

Advisory Committee on International Postal and Delivery Services

(2:00 – 5:15 p.m., 25 March 2008, Department of State Harry S. Truman Building, Washington, D.C.)

Minutes of the inaugural meeting

Committee Members in Attendance

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| 1. | Michael Glover | Committee Chair, U.S. Department of State |
| 2. | Dennis Delehanty | Committee DFO, U.S. Department of State |
| 3. | Jody Berenblatt | Bank of America |
| 4. | Charles Bravo | Self-employed |
| 5. | Jim Campbell | Self-employed |
| 6. | Michael Coughlin | Accenture |
| 7. | Gene Del Polito | Association for Postal Commerce |
| 8. | Thomas Leavey | (Retired) |
| 9. | Steven Lopez | Experian Marketing Services |
| 10. | Joe Phelan | DHL |
| 11. | Sue Presti | Express Delivery and Logistics Association |
| 12. | Robert Reisner | Transformation Strategy |
| 13. | Dennis Shea | Pitney Bowes |
| 14. | Brad Smith | American Council of Life Insurers |
| 15. | Paul Smith | UPS |
| 16. | Don Soifer | Lexington Institute |
| 17. | Nancy Sparks | FedEx |
| 18. | Paul Gretch | Department of Transportation |
| 19. | Bruce Harsh | Department of Commerce |
| 20. | Gregory Olsavsky | Department of Homeland Security (Customs and Border Protection) |
| 21. | Michael Regan | U.S. Postal Service |
| 22. | Daniel Watson | Office of the U.S. Trade Representative |

This meeting was open to the public. Members of the public who spoke at this meeting are identified as such in the text below.

I. Welcoming remarks and introductions

1. Deputy Assistant Secretary of State of the Bureau of International Organization Affairs, Gerald Anderson, welcomed participants and opened the meeting by stating that “this committee is not about the U.S. Government, it is rather about the public.” The Chairman of the meeting, Michael Glover, Director of the Department of State’s Office of Technical and Specialized Agencies, also welcomed attendees and encouraged full and open participation. Mr. Glover suggested that the agendas of future meetings should be determined by the Committee members themselves.

II. Draft U.S. Strategic Plan for the UPU 2009-2012

2. Dennis Delehanty of the Department of State's Office of Technical and Specialized Agencies, who serves as the Designated Federal Officer for the Advisory Committee, gave a brief overview of the draft U.S. Strategic Plan for the UPU 2009-2012. In doing so, he identified the three top priorities in the Plan: quality of service (including performance measurement); economic and trade issues, which include terminal dues, the UPU Quality of Service Fund and the UPU's relations with the WTO; and customs issues. The second tier of priorities in the Plan concerns policy issues such as ETOEs (extra-territorial offices of exchange), the UPU's strategic planning, and the UPU's user groups and cooperatives, while the third tier of priorities concerns technical postal issues such as postal security, technical standards, Express Mail Service, parcels, direct mail and addressing. Mr. Delehanty openly solicited Committee members to express their views on any or all of the issues in the Plan.

3. Brad Smith, Vice President of the American Council of Life Insurers, stated that the life insurance industry has concerns about the expansion of financial services sponsored by the UPU into commercially competitive services. Mr. Smith requested that Department of State, in fulfillment of the role mandated by the Postal Accountability and Enforcement Act (PAEA) of 2006, seek to limit the scope of the UPU's engagement in financial services so as to avoid competition with the private sector.

4. Joe Phelan, CEO of DHL Global Mail-Americas, noted that it was not the role of the UPU to develop financial payment services that compete with existing commercial services offered by companies such as Western Union. He also urged that the Department of State ensure that standards are being met to prevent money laundering.

5. Daniel Watson, Director of Services Trade Negotiations for the U.S. Trade Representative, recommended that the U.S. Government should discourage the growth of financial services offered by the UPU and to ensure that any financial products offered should be consistent with the U.S. Government's trade agenda.

6. The former Director General of the UPU, Thomas Leavey, remarked that the 2004 Bucharest UPU Congress had decided that all UPU members should join the "target system" for terminal dues by 2013, but that now the UPU Councils were proposing that the 2008 UPU Congress push back implementation of this decision to 2017. Under the "target system", the terminal dues paid to destination postal administrations are more cost-based. Leavey recommended that the U.S. actively promote a speedier implementation timetable for movement to the target system. He also pressed the State Department to push for the UPU to allow broader access to working documents on its website.

7. Jim Campbell urged the Department of State to treat both public and private postal operators in a neutral manner, as called for under the PAEA. He also noted that the Secretary of State was not permitted to conclude a treaty that would give undue advantage to grant an undue or unreasonable preference to the Postal Service, a private provider of international postal or delivery services, or any other person.

8. Nancy Sparks of FedEx sought clarification on the distinction between the first priority in the Strategic Plan, which is quality of service, and the Quality of Service Fund, which appears associated with terminal dues.

9. Dennis Delehanty commented in response that the first priority in the Strategic Plan, quality of service, refers to the performance measurements made to gauge the quality of service offered by postal operators. The Quality of Service Fund, on the other hand, is a structure that was created by the 1999 Beijing UPU Congress under which supplemental terminal dues payments are made to developing countries. To gain access to their funds, beneficiary postal

administrations must submit project proposals aimed at improving their quality of service; these project proposals are examined and approved (or rejected) by a nine-member Board of Trustees which manages the Fund.

10. Dennis Shea, Vice President, Government Affairs – Americas of Pitney Bowes, asked what is meant by “delivery agents” in the section on quality of service in the Plan. Dennis Delehanty responded that this term applies to private sector companies that deliver EMS items or parcels.

11. Jim Campbell asked if the Department of State was required by the PAEA to eliminate competitive advantage between USPS and non-USPS postal operators regarding parcel delivery, to which Dennis Delehanty responded that this was one of the questions raised by the Advisory Committee’s review of the Strategic Plan.

12. Steve Lopez, Vice President of Postal Products and Affairs of Experian, asked what precisely the U.S. planned to do to promote private sector participation in the UPU Consultative Committee.

13. Dennis Delehanty offered background on the Consultative Committee, noting that the last UPU Congress in Bucharest in 2004 created the Committee, a process that began, at the urging of the United States, at the previous Congress in Beijing in 1999.

14. Gerry Anderson stated that the State Department wished to solicit ideas from the members of the Advisory Committee to determine if there was general agreement about the overall direction of the U.S. strategy towards the UPU.

15. Steve Lopez noted his concern about the costs associated with the Consultative Committee’s program management.

16. Brad Smith inquired about the calendar for the 2008 Congress and asked if there was still time to submit items not already included in the U.S. Strategic Plan. Dennis Delehanty responded that any additional proposals not already submitted must be put forward by May 22 of this year with the support of eight other countries.

17. Gene Del Polito, President of the Association for Postal Commerce, asked for additional clarification about the guiding principles in the PAEA and their connection with the Strategic Plan. He went on to question the expanding role of the UPU.

18. Dennis Delehanty emphasized that the U.S. Strategic Plan is not a State Department document. Rather, the Plan presents the views of the U.S. Government; it is the product of the six stakeholder U.S. agencies in UPU issues. He also noted that the Department of State’s view is that the UPU should keep to its core mission.

19. Gerry Anderson stated that in general, the State Department opposes expansion of the UPU’s mandate unless it benefits governments and the UPU can control the growth of its budgets.

20. Daniel Watson stated that there were some issues under discussion that fell outside of the provisions of PAEA, such as expansion of the UPU’s role to include issues that affect trade and ongoing trade negotiations. He cautioned against any moves by the UPU that would have negative repercussions among UN agencies, such as postal financial services, or other areas that could draw the work of the UPU into conflict with international trade agreements.

21. Brad Smith observed that the technical assistance given by postal operators to financial services products could hamper competition in the financial services sector.

22. Sue Presti, Executive Director of the Express Delivery and Logistics Association, remarked that the same principle applies to the express mail industry and warned that the UPU's expanding role in this market should be constrained. She then expressed concerns about the UPU cooperatives, in particular the EMS Cooperative, whose meetings were off limits to non-members.

23. Daniel Watson asked if language could be put forward that would support the UPU's core mission but would inhibit the UPU from advancing into areas outside of its core responsibilities.

24. Dennis Delehanty discussed the goals and structures of the three cooperatives within the UPU: the EMS (Express Mail Service) Cooperative; the Telematics Cooperative and UPU*Clearing. He noted that the mandatory budget of the UPU is fixed at 37 million Swiss francs, and that this budget has not been exceeded since the late 1990s. The U.S. supports this policy of zero nominal growth for the UPU budget. However, to attract funding to the UPU to carry activities that do not necessarily fall within the mandatory budget, the UPU created cooperatives which apply voluntary membership, Boards of Directors elected by UPU members, annual business plans and most importantly weighted voting. No other international organization applies weighted voting other than the World Bank and International Monetary Fund. Elsewhere in the UPU, and in all other UN agencies, the principle of one country, one vote applies.

25. Sue Presti encouraged the suggestion that membership in UPU cooperatives should be opened to full participation by the private sector. Jim Campbell commented that the UPU cooperatives were an interesting concept that supports the separation of operational and government functions, in line with the policy of the PAEA, and that this approach should be further considered.

26. The discussion turned to a proposal adopted recently by the UPU Council of Administration that would amend the mission statement of the UPU. The U.S. delegation voiced its opposition to the proposal, but the proposal garnered sufficient votes for adoption as a proposal to the UPU Congress. However, since this proposal would amend the UPU Constitution, for which the positive votes of two-thirds of member countries are required, the proposal may not pass at the Geneva Congress. Michael Regan of the U.S. Postal Service added that several European governments are also doubtful about the proposal.

27. Daniel Watson noted that USTR opposes the proposal since it would conflict with the role and responsibilities of the WTO and questioned what forces within the UPU were advocating the proposal. Jim Campbell proposed that the U.S. could make a formal reservation to the provisions of the proposal if it is adopted. Mike Coughlin strongly urged that the UPU should limit its work to what helps to move the mail and forgo trade and financial services mandates. Tom Leavey countered that efforts to constrain may go too far and have negative consequences. In his view, many postal administrations have offered financial services for quite some time, and these services need to be modernized, which is not necessarily an expansion of the role of the UPU. While the UPU should be cautious about improving services of a competitive nature, there should be no prohibition against general upgrading of its services.

28. Jim Campbell noted that while we do not want to discourage posts from improving their services, governments should be divorced from this process. Gene Del Polito observed that the posts faced evolving markets. Mike Coughlin stated that the UPU's mission should be consistent with the zero nominal growth requirement for the UPU budget, and that the U.S. Strategic Plan for the UPU should be reviewed not only in the context of the provisions of the PAEA, but also against the requirements of zero nominal growth. In response, Tom Leavey noted he anticipated a stronger push among UPU members for zero real growth.

29. Gerry Anderson commented that the UPU has adhered better than other agencies to containing growth in its spending. He agreed that there was little risk that the expanded mission would be adopted at Geneva but added that many voices at UPU meetings have spoken passionately about the circumstances facing posts of developing countries which are the majority of UPU members.

III. U.S. proposals for the 2008 UPU Congress

30. Dennis Delehanty moved the meeting forward by outlining some of the key proposals submitted by the U.S to the 2008 Congress. These proposals concern the publication of performance measurement results, a review of certain UPU quality of service programs, expanded transmission of EDI messages for customs purposes, support for UPU user groups and a new structure for IMPC (International Mail Processing Centre) codes.

31. In response to a question by Steve Lopez about how results are gauged in connection with quality of service standards, Dennis Delehanty affirmed that with its proposal on this issue, the U.S. wants the Geneva Congress to take a decision about how the results of UPU quality of service measurements should be published. The performance results in question refer to letter post and parcel post; the letter post measurements are required under provisions of the UPU Convention since terminal dues payments between industrialized countries are based in part on these results. Some public postal operators have argued that this performance data is commercially sensitive and want to restrict to whom the results can be released. Mr. Delehanty also noted that the issue of publishing performance figures might also be raised in connection with the services provided by private sector operators.

32. Gene Del Polito immediately pointed out that private operators may not be willing to publish their performance data, while Jim Campbell asked if different rules would apply for competitive and non-competitive products. Mike Regan responded by saying that the UPU does not address what the private sector does. The UPU does not attempt to provide a competitive advantage to its member country operators. Jim Campbell added that the USPS is obliged to improve its service which is rightly its role and not the role of the U.S. Government. Mr. Campbell then made reference to customs issues, which he described as the single biggest barrier to competition. Customs rules, he noted, should be developed and adopted by the Council of Administration and not the Postal Operations Council, since the Council of Administration operates more like a government body than the Postal Operations Council.

33. With regard to IMPC codes, Joe Phelan urged the Department of State to strengthen its current proposal for Congress and added that the Standards Board should develop the new codes and within a specific time frame.

34. Jim Campbell inquired why the cooperatives need the support of the UPU to which Mike Regan answered that the Secretariat provides support for cooperatives.

35. Speaking as a member of the public, Allison Levy, International Policy Advisor of the Postal Regulatory Commission, announced that the PRC will make a determination later this year on whether international money transfer services are to be regarded as postal or non-postal services and that the U.S. position in the UPU with respect to financial services, therefore, will need to be consistent with this determination.

IV. Extra-territorial offices of exchange (ETOE) and IMPC (International Mail Processing Centre) codes

36. Dennis Delehanty introduced the topic of ETOEs, explaining that ETOE operators have caused considerable confusion within the U.S., especially since the traffic they export abroad has the same look as U.S. Postal Service dispatches. ETOEs use IMPC codes which, due to the structure of the codes, are difficult to distinguish from the IMPC codes used by USPS. This situation makes it difficult for destination postal administrations to determine the actual origin of the mail when assessing terminal dues and handling returns. The UPU Council of Administration is conducting a study of ETOEs so that the matter can be adequately addressed.

37. Jim Campbell stated that the current United States policy towards ETOEs has created an unfair effect on inbound and outbound products and should be reconsidered under the PAEA. A member of the public, William Gensburg of ITS, Inc., stated that he had made several requests to the Department of State to reconsider its position in connection with the granting of IMPC codes to third parties, adding that the UPU is withholding new IMPC codes from private operators. According to Mr. Gensburg, IMPC codes bring huge benefits to those who have them, thus creating a non-level playing field. Mr. Gensburg urged the Department of State to advocate for broader access to IMPC codes.

38. Dennis Delehanty repeated that the UPU will be conducting a study to examine the numerous and complicated issues surrounding the use of IMPC codes. At present, over a thousand codes are in use. The IB issues these codes. Several years ago the IB was approached by private operators who requested their own codes. About 20 were granted to private operators before the IB discontinued its practice in the light of complaints and evidence of confusion it created among destination postal administrations.

39. When asked specifically what ITS expected to gain by obtaining its own unique IMPC codes, Mr. Gensburg responded that traffic documented with IMPC codes clears customs more readily, and that companies that have IMPC codes receive better service from airlines handling the mail, specifically when it came to meeting the minimum weight requirements.

40. Jim Campbell observed that the issue of ETOEs was very similar to that of the remail issue that emerged several years ago, and argued that open competition led to greater quality within Europe. Mike Glover offered to organize an interagency teleconference call with ITS to better evaluate and respond to his request.

V. Customs issues

41. Dennis Delehanty explained the U.S. proposal to advance the development and implementation of electronic messaging between postal and customs administrations in order to facilitate implementation of the PAEA's Customs provisions. Currently, postal items subject to Customs clearance must only bear a simplified [paper-based] Customs form completed by the customer and are not subject to advance electronic information requirements required for similar products handled by private operators.

42. Greg Olsavsky of U.S. Customs and Border Protection reported that there have been several inter-agency meetings with U.S. Customs, the Postal Service and Department of State to implement the Customs provisions of the PAEA. For inbound mail, the U.S. Government is working through the UPU to facilitate the ability of postal administrations to provide advance electronic information. Customs has been in discussion with Germany, Canada and the United

Kingdom on a possible pilot. For outbound mail, Customs has expanded a pilot in which the Postal Service was providing advance electronic information on outbound mail from Chicago to all offices processing international mail.

43. Sue Presti cautioned that the PAEA provisions should apply not only to Customs, but to other government agencies with a role in import and export. She also urged that the U.S. promote urgency in the UPU to implement with specific deadlines for transmission of advance electronic information on postal items.

VI. Advisory Committee organizational issues

44. Dennis Delehanty reminded the Committee that the Federal Advisory Committee Act required the production of minutes for Advisory Committee meetings, so that there would be minutes produced for this meeting.

45. Chairman Mike Glover suggested that the Advisory Committee meet again before the start of the Geneva UPU Congress. Although one member expressed doubts about the need to meet before the UPU Congress, there was general agreement to hold a meeting in June of this year.

46. Some members suggested convening a subgroup of those participating in the UPU Congress in Geneva to provide input to the Department of State.

Minutes prepared by Katherine Lawrence, Bureau of International Organization Affairs, U.S. Department of State