



## Advisory Committee on International Postal and Delivery Services

*Minutes of the meeting of Wednesday, 24 April 2017, 1:00 p.m. – 5:00 p.m.  
American Institute of Architects, 1735 New York Avenue, NW, Washington, D.C.*

### Committee Members in Attendance:

- Lea Emerson- U.S. Postal Service (USPS)
- Michael Mullen- Express Association of America
- Bruce Harsh- U.S. Department of Commerce
- Ann Fisher- U.S. Postal Regulatory Commission
- Nancy Sparks- FedEx
- Keith Kellison-UPS
- Charles Prescott – Global Address Data Association
- Michael Plunkett-Association for Postal Commerce
- Steven Simchak-American Insurance Association
- Kate Muth – International Mailers Advisory Group
- Brian Palmer – Amazon
- Merry Law - WorldVu LLC
- Shoshana Grove – International Bridge
- Todd Nissen – Office of the U.S. Trade Representative

Designated Federal Officer: Joseph P. Murphy- U.S. Department of State

### Other USG participants:

- Peter Chandler – USPS
- Lauren Temmermand – DHS/TSA
- Lisa Nieman – USPS/OIG

### Opening and Adoption of the Agenda: (Agenda Items 1 and 2):

Mr. Murphy opened the meeting at 1:00pm and chaired it. The entire session was open to the public. Mr. Murphy announced the addition of three new members of the Committee who had been appointed since the previous meeting: Michael Plunkett, representing the Association for Postal Commerce (replaces Jessica Lowrance); Brian Palmer, representing Amazon (replaces Heidi Kay); and James Clark, representing the Military Postal Service Agency. The Committee adopted the proposed agenda.

### UPU Congress Outcomes: (Agenda Item 3):

Mr. Murphy briefed the Committee on the special circumstances surrounding the UPU Congress that was held in Istanbul in late September-early October of 2016. He related that security concerns prompted the Council of Administration (CA) to hold a special session in August to decide whether to move the Congress. Although the Council decided not to move it, security considerations did suppress participation, reducing the number and size of

delegations. In the case of the United States, USPS decided independently that it would not send its personnel out of concern for their safety. Mr. Murphy explained that the State Department made a decision not to include private sector advisors on the delegation, since doing so would have been inconsistent with the consular guidance in effect at the time for travel to Turkey by private Americans. He described the Congress proceedings as being highly political and related that the United States' position as chair of the Credentials Committee gave it a seat on the Congress Bureau, which was very useful in that context. Low levels of participation and the fact that amendments to the UPU Constitution and General Regulations were on the agenda made obtaining a quorum a complicating factor, he said.

Mr. Murphy characterized the Congress as having three major outcomes:

#### Governance reform

A new terminal dues structure for small packets

The Integrated Product Plan (IPP)

*Governance Reform:* Mr. Murphy explained that those advocating fundamental structural reforms could not muster the necessary 2/3 majority, so members adopted a compromise measure by consensus. Its major provisions include, holding an Extraordinary Congress in late 2018, and adopting changes to the working methods and simplified structures for the CA and Postal Operations Council (POC). Discussion of structural issues will continue in the CA in advance of the 2018 Congress.

*Terminal Dues and the IPP:* Mr. Murphy reported that the Congress adopted the proposal from the POC/CA, which the U.S. supported and on which the Committee had previously been briefed. Consequently, separate, higher rates for E-format items (i.e. small packets) will go into effect January 1, 2018. These new rates will be followed by subsequent annual increases of 13% for Group 3 countries and 9.6 increases for Group 2 countries, which will result in the harmonization of cap rates applicable to small packets between all Target System countries by the end of the Congress cycle. There will also be a significant increase in the fee for registered items. In addition, Congress adopted a new Quality of Service (QSF) Common Fund, which will create a pool of resources to implement the IPP. This fund will be supported by a 1% surcharge on some mail flows with Group 3 countries, which will make China the largest contributor to the Common Fund.

The Congress also adopted the IPP as proposed, which means that the POC will have to develop a single Integrated Remuneration System accommodating the new primary division of mail into two categories: documents and goods. Mr. Murphy noted that the Committee had previously discussed the IPP but that he would make a brief PowerPoint presentation to review it following general discussion.

He reminded the Committee that the United States had made three proposals to the Congress: one each on IT security, customs treatment of mail, reform of the system of assigning international mail processing center (IMPC) codes. The first was adopted, the second withdrawn, and the third rejected.

He then opened the floor for discussion, asking to hold discussion of IPP until after his presentation.

*General discussion:* Ms. Muth asked if private sector advisors would be included on delegation at the Extraordinary Congress. Mr. Murphy replied that he could not answer at this time, since this question would require a decision from the new leadership.

Mr. Prescott asked for elaboration on the new working methods. Mr. Murphy replied that there was consensus that the way the CA and POC were doing business was inefficient; with parallel meetings often covering the same issues; coordination problems between committees and working groups; and meetings being held all over the world, which taxed International Bureau resources. Members shared a sense that they needed to work more efficiently and to accelerate decision-making, he said. Mr. Murphy related that the Congress, therefore, decided that the POC and CA would each meet twice a year for one week instead of once a year for two. In the new structure, he noted, parallel meetings would also be strictly limited. These reforms mean that there is no longer time for working group (renamed standing group) meetings during regular POC/CA sessions. Also, there is now a requirement that all physical meetings must take place in Bern to minimize travel by International Bureau staff and to encourage virtual meetings and on-line collaboration. However, Mr. Murphy observed that, since the technology to fully support virtual meetings is not in place, POC and CA members have been traveling to Bern in February and June for standing group and other meetings, which cannot really be seen as reform, and which also hampers the participation of observers.

*U.S. Role at the UPU in the Istanbul Congress Cycle:* Mr. Murphy related that the United States was re-elected to the POC and selected to co-chair, with India, of the POC Committee on Supply Chain Integration (Committee 1). The United States will also continue to lead the Standing Group on Postal Security. Even though the United States was prevented by term limits from seeking reelection to the CA, we are still participating in CA business, in particular through the *ad hoc* Group on Reform, the Task Force on the future contribution system, and the Task Force on the pension fund, which the United States will now lead. Mr. Murphy announced that the role of Committee 1 chair is being carried out Peter Chandler of USPS, who was in attendance, and who Mr. Murphy invited to comment throughout the ensuing discussion. (He also noted that, as a consequence of our co-chairmanship, Mr. Chandler, on behalf of the United States, is leading efforts in the POC to implement the Electronic Advance Data [EAD] Roadmap.)

Before proceeding with his presentation on the IPP, Mr. Murphy acknowledged the presence of Deputy Postmaster General Ronald Stroman and former Postal Regulatory Commission Chair Ruth Goldway.

*Integrated Product Plan and EAD:* Mr. Murphy outlined the major features of the IPP in a PowerPoint presentation (included in the meeting record), noting that the initiative represented a potentially fundamental transformation of international mail with broad implications for mailers. He reviewed the division of mail into documents and goods, the requirement that all items containing goods bear a UPU standard barcode label by January 2018, and the future prohibition on placing goods in P or G format items (i.e. flats or small letters).

Ms. Law, commented that the IPP was a great idea but asked when documents and goods be better defined, referencing the definition made in the UPU Convention and included in the meeting documents, which she called “very vague.” She admitted that she expected that

USPS would provide guidance to U.S. mailers but expressed concern that time is very tight to adjust software and train staff. She also asked about the status of books and magazines and worried about possible discrepancies between UPU definitions and World Customs Organization definitions. Mr. Murphy commented that the International Bureau had given some thought to elaborating in commentary in the regulations but noted that, for now, there is no formal guidance beyond what is contained in the Convention. Mr. Chandler remarked that the issue was on the agenda of the UPU-WCO Contact Committee. He agreed that commentary in the regulations might provide an interim solution but said he saw opportunities for refinement going forward. Ms. Law noted that this response did not offer a practical path forward for mailers, since we were effectively only six months out from mailers having to implement changes. Ms. Emerson noted her own up-coming presentation to the International Mailers Advisory Group (IMAG), and said that USPS is formulating changes to the International Mail Manual. She told the Committee that USPS is “way out in front” of the coming changes noting that it already has shape-based pricing, already requires a customs form for items containing goods and commenting that these forms have a bar code. She said that the regulations implementing Congress decisions were not adopted by the POC until the last day of March, and related that we did not yet have the final version but, nevertheless, know what all the changes are. She promised a full briefing for the upcoming IMAG session.

Mr. Chandler highlighted the importance of the decision to require the application of barcodes, which has implications for item counts/remuneration, EAD, and supplementary services. Tom Foley of Globegistics asked if the barcode label requirement meant there would be an HTS label on all shipments and agreed with Ms. Law on the need for more precise definitions of documents and goods. Chandler responded that, according to IPP, all that is required is a UPU (S-10) standard barcode label, clarifying that there is no specific requirement for HTS or other data at this time. Mr. Mullen asked if the document-goods division was an attempt at risk segmentation to which Mr. Chandler responded that the EU announcement of EAD requirements had driven this decision but also acknowledged the presumption that documents are inherently safer. Mullen asked if the application of a barcode by the sending post would make data available to receiving posts from January 1, 2018. Again the answer from Mr. Chandler was “no;” it is the ITMATT message that conveys the electronic version of the CN-23 and provides customs data to the receiving post in advance. He noted that testing for the ITMATT message standard was underway but that considerable ramp-up would be required before postal services were routinely exchanging these messages. Mr. Murphy commented that EAD and IPP work is progressing on separate tracks. EAD exchange can only be accomplished on a foundation of preparedness, he said, expressing his hope that the ITMATT message standard would be accepted as stable at the fall session of the POC. Mr. Chandler noted that this message is a post-to-post message and does not necessarily give the receiving post the ability to share the data it gets with its own customs authorities or help them to collect it on intake. He commented that UPU members need to “raise the floor” while simultaneously “raising the ceiling”—advancing what can be done by both the least capable and most capable members of the global postal network. TSA’s Lauren Temmermand commented that work to advance EAD at the UPU was a coordinated effort that required working in lock step. Ms. Law flagged for the Committee that detailed information on the S-10 barcode is available on UPU website.

Mr. Palmer asked if we expected these changes to impact misdeclarations and misclassification to which Mr. Chandler replied that EAD-facilitated customs process, once adopted, should help with this problem too. He commented that UPU-WCO discussion on

building trust in the postal pipeline were on-going and that work on measures to increase customs officials confidence in the postal channel will be undertaken in the POC Security Group.

Mr. Murphy reminded the Committee that Mr. Chandler was leading the efforts at the UPU to coordinate work on EAD with work on the IPP and that his committee had developed an implementation plan for the EAD Roadmap. He reported that capacity-building work to support EAD exchange is already underway, observing that approximately half of cooperation budget of the UPU is focused on e-commerce readiness, of which EAD is a central part.

*Decisions on U.S. proposals and other Congress items:* Mr. Murphy informed the Committee that the United States' IT security proposal was adopted by the Istanbul Congress by consensus. This proposal establishes a line of effort in the POC aimed at identifying best practices for IT security and helping post to stay current with them. He related that the proposal presented by the United States on customs parity, which had been an IPODS recommendation, was withdrawn after the U.S. delegation failed to get it referred for study. Mr. Murphy commented that he was personally disappointed at the way issue was handled in committee at the Congress, which was not in keeping with the U.S. delegation's informal understandings on the matter. IMPC code reform was another disappointment, he said. Mr. Murphy explained that under the current system of assigning IMPC codes, the physical location of an IMPC is the most prominent element of the code, which provides no obvious indication of who the operator is. This opacity causes confusion and results in billing errors and in foreign posts inadvertently accepting mail originating from extraterritorial offices of exchange (ETOE), Mr. Murphy said. He said that, despite the clear benefits of the U.S. proposal for most countries, ETOE operators successfully mobilized opposition and were able to defeat it. They failed, however, to block a new Convention Article 13, which is provided in the meeting documents that restricts their use of UPU forms. Mr. Murphy also directed Committee members' attention to Congress Decision 10 (also included in the meeting documents) on providing access to UPU products and services for the wider community of stakeholders. He asked Committee members to provide their input on what products and services are of interest, commenting that phasing and prioritization of access should reflect both demand from stakeholders and benefits to the global postal network.

#### Extraterritorial Offices of Exchange (ETOE): (Agenda item 4):

Ms. Nieman followed-up on her previous presentation to the Committee by briefing members on the findings of USPS/OIG's March 31 white paper on ETOEs (found here: [www.uspsoidg.gov/document/extraterritorial-offices-exchange/](http://www.uspsoidg.gov/document/extraterritorial-offices-exchange/)), which, she said confirmed some claims made by stakeholders about ETOEs but not others. Ms. Nieman noted that there are sharply varying perspectives on ETOEs, which perform a wide range of functions, usually related to consolidation and documentation. She highlighted the discrepancy her team found between UPU and DoS figures on the number of ETOEs operating in the United States and the fact the 18 of 25 that the OIG tried to contact were not located at the address provided to the State Department when the ETOE was established. She attributed this to the fact that there is no requirement to update this data if the ETOE moves, which is a symptom of the very limited oversight of ETOEs by the Department of State. She recalled some stakeholders' concerns that ETOEs may have unfair advantages over both private consolidators not aligned with a foreign postal operators and over USPS because of their access to terminal dues without the concurrent responsibility of meeting a universal service

obligation but noted that some others see ETOEs as simply taking advantage of an inherently flawed/unfair system. She noted that ETOEs have flexibility in their pricing and operations that USPS does not have for a variety of reasons, including restrictions placed on USPS by the Fly America Act and by the possibility that ETOEs might engage in terminal dues arbitrage and/or loss-leader pricing. Ms. Nieman said that the OIG was unable to confirm claims that some ETOE operators were using UPU forms on outbound shipments in contravention of U.S. policy. Wrapping up, Ms. Nieman observed that growth of the international mailing and shipping market will continue to fuel debate on the role of ETOEs and on the terminal dues system itself.

Patrick Miller of RR Donnelley remarked that ETOE operators are easily identifiable through TSA, so there should not be any difficulty in locating them if questions arise about their activities. TSA's Ms. Temmermand confirmed that ETOE's are regulated in the United States as indirect air carriers and are, therefore, readily locatable. Mr. Nissen asked if the OIG had looked at the situation in other countries. Ms. Nieman replied that it had, relating that the European Union, for example, requires countries to provide oversight for all delivery services, not only the national postal service. Mr. Mullen asked if Ms. Nieman was saying that ETOE operators were trying to conceal their location, and she clarified that it was her sense that they complied with the request to provide their location when they were established but simply did not face any requirement to update that information if they moved.

Mr. Murphy added that the State Department no longer maintains a public list of ETOEs in the United States, since it had proven to be of little value and inaccurate in any case. He noted that the Department solicits information on ETOE location but that it has no clear authority to require this information and also that the UPU International Bureau has incorrectly cited foreign postal operators' compliance with this request as USG authorization for the ETOE. The Istanbul Congress addition of a Convention Article restricting ETOE use of UPU documentation, Mr. Murphy observed, means that ETOEs require authorization from the USG but noted that the State Department has no authority to grant or withhold such authorization. The International Bureau wants a clearer and more definitive statement of policy, which will require interagency discussion. In that discussion, the baseline question will be: Is the public interest well-served by the *status quo*? Ms. Grove commented that there appear to be compliance issues with ETOEs and suggested that better data requirements for shipments would be helpful in monitoring—if there is abuse now, more stringent requirements would help address them. Mr. Foley commented that, as a consolidator, when Globegistics uses USPS it has to get a lot of data from its clients but not when it uses an ETOE. “Why not impose the same requirements?” he asked. Mr. Murphy remarked that this was both an issue of fairness and of the security of the mail-chain. The transformation of cargo into mail that occurs between shipment and receipt of ETOE dispatches allows for the application of different standards, he said, because ETOE operators can exploit their UPU designated operator status. Ms. Grove offered that those who have been complying with commercial security requirements can offer insights that might be useful to the interagency policy review.

Pete Donaldson from Asendia commented that a free market serves the public but also remarked that ETOEs have varying levels of accountability. Noting that there are both “good apples and bad,” he expressed concern that we not overgeneralize.

Ms. Sparks highlighted that export controls apply to everyone whether they use USPS or an ETOE. “These controls are not dependent on requirements at the other end,” she said. Adding that, “If [the Department of] Commerce is not doing their job it’s not a competitiveness issue.” In reaction to Ms. Sparks comment, Mr. Foley clarified that USPS complies with U.S. requirements, while many ETOEs do not. He expressed the view that more uniform enforcement of U.S. requirements is necessary. Mr. Harsh responded that the Department of Commerce needs the help of industry to stay on target.

In response to a question from Ms. Grove, Mr. Foley noted that ETOE’s cannot import into the United States, so the focus of our discussion is correctly on exports. Ms. Emerson reminded the Committee that U.S. policy on inbound shipments has been well-communicated since 2004. (The United States does not accept ETOE shipments as international mail, and they must be entered at full domestic rates.) Following-up on Ms. Emerson’s statement, Ms. Nieman added that the OIG’s white paper found the impact of inbound ETOE shipments to be “nominal”—only 740 unauthorized shipments in a recent year.

### Any Other Business

*GIS technology and addressing:* At the request of Mr. Prescott, the Committee discussed GIS technology applications for addressing. Mr. Prescott told the Committee that in most of the world, if you have no address, you do not exist. In most developing countries people are moving to cities where migrants often live on the margins and have little education and few skills, he explained. E-commerce makes this a problem for posts, Mr. Prescott said, since a real identifiable address is needed for venders—descriptive addresses will not do. Nevertheless, traditional addressing is expensive (\$5-\$10 per address) and can be politically difficult but, he noted, GIS can offer a cheaper alternative. He lamented, however, that few venders to postal services know much about this technology and postal services themselves often lack information. Mr. Prescott reminded the Committee that Spain, because of its domestic experience, pursued an initiative at the UPU to create a nucleus of information there on resources for GIS. The initiative is to study the industry, develop guidelines, and do advocacy for addressing. Volunteer effort is key to making this initiative succeed, he said. Mr. Prescott thanked the Department of State and USPS for their support for the UPU Congress resolution advancing the Spanish initiative. (The favorable Istanbul Congress decision on this subject [C 16] is included in the meeting documents.) Mr. Murphy commented that Mr. Prescott himself deserves much of the credit for the passage of the resolution and observed that, unfortunately, the project does not have any funding. In response to a question, Mr. Prescott identified technical support in the production of educational materials for postal services and donations for a mailing or a consultant/mission for outreach as the most acute needs. He noted that support from companies or individuals would be welcome.

*Miscellaneous final discussion:* Mr. Murphy observed that the decision to hold an Extraordinary Congress has effectively split the Congress cycle in two and suggested that the focus for the U.S. over the coming months would be on development of phase 2 of the IPP and advancing AED efforts and recalled the possibility of establishing a Committee working group on the IPP. He asked if members had other issues or concerns. Returning to the earlier discussion of UPU governance, Ms. Sparks asked if the single council proposal was dead? Mr. Murphy replied that the Ad Hoc Group on Reform of the Union was examining the issue but he expressed the view that proponents of the single council have reconciled themselves to

the idea that they do not have the votes for this change. On the other hand, there is, he said, a shared recognition that the POC is not sufficiently representative of the broader membership, and he predicted that future reform efforts will aim at addressing that problem, in particular the over-representation of Western Europe and the under-representation of Africa.

Mr. Simchak inquired about the status of efforts to push back on the UPU's increased emphasis on expanding postal financial services. Mr. Murphy replied that expanding postal financial services is, in fact, a major focus of DG, who has strong support for these efforts, but he explained that the emphasis is on postal operators as vehicles for financial inclusion—banking the unbanked. As a result of 2012 Doha Congress decisions that the United States opposed, work on postal financial services is now deeply embedded in the UPU's program of work. Nevertheless, the UPU's actual ability to provide services and influence policy in the financial arena is very limited and tightly focused on the possible role of postal operators in economic development and financial inclusion, he said. Mr. Murphy said that the State Department would welcome expressions of concern over specific UPU activities but the broad course of the UPU's work in this area is set. He explained that, having lost on the issue in Doha, U.S. delegations generally abstain on decisions on financial services matters and do not actively participate in meetings related to them. Mr. Simchak noted that the financial services industry is also interested in financial inclusion and reminded the Committee of concern over non-competitive services provided by state-owned posts. Mr. Murphy noted that much of the discussion now looks at ways of leveraging post offices as platforms rather than as service providers and cited the example of Visa Inc, which has entered into a formal partnership with the UPU to support this work.

Mr. Kellison commented on the evolution of the IPP, saying that the principles of the initial proposal, which he described as self-declared rates and customs parity, were sound but he wondered if they were still guiding the effort. Mr. Murphy said that self-declared rates were certainly part of the concept as envisioned by IPP proponents but that the immediate focus on the remuneration front for most IPP supporters has shifted to the less ambitious but more immediately achievable goal of ensuring that designated operators cover their costs to keep the network sustainable. Mr. Kellison urged that we work to ensure that the original goal is not watered down. Mr. Chandler held out the example of the ECOMPRO parcel, which has self-declared rates, as a prototype that the United States would like to see replicated. Ms. Emerson noted that self-declared rates have been part of the discussion and remain in the direction of the work going forward.

Mr. Murphy adjourned the meeting at 5:00 pm.