

UNITED STATES DELEGATION REPORT

UPU COUNCIL OF ADMINISTRATION

10-21 OCTOBER 2005

INTRODUCTION

This report summarizes the work of the 2005 session of the UPU Council of Administration (CA), held in Bern, Switzerland from October 10 to 21. In addition to CA meetings, nearly 65 Postal Operations Council (POC) project groups, action groups, subgroups, boards, and project teams met during or the week prior to the CA session. The 2005 CA focused on approving its current structure and composition of the CA bodies, as well as the work plans of the CA project groups and working parties formed since the constituent meeting of the CA in Bucharest. The U.S. joined several CA groups as an observer in subject areas such as UPU reform, Acts of the Union, terminal dues governance, and World Trade Organization (WTO) issues to which our government assigns high priority.

Other CA decisions or actions of importance to the United States were the following:

- Kenya, host country of the 24th UPU Congress, briefed CA participants on Congress preparations, unveiled the Congress logo, and announced that the Congress will take place in Nairobi from 13 August to 3 September 2008.
- United Arab Emirates signed an agreement with the UPU formalizing arrangements to host the UPU Strategy Conference in Dubai from 14 to 16 November 2006. The UPU Strategy Conference will review progress made in implementing the Bucharest World Postal Strategy and will chart the direction until the next Congress in Nairobi.
- The CA approved a report of the Acts of the Union Project Group which will send a preliminary draft revision of the UPU Acts, replacing the term “postal administration” with the terms “member country” and “designated operator”.
- Regarding UPU reform, the CA adopted the work plan and endorsed issuance of a membership survey to analyze the current situation and future needs regarding the UPU mission and structure.
- The CA adopted two resolutions on classification of countries for the Quality of Service Fund (QSF) as endorsed by the Terminal Dues Governance Issues Project Group. The first resolution provides the list of countries in the three categories that will receive 16.5%, 8% or 1% QSF payments for 2006; the second resolution sets strict criteria and procedures for countries that request additional QSF resources due to exceptional circumstances.
- The WTO Issues Project Group heard an update on the status of GATS negotiations from a WTO Secretariat representative and discussed postal and courier classification issues.

The U.S. delegation was led by Ambassador Dennise Mathieu, Director of the Office of Technical Specialized Agencies of the Department of State's Bureau of International Organization Affairs. Other members of the delegation included U.S. Postal Rate Commissioner Ruth Goldway and Charles Robinson of the Postal Rate Commission; Senior Vice President for Intelligent Mail Charles Bravo, Vice President for International Business and POC Chairman Jim Wade, Mike Regan, Lea Emerson, William Alvis, Harold Lane, and other delegates from the Postal Service (see Annex 2 below). Several U.S. private sector representatives attended CA and POC meetings in their capacity as members of the UPU's Consultative Committee that was

established at the September 2004 Bucharest Congress. Nearly 700 participants from 95 countries and 50 organizations attended meetings during the two and a half week CA session.

CONSULTATIVE COMMITTEE

The Consultative Committee (CC) met on October 12. The Chairman, Charles Prescott of the Direct Marketing Association opened the meeting with a review of the Committee's mission and activities to date. The mission, set forth in Article 1 of the Committee's Rules of Procedure, is to provide for wider stakeholder participation in the UPU, develop recommendations for UPU policy, regulation and operations, promote a better understanding among all stakeholders, and provide a forum to consider wider postal sector issues. He noted particular challenges, including increasing Committee membership beyond the current 19 non-postal members, balancing diverse wider sector interests, maintaining a continuous presence at CA and POC committee and working group meetings, and arriving in Nairobi with a record of achievement and contribution, being able to say "we made a difference" and able to claim "we're making borders go away."

The Director General expressed agreement with the objectives outlined by Mr. Prescott and welcomed the participation of Consultative Committee members in UPU activities. He also outlined his vision of a role for the UPU in the World Information Society summit, emphasizing the support it provides for world trade.

Sue Presti, Chair of the CC Customs Working Group and Executive Director of the Express Delivery and Logistics Association, provided an update on World Trade Organization classification proposals for postal and courier services. She noted that while there is agreement that the current UN Central Product Classification references for postal and courier services are inconsistent with the market, there is no consensus on alternative classification schemes. The European Union, the United States, and several other countries have submitted a "guidelines paper" that urges a focus instead on descriptions of services open to competition. Ms. Presti also provided an update on Food and Drug Administration regulations on prior notice of food shipments under the Bioterrorism Act and on programs managed by Customs and Border Protection and the Transportation Security Administration. With respect to developments in Europe, she noted a recent European Commission decision to align customs clearance requirements for both postal and express delivery services. According to this decision, European postal operators will have to provide advance notice in electronic format of parcel dispatches from other countries. Details regarding data requirements and time to develop information technology capabilities apparently remain to be determined.

A presentation on Access Models by Murray Buchanan of Royal Mail (Great Britain) was of particular interest to sector members representing mail users. A study will be carried out in 2006 that will compare traditional international mail exchanges, Direct Access (by origin post office to destination post office), Direct Entry (from any player to destination post office), Direct Injection (from any player to any player) and Downstream Access. The prospect of generating new and alternative channels for providing cross border services, tailored to particular circumstances and needs, prompted questions and discussion.

Other agenda items included possible Consultative Committee contributions to UPU Strategic Planning activities and a role at the 2006 mid-term UPU Strategy Conference in Dubai; a review of postal data by the DMA; a presentation on "Rogue trading through direct mail" by the European Advertising Standards Alliance; comments from John Simpson of the Global Express Association on potential benefits of postal reform for consumers; and an update by the

International Bureau on International Remittance Services, as well as a presentation by Eurogiro.

COUNCIL OF ADMINISTRATION PROJECT GROUPS

Acts of the Union Project Group

The Acts of the Union Project Group, chaired by the U.S. (Bill Alvis of USPS), met to consider new terms to replace “postal administration” in the UPU Constitution, General Regulations, Rules of Procedure of Congress, and Convention. The Group agreed that “postal administration” should be replaced by the terms “member country” and “designated operator.” “Designated operator” was conceptually defined (exact wording not yet determined) as any governmental or non-governmental entity that operates postal services that fulfill the obligations under the Acts of the Union on a member country’s territory in accordance with national legislation.

The Group agreed to add a new provision (exact wording to be determined) to Article 2 of the Convention, which would make the member country the designated operator if a member county does not notify the International Bureau that it has designated an entity to be the designated operator.

In the process of deciding which of the terms “member country” or “designated operator” should replace “postal administration” at any given place, some problems were identified that require further work. In particular, replacing “postal administration” with “designated operator” with respect to financial obligations – for example, terminal dues – could be understood as releasing the governments of member countries from their obligation to be responsible for debts under the UPU Acts if a designated operator defaulted. European member countries would have particular problems in this regard due to provisions of the European Union treaty.

The Group will circulate the draft revised text to all UPU member countries for comment and will consider the comments received at its next meeting during the Spring POC session.

Structure and Constituency of the Union Project Group

The agenda for this meeting covered review of the report of the January 2005 meeting of this Project Group on Structure and Constituency of the Union (SCU), its work plan and its planned questionnaire on reform of the Union. After unanimously approving Egil Thorstensen of Norway as Chair, the Project Group reviewed the draft survey (or questionnaire), the purpose of which is to analyze the current situation and future needs regarding the mission, structure (role, responsibilities, membership) and functioning of the various bodies of the UPU. Note was made of the need to work closely with the Strategic Planning Group. Varying viewpoints were voiced by countries regarding the targeted distribution of the questionnaire and the general desire to have as broad a reach as possible. There was also discussion about structuring the analysis by industrialized and developing countries and comparing the responses of governments with those of operators. Both this SCU questionnaire and a questionnaire on market trends to be prepared by Strategic Planning Group are expected to benefit all member countries; careful consideration should therefore be given to the drafting of both. In Bern, three small working groups were tasked with developing constructive comments for the questionnaires, and a small drafting committee composed of Belgium, Norway, Spain, Switzerland and the United States

was later formed to finalize the questions to be posed. The Project Group suggested that the Strategic Planning Group should issue its own questionnaire, but that it should benefit from the results of the information regarding reform collected through the SCU questionnaire.

Preparation of this latter questionnaire provoked vigorous debate within the Project Group. One key to final consensus involved elimination of all direct reference to changing the fundamental status of the UPU as an intergovernmental body. The survey instead invited recommendations regarding the structure, composition and decision making processes of the UPU bodies, the relationships among the CA, POC, and the Consultative Committee, and the legal standing or nature of some or all of the agreements, standards, or regulations adopted by these bodies. Another key concern related to distribution of the questionnaire. The SCU decided that the IB should use the same distribution list used for other general communications to UPU members and participants. The survey will, therefore, be distributed directly to wider sector members on the Consultative Committee.

Terminal Dues Governance Issues Project Group

The CA Terminal Dues Governance Issues Project Group, chaired by Barbados, held its first meeting on 13 October and adopted its work plan, objectives and priorities. The project group considered and endorsed two draft resolutions on the classification of countries for the Quality of Service Fund (QSF).

The first resolution provides the list of countries and territories that will receive 16.5% QSF supplemental payments – the 50 Least Developed Countries (LDCs), those that will receive 8% (TRAC1 countries according to the UNDP classification), and the 13 countries and territories classified as Net Contributor Countries (NCCs) that will receive a 1% QSF payment.

The second resolution set the criteria and procedures for countries that request additional QSF resources in accordance with UPU Convention article 31.2. According to that provision, TRAC 1 countries (formerly DCs) may petition the CA to receive QSF funds on the same basis as LDCs (i.e., receive 16.5% instead of 8%) and NCCs may petition the CA to receive 8% QSF payment vs. the 1%. The requests must be submitted to the UPU three months before the CA session and should fall into one of three categories of exceptional circumstances: 1) natural disasters, 2) wars or other conflicts, or 3) particularly difficult economic and financial situations. Detailed supporting documents must accompany the requests. Any increase in the QSF supplement will only apply to the calendar year following the CA decision.

An ad hoc group on classification of countries was formed to conduct detailed work on this issue. That Group will meet during the 2006 POC session, and the Project Group will meet again at the 2006 CA session.

Universal Service Project Group

The Universal Postal Service Project Group convened on October 11 under the chairmanship of Pakistan. The group reviewed the results of the recent Questionnaire on the “System for Monitoring/Evaluating Application of Standards in the Main Areas of the Universal Postal Service” which cover the five core elements of universal service: access; customer satisfaction; speed and reliability; security; and liability and treatment of inquiries. With 81 members (58 designated operators and 23 governments) responding to the survey, there was some concern

about the lower response rate compared with the 97 members that responded in 2003. The responses were similar to those collected in the 2003 survey. Members of the Project Group offered several suggestions for incorporation into the 2007 questionnaire.

The IB presented plans for a Pilot Project for African postal administrations to design models focused on enhancing universal service on the continent. Because most Africans have no home delivery and nearly 10% have no delivery at all, the IB wishes to identify or design models that could be applied for extension or enhancement of postal services in the region. The project includes three phases: desktop and case study research; development of basic requirements; and design and validation of Universal Service Obligation models. At the close of the meeting, an IB economist shared preliminary findings on variables related to postal sector growth and its correlation to overall economic growth and advancements in the technology sector.

WTO Issues Project Group

The WTO Issues Project Group, chaired by Malaysia, reviewed objectives for the Bucharest cycle which include heightening awareness of trade issues at the WTO among UPU members and Restricted Unions; monitoring legal developments in trade in services; and seeking compatibility between the UPU and WTO rules through an MOU between the two organizations which would grant the UPU observer status at WTO meetings. The IB updated the Group on Mr. Dayan's recent meeting with the WTO Director General who indicated that any joint MOU would not be considered until after the December 2005 Ministerial Conference in Hong Kong.

The IB stated that the goal of the UPU is to become 'WTO compliant' through a country-specific, cost-based terminal dues system by 2014. IB representatives then presented conclusions of a study on postal/courier classifications authorized by the Bucharest Congress. The paper focused on three areas: transparency and fair treatment; safeguarding the universal service obligation; and furthering 'horizontal cooperation' between international organizations. Several European Union and South American countries presented their comments on the classification of postal/courier services.

A representative of the WTO Secretariat, Ms. Lee Tuthill, provided an update on the status of service negotiations. A total of 55 countries have submitted offers on postal/courier services, including 13 new or revised offers received before the May 2005 deadline. Ms. Tuthill highlighted four issues. First, on classification, she said that there is no easy solution. Countries are unlikely to change their services classification if they have not already done so. Second, trade barriers created by postal reserved areas will continue to vary significantly among members. Third, discrimination in regulatory arrangements such as licensing and customs treatment remains a major challenge. Finally, there is an obvious and overlapping relationship between the postal/courier sector and other sectors such as road and transport. Although part of separate commitments, these other sector commitments may influence the courier/postal sector indirectly.

Working Party to study the system of mandatory contributions to the UPU regular budget

The UPU budget is funded by member countries according to contribution classes ranging from a minimum of 0.5 units (paid by 42 least developed countries) up to the highest contribution class of 50 units (paid by France, Germany, Great Britain, Japan and the United States). Eighty-four UPU members pay 1 contribution unit. Members may change their contribution class by

notifying the International Bureau two months before Congress. The Bucharest Congress asked the CA Finance Committee to establish a working party to further study the issue of reductions in member country contribution classes and to improve the system of mandatory contributions to the UPU regular budget. The working party is chaired by Hungary, and members include Belgium, China, Germany, Great Britain and the United States. The mandate of the group is to maintain the voluntary nature of contribution unit classes, while reversing the current trend of countries requesting reductions in their contribution classes – which increases the contributions of all other member countries. The Working Party set the following main objectives for its work:

- Seek ways to convince members to refrain from any further reduction in contribution class;
- Explore opportunities to encourage member countries to increase their contribution class;
- Develop a system of temporary (rather than permanent) reductions in contribution classes;
- Seek ways to decrease arrears (by increasing the efficiency of automatic sanctions).

The Working Party discussed several suggestions, such as making reductions temporary until the next Congress, having Congress vote on requests for reductions, changing the regulations so that a country can increase its contribution class at any time, and identifying member countries that could increase their contribution class based on Gross National Product. The work plan calls for a questionnaire to be issued in January, an interim report at the 2006 CA, and draft Congress resolutions and proposals for the 2007 CA.

COMMITTEE 1: REFORM OF THE UNION

Committee 1, chaired by Germany, met on October 18 where it considered the report of the January 2005 meeting of the Structure and Constituency of the Union Project Group during which it heard presentations and focused on brainstorming reform ideas. The Committee next reviewed a report on the Project Group's work plan and a questionnaire to solicit the views of UPU stakeholders on reform of the Union. The Committee approved the Project Group's work plan and endorsed the questionnaire prepared by the Project Group.

The Committee also approved a report of the Allocation of Responsibilities Project Group, chaired by Belgium, which contained the Project Group's objectives and work plan.

COMMITTEE 2: REGULATORY ISSUES

At its meeting on October 17, Committee 2, chaired by Brazil, approved the reports and work plans of the WTO Issues Project Group, the Acts of the Union Project Group and the Terminal Dues Governance Issues Project Group. The Committee approved two resolutions put forward by the latter Project Group – one on the classification of countries for purposes of the Quality of Service Fund and one on the criteria and procedures concerning requests for additional resources under the Quality of Service Fund.

COMMITTEE 3: FINANCE

Committee 3, chaired by Nigeria, met October 18 and 19 and approved the Financial Operating Report of the UPU for 2003-2004; the external audit report on the accounts of the UPU for

2003-2004; the International Bureau's comments on the external audit report; the Financial Operating Report of the UPU on extra-budgetary accounts 2004; the external audit report on the extra-budgetary accounts 2004; and the International Bureau's comments on the external audit report on extra-budgetary accounts.

The Committee considered and approved the Union Programme and Budget for 2005-2006 and took note of reports on the Quality of Service Fund, the application of the automatic sanctions system, performance of UPU*Clearing, the status of the cost accounting program and the internal auditor's report.

Further, the Committee approved the mandate and work plans of the Working Parties responsible for studying the system of mandatory contributions to the UPU regular budget and for studying support costs for extra-budgetary activities.

CA PLENARY

The plenary session of the Council was held October 19 and 20 under the chairmanship of Mr. Gabriel Mateescu, Director General of the Romanian Post. The Plenary took note of the reports of the CA Management Committee, the Coordination Committee for the Permanent Bodies of the Union, the Postal Operations Council, the Consultative Committee, and the Postal Security, Postal Development, and Development Cooperation Action Groups and approved amendments of the Consultative Committee's Rules of Procedure. It also took note of the Director General's reports regarding relations with organizations of the United Nations System, activities of the Joint Inspection Unit, the World Summit on the Information Society, International Bureau human resource management, and aid to countries following periods of conflict or natural disasters.

The Plenary approved the final version of its Rules of Procedure as well as the CA Structure and composition. The CA also took note of reports of the Strategic Planning Group and on the Strategy Conference to be held in Dubai, United Arab Emirates in November 2006.

The Plenary reviewed the reports of Committees 1, 2, and 3; and approved Argentina's request for a 25-year debt amortization agreement, but not its related request for waiver of interest.

The next session of the CA will take place October 9-20, 2006.

GLOSSARY OF ABBREVIATIONS AND TERMS

<i>Abbreviation or term</i>	<i>Full name or explanation</i>
CA	Council of Administration
CC	Consultative Committee
CPC	Central Product Classification
DC	Developing Country
DMA	Direct Marketing Association
ECOSOC	UN Economic and Social Council
GATS	General Agreement on Trade in Services
IB	International Bureau (the UPU secretariat in Bern, Switzerland)
IT	Information Technology
LDCs	Least Developed Countries (ECOSOC classification)
MOU	Memorandum of Understanding
NCCs	Net Contributor Countries (UNDP classification)
POC	Postal Operations Council
QSF	Quality of Service Fund
TRAC 1	UNDP classification of developing countries
UNDP	United Nations Development Program
UPU	Universal Postal Union
USPS	United States Postal Service
WTO	World Trade Organization

U.S. DELEGATION TO THE OCTOBER 2005 COUNCIL OF ADMINISTRATION

<i>Name</i>	<i>Position</i>
G. Dennise Mathieu	Director, Office of Technical Specialized Agencies, Department of State
Ruth Goldway	Postal Rate Commissioner
James Wade	Vice President, International Business and Chairman of the POC
Michael Regan	Director, International Postal Affairs
William Alvis	Attorney
Patricia Barnwell	Program Manager, International Postal Development
Clayton Bonnell	Program Manager, Intelligent Mail
Charles Bravo	Senior Vice President, Intelligent Mail and Address Quality
Peter Chandler	International Postal Affairs Specialist
Richard Domros	Postal Inspector
Lea Emerson	Program Manager, UPU Policies
Janice Gould	Program Manager, International Business
Jeanne Graupmann	Postal Inspector
David Hamilton	Business Systems Manager
Brian Hutchins	Program Manager, EMS
Ruth Jones	Program Manager, Intelligent Mail
Harold Lane	Inspector-in-Charge, International Affairs Group, Inspection Service
Bruce Marsh	International Postal Affairs Specialist
Flori McClung	Program Manager, POC Chairmanship
Charles Robinson	Assistant Director, Office of Rates, Analysis and Planning, Postal Rate Commission
Elizabeth Rogers	Assistant to the POC Chairman
Eliane Wittman	Program Manager, POC