

Regulation Impact Statement

ID 7567

Universal Postal Union: Seventh Additional Protocol to the Constitution of 10 July 1964, as amended; Convention, and Final Protocol; General Regulations, done at Bucharest on 5 October 2004.

Background

1. The proposed binding treaty action is the ratification of the Seventh Additional Protocol to the Constitution of the Universal Postal Union. In addition, the Universal Postal Convention (the Convention), the Final Protocol and the General Regulations of the Universal Postal Union are to be re-adopted.
2. These instruments were incorporated into the Acts of the 23rd Congress of the Universal Postal Union (UPU) at Bucharest, signed by Australia, subject to ratification and approval, on 5 October 2004.
3. For the purposes of the instruments of the UPU, the Australian Postal Corporation (Australia Post) has been designated as the postal administration responsible for implementing and abiding by the provisions of the Acts.
4. The UPU is a specialised agency of the United Nations with 190 member countries. It provides the basis for the exchange of international mail by establishing a single postal territory for the reciprocal exchange of postal articles with freedom of transit throughout. In addition, the UPU helps to develop and maintain international postal services. Australia has been a member of the UPU since 1907. The relationship for this single territory is set forth in the UPU Acts, which include, inter alia, the Constitution and General Regulations of the UPU and the Convention.
5. The UPU remains the key international agency responsible for the regulation of the flow of mail between member countries. The UPU provides postal administrations (in Australia's case, Australia Post), with information regarding international postal standards, technical systems, performance measures and service developments. Participation in the UPU allows Australia and Australia Post to voice its opinion concerning the conduct of the UPU's affairs and the operation of the universal postal service over which the UPU presides. For example, Australia Post has chosen to support the development of and to use a UPU information technology system for the dispatch and receipt of international mails. Participation in the UPU Telematics forum allows Australia to be involved in future enhancements of systems for commercial purposes and allows for the sharing of costs of these developments.
6. As an active contributor to the activities of the UPU, Australia has sought ongoing reform and efficiency in the UPU's operation in order to achieve a more competitive international postal regime.
7. Australia was elected to both of the governing bodies of the UPU at Bucharest, the Council of Administration (CA) and the Postal Operations Council (POC). The CA is the government representative body of the UPU. It ensures the continuity of the

Union's work between Congresses, supervises Union activities and studies regulatory, administrative, legislative and legal issues of interest to the Union.

8. The POC is the technical and operational body of the UPU. The POC is concerned with the operational, economic and commercial aspects of all services and activities of the UPU. The POC also prepares and issues recommendations to member countries concerning standards for technological, operational or other processes within its competence where uniformity of practice is essential. Australia's representative to the POC is appointed by its designated postal administration, Australia Post.

Previous arrangements

9. The UPU has gradually recognised the need for reform. The postal services market has become increasingly competitive as many governments have chosen market forces in preference to regulation as the model for the future development of the postal sector.

10. In this context, the major issues and reform initiatives endorsed at the Bucharest Congress were:

- a) the creation of the Consultative Committee to represent the interests of the wider international postal sector, and to provide a framework for dialogue between postal industry stakeholders. This is an initiative of the UPU to involve private, non-government postal operators and suppliers in the development of international postal policy;
- b) the announcement of the Bucharest World Postal Strategy – a four-year road map for governments, postal regulators and postal operators, to increase the effectiveness and quality of postal services and to strengthen cooperation within the postal industry; and
- c) the reformation of the current terminal dues and Quality of Service Fund (QSF) systems.

11. The proposed amendments to the Constitution do not substantively change the basic obligations of all UPU member countries to abide by the provisions of the UPU Constitution, the Convention, and the General Regulations.

Examination of specific proposed amendments

12. The majority of the proposed amendments were procedural in nature and do not have any significant impact on Australia Post's international mail systems. The provisions that could possibly impact Australia Post are outlined below.

13. Terminal dues are the payments made between UPU members to compensate for the delivery of international letter-post items in a destination country. These payments are made between UPU member postal administrations for the delivery of international mail. Articles 28, 29 and 30 of the Universal Postal Convention establish a new transitional terminal dues system which has two subsystems: a target system applicable to industrialised countries and a transition system intended for developing

countries. The aim is to develop a country-specific terminal dues system before the end of the transition period in 2014.

14. The amendments to the Universal Postal Convention will result in changes to the terminal dues rates for letter post items per kilogram in the new target and new transitional terminal dues systems. These amendments were proposed by the POC and CA.

15. Australia Post as the nominated UPU postal administration pays and receives terminal dues. Australia Post has provided an estimated costing of the proposed new terminal dues system. There will be some economic impact on Australia Post as a result of the new system. However, as international mail volumes are difficult to predict, the costing is an approximation. Australia Post has indicated that it is willing to incur increased terminal dues costs because involvement in the UPU as a whole is an important part of its international postal business.

16. The Department of Communications, Information Technology and the Arts (DCITA) consulted the Department of Foreign Affairs and Trade (DFAT), Department of Finance and Administration (Finance) and the Major Mail Users of Australia regarding the new terminal dues system.

17. Article 13 limits the outward mandatory registration service to priority and airmail letter-post items. A registration service has to be provided for outbound non-priority and surface letter-post items, but only to destinations for which there is no priority or airmail service. The registration service continues to be obligatory for all inbound letter-post items, priority/airmail and non-priority surface mail.

18. The new limitation on the outward mandatory registration service to priority and airmail letter-post items was proposed by Great Britain and supported by the Netherlands. The purpose of the changes is to allow dispatching postal administrations to choose whether or not they wish to offer their customers sending outbound non-priority or surface mail the option of registering it. In Great Britain, for example, only 0.06% of all outbound registered letter-post items are sent by Royal Mail's surface product. This reflects the fact that most registered letter post items are of some value to the person sending them and they are more likely to send them by priority mail. The provision of surface registered post poses a security risk because if items remain in the postal system for a longer period of time there is a higher probability that they will be stolen or damaged. Therefore, postal administrations have sought to be able to choose whether they provide their customers with a surface option for registered letter-post items.

19. Australia Post only provides registered international mail for airmail articles. The only non airmail international service that Australia Post provides is sea freight for large and heavy objects and there is no registration option for this type of mail. Therefore, this new option will have no practical effect to Australia Post's international mail services.

20. Article 13 also allows the provision of outward advice of delivery for registered letter-post items to be optional. All postal administrations are, however, required to admit incoming advice of delivery items.

21. The POC sought these changes in the Convention as a result of poor performance of the advice of delivery product. Experience has proven that some postal administrations do not understand how to utilise this system properly and consequently postal administrations should be given the choice whether to use the system or not. Postal administrations must still admit incoming advices on delivery.

22. Australia Post already provides an international delivery confirmation service. The changes to the advice of delivery provisions will have no practical effect on Australia Post's international mail services.

23. DCITA consulted DFAT regarding the amendments of the supplementary services provisions including mandatory registration and advice of delivery services.

24. Article 17 makes the acceptance of inquiries about ordinary letter-post items, posted in the service of its own postal administration, non mandatory. Postal administrations are bound to accept inquiries only in respect of recorded delivery, registered and insured letter-post items, as well as ordinary and insured parcels.

25. Belgium proposed changes regarding non mandatory inquiries because in general the person lodging the inquiry about a postal item already has the information regarding the arrival of that postal item. This means that the costly procedure of sending an inquiry does not always add the value that is hoped for. Italy proposed amendments to clarify the time period specified in Article 17 in order to specify that the six month period does not include the transmission of inquiries between postal administrations. This will clarify the rule and prevent disputes between postal administrations.

26. This amendment is expected to reduce costs for Australia Post, but the exact saving is difficult to quantify as future international mail volumes and inquiry numbers are difficult to estimate.

27. DCITA consulted DFAT regarding the amendments to the inquiry provisions.

28. Article 20 requires postal administrations to establish quality of service standards and targets. Australia Post already meets performance standards which are provided in the *Australian Postal Corporation (Performance Standards) Regulations 1998*. The new provisions will therefore not have any impact on Australia Post as it already adheres to these existing standards.

29. DCITA consulted DFAT regarding the quality of service provisions.

30. Article 34 provides that parcel post inward land rates shall be structured by a base rate per parcel and a base rate per kilogram. The rates are laid down in the Parcel Post Regulations and the amendment provides the POC with the authority to fix the rates and charges payable by postal administrations in accordance with conditions in the Parcel Post Regulations.

31. These amendments were proposed by the POC and reflect the decision taken by the 2004 POC to adopt two proposals; one concerning the introduction of country-

specific and global base inward land rates, and the other relating to the introduction of supplementary rates (or bonus payments) that administrations will qualify for if they provide certain clearly defined service features.

32. Parcel Post inward land rates are equivalent to terminal dues for the international transfer of parcel post. Australia Post has indicated that the details of the new scheme have yet to be agreed on by the POC but the proposal is aimed at making postal parcels more competitive. This may have a significant financial impact on Australia Post as it proposes holding 2006 payments to a maximum of the 2003 levels applied for each country. However, this financial burden cannot be estimated as future international parcel post volumes are very difficult to estimate.

33. Any increased costs incurred by Australia Post for sending international parcel post could trickle down to the consumer. As Australia Post has not indicated the estimated added costs of the new system it is difficult to subsequently predict whether the Australian community will pay more to post a parcel through Australia Post.

34. DCITA consulted DFAT regarding the new inward land rates for parcel post items.

Costs

35. The implementation of the new UPU Acts, from 1 January 2006, is estimated by Australia Post to cost between \$AUD 2 to 3 million in 2006.

36. Notwithstanding this impost, the general outlook for Australia Post's international business remains strong, with favourable financial projections over the strategic planning period to 2007/2008. Australia Post's international business is expected to achieve a return on revenue (ROR) of more than 10% for each year of the planning period. This return is higher than that predicted for other segments of the domestic transport sector. The international business is one of Australia Post's core activities and, although electronic substitution has affected the growth of letter business on international paths more than in the domestic market, the future for packets, parcels and express is considered sound, as demand from consumers and businesses for international services flourish.

37. By way of Australia's membership of the UPU, Australia Post is able to participate with its peers in the development of technical capabilities through the UPU's Postal Technology Centre. Australia Post helped found the postal application now used by some 80 posts in the despatch and receipt of international mails and the tracking of individual postal items. Aided by collaborative efforts, Australia Post believes that this is a highly efficient pathway to meeting the needs of its future interaction with customers, partners, air and surface carriers, customs and border agencies. UPU membership provides access to these opportunities which, in turn, provide for efficient operations and cost effective solutions not otherwise possible.

38. Australia Post is of the view that Australia's UPU membership is an affordable option compared with alternatives in the provision of international postal services to the Australian community. Although there are some inequities evident in the various UPU agreed postal payment systems, there is acknowledgment that there needs to be progress towards outcomes which are compliant with cost recovery and trading

principles favoured by the World Trade Organisation. Australia Post considers that the additional costs that it may bear as a result of changes to the Acts are part of the cost of its participation in the international postal business.

Consultation

39. Prior to Congress, the Government consulted through the DCITA to the; Department of the Treasury; the Department of Justice and Customs; Finance; the Australian Quarantine and Inspection Service; the Australian Customs Service; and DFAT; and also externally with Australia Post and the Major Mail Users of Australia.

40. Australia Post was involved in the development of policy positions and was part of the Australian delegation at Congress. As a consequence, Australia Post understood the new obligations created by the treaty and agreed to any amendments to the treaties of the UPU when the new articles were signed at Congress.

41. Consultation with other stakeholders was extensive and each agency received congress documents and proposals. On consideration of this information no stakeholders had any objections to the approach taken by the Australian delegation.