



## OPERATIONS AND TECHNOLOGY COMMITTEE

PAPU/OTC/RG/01/2025 - Doc No. 2

REMUNERATION WORKING GROUP  
18<sup>th</sup> MARCH 2025 (VIRTUAL) 09:00 (GMT)

### REMUNERATION ROUND TABLES REPORT

<b>1. Subject: Status of Implementation of WG Action Plan:</b> <ul style="list-style-type: none"><li>Remuneration Round Tables Report</li></ul>	<b>References/Paragraphs</b> UPU POC C2 2025.1 Pres 4b
<b>2. Decisions Expected</b> <ul style="list-style-type: none"><li>Take note of the outcomes of the Remuneration Round Tables</li><li>Adopt the Report.</li></ul>	

#### 1.0 INTRODUCTION

The Universal Postal Union (UPU), in collaboration with its Restricted Unions, organized Regional Remuneration Round Tables. The Arab Region Remuneration Round Table was held from 9<sup>th</sup> to 10<sup>th</sup> September 2024 in the United Arab Emirates. The Africa Region Round Table on Remuneration, which was organized by the UPU in Collaboration with the Pan African Postal Union (PAPU) under the auspices of the Regional Development Plan for Africa (2021-2025), was held from 28<sup>th</sup> to 29<sup>th</sup> November 2024 at the PAPU Tower in Arusha, Tanzania.

The main objectives for holding the Regional Remuneration Round Tables (RRTRs) were to:

- Inform UPU Member Countries of the draft proposals to Congress prepared by the Postal Operations Council (POC) and Council of Administration (CA);
- Explain the rationale and background of these proposals and improve the understanding of the UPU members of the draft proposals, including their impact;
- Discuss and exchange views on the proposals from a regional perspective;
- Collect views and channel them into the discussions on the draft package proposals during the World Round Table on Remuneration (WRTR).

#### 2.0 AFRICA ROUND TABLE ON REMUNERATION

##### 2.1 PARTICIPATION

Over seventy (70) participants from African Member States, UPU International Bureau and the PAPU General Secretariat attended the Round Table.

The countries represented were:

Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Comoros, Congo Republic, Cote d'Ivoire, Democratic Republic of Congo, Egypt, Ethiopia, Equatorial Guinea, Eswatini, Gabon, Gambia, Ghana, Guinea, Kenya, Lesotho, Liberia, Madagascar, Mali, Malawi, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Seychelles, Senegal, Sierra Leone, South Sudan, Tanzania, Togo, Uganda, Zambia and Zimbabwe.

### **3.0 DISCUSSION TOPICS**

The discussions centered on the following main areas:

- a. Introduction to UPU remuneration systems;
- b. UPU remuneration systems in the current cycle (2021-2025);
- c. Remuneration governance issues;
- d. IRP: Proposals for an Integrated Remuneration System (026-2030);
- e. Future Work on Remuneration:
  - i. Drafting of proposals amending the UPU Acts for approval by the 2025 Dubai Congress;
  - ii. Dubai Business Plan – work proposals for the implementation of the IRS 2026-2030 and development of IRS 2031-2035;
  - iii. Proposal for a future IRP 2026-2029;
  - iv. Country classification system for remuneration purposes 2026-2030;
  - v. Proposal for the Integrated Remuneration System (IRS) principles for the 2026-2029 work cycle.
- f. Input from Remuneration Round Table Participants on the draft proposals.

### **4.0 OUTCOMES OF THE AFRICA REGION ROUND TABLE ON REMUNERATION**

The outcomes of the Africa Region Round Table were summarized by the International Bureau and circulated to Member States and are contained in **Annex 1** of this document.

### **5.0 WORLD ROUND TABLE ON REMUNERATION (WRTR)**

The World Round Table on Remuneration was held on 14<sup>th</sup> February 2025 in Bern, Switzerland. Hybrid participation was enabled. The World Round Table summarized the outcomes of the six Regional Round Tables held across all the UPU regions. The outcomes of the World Remuneration Round Table were submitted to the Postal Operations Council (POC) and Council of Administration (CA) S7 session for approval and subsequent submission to the 28<sup>th</sup> UPU Congress.

The outcomes of the WRTR can be accessed in **POC C2 2025.1 Pres 4b** on the UPU website.

#### **5.1 Overall conclusions of the WRTR**

Before and during the RRTRs, the many different participants in the Remuneration Integration Group and its Expert Teams made much effort to find a balanced outcome that could represent the different views and interests of all UPU members.

The RRTRs and the WRTR were critical in socializing and building support for the Integrated Remuneration System (IRS) compromise package and in incorporating feedback from the different regions on the development of the IRS proposals.

Nonetheless, specific details need to be worked out in the Regulations, and this work on the consequential proposals will start after the S7 Session in preparation for the Dubai Congress.

**This means that the IRS proposals on the table were fully supported, and it is expected that all UPU members should be able to accept them as a compromise during the UPU Congress.**

## **6.0 CONCLUSION**

The Working Group is hereby requested to:

- Take note of the outcomes of the Remuneration Round Tables contained therein;
- Adopt the report and submit it to the Operations and Technology Committee.

**OUTCOMES OF THE REGIONAL ROUND TABLE ON REMUNERATION (RRTR) FOR AFRICA REGION:  
HELD ON 28<sup>TH</sup> AND 29<sup>TH</sup> NOVEMBER 2024 AT THE PAPU TOWER, ARUSHA, TANZANIA**

<p><b>P/G format</b></p> <p>Cap rates and floor rates</p>	<ul style="list-style-type: none"> <li>▪ In general, the round table participants agreed with the proposed package on the Integrated Remuneration system for the 2026-2030 cycle.</li> <li>▪ The rate protection mechanism for Group C (current Group IV) set at 75 tonnes was considered essential to ensure the competitiveness of postal services and to mitigate the potential loss of volumes and revenues.</li> <li>▪ It was noted that most flows originating from countries in Group C would not be affected by the cap increase as the application of floor rates would ensure protection for below-threshold flows.</li> <li>▪ Participants recalled the importance of ensuring equitable and sustainable remuneration practices across all Groups.</li> <li>▪ There was no opposition to the proposed increases in the P/G format floor and cap rates by 4.5% and 7.5%, respectively, given that floor rates would apply to flows below the threshold of 75 tonnes.</li> </ul>
<p><b>Small packets</b></p> <p>Methodology</p> <p>Maximum annual increase</p>	<ul style="list-style-type: none"> <li>▪ There was no opposition to the continuation of the existing methodology to remunerate small packets based on 11 equivalent domestic service tariffs, including the maximum annual increase, the level of annual floor rate increases.</li> <li>▪ Concerning the development of future proposals on remuneration, some participants emphasized the need to explore alternatives to domestic tariffs as a proxy to determine country-specific rates.</li> <li>▪ Some members highlighted the importance of seeking a mandate from Congress to conduct a benchmarking study on market pricing strategies during the next cycle</li> <li>▪ The participants did not oppose discontinuing the “<b>default</b>” system for the remuneration of small packets, as this system derives these rates from P/G format domestic tariffs. The option to apply an increased cost-to-tariff ratio reflective of the actual costs for countries belonging to the current Group IV (Group C), in case their domestic tariffs are not set in line with costs due to social obligations, was supported by participants.</li> <li>▪ There was no opposition to the proposal regarding the maximum annual increase of 10% with the possibility of carrying over unused increases of 10% to the following year, as long as the thresholds would provide sufficient protection on the outbound flows.</li> </ul>
<p><b>Parcels</b></p> <p>Methodology</p>	<ul style="list-style-type: none"> <li>▪ There was consensus on the need to reform the remuneration system for parcels, which dates back to 2004 as the current system does not provide for market competitive remuneration.</li> <li>▪ Transition was considered as a critical element of phasing in the new remuneration system (and the consequent phasing out of the current inward land rate system) by 2030. The blending of the two remuneration systems which would give progressively more weight to domestic tariffs, was understood.</li> <li>▪ However, participants were of the view that a domestic tariff-based remuneration methodology is inappropriate for many countries in the African region, as in those countries domestic tariffs are not set in relation to costs, i.e. the tariffs may be subsidized or set at a lower level for social reasons.</li> <li>▪ The participants, therefore, supported the proposed opt-out option, allowing the application of full 100% ILRs in cases where domestic tariffs for current Group IV countries (Group C) are indeed not set in relation to their costs.</li> </ul>

<p>Pay-for-performance/ quality-linked remuneration</p> <p>Surcharges for customs/security processing</p> <p>Convention Regulations</p>	<ul style="list-style-type: none"> <li>▪ There were no objections to the specific set of parameters proposed under this option (floor rates, maximum annual increases).</li> <li>▪ The remuneration for features such as tracking and proof of delivery (POD: 1.200 SDR) will apply similarly under the domestic tariff-based remuneration and the opt-out option.</li> <li>▪ The discussions reflected the importance of performance-based remuneration for the service features of tracked delivery and the quality of service linked to remuneration based on on-time delivery performance.</li> <li>▪ The Round Table participants were informed of the latest agreement in the Remuneration Integration Group (RIG), which included removing the original proposal introducing charges for customs-related processes for parcels and small packets.</li> <li>▪ Round table participants agreed to replace the introduction of these charges from 2027 with a proposal for a mandate from the 28<sup>th</sup> Congress: <ul style="list-style-type: none"> <li>✓ to pursue the examination of the applicability of a customs surcharge, intended to cover costs associated with inbound procedures for customs and/or security border processes, and</li> <li>✓ to assess whether it can be linked to ITMATT metrics.</li> </ul> </li> <li>▪ The Roundtable participants agreed that it is important to consult all UPU member countries on any future changes to the remuneration methodology.</li> <li>▪ Consistent with the similar methodology in place for domestic tariff-based self-declared remuneration for small packets, the methodology for the future parcel remuneration system should be defined in the Convention rather than the Convention Regulations, in which case the main aspects of the remuneration system could only be amended by Congress, reflecting the will of the full membership, rather than the POC. This would furthermore provide for more predictability of remuneration rates.</li> </ul>
<p><b>Supplementary services</b></p> <p>Tracked delivery</p> <p>Registered items</p>	<ul style="list-style-type: none"> <li>▪ There was support from participants for the remuneration proposals for tracked delivery service, registered and insured items.</li> <li>▪ <u>Tracked delivery service surcharge</u>: Participants were informed that the UPU International Bureau organised a webinar on 19<sup>th</sup> and 21<sup>st</sup> November to provide detailed information about the tracked delivery service, including the applicable remuneration in 2025.<sup>1</sup> This service will become mandatory for goods from <b>January 2025</b>.</li> <li>▪ The participants to the Roundtable agreed with the proposed remuneration for tracked delivery services applicable from 2026.</li> <li>▪ <u>Registered surcharge</u>: From year 2027, the registered surcharge will be applied only to documents with the separation between goods and documents (IPP recommendation).</li> <li>▪ This will result in a switch of the base remuneration from E format to P/G format, leading to a decrease in revenue. Therefore, it is proposed that the surcharge for registered items be increased from 1.745 SDR to 2.5 SDR to compensate for the decrease in the base remuneration. There was no opposition to this proposal.</li> </ul>

<sup>1</sup> See more information: <https://www.upu.int/en/postal-solutions/programmes-services/physical-services> (bottom of page) and <https://www.upu.int/getmedia/8c35fb30-2e7d-485f-83b9-9322cd0a36e6/Webinar-Tracked-delivery-service.pdf>

Insured items	<ul style="list-style-type: none"> <li>▪ <u>Insured surcharge</u>: Although an optional service, the split between documents and goods may require separate remuneration rates for insured documents and goods.</li> <li>▪ No comments were made to this proposal.</li> </ul>
Remuneration for transit charges and returned undeliverable letter-post items	<ul style="list-style-type: none"> <li>▪ There were no objections to the proposal for the remuneration of returned undeliverable letter-post items.</li> <li>▪ It will continue to be based on remuneration for open transit, but the percentage will be reduced from 86% to 73.5%.</li> </ul>
M bags	<ul style="list-style-type: none"> <li>▪ There were no objections to the proposal for the remuneration rates for M bags, while it was noted that M bags would become optional from 2025 onwards.</li> </ul>
Thresholds, sampling, and standard structure	<ul style="list-style-type: none"> <li>▪ The majority of members supported a clear separation between documents and goods, which is increasingly required by national and/or regional customs and/or security regimes.</li> <li>▪ The majority of members were in agreement with the rate protection threshold reduction (100 tonnes to 75 tonnes) for Group C countries, as a step towards a more country-specific remuneration system while continuing a sufficient level of protection on the outbound flows.</li> <li>▪ Various participants spoke of the importance of maintaining the threshold at 75 tonnes throughout the cycle.</li> <li>▪ In terms of the operational requirements, such as the separation of documents and goods and the use of census data to determine the number of items, the participants emphasized the need for capacity-building efforts and support to ensure that they can effectively benefit from the opportunities and benefits that these operational procedures could offer in terms of quality of service, customs processing and remuneration.</li> </ul>
Rate calculators and impact tools	<ul style="list-style-type: none"> <li>▪ The IB presented the rate calculator and impact tool that could be used to simulate calculations for the future remuneration rates of PG format documents, small packet rates and parcel rates.</li> <li>▪ These tools give visibility to the impacts of the proposed changes to the remuneration system methodologies.</li> </ul>
Other observations	<ul style="list-style-type: none"> <li>▪ The majority of the participants stressed the critical need for capacity-building efforts to support designated operators (DOs) in <b>implementing cost accounting</b> in their organizations.</li> <li>▪ The organization of dedicated forums and training sessions covering all aspects of remuneration (methodologies, rules and accounting operations) was highlighted as a priority for the next cycle.</li> <li>▪ These initiatives are essential to keep members informed of the ongoing work on remuneration and therefore to support their decision-making on the IRS proposals for future cycles.</li> </ul>