-specific and tied to a percentage of the 20-gram domestic priority letter rate. This percentage will rise 2% per year from the current 60% to 68% by 2009. The cap will gradually increase by 13% from 2006 to 2009, and the floor rate will increase by 9% over the same period. (See rates in Annex 3.) The only amendment to the Convergence Group proposals concerning the target system adopted at Bucharest was a proposal by Israel and Slovenia (proposal 20.25.6.Rev 1). As a result of this amendment, countries can receive the increased floor rates as long as these rates do not exceed 100% of the 20-gram domestic priority letter rate (versus 90% as proposed by the POC and CA).

The transitional system terminal dues rate will be a flat rate of 3.727 SDR¹ per kilogram, which represents a 9% increase over the current rate of 3.427 SDR per kilogram. The threshold for the revision mechanism was reduced from 150 tons to 100 tons, and the new per item and per kilogram rates for the revision mechanism were raised to the current IC floor: 0.147 SDR per item and 1.491 SDR per kilogram. ICs can now invoke the downward revision mechanism on any DC that invokes the mechanism first. As a result of the adoption of an amendment by Pakistan (proposal 20.26.2), DCs in the transitional system can invoke the downward revision mechanism on other DCs (without the limitation that applies to target system countries whereby ICs can only invoke the downward revision on a DC if the DC in the transitional system invokes it first).

Country Classification for Quality of Service Fund purposes

One of the more sensitive topics at Congress, particularly for developing countries, was the new United Nations Development Program (UNDP) classification of countries. The new UNDP classification of countries introduces a new category of developing countries, the Net Contributor Countries (NCCs).

In February 2004, the CA adopted the new UNDP classification of countries for the purposes of QSF payments and put forward a proposal to this effect for confirmation by Congress. According to the CA proposal, nearly 30 NCCs would remain in the transitional system, but would no longer receive full Quality of Service Fund payments. Congress confirmed the CA reclassification proposal and approved a proposal by Canada, France, the U.S. and several Caribbean countries under which this reclassification would be deferred for NCCs that received less than \$65,000 in QSF funds for the year 2002. The new classification system and the Congress decisions on the Quality of Service Fund contributions are described below.

¹ \$5.60 at the current (Nov. 11, 2004) exchange rate of 1 Special Drawing Right (SDR) = \$1.50

New UNDP classification system

The UNDP has defined three categories of countries and territories as the basis for distributing development assistance: low-income countries, middle-income countries, and Net Contributor Countries (NCCs). The low-income and middle-income categories are eligible for developmental assistance resources and are together referred to as TRAC 1 countries (**T**arget for **R**esources **A**ssignment from the **C**ore). NCCs are not eligible for financial resources although they may participate in UNDP programs, including UNDP postal projects, for which they must, however, pay from their own resources. The UNDP uses Gross National Income (GNI) per capita as the main differentiator between the three categories, as shown in the following table:

<i>Category</i>	<i>GNI per capita</i>
Low-income	Less than or equal to \$900
Middle-income	From \$901 to \$4,700
Net Contributor (NCC)	Higher than \$4,700

The current UNDP classification is based on 2001 World Bank data and is valid for the period 2004 to 2007. Transitional arrangements are built into the UNDP system. If a country's status changes and it appears in the NCC list for the first time, it will benefit from a four-year grace period, during which it will continue to receive TRAC 1 resources, but in reduced amounts. If, after that period, the country or territory remains above the \$4,700 USD threshold, it ceases to be eligible for TRAC 1 resources.

Industrialized countries are not classified by the UNDP, so no UNDP list of such countries exists. The list of Least Developed Countries (LDCs) is established by the UN Economic and Social Council (ECOSOC). (See Annex 2 for the current list of LDCs).

Congress decisions on country classification and the Quality of Service Fund

As a result of Congress decisions, QSF contributions will be as follows:

- All countries except LDCs pay *16.5%* of the terminal dues rate of 3.727 SDR to LDCs.
- ICs pay *8%* of the terminal dues rate of 3.727 SDR to countries and territories classified by UNDP as "TRAC 1" countries *as well as* to NCCs that received *less* than \$65,000 USD in QSF funds for the year 2002.
- ICs pay *1%* of the terminal dues rate of 3.727 SDR to the other NCCs that received *more* than \$65,000 in QSF funds for the year 2002.

ANNEX 2: LEAST DEVELOPED COUNTRIES (LDCs) AS OF DECEMBER 2003

1. Afghanistan
2. Angola
3. Bangladesh
4. Benin
5. Bhutan
6. Burkina Faso
7. Burundi
8. Cambodia
9. Cape Verde
10. Central African Republic
11. Chad
12. Comoros
13. Democratic Republic of Congo
14. Djibouti
15. Equatorial Guinea
16. Eritrea
17. Ethiopia
18. Gambia
19. Guinea
20. Guinea-Bissau
21. Haiti
22. Kiribati
23. Lao People's Democratic Republic
24. Lesotho
25. Liberia
26. Madagascar
27. Malawi
28. Maldives
29. Mali
30. Mauritania
31. Mozambique
32. Myanmar
33. Nepal
34. Niger
35. Rwanda
36. Samoa
37. Sao Tome and Principe
38. Senegal
39. Sierra Leone
40. Solomon Islands
41. Somalia
42. Sudan
43. Timor-Leste
44. Togo
45. Tuvalu
46. Uganda
47. United Republic of Tanzania
48. Vanuatu
49. Yemen
50. Zambia

ANNEX 3: TARGET SYSTEM TERMINAL DUES RATES EFFECTIVE 2006 TO 2009

1. Basic terminal dues rates

The rates per item and per kilogram shall be calculated on the basis of a percentage of the charge for a 20-gram priority letter in the domestic service, as indicated in the table below.

<i>Year</i>	<i>Percentage of domestic rate</i>
2006	62%
2007	64%
2008	66%
2009	68%

2. Cap Rates

The rates applied may not be higher than those in the table below.

<i>Year</i>	<i>Rate</i>
2006	0.226 SDR per item and 1.768 SDR per kilogram
2007	0.231 SDR per item and 1.812 SDR per kilogram
2008	0.237 SDR per item and 1.858 SDR per kilogram
2009	0.243 SDR per item and 1.904 SDR per kilogram

3. Floor Rates

For the period from 2006 to 2009, the rates may not be lower than 0.147 SDR per item and 1.491 SDR per kilogram. Provided that the increased rates do not exceed 100% of the charge for a 20-gram priority letter in the domestic service of the country concerned, the minimum rates shall be increased as indicated in the table below.

<i>Year</i>	<i>Rate</i>
2006	0.151 SDR per item and 1.536 SDR per kilogram
2007	0.154 SDR per item and 1.566 SDR per kilogram
2008	0.158 SDR per item and 1.598 SDR per kilogram
2009	0.161 SDR per item and 1.630 SDR per kilogram

4. M-bags

The rate to be applied for M-bags is 0.793 SDR per kilogram.

5. Registered items

An additional payment of 0.5 SDR per item will apply to registered items.

6. Insured items

An additional payment of 1 SDR per item will apply to insured items.

GLOSSARY OF ABBREVIATIONS AND TERMS

<i>Abbreviation or term</i>	<i>Full name or explanation</i>
ACCA	Air Courier Conference of America
CA	Council of Administration
CC	Consultative Committee
CHF	Swiss francs
DC	Developing country
EMS	Express Mail Service
ETOE	Extra-territorial office of exchange
FEDMA	Federation of European Direct and Interactive Marketing
IATA	International Air Transport Association
IC	Industrialized country
IPK	Items per kilogramgram
LDC	Least Developed Country
MOU	Memorandum of Understanding
NCC	Net Contributor Country
POC	Postal Operations Council
PostCom	Association for Postal Commerce
PUASP	Postal Union of the Americas, Spain and Portugal
QSF	Quality of Service Fund
SDR	Special Drawing Right
TRAC 1	UNDP designation for low-income and middle-income countries. "TRAC" stands for "Target for Resources Assignment from the Core"
UNDP	United Nations Development Programme
USPS	United States Postal Service
WCO	World Customs Organization
WTO	World Trade Organization

Please also note that all dollar amounts in this report refer to U.S. dollars.