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The UPU's “self-declared” terminal dues: a preliminary evaluation and proposed way forward

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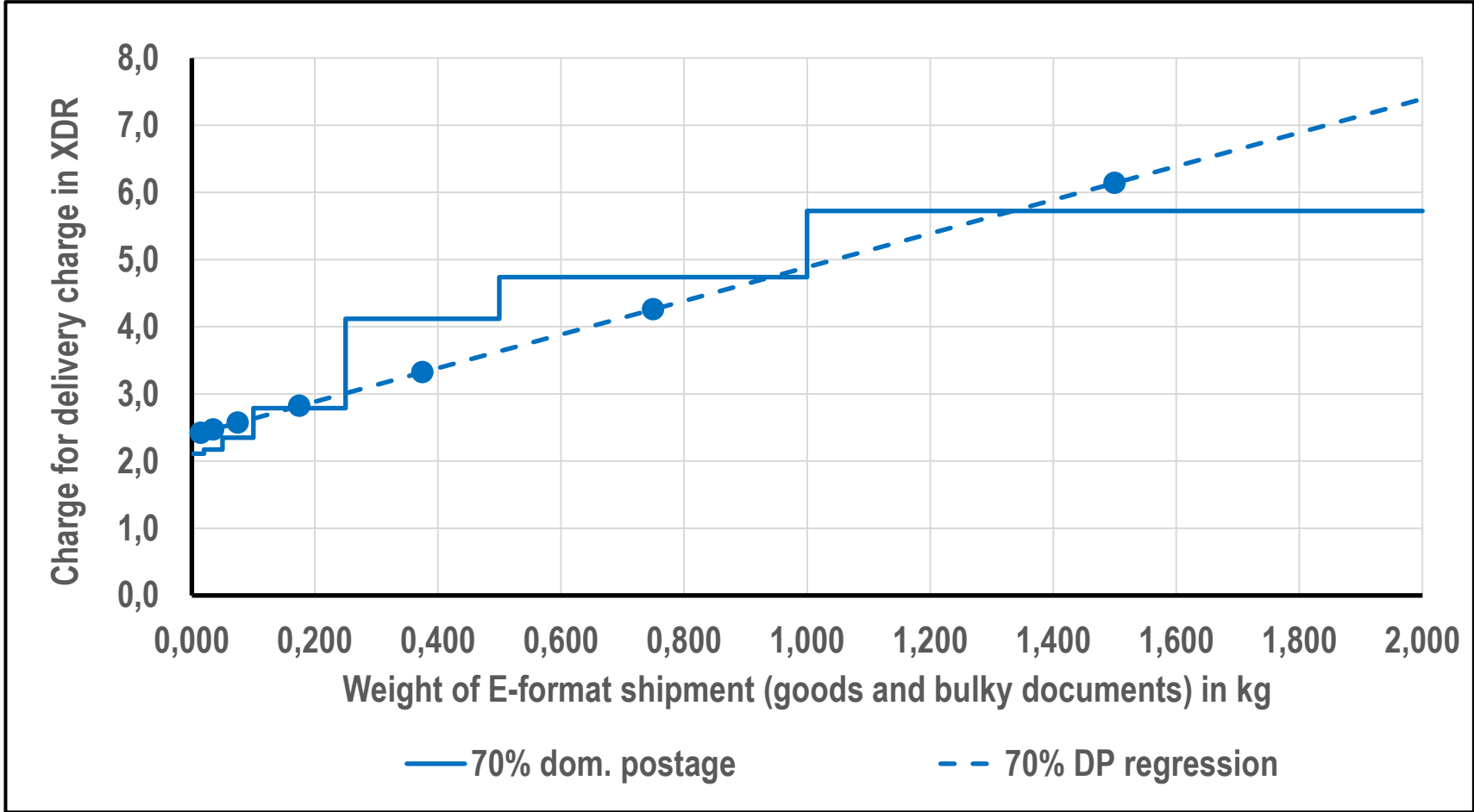
The Basics

Definitions and axioms

1. **“Terminal dues” (TDs) — fees set by Universal Postal Convention that designated operators (DOs) pay each for delivery of inbound international mail (< 2 kg).**
2. **Delivery of inbound international mail is a domestic postal service.**
3. **Rates for domestic postal services should not discriminate between mailers on the basis of nationality.**
4. **TDs should not discriminate between foreign and domestic mailers.**
5. **TDs should exclude costs of collection.**
 - Similar to bulk rates for domestic mailers.
 - UPU standard: TDs should equal 70% retail domestic postage.
6. **Rates for delivery of inbound mail should be “linear”(X per kg + Y per item).**
 - UPU premise: it is impractical for origin DOs to sort mail according to diverse weight step regimes in 200+ destination DOs.

Example: linear regression v. 70% of domestic weight steps

70% of domestic postage rates for small packets at 7 standard weight steps v. a linear regression of the weight step rates at the average weight of each weight step.*



Average weight per step (gr)	Deviation from 70% domestic postage
15	15%
35	14%
75	9%
175	1%
375	-19%
750	-10%
1500	7%
Avg.	2%
Abs. avg.	11%

* Average of 2023 rates of 20 major developed (Group I) countries with self-declared rates.

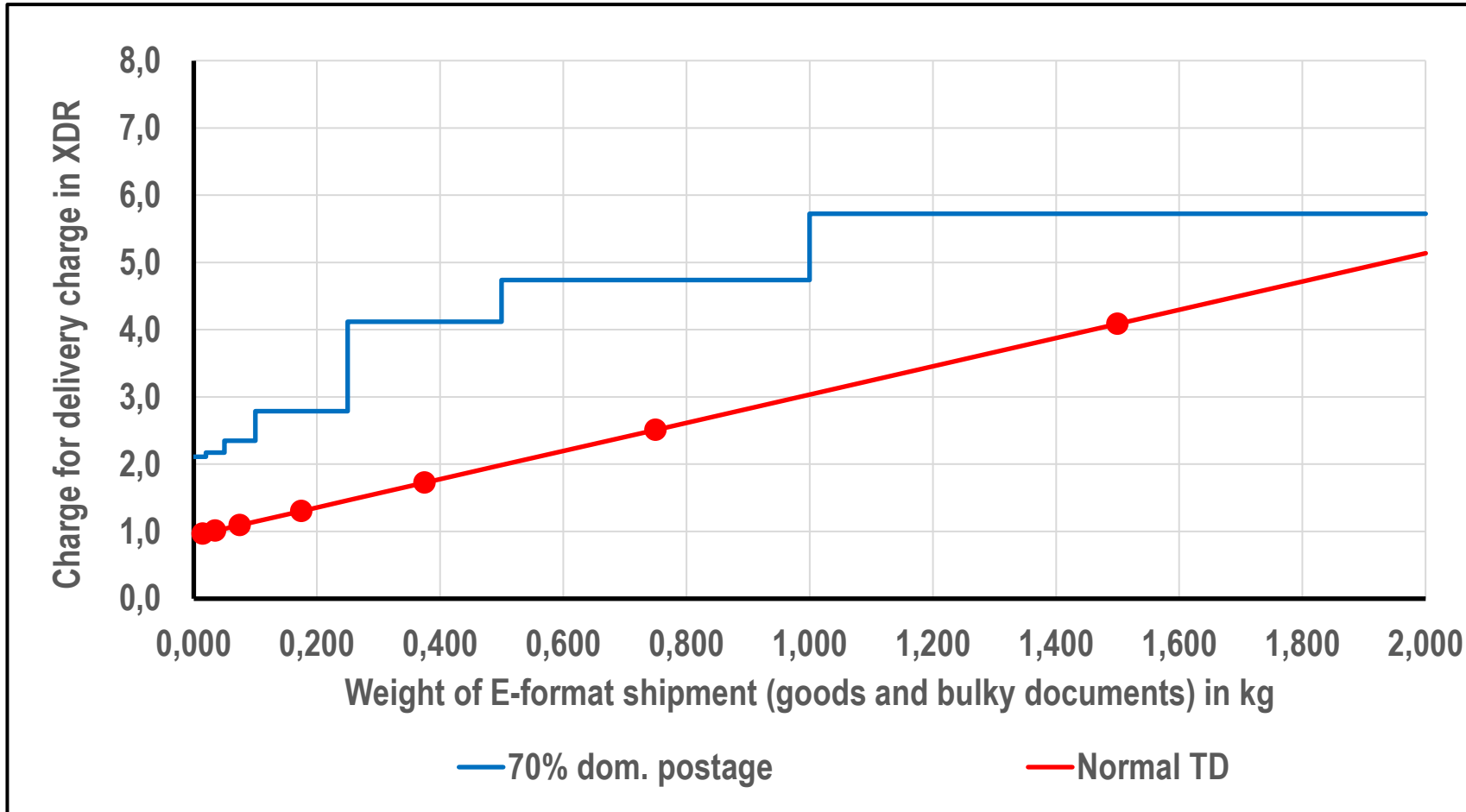
Normal UPU terminal dues rates

Normal UPU terminal dues (TDs) are not based on domestic postage

- **Normal TDs are too low in advanced countries.**
 - Major postal operators charge each other substantially less than 70% of domestic postage for delivery of delivery of inbound mail.
- **Normal TDs create distortions and inequities.**
 - Benefit foreign e-commerce sellers at the expense of domestic merchants.
 - Benefit net exporting postal operators at the expense of net importing postal operators.
 - Benefit international mailers at the expense of domestic mailers.
 - Limit competition from non-postal carriers.

Example: normal terminal dues v. 70% of domestic weight steps

70% of domestic postage rates for small packets at 7 standard weight steps v. a linear regression of the weight step rates at the average weight of each weight step.*



Average weight per step (gr)	Deviation from 70% domestic postage
15	-54%
35	-54%
75	-54%
175	-53%
375	-58%
750	-47%
1500	-29%
Avg.	-50%
Abs. avg.	50%

* Average of 2023 rates of 20 major developed (Group I) countries with self-declared rates.

Self-declared terminal dues rates (2020 - 2025)

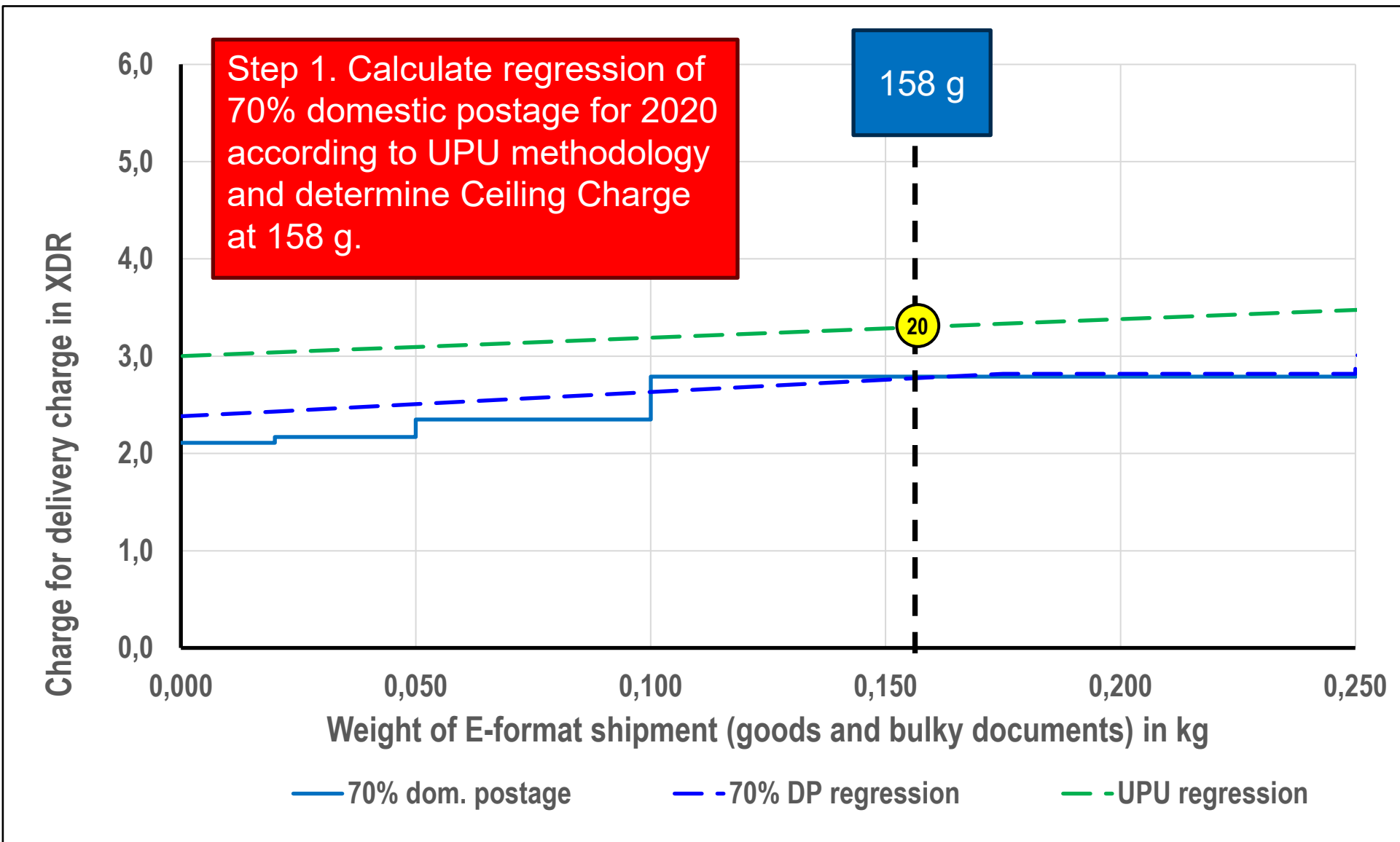
Origin of “self-declared rates” (SDRs)

- **United States demanded reform of TDs for e-commerce goods.**
 - About 30 countries supported US call for self-declared rates.
 - Goal: TDs for delivery of inbound goods should “fully reimburse for costs to the same extent as domestic rates for comparable services”
- **In 2019 UPU adopted “self-declared rates” (SDRs) as an optional alternative to normal terminal dues.**
 - SDRs apply to delivery of “E-format items”: small packets and bulky documents less than 2 kg.
 - Goal: allow each DO to establish SDRs up to 70% of its retail domestic postage.
 - SDRs are default rates only; no restriction on TDs set by bilateral or multilateral agreement.

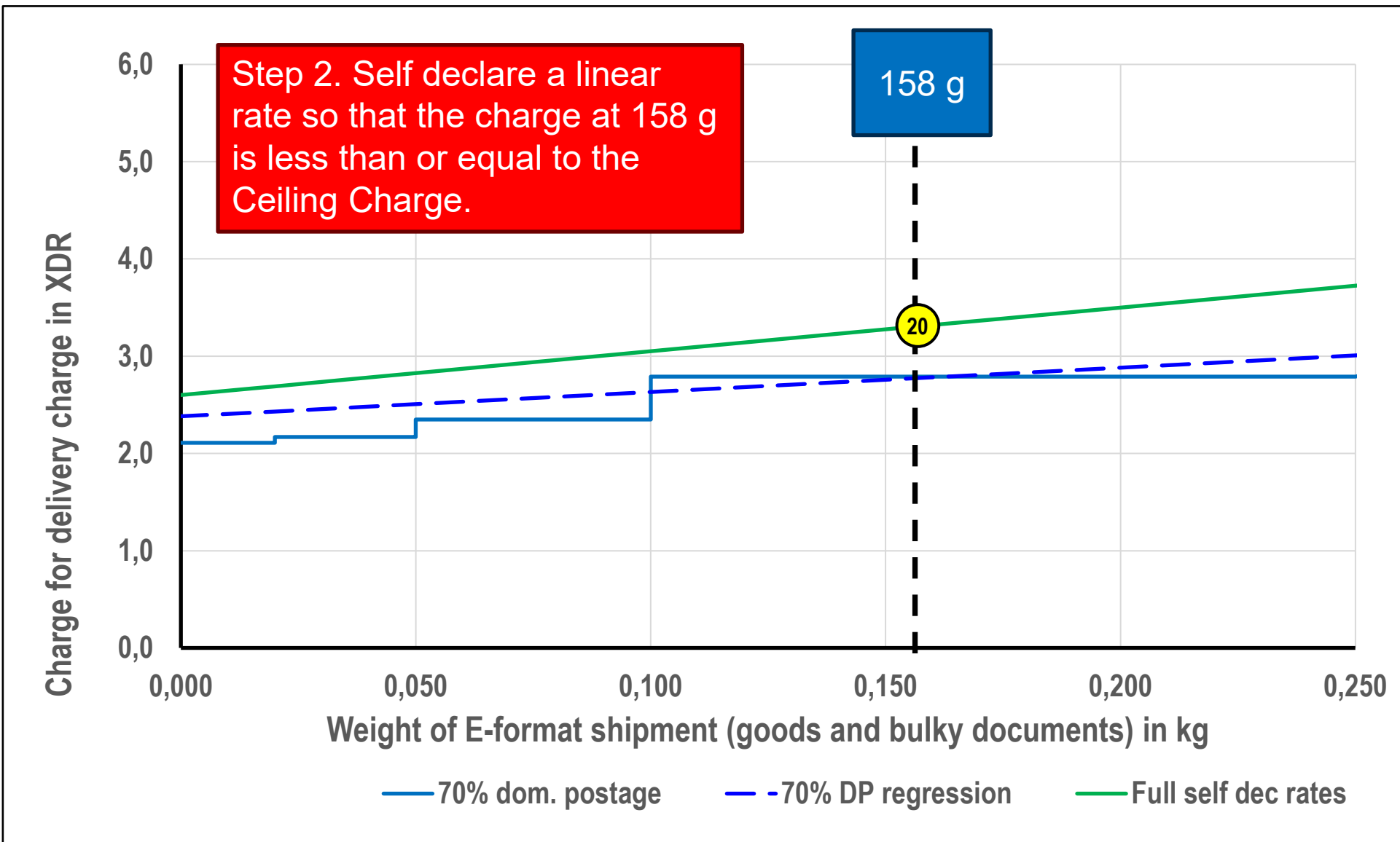
Two versions of self-declared rates: “full” and “limited”

Limits	Full self-declared rates	Limited self-declared rates
Format	Single linear rate 0-2 kg	
Scope	Applies to “E-format” items < 2 kg: “small packets” (goods) and “bulky documents”	
Rate at 158 g	Ceiling Rate: rate implied by <u>UPU</u> <u>adjusted</u> regression of 70% of domestic rates	Lesser of (1) Ceiling Rate or (2) 15 to 17% above prior year rate at 158 g.
X-intercept	± 50 grams from prior year x-intercept (not applicable in 2020)	± 50 grams from prior year x-intercept
Flows	Flows to/from US only	All inbound flows except from US
Begin	1 July 2020	1 January 2021
Exemption	Approximately 120-140 developing countries exempt	

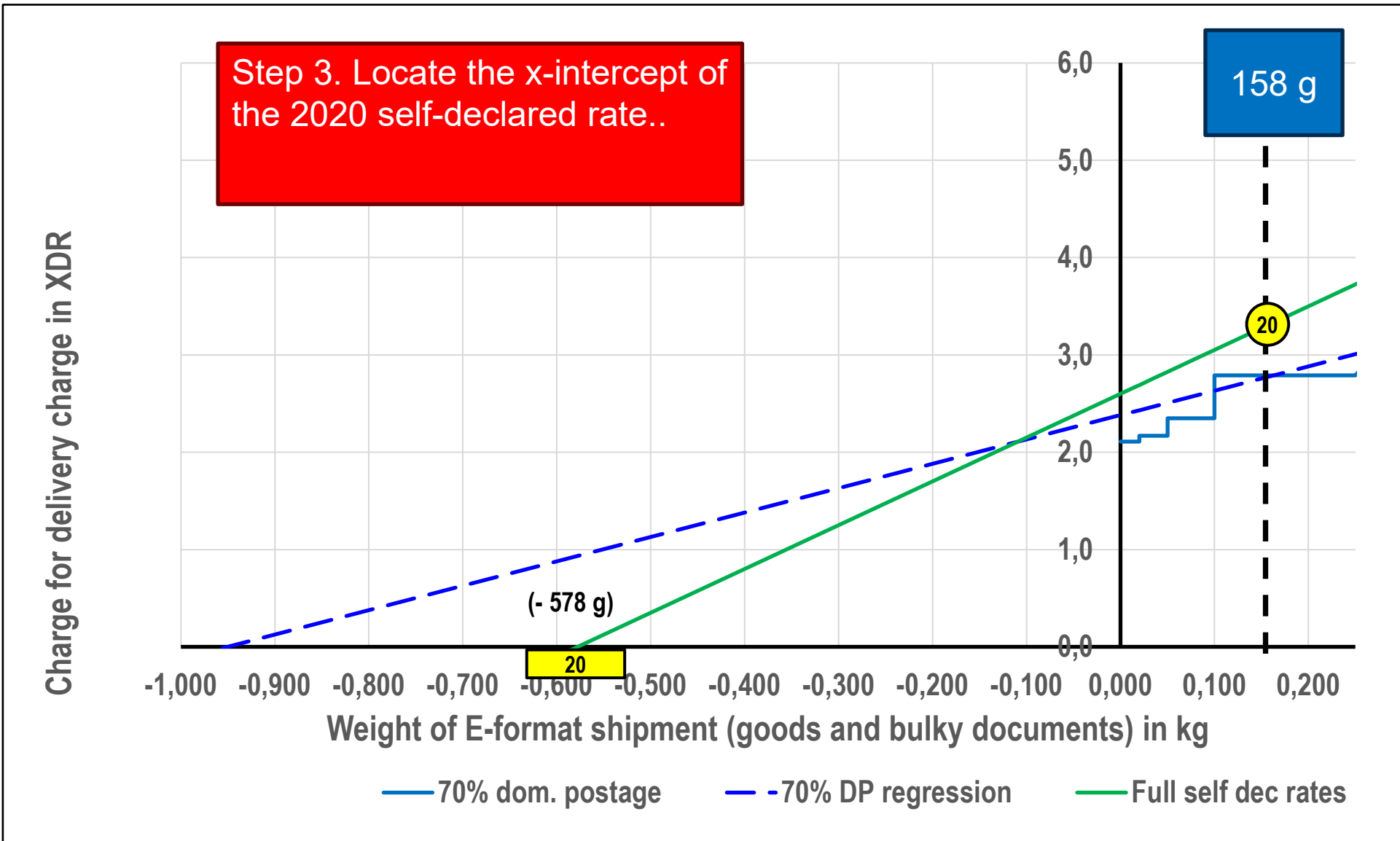
Full self-declared rates, 2020



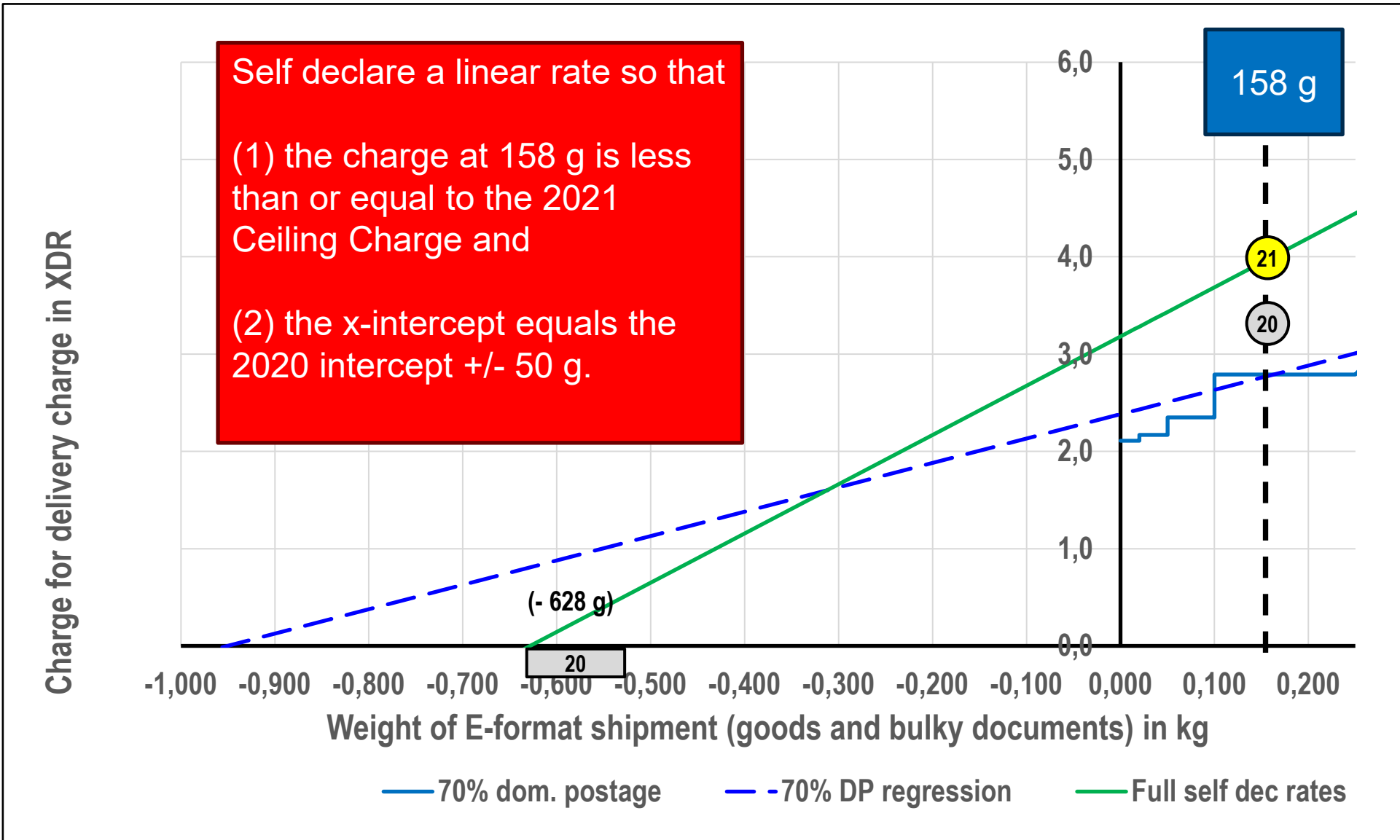
Full self-declared rates, 2020



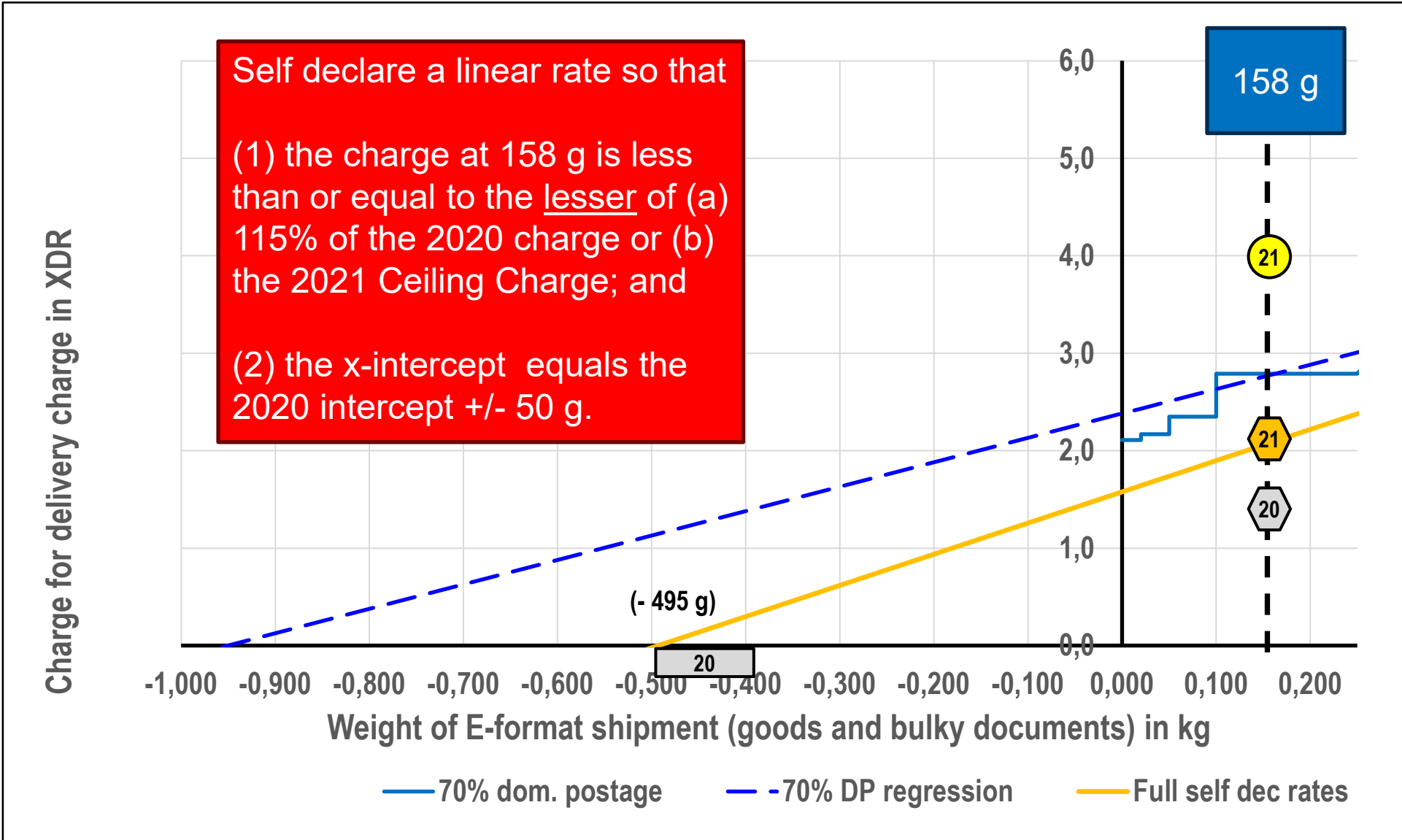
Full self-declared rates, 2020



Full self-declared rates, 2021 (and after)



Limited self-declared rates, 2021 (and after)



Who has adopted self-declared rates?

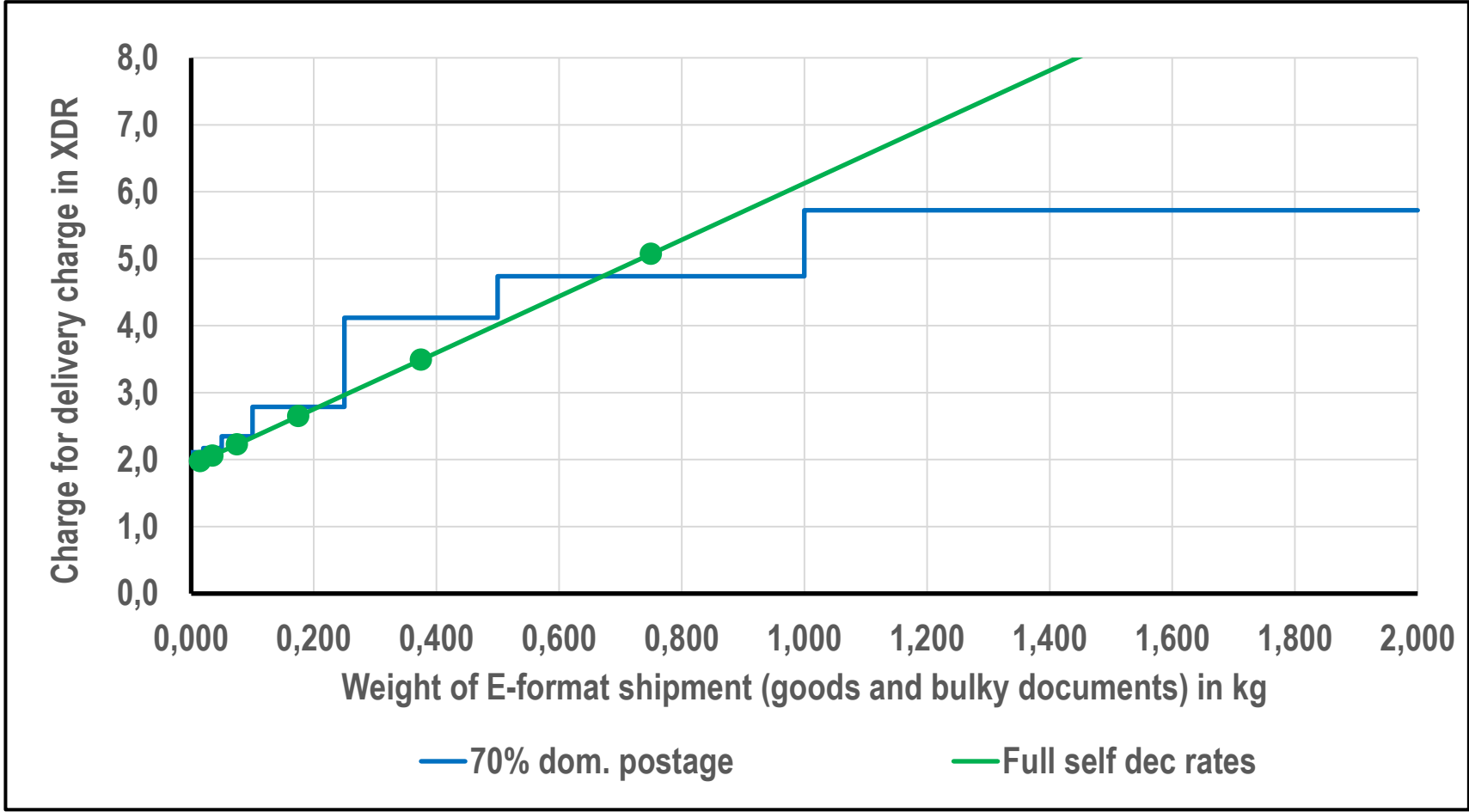
- **24 of 28 economically advanced countries**
 - Major exceptions: Israel and Spain.
- **13 to 17 out of 162 developing countries.**

Countries in current analysis: 20 advanced countries with pop. > 1 million.

How well do self-declared rates align with 70% of retail domestic postage?

Example: full self-declared rates v. 70% of domestic weight steps, 2023

70% of domestic postage rates for small packets at 7 standard weight steps v. a linear regression of the weight step rates at the average weight of each weight step.*

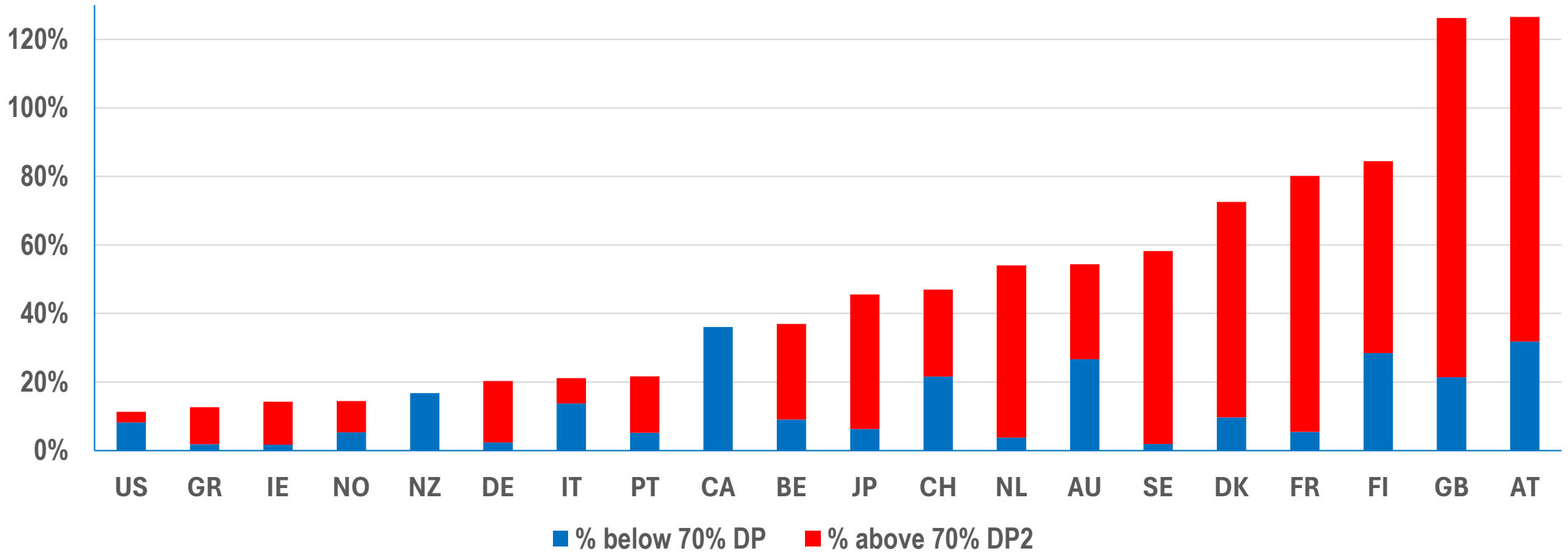


Average weight per step (gr)	Deviation from 70% domestic postage
15	-6%
35	-5%
75	-5%
175	-5%
375	-15%
750	7%
1500	44%
Avg.	2%
Abs. avg.	13%

* Average of 2023 rates of 20 major developed (Group I) countries with self-declared rates.

Full self-declared rates: national deviations from 70% DP - 2023

Full self-declared rates: deviations from 70% of domestic postage
(average across wt. steps) - 2023



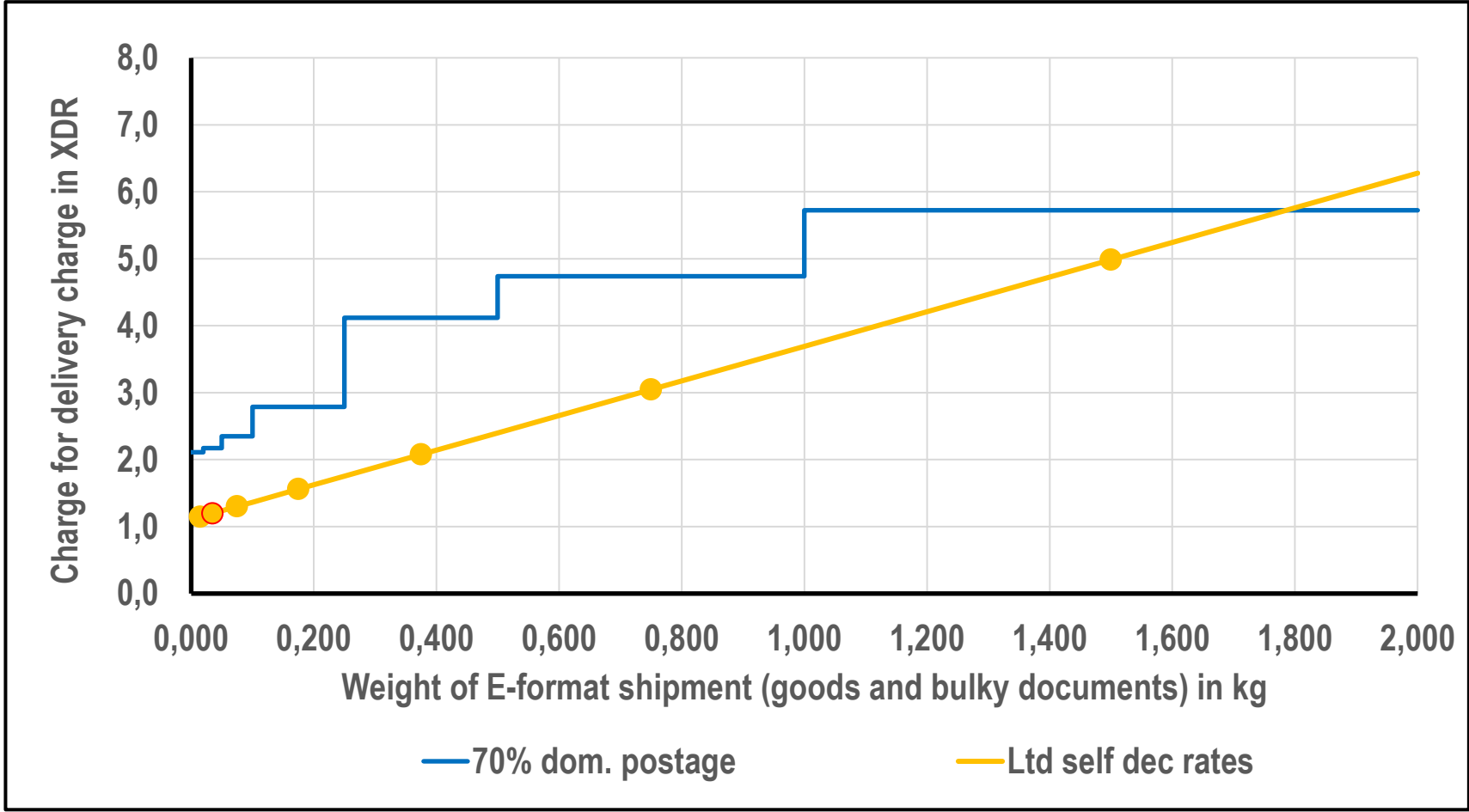
Full self-declared rates: absolute average deviations, 2020 - 2023

	Country	2020	2021	2022	2023
AU	Australia	55%	48%	54%	54%
AT	Austria	76%	86%	109%	127%
BE	Belgium	25%	30%	37%	37%
CA	Canada	35%	41%	39%	36%
DK	Denmark	87%	76%	74%	73%
FI	Finland	89%	77%	89%	84%
FR	France	66%	63%	63%	80%
DE	Germany	15%	15%	21%	20%
GR	Greece	35%	11%	13%	13%
IE	Ireland	14%	11%	15%	14%

	Country	2020	2021	2022	2023
IT	Italy	23%	20%	21%	21%
JP	Japan	16%	19%	26%	46%
NL	Netherlands	55%	50%	63%	54%
NZ	New Zealand	35%	27%	12%	17%
NO	Norway	24%	18%	14%	14%
PT	Portugal	25%	21%	18%	22%
SE	Sweden	69%	62%	68%	58%
CH	Switzerland	47%	47%	48%	47%
GB	United Kingdom	116%	119%	136%	126%
US	United States	13%	16%	11%	11%
	Average abs dev	46%	43%	46%	48%

Example: limited self-declared rates v. 70% of domestic wt. steps, 2023

70% of domestic postage rates for small packets at 7 standard weight steps v. a linear regression of the weight step rates at the average weight of each weight step.*

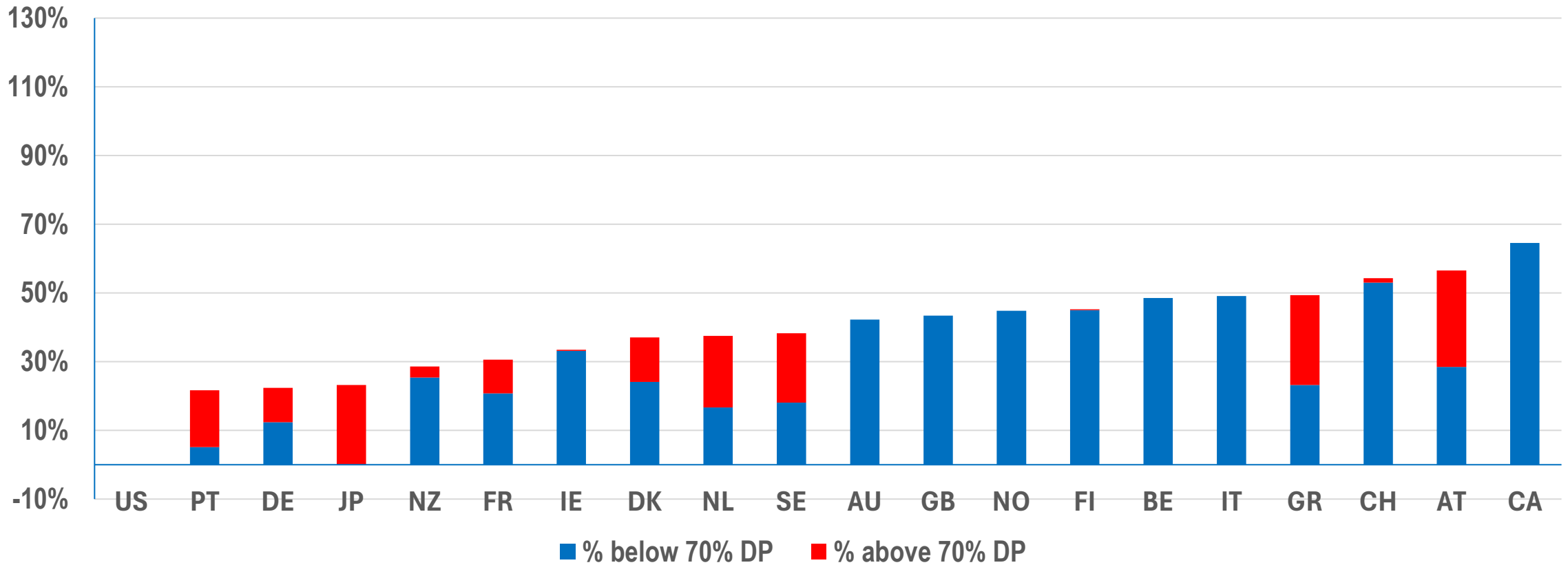


Average weight per step (gr)	Deviation from 70% domestic postage
15	-46%
35	-45%
75	-45%
175	-44%
375	-50%
750	-36%
1500	-13%
Avg.	-40%
Abs. avg.	40%

* Average of 2023 rates of 20 major developed (Group I) countries with self-declared rates.

Limited self-declared rates: national deviations from 70% DP - 2023

Limited self-declared rates: deviations from 70% of domestic postage
(average across wt. steps) - 2023



Limited self-declared rates: absolute average deviations, 2020 - 2023

	Country	2020	2021	2022	2023
AU	Australia	-	56%	49%	42%
AT	Austria	-	48%	51%	57%
BE	Belgium	-	51%	50%	49%
CA	Canada	-	72%	70%	65%
DK	Denmark	-	40%	37%	37%
FI	Finland	-	50%	45%	45%
FR	France	-	44%	43%	31%
DE	Germany	-	33%	28%	22%
GR	Greece	-	43%	43%	49%
IE	Ireland	-	53%	44%	33%

	Country	2020	2021	2022	2023
IT	Italy	-	54%	50%	49%
JP	Japan	-	13%	15%	23%
NL	Netherlands	-	38%	36%	38%
NZ	New Zealand	-	34%	35%	29%
NO	Norway	-	61%	55%	45%
PT	Portugal	-	21%	18%	22%
SE	Sweden	-	45%	44%	38%
CH	Switzerland	-	61%	57%	54%
GB	United Kingdom	-	55%	55%	43%
US	United States	-	-	-	-
	Average abs dev	-	46%	43%	41%

Full self-declared rates: absolute average deviations, 2020 - 2023

	Country	2020	2021	2022	2023
AU	Australia	55%	48%	54%	54%
AT	Austria	76%	86%	109%	127%
BE	Belgium	25%	30%	37%	37%
CA	Canada	35%	41%	39%	36%
DK	Denmark	87%	76%	74%	73%
FI	Finland	89%	77%	89%	84%
FR	France	66%	63%	63%	80%
DE	Germany	15%	15%	21%	20%
GR	Greece	35%	11%	13%	13%
IE	Ireland	14%	11%	15%	14%

	Country	2020	2021	2022	2023
IT	Italy	23%	20%	21%	21%
JP	Japan	16%	19%	26%	46%
NL	Netherlands	55%	50%	63%	54%
NZ	New Zealand	35%	27%	12%	17%
NO	Norway	24%	18%	14%	14%
PT	Portugal	25%	21%	18%	22%
SE	Sweden	69%	62%	68%	58%
CH	Switzerland	47%	47%	48%	47%
GB	United Kingdom	116%	119%	136%	126%
US	United States	13%	16%	11%	11%
	Average abs dev	46%	43%	46%	48%

Normal E-format TDs: absolute average deviations, 2020 - 2023

	Country	2020	2021	2022	2023
AU	Australia	56%	61%	56%	55%
AT	Austria	50%	50%	47%	46%
BE	Belgium	44%	57%	58%	59%
CA	Canada	75%	76%	75%	73%
DK	Denmark	38%	42%	35%	34%
FI	Finland	49%	55%	53%	55%
FR	France	44%	46%	46%	32%
DE	Germany	37%	38%	34%	33%
GR	Greece	45%	45%	41%	39%
IE	Ireland	57%	57%	51%	45%

	Country	2020	2021	2022	2023
IT	Italy	58%	58%	52%	46%
JP	Japan	20%	16%	15%	15%
NL	Netherlands	43%	43%	39%	37%
NZ	New Zealand	19%	37%	40%	37%
NO	Norway	63%	65%	61%	55%
PT	Portugal	20%	16%	15%	18%
SE	Sweden	45%	44%	42%	36%
CH	Switzerland	67%	66%	63%	61%
GB	United Kingdom	58%	59%	57%	47%
US	United States	67%	58%	61%	61%
	Average abs dev	48%	49%	47%	44%

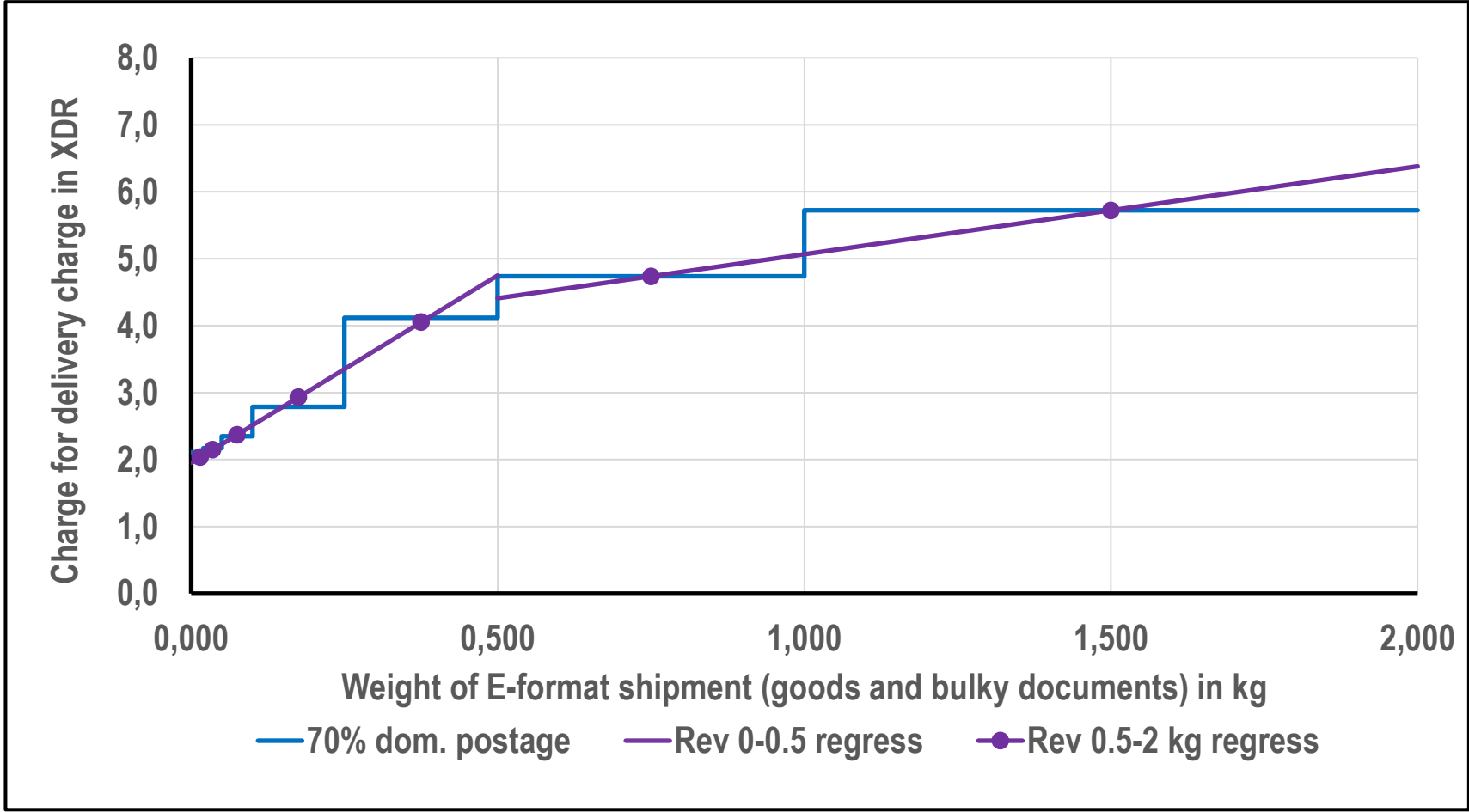
Possible adjustments to self-declared rates

To improve alignment between self-declared rates and DP70E

- 1. Align rate slope (as well as rate level) with domestic postage.**
- 2. Base self-declared rates on current rather than prior year domestic postage.**
- 3. Adopt a double linear rate format**
 - Separate linear rates for 0 to 0.5 kg and 0.5 to 2 kg weights
 - Implies need for separate E-format items by weight.

Example: revised self-declared rates v. 70% of domestic wt. steps, 2023

70% of domestic postage rates for small packets at 7 standard weight steps v. a linear regression of the weight step rates at the average weight of each weight step.*

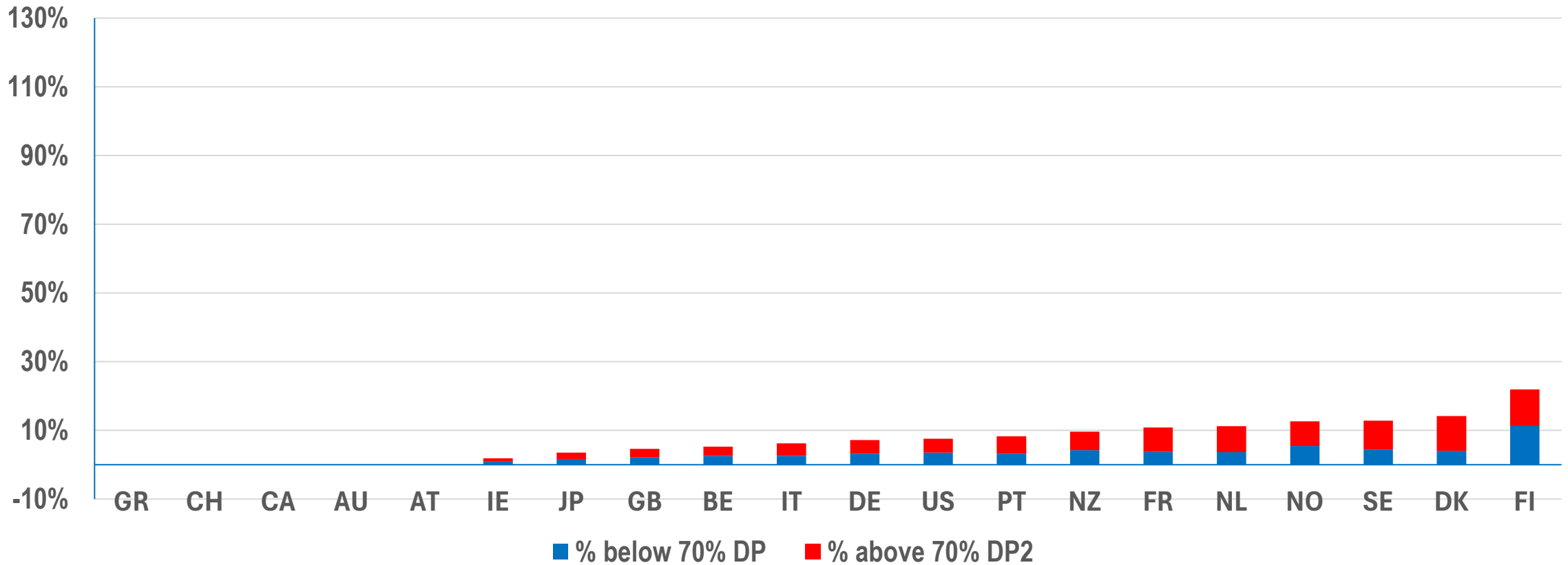


Average weight per step (gr)	Deviation from 70% domestic postage
15	-4%
35	-1%
75	1%
175	5%
375	-2%
750	0%
1500	0%
Avg.	0%
Abs. avg.	2%

* Average of 2023 rates of 20 major developed (Group I) countries with self-declared rates.

Revised self-declared rates: national deviations from 70% DP - 2023

Revised self-declared rates: deviations from 70% of domestic postage
(average across wt. steps) - 2023



Revised self-declared rates: absolute average deviations, 2020 - 2023

	Country	2020	2021	2022	2023
AU	Australia	0%	0%	0%	0%
AT	Austria	0%	0%	0%	0%
BE	Belgium	8%	5%	5%	5%
CA	Canada	0%	0%	0%	0%
DK	Denmark	9%	9%	14%	14%
FI	Finland	20%	17%	21%	22%
FR	France	12%	11%	11%	11%
DE	Germany	7%	7%	7%	7%
GR	Greece	0%	0%	0%	0%
IE	Ireland	2%	2%	2%	2%

	Country	2020	2021	2022	2023
IT	Italy	6%	6%	6%	6%
JP	Japan	4%	4%	4%	4%
NL	Netherlands	11%	11%	11%	11%
NZ	New Zealand	15%	10%	9%	10%
NO	Norway	13%	13%	13%	13%
PT	Portugal	9%	8%	8%	8%
SE	Sweden	9%	9%	9%	13%
CH	Switzerland	0%	0%	0%	0%
GB	United Kingdom	5%	5%	5%	5%
US	United States	6%	6%	8%	8%
	Average abs dev	7%	6%	7%	7%

To improve alignment between SDRs and equivalent domestic postage

1. Allow countries flexibility to set self-declared rates based on reasonable percentage of retail domestic postage.

- There is no persuasive evidence that 70% of retail domestic postage (DP70E) provides compensation for delivery of inbound mail that is equivalent to the delivery portion of domestic postage.
- Self-declared should be presumptively valid — i.e., presumptively equal to equivalent domestic postage — if based on a reasonable percentage of retail domestic postage. A reasonable range should be —
 - Broad enough to accommodate the economics of postal delivery in a diversity of countries;
 - Narrow enough to ensure that a destination designated operator cannot adopt self-declared rates that are so high or low as to be abusive or anticompetitive..

2. Allow direct entry and remail from which countries pay self-declared rates.

- To discourage setting self-declared rates too high (direct entry) or too low (remail).

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