

United States Department of State

ADVISORY COMMITTEE ON
INTERNATIONAL POSTAL AND DELIVERY SERVICES

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Draft Proposals for the UPU Istanbul Congress – Terminal dues

James I. Campbell Jr.

Final / 29 Sep 2014

Topics

- **Terminal dues and inward land rates**
- **Distortions caused by UPU terminal dues**
- **Restraints on remail and ETOEs**
- **Draft Proposals re terminal dues**

Terminal dues and inward land rates

Conv. Article 29: Terminal dues. General provisions

- **Terminal dues apply to "letter post" items only.**
- **Defines "country-specific payment system" as the goal of TD reforms:**
 - "The provisions of the present Convention concerning the payment of terminal dues are transitional arrangements, moving towards a country specific payment system at the end of the transition period."
- **Defines "target system" and "transitional systems" of terminal dues.**
 - Congress Resolution C77/2012 defines 6 groups of countries.
 - Target system: Groups 1.1 (industrialized countries), 1.2, 2, 3 (beginning 2016).
 - Transitional system: Groups 3 (until 2016), 4, 5.
- **Right of access to domestic postage rates for IC to IC mail.**
 - "Designated operators of countries in the target system prior to 2010 shall make available to other designated operators of countries that were in the target system prior to 2010 the rates, terms and conditions offered in their domestic service, on conditions identical to those proposed to their national customers."
- **DOs may make alternative TD arrangements.**

Conv. Article 30: Target system

- **"Target system" is actually 3 systems of rates.**
 - Letter post among Group 1.1 (industrialized countries).
 - Letter post among Groups 1.2 & 2 and to/from Group 1.1.
 - Letter post to, from, or between Group 3 (beginning 2016).
- **Rates are expressed as X per kg and Y per item.**
 - X and Y are nominally related to domestic postage rates.
 - In practice, TDs are established by cap and floor limits.
 - Cap and floor limits are unrelated to domestic postage or costs.
 - Cap and floor increase 3% per year from 2014 to 2017.
 - Secondary cap: no increase more than 13% per year.

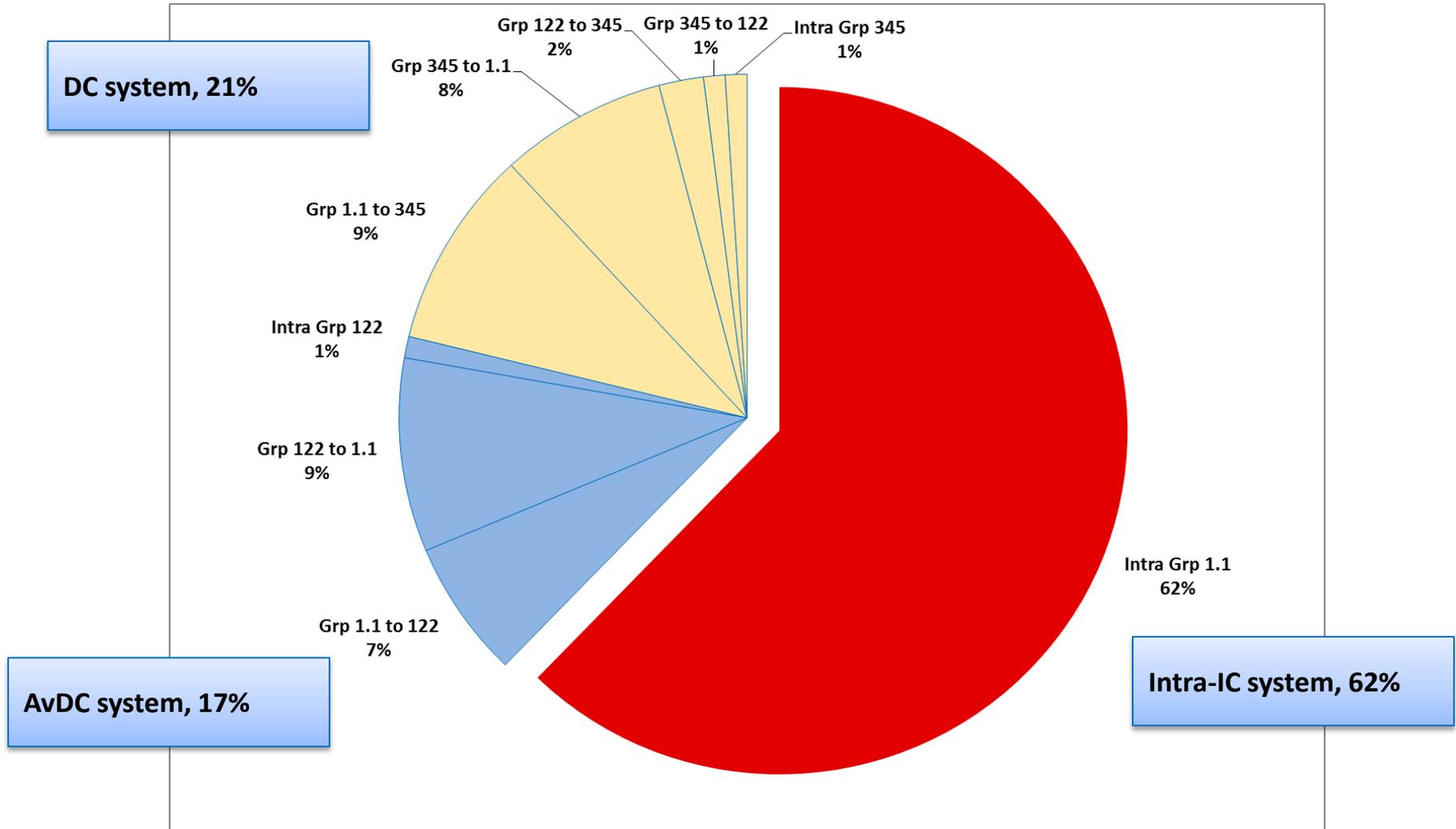
Conv. Article 31: Transitional system

- **Rates are expressed as Z per kg.**
 - In case of extraordinary flows, DOs can switch to a item/weight formula.
 - Rates increase 0.7% 2014 to 2015, and 2.8% in 2015 and 2016.

Conv. Articles 35 and 36. Inward land rates

- **Inward land rates apply only to parcel post.**
 - Packages up to 20 kg.
- **POC delegated authority to fix rates.**
 - Rate-fixing authority was granted to the POC in 2004.
 - POC has set the base rate for delivery of parcel post at 71.4% of the inward land rates set by an individual designated operator for the year 2004, plus any inflation adjustments.
 - Bonus charges are authorized if the DO meets certain conditions.

Approximate scope of TD systems, 2011

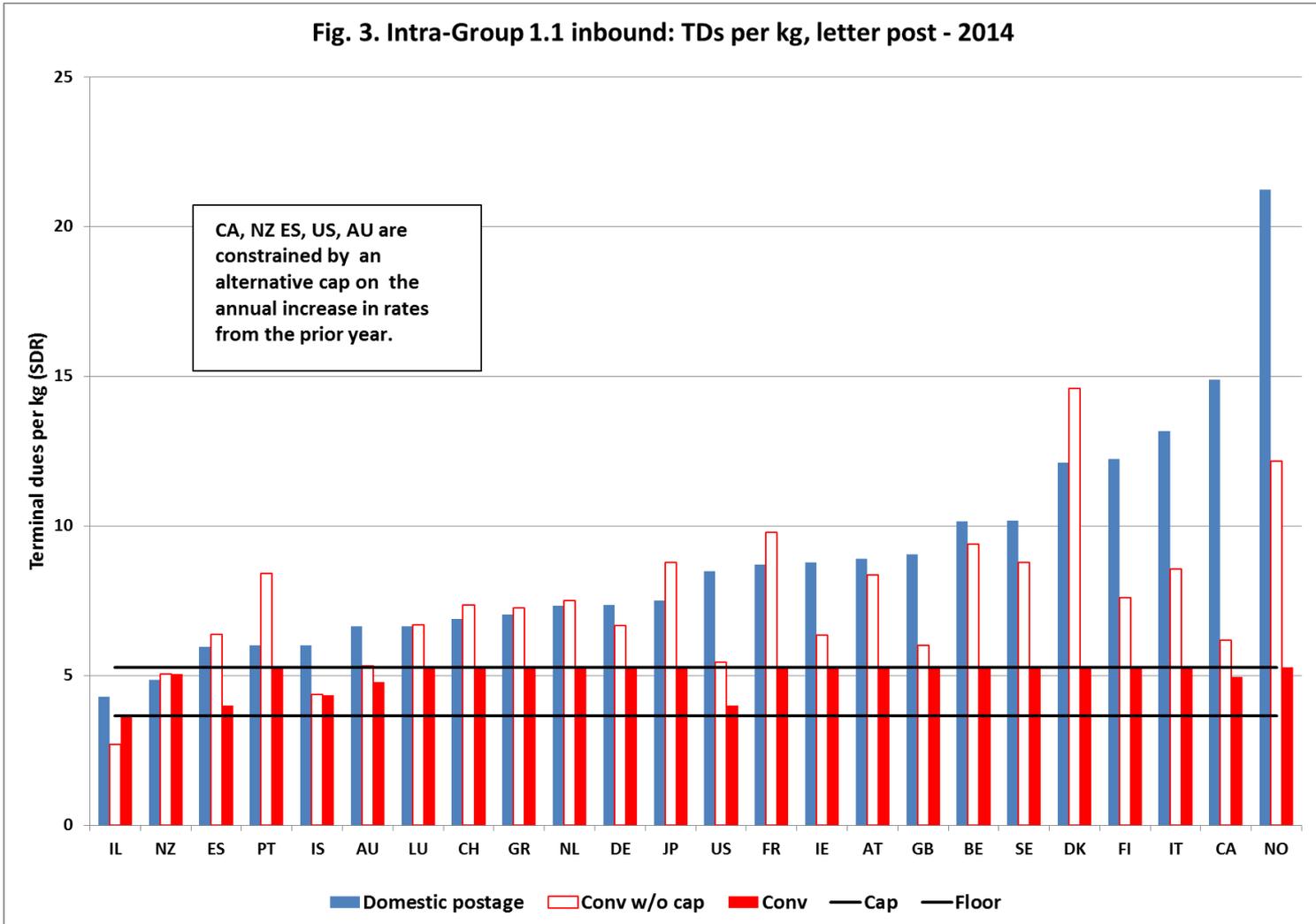


Source: James I. Campbell Jr., "Estimating the Effects of UPU Terminal Dues, 2014 – 2017" (2014) and related calculations.

Three TD schedules established in 2012

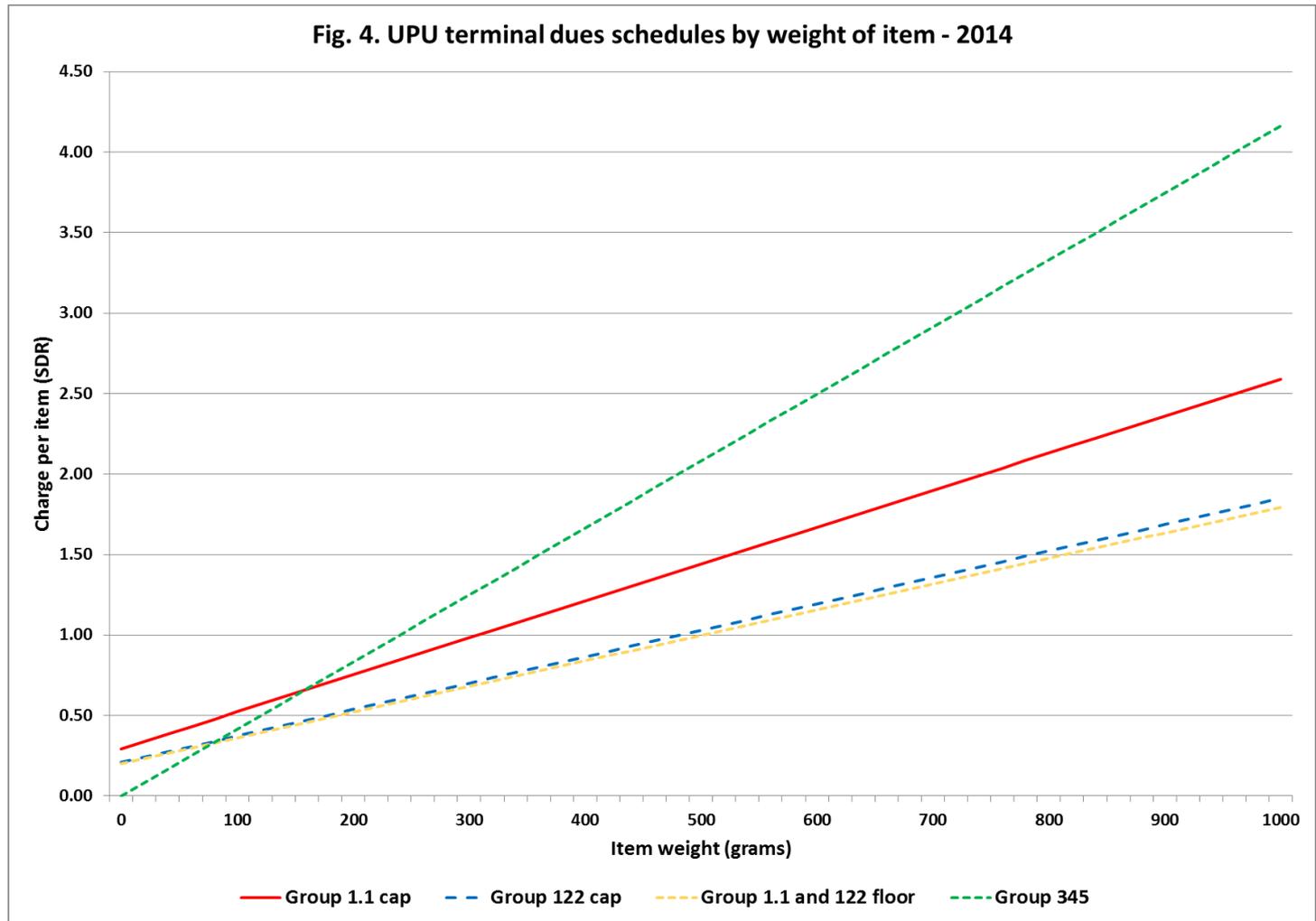
- **Intra-Group 1.1. Mail exchanged between Group 1.1 countries only.**
 - Includes the 24 major industrialized countries.
- **“Group 122”. Mail exchanged between countries in Groups 1.2 and 2 or between those groups and Group 1.1.**
 - Includes relatively small, newly industrialized countries, e.g., Hong Kong, Singapore, Bermuda, Qatar.
- **“Group 345”. Mail sent to or from countries in Groups 3, 4, and 5.**
 - Includes developing countries and large, new industrialized countries, such as China, India, Brazil, and Russia.
- **TDs create economic distortions because they are —**
 - **Uniform** (in some sense) and therefore unrelated to costs.
 - **Available only to post offices** for items sent from their national territories.

Intra-Group 1.1. TDs per kg of typical LP



Source: James I. Campbell Jr., "Estimating the Effects of UPU Terminal Dues, 2014 – 2017" (2014) and related calculations.

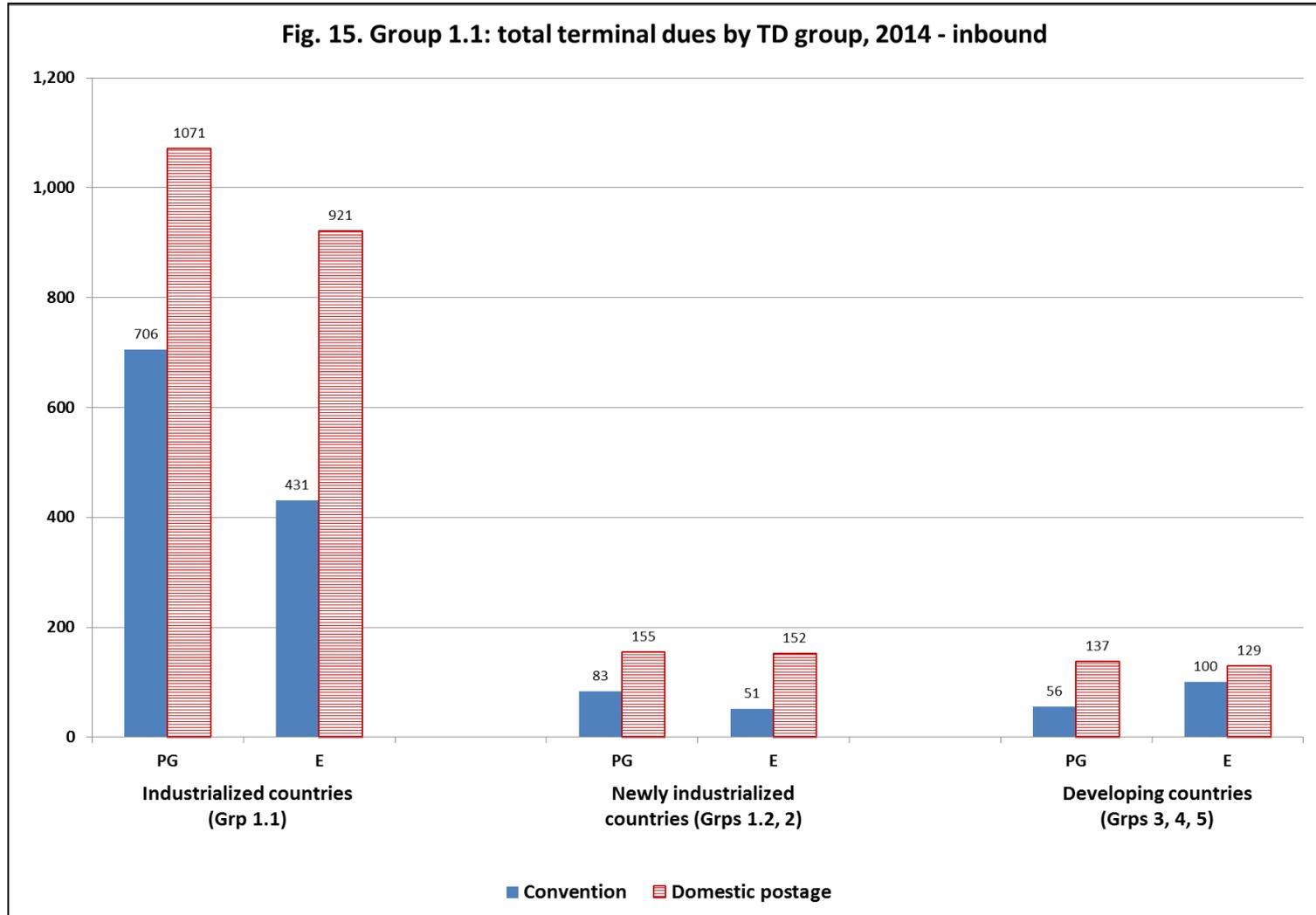
Target and transitional rate schedules



Source: James I. Campbell Jr., "Estimating the Effects of UPU Terminal Dues, 2014 – 2017" (2014) and related calculations.

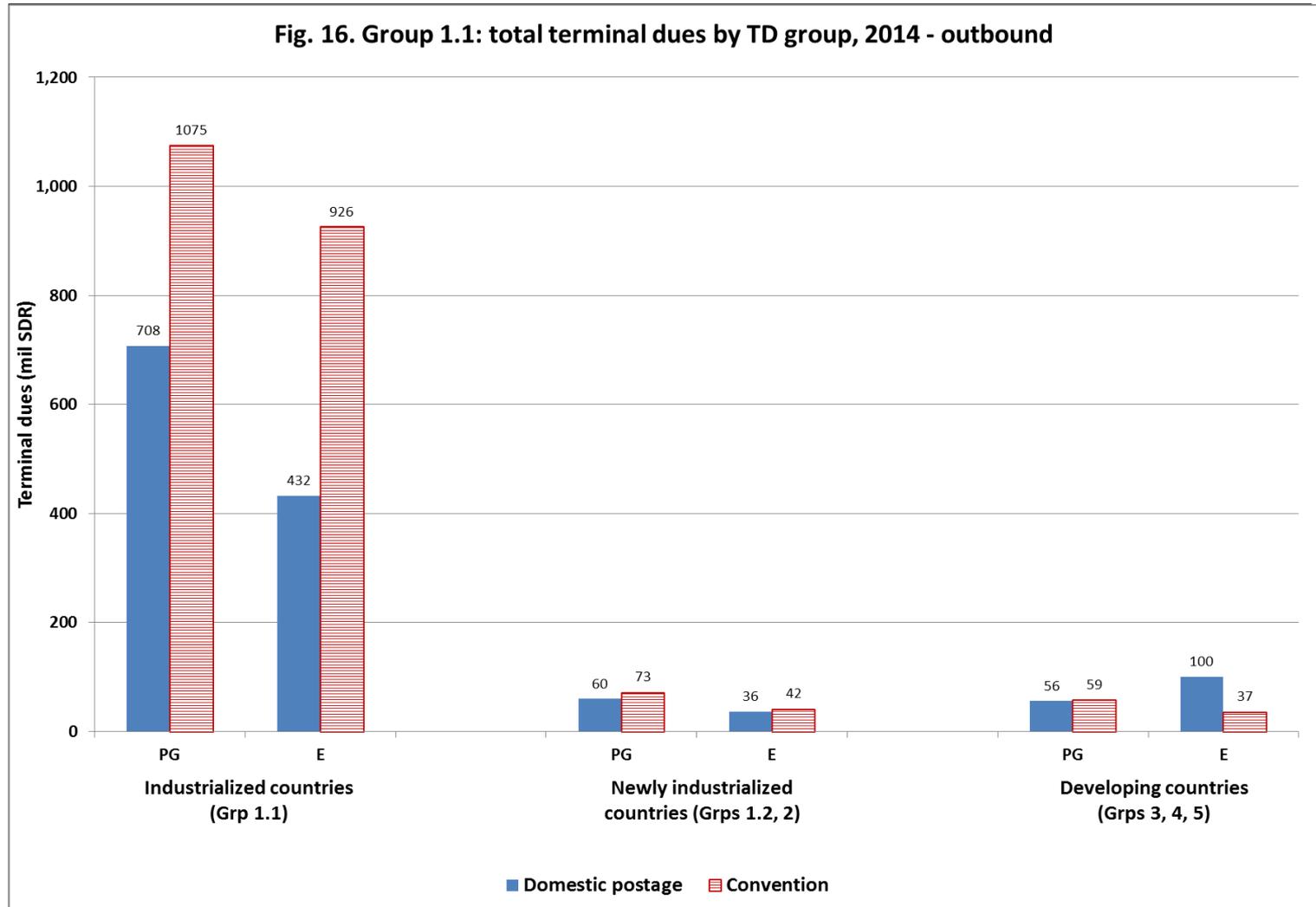
Distortions caused by UPU terminal dues and inward land rates

Group 1.1 inbound LP by TD groups



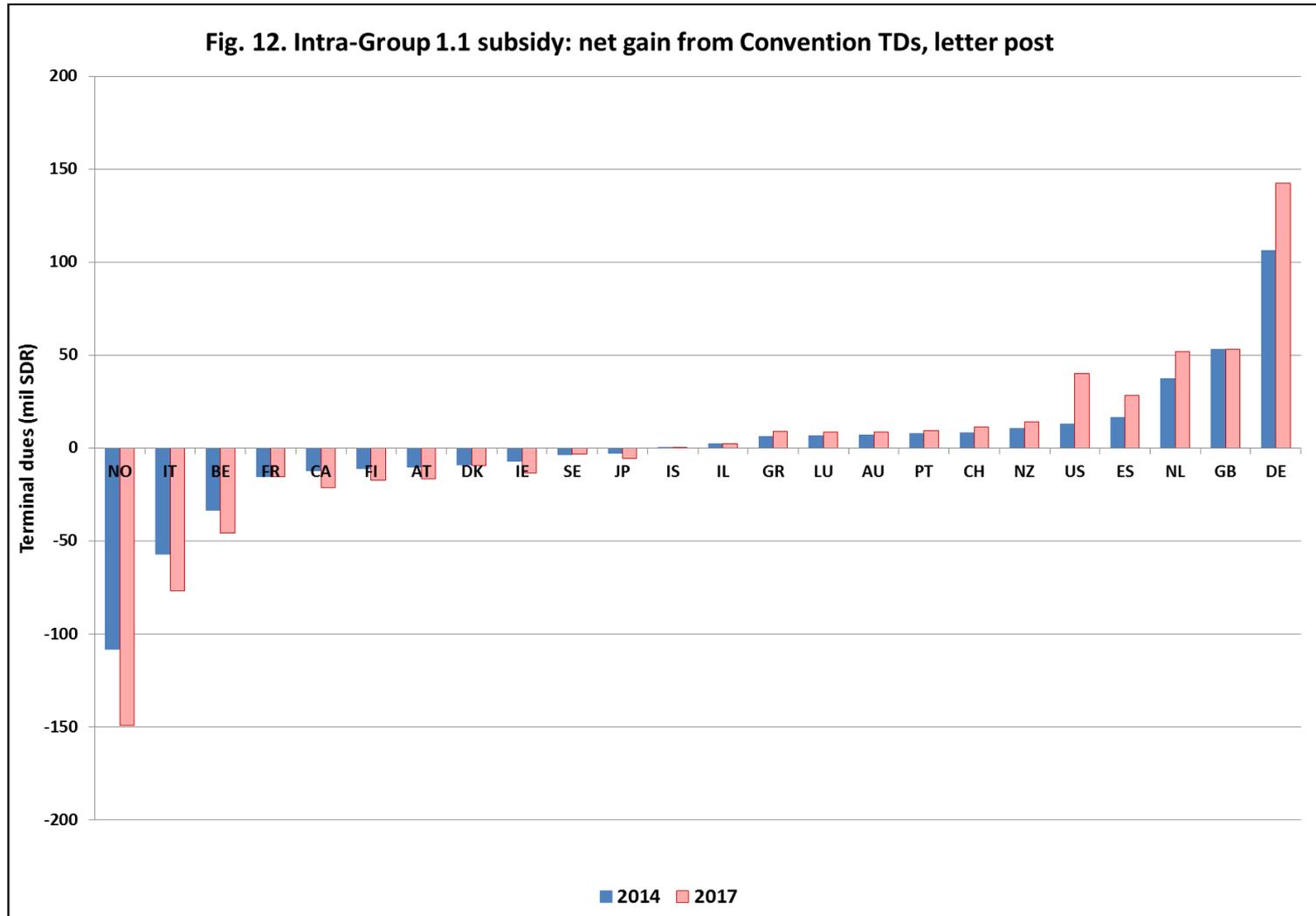
Source: James I. Campbell Jr., "Estimating the Effects of UPU Terminal Dues, 2014 – 2017" (2014) and related calculations.

Group 1.1 outbound LP by TD groups



Source: James I. Campbell Jr., "Estimating the Effects of UPU Terminal Dues, 2014 – 2017" (2014) and related calculations.

Intra-Group 1.1. Net gain or loss from UPU TDs



Source: James I. Campbell Jr., "Estimating the Effects of UPU Terminal Dues, 2014 – 2017" (2014) and related calculations.

Main distortions caused by terminal dues

- **IC domestic market dominant services are subsidizing IC competitive (and maybe market dominant) international services.**
 - Since intra-IC postal services are underpriced compared to domestic services.
 - Domestic mailers are discriminated against compared to foreign mailers.
- **Some IC DOs are subsidizing other IC DOs.**
 - The winners are low-cost exporting countries.
 - The losers are high-cost importing countries.
- **IC DOs are subsidizing DC DOs.**
 - Main subsidy is IC underpricing of inbound mail received from DCs.
- **Suppression of competition in outbound services to IC countries**
 - Private operators and ETOEs are excluded from TDs in destination country.
- **The level of distortions is probably increasing from 2014 through 2017**
 - Domestic prices are increasing faster than the 3 percent assumed by the UPU.
 - Composition of mail is shifting from documents to small packets.

USPS on terminal dues distortions

“Terminal dues rates are a significant factor in setting outbound international mail rates, . . . Increasing terminal dues rates, especially significant increases resulting from elimination of the cap or directly tying the rates to domestic mail rates, would result in a considerable increase in the cost of delivery of letter post mail abroad. . . .

“The Postal Service estimates that if the cap in terminal dues were eliminated in the upcoming Convention cycle, rates for outbound international mail would increase . . .

- Depending on the destination country, First Class Mail International (FCMI) rate increases would range from 5 percent to well over 60 percent. . .
- [For services for bulk letters and direct mail] rate increases would be significantly higher . . . nearly 150 percent increase for mail to Denmark, more than 120 percent increase for mail to Norway, and an estimated 70 percent increase for mail to France.”

Distortions caused by inward land rates

- **No estimate of distortions**
 - Parcel flows subject to inward land rates are unknown and impossible to estimate.
- **Total distortions appear to be much less than for terminal dues**
 - Distortions should be qualitatively similar to distortions caused by terminal dues, except for subsidy between IC DOs.
 - Level of parcel traffic appears to be much less than letter post traffic.
 - 50 million parcel post v. 800 million small packets.
 - Discrepancy between inward land rates rates and equivalent domestic postage appears to be less than for terminal dues.

Restraints on remail and ETOEs

Conv. Article 28. Anti-remail provision (1)

Article 28. Posting abroad of letter-post items

1 A designated operator shall not be bound to forward or deliver to the addressee letter-post items which senders residing in the territory of its member country post or cause to be posted in a foreign country with the object of profiting by the more favourable rate conditions there.

2 The provisions set out under 1 shall be applied without distinction both to letter-post items made up in the sender's country of residence and then carried across the frontier and to letter-post items made up in a foreign country.

3 The designated operator of destination may claim from the sender and, failing this, from the designated operator of posting, payment of the internal rates. If neither the sender nor the designated operator of posting agrees to pay these rates within a time limit set by the designated operator of destination, the latter may either return the items to the designated operator of posting and shall be entitled to claim reimbursement of the redirection costs, or handle them in accordance with its national legislation.

Conv. Article 28. Anti-remail provision (2)

Article 28. Posting abroad of letter-post items

4 A designated operator shall not be bound to forward or deliver to the addressees letter-post items which senders post or cause to be posted in large quantities in a country other than the country where they reside if the amount of terminal dues to be received is lower than the sum that would have been received if the mail had been posted in the country where the senders reside. The designated operator of destination may claim from the designated operator of posting payment commensurate with the costs incurred and which may not exceed the higher of the following two amounts: either 80% of the domestic tariff for equivalent items, or the rates applicable pursuant to articles 30.5 to 30.9, 30.10 to 30.11, or 31.8, as appropriate. If the designated operator of posting does not agree to pay the amount claimed within a time limit set by the designated operator of destination, the designated operator of destination may either return the items to the designated operator of posting and shall be entitled to claim reimbursement of the redirection costs, or handle them in accordance with its national legislation.

Congress Res C44/2004, C63/2008, C6/2012: Anti-ETOE provs

- **ETOE = "extraterritorial office of exchange" or office of a DO outside of the national territory of its member country.**
- **Destination DO may deny an ETOE:**
 - Access to terminal dues or inward land rates.
 - Use of the UPU postal customs procedures.
 - Use of UPU documentation.
 - DO may exercise its discretion whether or not the ETOE is legal in the origin country.
- **Denial of IMPC codes:**
 - International Bureau instructed to without assignment of International Mail Processing Center codes necessary to forward international mail to DOs for delivery under UPU procedures.
- **Authority of Congress to make law by Resolution is unclear.**
 - Constitution recognizes only "acts" such as the Convention.

Summary of remail/ETOE provisions

- **Discretionary market allocation system**
 - DOs are authorized to surcharge or return international mail which is not posted with the DO in the national territory whether the sender "resides".
 - Since a multinational company "resides" in multiple countries, a DO may intercept almost any international mail of a multinational company.
 - The net effect is the authorize DOs to restraint competition from other DOs.
- **Treatment under US and EU laws:**
 - Restraints are highly questionable insofar as they apply to:
 - IC DOs operating between EU and EEA countries; and
 - IC DO operating between industrialized countries and outside the scope of postal monopoly laws.
 - Restraints are probably reasonable insofar as they apply to:
 - DOs forwarding international mail that physical originates in ICs.
 - Restraints are probably not reasonable insofar as they apply to:
 - IC companies which produce mail in DOs for forwarding to ICs.

Draft Proposals re terminal dues



To Part II

Draft Proposals re terminal dues



To Part I

Proposed amendments to the Convention

2012 Convention

- 28. Posting abroad of letter-post items
- 29 Terminal dues. General provisions
- 30 Terminal dues. Provisions applicable to mail flows between designated operators of countries in the target system
- 31 Terminal dues. Provisions applicable to flows to, from and between designated operators of countries in the transitional system
- 35 Parcel post land and sea rates
- 36 Authority of the Postal Operations Council to fix charges and rates

Draft Proposal

- ~~28. Posting abroad of letter-post items*~~
- 29 Terminal dues. General provisions**
- 29bis Country specific system for delivery of documents and packages**
- 30 Terminal dues. Provisions applicable to mail flows between designated operators of countries in the target system**
- 31 Terminal dues. Provisions applicable to flows to, from and between designated operators of countries in the transitional system**
- 31bis Limits on the availability of preferential terminal dues and inward land rates**
- 35 Parcel post land and sea rates**
- 36 Authority of the Postal Operations Council to fix charges and rates**

* Replaced by 31bis

** Modify to exclude mail between ICs covered by 29bis

Terminal dues proposals

- **T1. New Convention Art. 29bis adding country specific terminal dues system**
 - Documents and packages exchanged between industrialized countries only.
 - Congress or CA to define "industrialized countries."
 - Rates for delivery of inbound mail to apply in the same manner as domestic rates.
 - DO retain same freedom to make individual deals with other DOs or mailers.
 - Disputes to be resolved by independent body.
- **T2. New Convention Art. 31bis specifying limits to preferential terminal dues and inward land rates available under target and transitional systems**
 - Limits on large quantities of commercial packages.
 - Limits on excessive quantities of letter post items.
 - Prohibition against use by ETOEs.
- **T3. Congress resolution re global plan for country specific terminal dues**
 - **Require CA to develop a reform plan for 2020 Congress**
 - Must preserve single postal territory; and
 - Existing benefits for social mail of needy developing countries.

Draft Proposal T1

New Convention article 29bis establishing of a non-discriminatory, country specific system for terminal dues and inward land rates for postal items sent between industrialized countries

Convention – Proposal

UNITED STATES OF AMERICA

Add a new article as follows [boldface indicates new text]:

Article 29bis

Country specific system for delivery of documents and packages

1. In this article, the terms “document”, “package”, “industrialized country”, and “developing country” have the same meaning as defined in article 20bis(1).
2. Designated operators of countries in the country specific system shall make available to other designated operators, to non-designated operators, to all other customers (without regard to nationality or residence) rates, terms, and conditions for the delivery of inbound international documents and packages in accordance with the following provisions.
 - 2.1 Designated operators shall make available the rates, terms, and conditions offered in their domestic service, on conditions identical to those proposed to their national customers.
 - 2.2 To the extent necessary and appropriate, designated operators shall also make available simplified versions of domestic rates, terms, and conditions appropriate for the delivery of inbound international documents and packages.
 - 2.3 To facilitate the exchange of international documents and packages, designated operators of countries in the country specific system may agree on a standard framework of terms and conditions for establishing rates for delivery of inbound international documents and packages. An agreement among designated operators under this paragraph shall not create an undue or unreasonable preference or competitive advantage for any operator or class of operators.
 - 2.4 Member countries shall ensure that national postal, competition, and consumer protection laws governing the provision of domestic services of the designated operator(s) shall apply in the same manner to services for the delivery of inbound international documents and packages. This article shall not prohibit designated operators of the country specific system from participating in specific commercial

arrangements where permitted by applicable national postal, competition, and consumer protection laws.

3. To resolve disputes regarding appropriate rates, terms, and conditions for the international delivery services specified in this article, affected parties shall have recourse to an independent domestic body such as a national regulator for postal services if established.

4. The country specific system shall include all industrialized countries and any developing country which declares to the International Bureau in writing that it wishes to join the country specific system.

Conforming amendments

This article would require deleting references to exchanges between designated operators of industrialized countries in articles 29 (terminal dues principles), 30 (target system), and 35 and 36 (inward land rates).

Notes

1) *Definitions*

This articles uses the same definitions as the new customs article 20bis.

2) *Country specific system for terminal dues and inward land rates*

This article, which would become effective in 2018, establishes the country specific system. The UPU Conventions of 2004, 2008, and 2012 declare such a system to be the objective for which both the target system and the transitional systems serve as “transitional arrangements”. Under this article, the country specific system is defined as a set of *member countries*, unlike the target and transitional systems which are defined as sets of *designated operators*.

Paragraph 2.1 declares the basic principle of the country specific system: that each country must provide delivery services for inbound international letter post mail on the same terms as applied to domestic mail. The text is derived, with minor revisions, from the current Convention, which requires designated operators from Group 1.1 countries to make available to each other “the rates, terms and conditions offered in their domestic service, on conditions “identical” to those proposed to their national customers”. Conv. Arts. 29(4)(1) and 29(4)(2).

Paragraph 2.2 provides that DOs shall establish simplified versions domestic tariffs suited to the delivery of inbound international mail. Generally, foreign post offices are “bulk mailers” for each other, but most domestic bulk tariffs are not well suited to foreign mailers.

Paragraph 2.3 makes clear that designated operators of countries in the country specific system may continue to agree on a standard schedule of weight steps and formats, standard

set of terms relating to priority, etc. In this manner, designated operators may continue to benefit from the operational simplifications achieved by a standard schedule of terminal dues even though the Convention no longer sets specific prices. For clarity, there is a further caveat that the standard system for quoting prices cannot be used for anti-competitive purposes.

Paragraph 2.4 provides that the disciplines of national postal, competition, and consumer protection laws apply to the inbound delivery services of the national DO in the same manner as they do to its domestic services. For example, the DO should not be able to engage in price-fixing of international rates any more than it can engage in price-fixing of domestic rates. By the same token, however, the DO may make commercial agreements and introduce rate distinctions for delivery of inbound mail in the same circumstances it is can in the domestic market (for example, in cases where the DO lacks market dominance).

3) *An impartial forum for dispute resolution*

Paragraph 3 requires that each member country in the country specific system shall give affected parties access to an impartial forum for dispute resolution, e.g., to the national postal regulator if one is established. This provision is similar to corresponding provisions advocated by the US and EU in 2006 in the Doha Round of trade negotiations and found in the WTO's 1998 Basic Telecommunications Agreement.

4) Countries in the country specific system

Paragraph 4 applies the country specific system to "industrialized countries." In the 2012 Congress, the UPU included 29 countries in its definition of "industrialized countries" based in a 1999 Congress resolution, C32/1999. In addition, as with the current target system, any other UPU member country may join the country specific system voluntarily.

Draft Proposal T2

New Convention article 31bis providing safeguards against misuse of preferential terminal dues and inward land rates granted to designated operators in the target and transitional systems

Convention – Proposal

UNITED STATES OF AMERICA

Add a new article as follows [boldface indicates new text]:

Article 31bis

Limits on the availability of preferential terminal dues and inward land rates

1. In this article, the terms “document”, “package”, “commercial”, “industrialized country”, and “developing country” have the same meanings as defined in article 20bis(1).
2. A member country may, in accordance with the provisions of paragraph 4, decline to apply the terminal dues or inward land rates provided under articles 29, 30, 31, 35, and 35 to the delivery of large quantities of commercial packages.
3. A member country may, in accordance with the provisions of paragraph 4, decline to apply the terminal dues or inward land rates provided under articles 29, 30, 31, 35, and 35 to the delivery of an excessive quantity of letter post items received from the designated operator(s) of another country, if the member country determines that the relevant bilateral flow exceeds the levels established by paragraphs 3.1 or 3.2.
 - 3.1. The destination member country determines that, excluding letter post items which are subject to paragraph 2, its designated operator(s) has received, in the relevant calendar year, a total number of letter post items or a total weight letter post items which exceeds the following levels —
 - 3.1.1 in 2018, at least 115 percent of the number of letter post items or the total weight of the received from the same origin country in 2015;
 - 3.1.2 in 2019, at least 120 percent of the number of letter post items or the total weight of the received from the same origin country in 2015;
 - 3.1.3 in 2021, at least 125 percent of the number of letter post items or the total weight of the received from the same origin country in 2015; and
 - 3.1.4 in 2022, at least 130 percent of the number of letter post items or the total weight of

- the received from the same origin country in 2015.
- 3.2 The destination member country determines that, excluding letter post items which are subject to paragraph 2, its designated operator(s) has received, in the relevant calendar year, more than 5 tonnes of letter post items.
 4. A member country may invoke the limitations on the application of terminal dues or inward land rates provided under paragraphs 2 and 3 in accordance with the following procedures.
 - 4.1 At least six months before implementing either paragraph 2 or paragraph 3, the member country shall adopt measures which provide for application in an objective, impartial, and transparent manner and shall notify such measures to the International Bureau.
 - 4.2 For the delivery of inbound international packages affected by measures adopted under paragraph 4.1, the destination designated operator(s) shall apply the following charges.
 - 4.2.1 A designated operator of a country in the country specific system shall apply charges in accordance with article 29bis.
 - 4.2.2 A designated operator in the target system or transitional system shall apply charges equal to to 80% of the domestic tariff for equivalent items.
 - 4.3 Each industrialized country shall establish dispute resolution procedures which give affected parties recourse to an independent domestic body such as a national regulator for postal services if established.
 - 5 If a member country adopts measures to implement paragraph 2 and its designated operator(s) determines by sampling that commercial packages comprise 50 percent or more by weight of the flow of letter post received from the designated operator(s) of another member country, the destination designated operator(s) may require the origin designated operator(s) to separate the commercial packages from other letter post items or, if the absence of a separation of commercial packages, apply the terminal dues specified under paragraph 4.2 to all letter post items.
 - 5.1 The sampling required by paragraph 5 shall be applied in accordance with the conditions specified in the Letter Post Regulations.
 6. The terminal dues and inward land rates established pursuant to articles 29, 30, 31, 35, and 36 shall not apply to delivery of letter post items and parcel post items dispatched by an extra-territorial office of exchange of a designated operator.

Conforming amendments

This article replaces current Convention article 28, posting abroad of letter-post items, which should be deleted. It also replaces the terminal dues provisions of several anti-ETOE Congress resolutions, which should be terminated.

Notes

1) *Definitions*

This articles uses the same definitions as the proposed customs article 20bis.

2) *Large quantities of commercial packages*

Paragraph 2 allows countries to refuse to give large quantities of commercial packages the benefit of preferential terminal dues and inward land rates. To do so, a country must follow the procedures in paragraph 4. “Packages” refers to small packets (in the letter post) as well as parcel post. The limitation applies only to packages defined commercial in current UPU customs regulations (the CN 23 form).

3) *Excessive quantities of letter post items*

Paragraph 3 allows countries to refuse to give excessive quantities of letter post items the benefit of preferential terminal dues. To do so, a country must follow the procedures in paragraph 4. The purpose of this paragraph is to prevent substantial abuses of preferential letter post rates by means of remail, i.e., taking items from an industrialized country and posting them in a developing country to take advantage of preferential terminal dues rates. To keep such abuses within tolerable bounds, the right of each developing country to preferential terminal dues is limited by to the quantity of letter post dispatched in 2015, plus a reasonable allowance for growth. The base quantity, which applies for each bilateral flow, is measured both by number of items and total weight to prevent a origin country from substituting heavy e-commerce packages for lightweight letters en masse. Commercial packages already caught by paragraph 2 are excluded from the count.

This article applies only to letter post items because (1) current UPU restrictions on remail apply only to letter post and (2) excessive remailing of packages that does not involve commercial packages subject to paragraph 2 appears unlikely.

4) *Procedures for controlling abuse of preferential delivery rates*

Paragraph 4 provides that, in lieu of preferential terminal dues, destination countries shall apply equivalent domestic postage (in the industrialized countries) or 80 percent of domestic tariffs (in the developing countries, the same standard as in the anti-remail article in the current Convention). The paragraph further provides that measures invoking these limits must be should be objective, impartial, and transparent, and notified to the International Bureau.

5) *Separation of commercial packages from other letter post*

Paragraph 5 provides a procedure to facilitate implement of the limitation on preferential terminal dues for commercial packages in cases in which commercial packages constitute a very high proportion of the letter post received from a specific country.

6) *Exclusion of ETOEs from preferential rates*

Paragraph 5 excludes ETOEs from preferential terminal dues rates.

Draft Proposal T3

Congress resolution instructing the Council of Administration and Postal Operations Council to develop a plan to extend the country specific system to all countries while preserving and improving the aid for needy developing countries provided by the current system

Proposal of a general nature

UNITED STATES OF AMERICA

Resolution [boldface indicates new text]

Towards a global country specific remuneration system that preserves the single postal territory and maintains necessary and appropriate support for designated operators in developing countries

Congress,

In view of

the rapidly changing postal markets and business environment influenced by globalization, market liberalization, regulation, and more sophisticated customer demands, [C9/2012]

Noting

a general decline in letter volumes [C44/2012] and, at the same time, the growth potential of UPU lightweight package services and the importance of security, transport and customs to the performance and competitiveness of those services, [C32/2012]

Considering

that the 21st century is the information society era, in which various forms of Internet-based economic activities are developing at unprecedented speed, and that the explosive development of e-commerce is changing people's way of life, [C33/2012]

Considering also

that demand for cross-border e-commerce transactions is increasing significantly as a result of the rapid development of e-commerce, and that there is huge potential for developing markets and increasing profit margins and that Posts are actively exploring ways of becoming main providers of cross-border e-commerce solutions, [C33/2012]

Bearing in mind

that the international postal market is increasingly characterized by liberalization, deregulation, and rising customer expectations, in addition to growing competition from technological substitution and private competitors, as well as between the public operators of member countries, [UPU Postal Operators Statement of Values]

Bearing in mind also

that many member countries are transforming their old designated operators into commercial entities, and introducing competition into the letter-post market, [C38/2012]

Bearing in mind also

that in liberalized markets, designated operators may find it advantageous to collaborate with, and use the services of, private sector commercial operators for the delivery of postal items, [C56/2008]

Bearing in mind also

that the fast-changing internal and external environment, which has led member countries to accelerate postal reform in recent years, and prompted an increasing separation of regulatory and operational functions [C13/2012]

Recognizing,

that the financial relations between designated operators should take into account the environment in which the Posts operate, particularly as regards the opening of postal markets to competition, [C57/2012]

Recognizing also

that the Conventions of 2004, 2008, and 2012 each declared that the “provisions of the present Convention concerning the payment of terminal dues are transitional arrangements, moving towards a country specific payment system at the end of the transition period”, [Conventions of 2004, 2008, 2012]

Recognizing also

the need to **achieve** compatibility between the remuneration aspects of letter-post services and the rules of the World Trade Organization, [C57/2012]

Concludes

that the 27th Congress of the Union, to be convened in 2020, should have before it for consideration, in addition to any other proposals relating to remuneration, a comprehensive plan which will realize the goal of a global country specific remuneration system that preserves the single postal territory and responds to the commercial and legal imperatives of

the increasingly competitive, package-centric markets of the future;

Instructs

the Council of Administration, in consultation with the Postal Operations Council and the Consultative Committee, to develop a plan for comprehensive revision of the remuneration provisions of the Convention which will —

- require the application of non-discriminatory country specific rates for the delivery of inbound international letter post and parcel post items in all member countries;
- ensure that designated operators are fully compensated for the costs (including common, administrative, and capital costs) of delivering inbound international letter post and parcel post items, including designated operators in countries which, for reasons of national public policy, set domestic postage rates below the full costs of production;
- allow designated operators the flexibility to conclude, where permitted by national law, specific commercial arrangements with each other, with non-designated operators, and with individual customers in order to better serve customers and protect market share in increasingly competitive markets;
- eliminate incentives for arbitrage, remail, and the establishment of extraterritorial offices of exchange caused by misalignments between domestic postage and compensation rates for delivery of inward letter post and parcel post items;
- foster efficient cooperation between designated operators and non-designated operators by eliminating unnecessary and unreasonable restrictions on use of UPU documentation or assignment of UPU-assigned codes such as those for International Mail Processing Centres;
- sustain and modernize the single postal territory by continuing, where necessary and appropriate, preferential rates for the delivery of social mail dispatched from needy developing countries to industrialized countries; and
- continue necessary and appropriate financial support for modernization of designated operators in needy developing countries.

Notes

1) The initial observations (to the last “bearing in mind”) recognize the changing market conditions and legal framework and, in particular, the increasing focus of designated operators on competitive international package delivery services. These are copied substantially verbatim from resolutions adopted by the 2012 Doha Congress or, in few cases, earlier congresses. References to the original resolutions are provided in brackets. These are the same as in the resolution set out in Draft Proposal C2.

- 2) The “recognizing” clauses relate more particularly to modernization of terminal dues and inward land rates. These are copied substantially verbatim from resolutions adopted by the 2012 Doha Congress or prior Conventions. References to the original resolutions are provided in brackets.
- 3) The “concluding” clause is new text embodying conclusions that appear to follow from the preceding observations.
- 4) The “instructs” paragraphs instruct the Council of Administration to develop a comprehensive plan to introduce a global country specific remuneration system that would replace the current system of terminal dues and inward land rates. At the same time, CA plan is required to sustain the key public policy goals of the current terminal dues system: preservation of the single postal territory, aid for designated operators in developing countries, preferential rates for delivery of social mail sent from developing countries to industrialized countries, and permitting DOs to respond to competition. The CA plan should also eliminate anti-competitive provisions which the UPU has adopted to protect the current remuneration systems.