

The Impact of the 2019 UPU Agreement on U.S. International Mailers

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International Small Package Mail in 2020

- How we got here and what mail is affected
- The UPU September 2019 Agreement and what happens now
- Postage rate increase for international packages in July
- Going forward to 2021 through 2025 and beyond
- What will the Sept. 2020 UPU Congress do? The 2024 Congress?
- Other issues to watch

A few definitions

- **Inbound rates** and Terminal Dues are paid by Postal Operators (USPS, Canada Post, Deutsche Post, etc.) to other Postal Operators from one country (originating country) for delivery of mail in another (destination country).
- **Postage** is paid by mailers to the originating country's Postal Operator.
- **UPU class E letter-mail**: larger in any dimension than 305mm X 381mm X 20mm and weighing between 500 grams and 2 kilograms (or about 12" X 15" X 0.8" and weighing between 1.1 and 4.4 pounds **or any item containing goods**

How we got here

- The Universal Postal Union (UPU)
- Remuneration (Terminal Dues or TDs) for mail delivery in other countries
- Fewer letters, many more packages (and China...)
- Minor reform at the 2016 UPU Quadrennial Congress
- And the U.S. takes action...

The UPU September 2019 Agreement

- The U.S. in the UPU.
- Self-declared inbound rates for bulky letters and small packages at 70% of domestic single piece postage for an equivalent item
- Complicated caps and country exemptions
- Exempted countries opt for self-declared rates.
- Continues through 2025 but can be modified

Basics of the Agreement

- U.S. can self-declare inbound rates on July 1, 2020 at 70% of domestic single-piece postage but pays a fee to the UPU.
- Countries can respond with their own self-declared rates of up to 70% domestic postage... and no fee.
- Other countries can self-declare reciprocal inbound rates in 2021.
- Exemptions for self-declared rates for countries with (relatively) lower mail volumes and for “transitional countries”

International Small Package Postage with Self-Declared Rates Based on Domestic Postage

- U.S. postage versus 32 other developed countries
 - 4 countries had lower domestic postage
 - 6 countries were about the same
 - So, 22 were higher.
- Higher domestic postage means higher self-declared rates
- Higher self-declared rates means USPS pays more to them
- If USPS pays more, U.S. outbound postage will be higher.

Basics of the Agreement (cont'd.)

- Bottom line: 3 sets of rates depending on sending and receiving country
- Exempt countries receive TDs according to country group as previously but with higher minimums.
- Annual increases of up to 15 % - 18% are allowed within caps.
- Every country follows its own procedures for reviews and regulations.
- Eventual goal is all countries will use self-declared rates.

January and July 2020 and beyond

- TDs increased in January 2020 for all countries. **USPS: 13.376% increase in inbound letter-post price.**
- January **postage rates** for most international packages were **increased 6% to 9%.**
- For July, any countries moving to self-declare rates must file with the UPU by March 1, including the U.S.
- The UPU will publish the inbound rates for each self-declaring country by April 1.

Postage in July

- USPS knows what other countries will charge by April 1. It can then plan its postage rates for international mailers here.
- High-postage countries may have large increases.
- Postage applying to a single country or small group of countries are possible.
- The USPS classes of mail for international small packages and bulky letters become competitive products in July.
- Increase goes through PRC approval process, and USPS must file 60 days before the date of implementation.

Postage in July (cont'd.)

Postage comparison to U.S. for 175 g. package

• Canada	123%
• Australia	102%
• U.K.	103%
• Ireland	149%
• Germany	86%
• Switzerland	98%
• France	250%
• Italy	327%
• Denmark	319%
• Israel	144%
• Japan	110%

Estimate of inbound rates from U.S. in SDR

• Canada	1.06195	→	1.17965
• Australia	1.06195	→	0.97333
• U.K.	1.06195	→	0.98186
• Ireland	1.06195	→	1.42335
• Germany	1.06195	→	0.82554
• Switzerland	1.06195	→	0.93398
• France	1.06195	→	2.39121
• Italy	1.06195	→	3.13135
• Denmark	1.06195	→	3.05184
• Israel	1.06195	→	1.37841
• Japan	1.06195	→	1.05610

What else you need to know

- September 2020 UPU Congress can modify the agreement.
- New agreement required in 2024 for effect in 2025. How will UPU members decide to move to a single rates system, or will they decide not to do that?
- Other proposals coming at the UPU
 - Move all letter-mail to self-declared rates.
 - Integrated Product Plan changing services like registered mail and tracking.

And other issues

- New Executive Order on January 31, 2020 regarding E-commerce

“...the United States Government shall consider all appropriate actions that it can take to ensure that persons that CBP suspends or debars are excluded from participating in the importation of merchandise into the United States.”
- Customs forms and duties
 - Information requirements and space on the forms
 - EU moving to no minimum
- VAT and GST (sales tax equivalents)
 - Possible need to register in multiple countries
 - Tax IDs and telephone numbers for customers
 - Requirements vary by country.

Thank you

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