

**UNIVERSAL POSTAL UNION –
EXCITING DEVELOPMENTS
FROM THE GENEVA
CONGRESS**

**Triangle World Mail & Express
Latin Americas Conference &
Exhibition**

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Editor, *The Prescott Report*

**THE UPU AND THE CONSULTATIVE
COMMITTEE - STRUGGLING WITH
IDENTITY AND MISSION**

Charles Prescott, Chair, Consultative Committee
UPU at Triangle Postal and Express Latin
America Conference, Miami, February 25, 2009

Ladies and gentlemen, the real subject today is
“The UPU and the Consultative Committee -
**STRUGGLING WITH IDENTITY AND
MISSION.** And I mean that in a very good
sense, for organizations that become complacent

about who they are, where they are going, and how they will get there, become irrelevant
and fade away.

Because the UPU, is engaged in that struggle, I am confident it will survive, and if
its membership continues to be engaged, it will thrive. But, it will continue to be touch
and go, because the relevance and functions of all postal systems are under enormous
stress due to media, social, technological and demographic changes, world-wide.
Moreover, increasingly, posts are divided between the “liberalized” posts of
predominantly the developed world, and government-run posts many of whom pretend to
have a monopoly. Thus, all posts are subject to competitive stresses in much of their
business. Thus, there are bipolar stresses of several kinds impacting the UPU: liberalized
and government agency posts, monopolies and competitive postal markets, and
developed and developing countries, big and small. And all of those constituents have
different needs and different agendas.

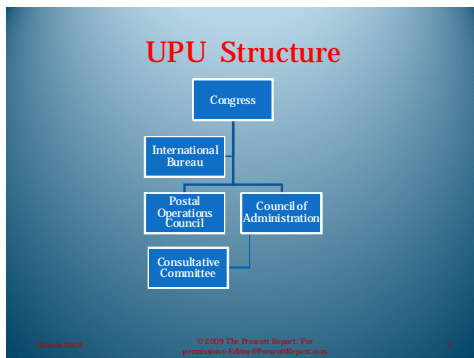
The good news is that the UPU is engaged in dealing with that change and stress, and through the ‘UPU way’ of striving for consensus, it continues to be a reasonably effective forum for negotiations and rule-making on many subjects.

In the words of its Director General Edouard Dyan, its work agenda includes ”e-commerce, technological development, intelligent mail, facilitation of international trade and exchanges, electronic money transfers, sustainable development, international cooperation, postal infrastructure at the service of development policies, and development –rather than downsizing-of the universal service.”

Very briefly, the UPU’s mission is to promote the international postal network. It is a United Nations agency made up of 191 sovereign nation members. It consists of four bodies. The secretariat, or the executive arm, is called the International Bureau, IB, which is housed in Switzerland in a bucolic setting. The IB has 151 “core” employee positions, or full-time equivalents, and in my view could well use many more. The IB does what it is told to do by its members.



The policy-making body of the institution, which sets the broad work program and direction, is called the Congress. This is a meeting of the member nations every 4 years, the last time being in Geneva last Summer. Between Congresses, the work program is executed primarily by the Postal Operations Council, 40 member countries elected at the Congress, and usually consisting of representatives of the universal service obligation posts. Third, there is the Council of Administration, 41 elected members, which manages longer term planning, strategic thought and overall supervision of the execution of the work program. In the case of the United States, Congress has delegated responsibility for all representation at UPU bodies to the State Department.



Finally, the newest part of the UPU is the Committee which I chair, the Consultative

Committee. The committee was established in 2004 to provide for participation of a wider



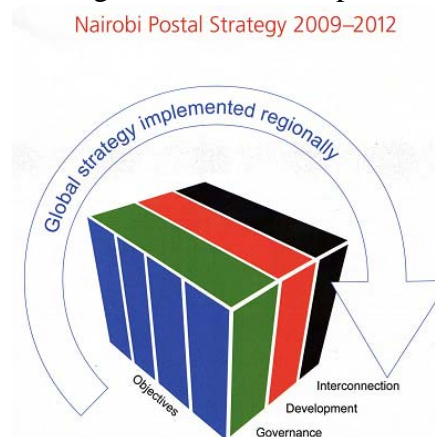
constituency in UPU activities. Membership is open to “non-governmental organizations representing customers, delivery service providers, organizations of workers, suppliers of goods and services to the postal services sector, and like organizations of individuals and companies that have an interest in supporting the mission and objectives of the UPU.” Our members participate fully in the deliberations and activities of the UPU and we undertake independent projects. We cannot vote, but we are consulted for our views as representatives of the wider postal sector. In fact, Congress adopted our proposed resolution requiring the UPU to engage our Committee and the private sector in its deliberations, to seek our advice and expertise regarding development projects, and to discuss with us possibilities of launching public/private partnerships to support postal development. This was the FIRST time that a resolution was put forward by a non-member of the UPU, although in principle it was introduced by Spain.

Our own work program includes activities in sustainable development, revenue protection, membership development and addressing. I have information here about membership and our work, by the way, and I'd be delighted to answer any questions you might have about our work.

The UPU does what Congress tells it, and this is embodied now in a four year roadmap, the Nairobi Postal Strategy. This comprises four broad objectives that define and limit the work program goals through 2012. This graphic depicts the result of the long and hard work of the Strategic Planning Group of the Council of Administration over a 4 year period. Led by the US, this Group engaged in a sophisticated alternate scenario visioning and planning exercise, to develop this Strategy and the underlying plans.

The Strategy has 4 pillars, or over-arching objectives, which I'll touch on in a minute. There are 3 axes – interconnection, development and governance; and 3 postal dimensions – physical, electronic and financial.

This last point on 3 dimensions articulates clearly that the UPU's members recognize the digital challenge, and opportunity, and that “good old money orders”, in a new form, are still a postal matter. In fact, the postal money order system at the UPU dates back to 1878. It's migration to the digital world, and the role of many posts in the financial sector of their countries, is now a subject of UPU work, not without controversy.



This strategy is extremely detailed. Under these four pillars are eighteen concrete

programs with numerous specific projects under each program, and each project has clearly-defined and measurable deliverables. I'll mention a few projects in a moment.

Also a new refinement, the strategy calls for implementation of the programs on a regional basis and the use of indicators of success and report cards that will be issued periodically. This discipline will help identify shortcomings that can be addressed on an ongoing basis. Unfortunately, despite the urging of my Committee and several member countries, these report cards will not be made public. Nevertheless, long term this discipline will have an impact on the member countries. Like everyone else, postal and ministry officials do not like to be embarrassed in front of their colleagues.

Let's take a look at a few of the programs within the 4 pillars to give a taste of what the UPU does. If your business is with a post, or depends on the post, you owe it to yourself to learn about the different projects and to determine if your interests are at stake, or if perhaps opportunities lie therein. If so, I invite you to join the Consultative Committee and have your interests represented. That's part of our job.

First, under Objective 1, Improving interoperability, quality and efficiency, note that the recital refers to remain "relevant to market and customer needs". While this is a self-evident goal in the private sector, the idea that posts serve markets and have customers was not of much currency before about 10 years ago. Indeed, I have discovered that very few people in the postal business, or the courier business, understand that they have two customers, the sender and the receiver,

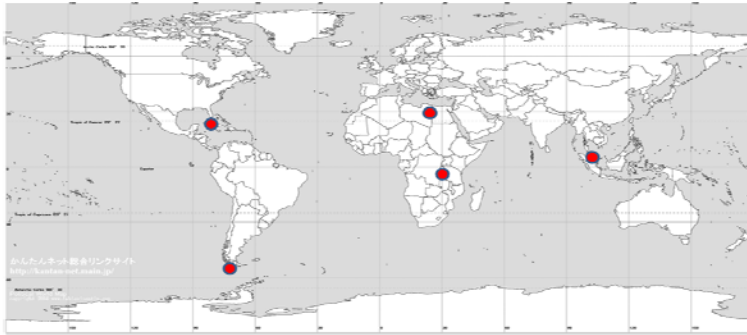


and their success depends on satisfying both. I recall vividly the words of the VP of Marketing of the famous gift company Harry and David, who told me he had two customers – the gift giver and the gift receiver, and both must be satisfied. It is not clear to me that the postal value chain understands that in a sense they are in "the gift business".



Also here we find reference to further developing the electronic and financial networks among posts, and continuation of the work on the top level domain dot Post.

Of course, the recognition of the importance of the electronic and financial worlds was not without a history, nor was the new stress on regional action to realize the programs. Networks for track and trace and financial transfers among posts have been developed and operated for several years now by the Postal Technology Center or PTC at the UPU. These are called the International Financial System (IFS) and International Postal System (IPS). They operate worldwide and 24/7 through the Postal Technology Center in Berne and in 5 Regional Support Centers (Uruguay, Puerto Rico, Tunisia, Tanzania (United Rep.) and Singapore), and a new partner in Montevideo. They



maintain the networks for track and trace for parcels and letters and the money transfer system, using applications developed by the PTC and communicating via UPU's POST*Net network. In short, the UPU

rules and systems touch physical and electronic transfers of mail, parcels, and money. Both these systems continue to expand.

Much of the interest in the electronic money transfer network grows out of the huge amounts remitted by immigrant labor, worldwide, and the UPU has seen itself as an advocate for bringing those money flows into their secure global network and away from informal systems, or more costly open market systems.

Another important project under this heading is the linked problems of IMPC's and ETOE's. IMPCs are number codes that identify the physical international mail processing centers from which mail is shipped. ETOE's are extra-territorial offices of exchange operated by posts in countries other than their own and they each have an IMPC. The codes are used to track bags of mail and for accounting, especially terminal dues payments.



With the increase of liberalization of postal services, and the foreign investment by these posts in other countries, the registration of these mail processing centers has multiplied. Moreover, some of these IMPCs have been issued to private companies that are not related to UPU postal members. The result has been increased confusion in who is dispatching mail, for whose account, and who should bear the cost of undeliverables.

Since ETOEs are owned and operated, for the most part, by postal systems operating on another country's territory, should an ETOE pay under the terminal dues system, or should it be treated like a commercial operator, who would generally pay more to deposit mail in another country? And what of private companies? Do they pay terminal dues rates? If so, the rates of what countries. ETOE's have proliferated, especially in the UK and the US, as the postal business is liberalized and postal systems recognize such businesses as opportunities for growth. But IMPC's can be used to "scam the system".

The UPU is to continue to study these two issues, and no further codes will be issued until debate occurs and a decision is taken by the membership. If you are impacted by this issue, you should be aware that this debate will be lively and you should come to the Consultative Committee in order to have your interests represented.



Also under this Objective are programs to improve address quality and systems, in which the CC will be engaged. Also here is a very important program to install the UPU Global Monitoring System. This will be an expansion of an existing RFID-based system which measures quality of service for priority mail between and among postal operators. Countries in more advanced states of development will receive increased terminal dues payments for meeting and beating certain service levels. The target has been set at J+5 for 65% of priority mail traffic, and the last set of report cards showed that nearly all postal systems outside Europe and North America were falling well short of these targets. An improvement up to the target can only be good.

Next, under objective 2, the UPU will continue to assist countries, especially developing economies, to define and install universal service programs. Importantly, it will research the different funding mechanisms being developed to support universal service.



Under objective 3, promoting sustainable development of the postal sector, a number of programs relate to classification of countries for terminal dues and Quality of Service fund purposes, the remuneration system of terminal dues and inter-post payments and other quality-linked postal payment systems. The UPU will also engage with the United Nations Environmental Program to

measure the carbon footprint of the postal industry and make operating recommendations.

Our Committee has two projects related to sustainable development – one chaired by the global postal union Unipost, which will gather information on the programs of posts world-wide on sustainability, the postal carbon footprint, and programs/arguments explaining and supporting direct mail in environmental terms. We also have a project chaired by Postcom to assist posts in identifying revenue protection needs and solutions to those needs. There is a lot of income leakage in postal systems.

Under Objective 4 let me mention specifically the continuation of the Direct Mail Advisory Board and its work to promote direct mail programs in the posts throughout the world. For example, it holds direct mail market development programs for posts around the world. It is also about to publish a definitive guide for posts on developing direct mail programs. It is pretty clear that a post that isn't addressing the unique nature of direct mail programs won't be very successful. And, unique in the UPU, the DMAB is self-funding and warmly welcomes companies with any interest in direct mail into membership. It is an excellent platform for vendors and posts alike.

There are also programs on assisting posts develop customer service programs, employee training, satisfaction surveys, etc. and to develop an IFS brand for use worldwide. Also of interest to the development of postal services worldwide and responding to calls from the developing countries for more technical and financial support is the continued approval of the Quality of Service Fund, which is extended to 2016. This fund was created in 1999 at the Beijing Congress and is funded by a form of surcharge on terminal dues paid from developed countries to less developed countries. Developing countries can apply to use these funds for projects which will improve the quality of service in international traffic. In the first eight years of the fund, nearly four hundred projects were approved worth approximately US\$80m and which have benefited more than 150 postal operators.

If one project perhaps exemplifies the spirit and purpose of the UPU's strategy more than any other, it is the global addressing project of the Consultative Committee. We are promoting an unrealizable vision: the establishment at the UPU of a database of every delivery point, every address, in the world, and access to every change of address service by all posts worldwide, all managed through the UPU and accessible to mailers everywhere. The benefits to mailers, posts, and the environment are absolutely not at issue. And we have started by surveying the state of address systems and change of address systems worldwide. These are in dire need of expansion and improvement, and we are in the

The Vision

- Every address
- Every delivery point
- Every change of address
- Worldwide
- All the time
- By anyone

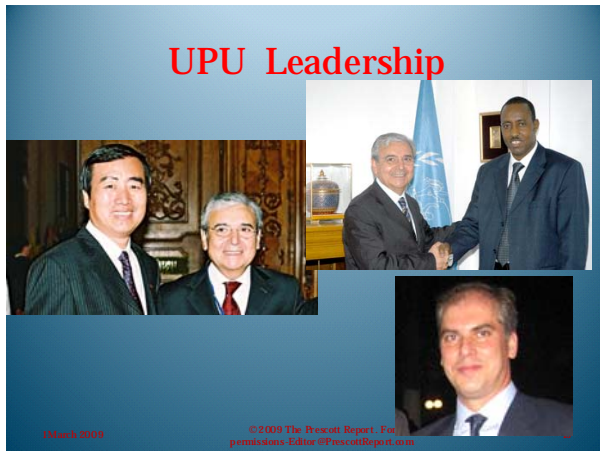


process of uncovering the needs, and the barriers to realizing our vision.

One high point of our work will be a Global Addressing Summit tentatively scheduled for Fall 2009. This will be only a first step, however, since the Addressing subject is so diverse we shall be uncovering the issues and complexity of the subject for the next four years, and you can join the discussion at 11 AM today at our workshop panel on the subject titled Sorting Out the Address.

This and many other programs being carried out by the UPU are expensive. The budget is approximately CHF 73.2 million (USD 65 million) for a two year budget cycle. Not much for what is accomplished. In any event, this amount only funds 76% of assignments given to the IB by its members. And many of the UPU's activities are funded either through the revenues of an activity or through voluntary donations.

So, in conclusion, the UPU begins its work under the Nairobi Postal Strategy with a modified structure, new organizational disciplines, and keen attention to concrete and discrete deliverables. The Consultative Committee also begins its work with discrete projects and interests clearly expressed and integrated into the work of the International Bureau.



It has continuing leadership in its Director General, M. Edouard Dayan and Vice Director General Huang Guojeng, and new leadership in the Chairs of the CA, Ambassador Bishar of Kenya and the POC, Dr. Taprantsis, CEO of the post of Greece.

I believe the institution will continue to ably serve its members and act as the rule-making body for the international carriage of mail and parcels, and its work will continue to evolve into the digital world and expand with the peripheries of the postal business world-wide. But this will only occur with the continued energetic involvement of its members.