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Customs and Security: Where Does the UPU Fit In?

James I. Campbell Jr.

Summary

- **The Universal Postal Union plays a special role in international customs and security issues because it combines governmental and commercial functions.**
- **The UPU has developed a “Postal Customs Model” that results in the application of customs and security laws to Posts in a different manner than to other international delivery services.**
- **The future of the Postal Customs Model is clouded by operational, legal, and competitive fairness issues.**

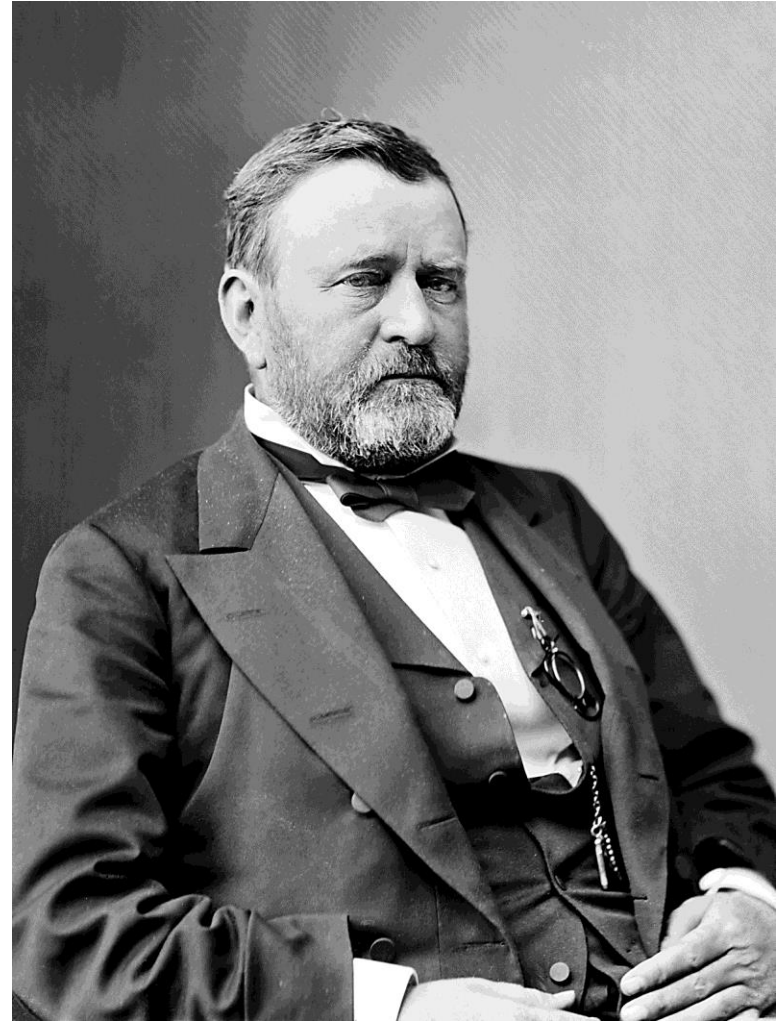
The special role of the UPU derives from its combination of governmental and commercial functions.

Basic points

- 1) The UPU is an intergovernmental organization.**
- 2) The UPU is also a trade association dominated by commercial package delivery services (who are also Posts).**
- 3) Since 1994, the UPU's combination of governmental and commercial functions has substantially strengthened by the rise of the Postal Operations Council.**

The UPU is an intergovernmental organization

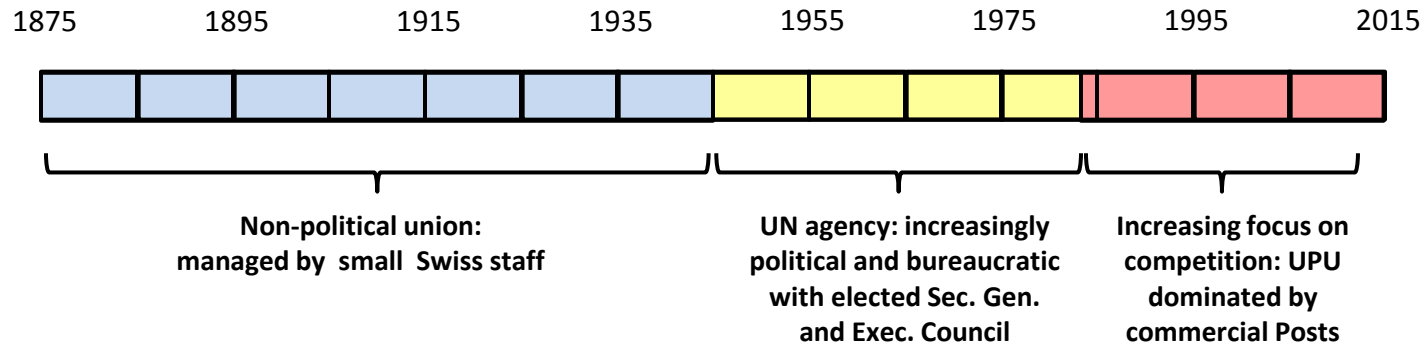
- UPU was established by Convention agreed by 21 countries in 1875.
- UPU is the second oldest intergovernmental organization.
- In 1875:
 - All Posts were government monopolies.
 - The Posts conveyed letters, commercial papers, and printed matter.



President Ulysses S. Grant

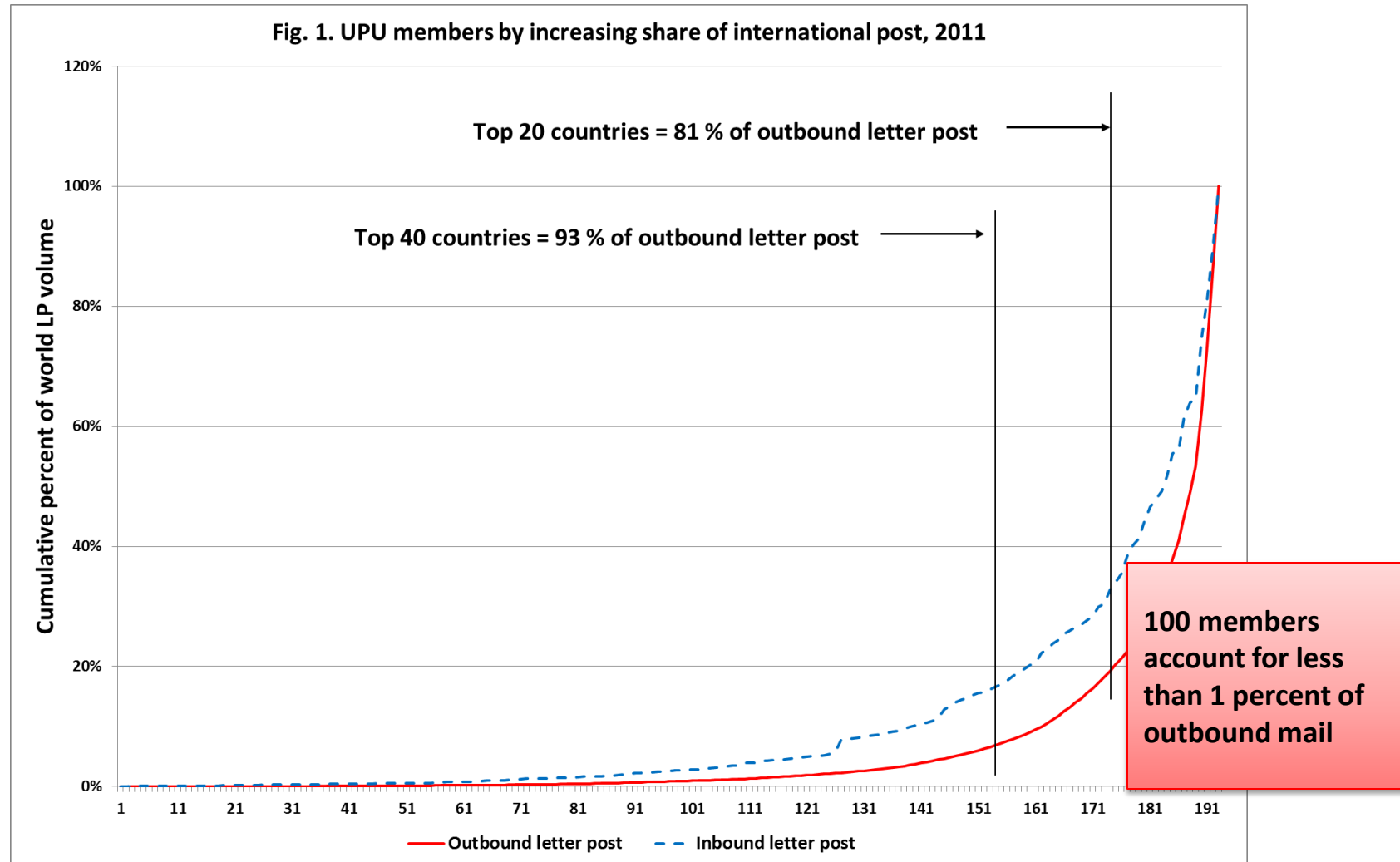
The UPU has evolved in major respects

Evolution of the UPU



- The UPU was a non-political coordination mechanism until 1945.
- After 1945, the UPU became more political due to (1) association with the United Nations and (2) addition of many small, new countries.
- Since 1984, the UPU has become more commercial due to competition from private companies and electronic alternatives.
- Today, UPU is rapidly shifting from letters to e-commerce packages.

UPU decisions are based on politics, not economics



Terminal dues

- **Terminal dues** are the fees that Posts pay each for the delivery of inbound international “letter post” items.
- **Letter post** consists of documents and packages up to 2 kg (4.4 lb)



Letter (P)

Small letter-sized envelope.
Average 16 g.
(0.6 oz)



Flat (G)

Large envelope for documents, reports, etc. Average 115 g.
(4.1 oz)



Small packet (E)

Any parcel, box, or rigid envelope weighing up to 2 kg.
Average 255 g. (9.0 oz)

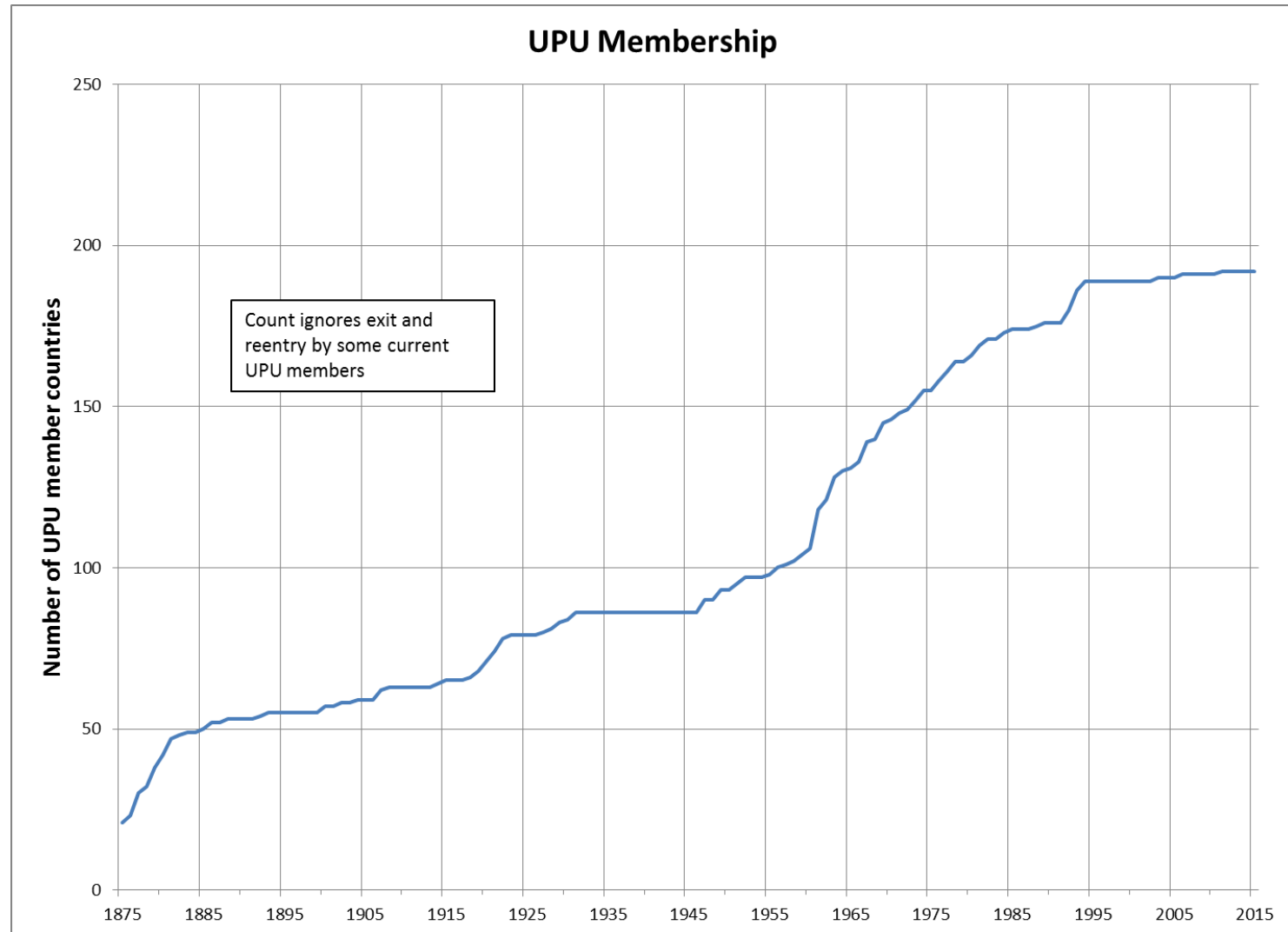
Documents

Packages

Terminal dues

- Terminal dues were introduced in 1969 because many Posts received much more mail than they sent out.
- In 1969, terminal dues were set by political agreement between net exporters (mainly industrial countries) and net importers (mainly developing countries) at a low rate per kilogram.
- Terminal dues were not related to actual costs:
 - The rate per kg did not vary with the number of items per kg.
 - The rate did not vary according the costs per destination country.

Growth in UPU membership, 1875 to 2014



2) The UPU is also a commercial trade association

Business Plan: "Doha Postal Strategy"

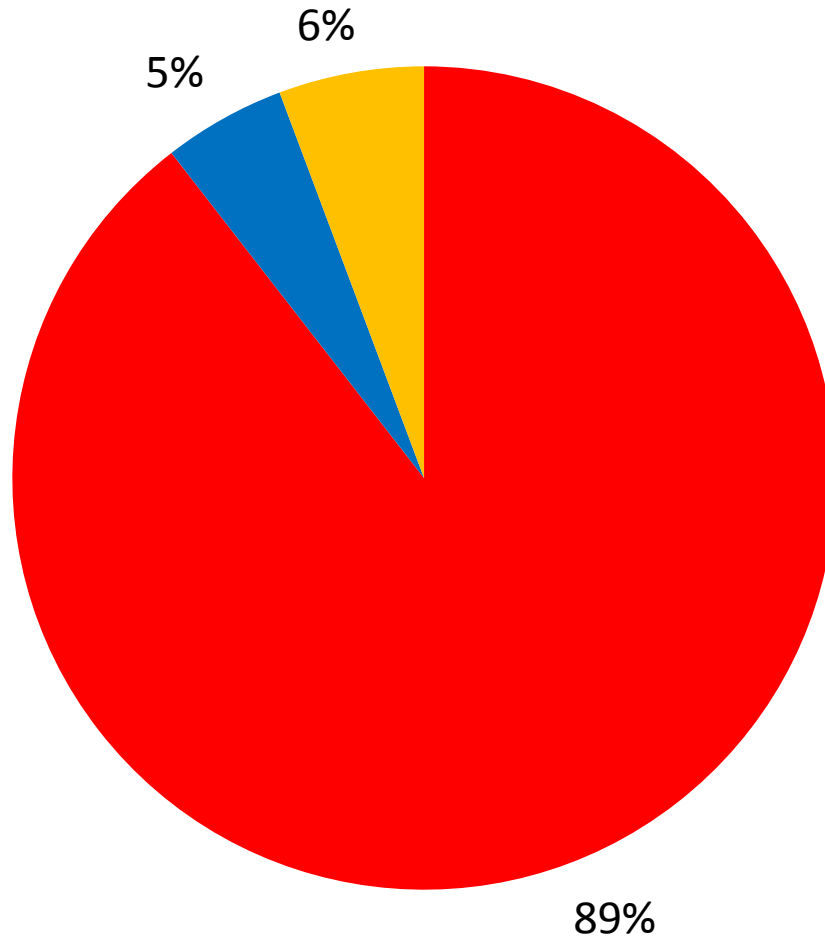
- **Modernize and diversify postal products and services.**
- Stimulate market growth through the use of new technologies.
- **Facilitate international e-commerce.**
- Continue development of postal networks along three dimensions (physical, electronic, financial)
- **Increase postal integrity and security and facilitate customs processes [of Posts].**



UPU's main “products”

| Product | Item type | Wt limit | Postal Customs Model |
|-----------------------|-----------|----------|----------------------|
| 1. Letter Post | | | |
| – Small letters (E) | Document | 2 kg | Yes |
| – Flats (G) | Document | 2 kg | Yes |
| – Small packets (E) | Package | 2 kg | Yes |
| 2. Parcel Post | Package | 20 kg | Yes |
| 3. EMS | Package | 30 kg | Yes |

Small packets are the key UPU package product



**About 900 million
postal packages, 2011**

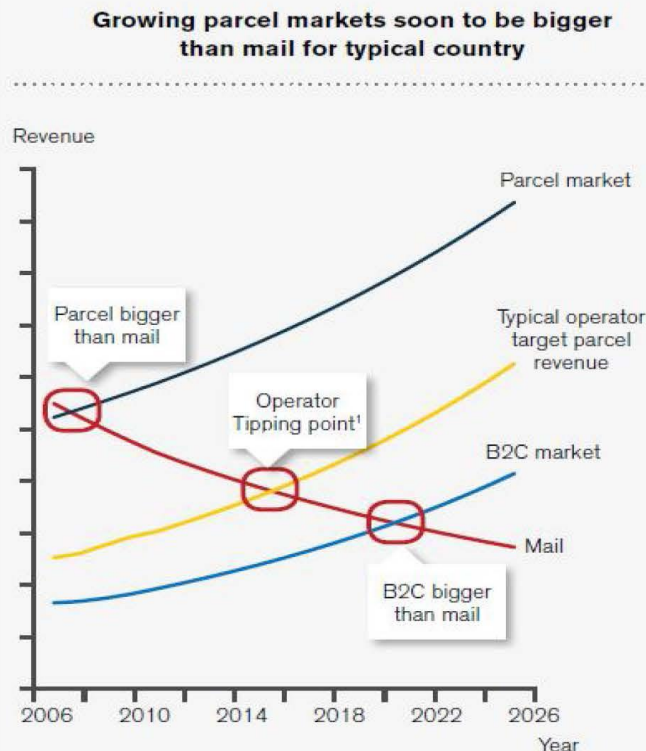
- Small packets (letter post)
- Parcels (parcel post)
- EMS (express)

Source: POC C 1 PDMG 2011.1—Doc 4. Annexe 1 (2011)

Posts are being transformed into package services

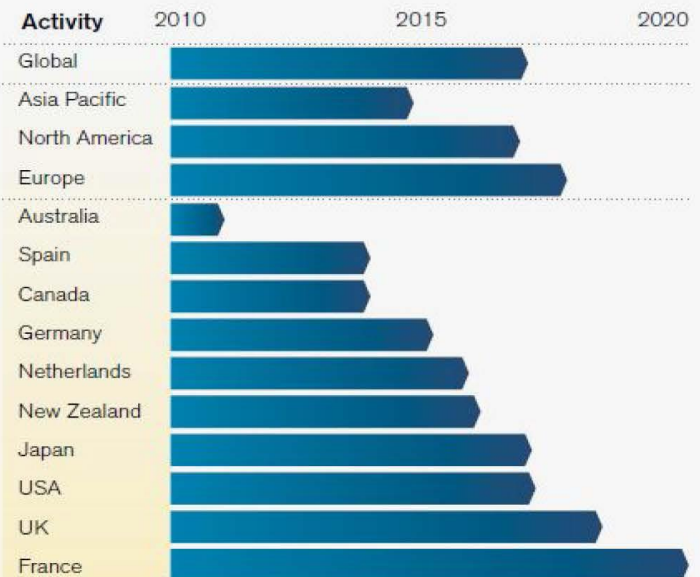


Postal operators are not “Mail companies” any more



1. Tipping point calculated at point where 70% marketshare of enlarged B2C CEP market + 10% marketshare in B2B CEP market is larger than mail market
Source: IPC, BCG analysis

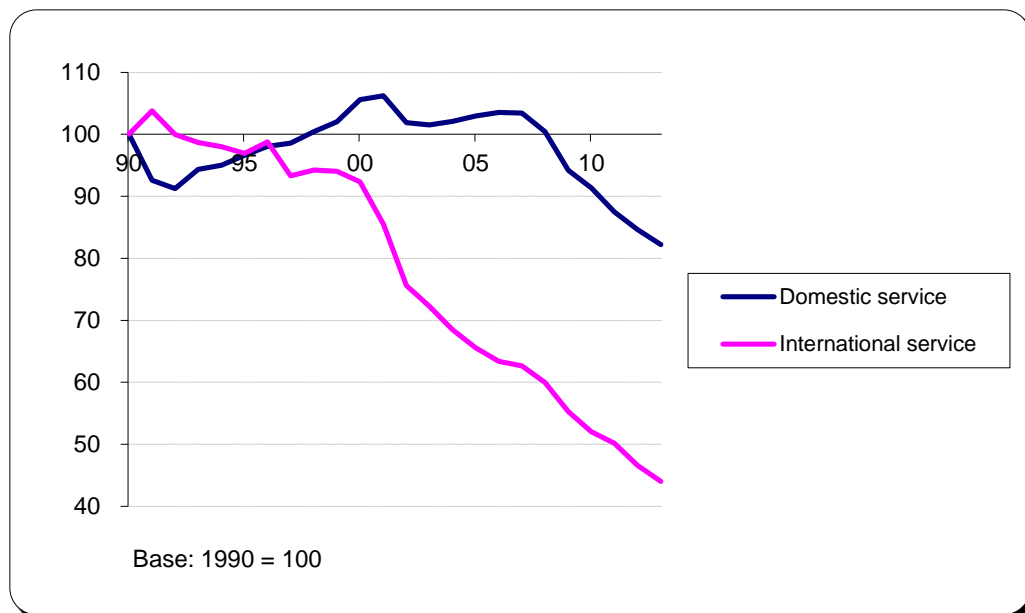
Operator tipping point¹ will be in the coming 10 years



End of arrow indicates tipping point¹

Source: IPC

Shift to packages is faster for international services

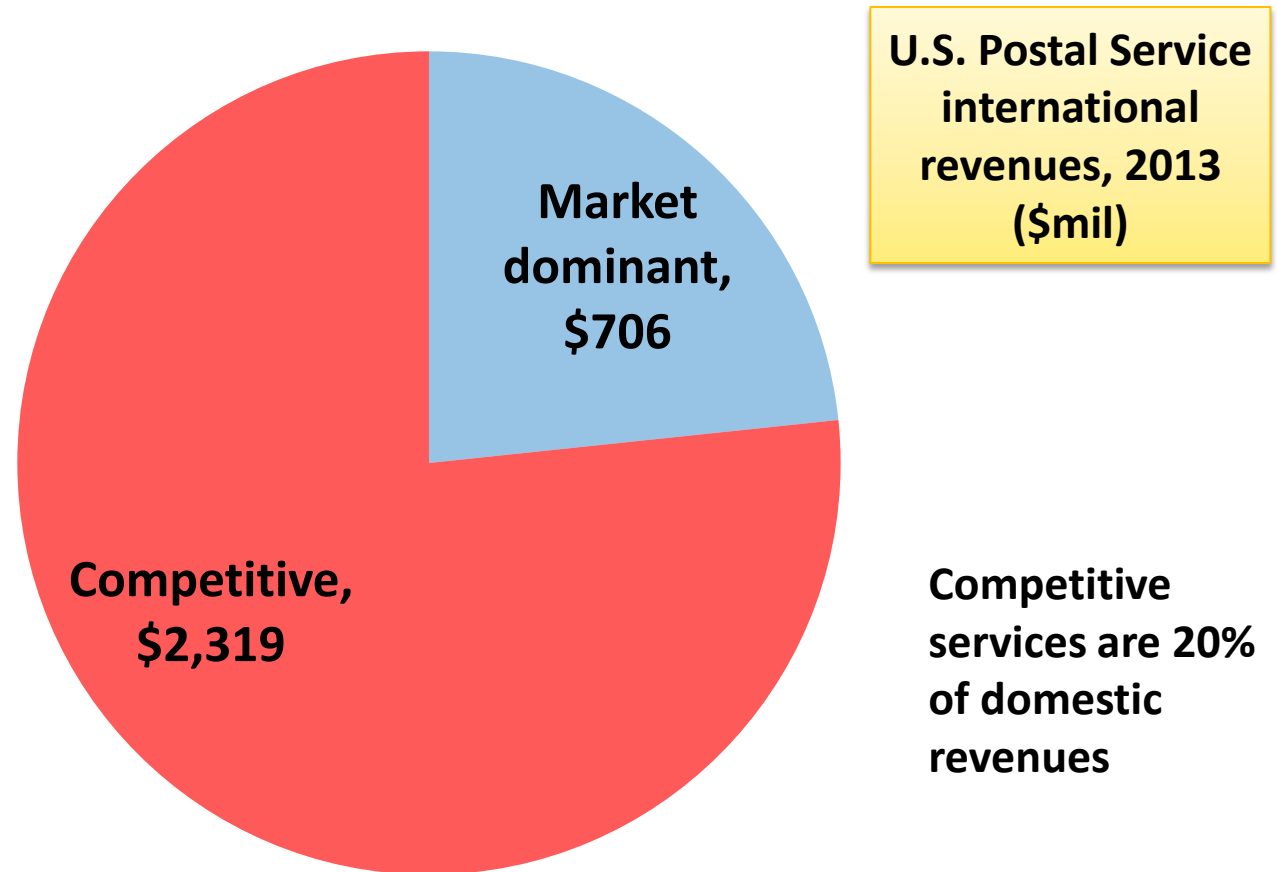


The number of letter post items is in decline.

However, the average weight of an item increases.

| | Average annual variation | | | |
|-------------------------|--------------------------|-----------|-----------|-----------|
| | 1990-2000 | 2000-2010 | 2010-2012 | 2012-2013 |
| ▪ Domestic service | 0.5 % | -1.4 % | -3.8 % | -2.8 % |
| ▪ International service | -0.8 % | -5.6 % | -5.3% | -5.6 % |

USPS is a competitive international package service



Competitive services are predominantly outbound package services: small packet, parcel post, EMS.

Market dominant services include significant revenue from inbound small packet and parcel businesses that are generated by foreign posts in competition with private operators in origin countries despite PRC classification as "market dominant".

"E-commerce posts" are growing rapidly

- E-commerce small packets from China to the US increased 182% from from 2011 to 2012 (9.5 to 26.8 mil).
- Singapore Post international mail revenue increased 53% from FY 2012 to FY 2014, mostly due to e-commerce
- Alibaba bought 10% of Singapore Post in May 2014.



Linking people Delivering busi
傳心意 遞商機



UPU is promoting e-commerce for all Posts

- Mar 2014 - 2 day conference
- World Customs Org., Int'l Telecomm Union, UNCTD
- Alibaba, major e-tailers
- UPU strategies for facilitating postal e-commerce services



Rise of the Postal Operations Council, 1994 - present

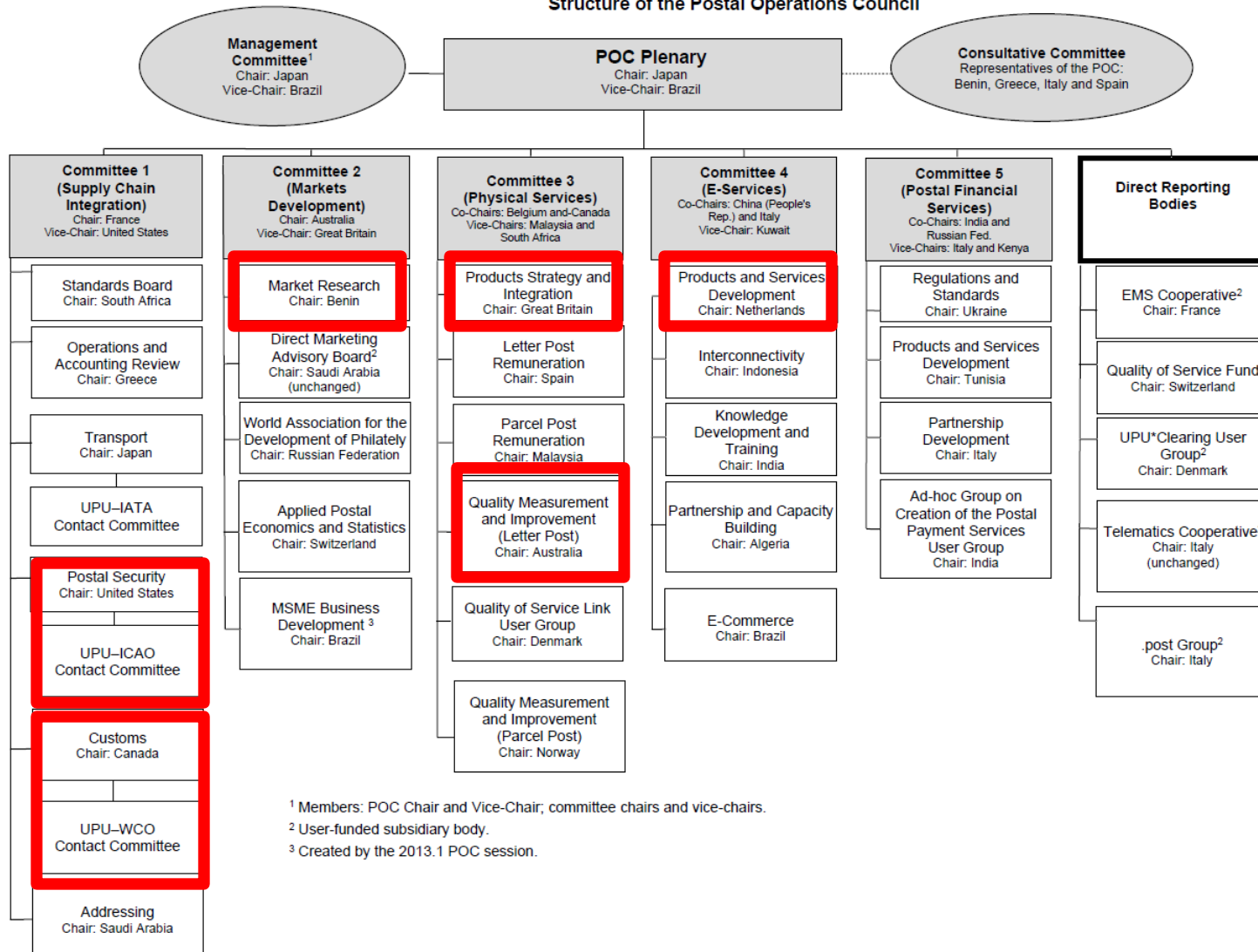
- **Decline of the UPU Congress**
 - Congress meets every 4 years.
 - Congress adopts only a bare-bones version of **Universal Postal Convention**
 - Congress has lost authority over Letter Post/Parcel Regulations.
- **Rise of Postal Operations Council**
 - **Composed of 40 postal officials.**
 - Adopts **Letter Post/Parcel Regulations**, including all significant customs measure.
 - Directs all UPU commercial activities and prepares measures for Congress.

POC is dominated by large commercial Post who have served 5 terms, 1994 to 2018

| | |
|----|--------------------|
| 1 | Belgium |
| 2 | Brazil |
| 3 | Canada |
| 4 | China |
| 5 | Cuba |
| 6 | Egypt |
| 7 | France |
| 8 | Germany |
| 9 | Great Britain |
| 10 | India |
| 11 | Italy |
| 12 | Japan |
| 13 | Netherlands |
| 14 | New Zealand |
| 15 | Russian Federation |
| 16 | Spain |
| 17 | Switzerland |
| 18 | United States |

POC oversees customs/security & commercial matters

Structure of the Postal Operations Council



¹ Members: POC Chair and Vice-Chair; committee chairs and vice-chairs.

² User-funded subsidiary body.

³ Created by the 2013.1 POC session.

The UPU has developed a “Postal Customs Model” that results in the application of customs and security laws to Posts in a different manner than to other international delivery services.

Basic points

- 1) The “Postal Customs Model” originated in the far different conditions of the 1920s.**
- 2) The UPU recognizes that customs and security procedures are critical to Postal participation in the rising e-commerce markets.**
- 3) The modern Postal Customs Model includes several elements, which distinguish “postal customs” from “normal customs”.**

1) “Postal customs” concepts originated in the 1920s

- “Customs labels” were introduced in the 1924 UPU Convention.
- C1 and C2 forms were introduced in the 1929 UPU Convention.
- Small packet service was added in 1929 on a voluntary basis.
- “The Administrations do not assume any responsibility on account of customs declarations.” (1924 Conv).

The image shows two postal customs forms. The top form is Form C1, titled 'DOUANE (peut être ouvert d'office)'. It includes instructions to fill it out only in the absence of a separate declaration and fields for 'Nature de la marchandise', 'Poids', and 'Valeur'. The bottom form is Form C2, titled 'DECLARATION EN DOUANE'. It includes fields for 'LIEU D'EXPEDITION', 'ADMINISTRATION DES POSTES', and a table for 'ENVOIS'. The table has columns for 'Nombre', 'Espèce', 'Designation du contenu', 'Valeur', 'Poids' (Brut and Net), and 'Observations'. It also includes a field for 'Pays d'origine ou de fabrication de la marchandise' and a signature line for 'L'expéditeur'.

Form C1: DOUANE (peut être ouvert d'office)

Form C2: DECLARATION EN DOUANE

| ENVOIS | | DESIGNATION DU CONTENU | VALEUR avec indication précise de l'unité monétaire employée | POIDS | | OBSERVATIONS |
|---|--------|------------------------|--|----------------|---------------|--------------|
| Nombre | Espèce | | | Brut — Grammes | Net — Grammes | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | | | | | |
| Pays d'origine ou de fabrication de la marchandise: | | | | | | |

L'expéditeur:

But the 1920s was a different time



2) Today, E-commerce is the key to the Posts . . .

The rise of E-commerce

The Kahala Postal Group experience
2009-2013

Michael Cope, Australia KPG Board Member



Confidential Information – Not for Release

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. . . and customs/security is the key to e-commerce



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Group. Mar
2014

International E-commerce – Posts-Customs issues

- Efficient Post – Customs interface at a national level
- Pre-advice - data sharing across supply chain
- Conformance
- Clearance time, taxes and duties, restrictions, payments
- Returns handling (logistics, refunds)
- Develop an **intelligent postal network**
- A **GREEN LANE for e-commerce** based postal items

5

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3) The PCM is viewed as a legal “platform” for Posts

Doha Postal Strategy (2012)

“The global postal network’s unique features must be safeguarded. . . . The UPU Acts must also be presented as an international treaty platform to be taken into consideration and respected when defining customs processes.”

↑
Increase postal integrity and security and facilitate customs processes

Overall objective:

Ensure the security of postal transactions all along the global postal supply chain to guarantee the free circulation of postal items.

The safety and security (including revenue protection) of the postal supply chain is critical to supporting worldwide commerce and communication. The programme will increase the importance the UPU places on this area of activity. Without consistency, reliability and predictability throughout the postal network, and without coordinated actions, the very concept of the single postal territory could be at risk.

The global postal network’s unique features must be safeguarded. It is, therefore, important to raise the UPU’s profile and that of its restricted unions among international and national authorities and stakeholders, and work with such authorities in an integrated fashion. For example, the UPU and restricted unions should be seen as organizations that are ready to support developments on customs issues having an impact on postal business, both globally and regionally, and in cooperation with other international organizations. The UPU Acts must also be presented as an international treaty platform to be taken into consideration and respected when defining customs processes.

Possible actions that could be undertaken by:


UPU bodies:

- Work with other international organizations to develop universal security standards within a single postal territory.
- Pursue developments supporting electronic customs data, screening of mail and physical security, for the benefit of postal, border and aviation security.
- Foster cooperation between the postal sector and regulatory bodies, including the UPU and international, regional and national bodies that are stakeholders in the security and integrity of mail.
- Develop action plans and standards that integrate the concerns and issues of regulatory bodies.
- Develop programmes that support designated operators in implementing security standards. These programmes should include methods for reviewing designated operators’ processes, as well as provide assistance in developing continuity and follow-up plans.
- Share best practices in the field of security among designated operators.
- Understand and clarify economic impacts of change in security models.
- Develop and support regional training, knowledge and expertise regarding matters related to security.

The PCM assumes the preeminence of UPU acts

“International universal postal services are governed by these UPU Acts only, irrespective of the mode of transport (air, road, train, sea, river) used in the postal supply chain. This distinguishes the transport of letter-post and parcel-post items from the transport of common cargo.”

POC C1 CG 2014.2 Doc 7a (2014)



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REPLACES VERSION PREVIOUSLY PUBLISHED
CEP C 1 GD 2014.2–Doc 7a
(POC C 1 CG 2014.2–Doc 7a)

POSTAL OPERATIONS COUNCIL
Committee 1 (Supply Chain Integration)
Customs Group

Regulatory framework for advance electronic information regarding postal items

Memorandum by the Netherlands
(Agenda Item 7a)

| 1 | Subject | References/paragraphs |
|---|---|-----------------------|
| | Regulatory framework for advance electronic information. | §§ 1 to 22 |
| 2 | Decisions expected | |
| | – Take note of the memorandum and approve its recommendations and principles. | |
| | – Take note of the main aspects of the future regulatory framework for advance electronic information regarding postal items. | §§ 1 to 9 |
| | – Decide on further steps for development of the implementing provisions as provided for in article 9 of the UPU Convention. | §§ 20 to 22 |

I. Introduction

1 At the 2012 UPU Doha Congress, an amendment to article 9 of the UPU Convention was adopted. The decision was based on a proposal (20.9.3) submitted by 20 of the then 27 European Union member states. The current text of article 9.1 of the UPU Convention, as reproduced below, reflects a proposal by France (20.9.4) to amend this EU proposal, but did not change it in any substantial manner.

*Article 9.1 UPU Convention

1 Member countries and their designated operators shall observe the security requirements defined in the UPU security standards and shall adopt and implement a proactive security strategy at all levels of postal operations to maintain and enhance the confidence of the general public in the postal services, in the interests of all officials involved. This strategy shall, in particular, include the principle of complying with requirements for providing electronic advance data on postal items identified in implementing provisions (including the type of, and criteria for, postal items) adopted by the Council of Administration and Postal Operations Council, in accordance with UPU technical messaging standards. The strategy shall also include the exchange of information on maintaining the safe and secure transport and transit of mails between member countries and their designated operators.”

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WS
7.10.2014

The POC has established main elements of the PCM

POC Regulations. Article RL 156. Items subject to customs control

1. **Items to be submitted to customs control shall bear on the front a CN 22 customs declaration**, or be provided with a tie-on label in the same form....
3. The use of the data from the paper CN 22 or CN 23 customs declarations provided for in paragraph 2 above **shall be restricted to processes relating to the exchange of mail and customs formalities** in respect of the export or import of postal items and may not be used for any other purpose....
5. If the value of the contents declared by the sender exceeds 300 SDR, or if the sender prefers, the items shall also be accompanied by the prescribed number of separate CN 23 customs declarations....
8. **Small packets shall always be provided with a customs declaration, which shall be either the CN 22 customs declaration or the CN 23 customs declaration** as prescribed [above]....

POC Regs: CN 22 Customs Declaration

| | | | | | |
|---|-----------|--------------------------|--------------------------|---|--|
| CUSTOMS DECLARATION | | May be opened officially | | CN 22 | |
| Designated operator | | | | Important! See instructions on the back | |
| <input type="checkbox"/> | Gift | <input type="checkbox"/> | Commercial sample | | |
| <input type="checkbox"/> | Documents | <input type="checkbox"/> | Other | | |
| | | | | <i>Tick one or more boxes</i> | |
| Quantity and detailed description of contents (1) | | | Weight (in kg) (2) | Value (3) | |
| | | | | | |
| <i>For commercial items only</i> If known, HS tariff number (4) and country of origin of goods (5) | | | Total weight (in kg) (6) | Total value (7) | |
| | | | | | |
| I, the undersigned, whose name and address are given on the item, certify that the particulars given in this declaration are correct and that this item does not contain any dangerous article or articles prohibited by legislation or by postal or customs regulations Date and sender's signature (8) | | | | | |

Letter Post, Doha 2012, art RL 156.1 –
Size 74 x 105 mm, white or green

CN 22 (Back)

Instructions

To accelerate customs clearance, fill in this form in English, French or in a language accepted by the destination country. If the value of the contents is over 300 SDR, you must use a CN 23 form. You **must** give the sender's full name and address on the front of the item.

(1) Give a detailed description, quantity and unit of measurement for each article, e.g. 2 men's cotton shirts, especially for articles subject to quarantine (plant, animal, food products, etc.).

(2), (3), (6) and (7) Give the weight and value of each article and the total weight and value of the item. Indicate the currency used, e.g. CHF for Swiss francs.

(4) and (5) The HS tariff number (6-digit) must be based on the Harmonized Commodity Description and Coding System developed by the World Customs Organization. Country of origin means the country where the goods originated, e.g. were produced, manufactured or assembled. It is recommended you supply this information and attach an invoice to the outside as this will assist Customs in processing the items.

(8) Your signature and the date confirm your liability for the item.

Note. – It is recommended that designated operators indicate the equivalent of 300 SDR in their national currency

POC Regs: CN 23 Customs Declaration (p. 1)

| CUSTOMS DECLARATION | | | | | CN 23 | |
|---|-----------------------|---|---|---|--|--|
| From | (Designated operator) | | | No. of item (barcode, if any) | May be opened officially | Important! See instructions on the back |
| | Name | | Sender's customs reference (if any) | | | |
| | Business | | | | | |
| | Street | | | | | |
| | Postcode | City | | | | |
| To | Country | | | | | |
| | Name | | | | | |
| | Business | | | | | |
| | Street | | Importer's reference (if any) (tax code/VAT No./importer code) (optional) | | | |
| | Postcode | | | | | |
| Country | | Importer's telephone/fax/e-mail (if known) | | | | |
| Detailed description of contents (1) | | Quantity (2) | Net weight (in kg) (3) | Value (5) | <div style="border-bottom: 1px solid red; font-size: small; margin-bottom: 2px;">For commercial items only</div> <div style="display: flex; font-size: small;"> <div style="flex: 1;">HS tariff number (7)</div> <div style="flex: 1;">Country of origin of goods (8)</div> </div> | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | Total gross weight (4) | Total value (6) | Postal charges/Fees (9) | |
| Category of item (10) | | Commercial sample | Explanation: | | Office of origin/Date of posting | |
| <input type="checkbox"/> Gift | | Returned goods | | | | |
| <input type="checkbox"/> Documents | | Other | | | | |
| Comments (11): (e.g.: goods subject to quarantine, sanitary/phytosanitary inspection or other restrictions) | | | | | I certify that the particulars given in this customs declaration are correct and that this item does not contain any dangerous article or articles prohibited by legislation or by postal or customs regulations | |
| | | | | | | |
| <input type="checkbox"/> Licence (12) No(s). of licence(s) | | <input type="checkbox"/> Certificate (13) No(s). of certificate(s) | | <input type="checkbox"/> Invoice (14) No. of invoice | Date and sender's signature (15) | |
| | | | | | | |

POC Regs: CN 23 Customs Declaration (p. 2)

CN 23 (back)

Instructions

You should attach this Customs declaration and accompanying documents securely to the outside of the item, preferably in an adhesive transparent envelope. If the declaration is not clearly visible on the outside, or if you prefer to enclose it inside the item, you must fix a label to the outside indicating the presence of a customs declaration.

To accelerate customs clearance, complete this declaration in English, French or in a language accepted in the destination country.

To clear your item, the Customs in the country of destination need to know exactly what the contents are. You must therefore complete your declaration fully and legibly; otherwise, delay and inconvenience may result for the addressee. A false or misleading declaration may lead to a fine or to seizure of the item.

Your goods may be subject to restrictions. It is your responsibility to enquire into import and export regulations (prohibitions, restrictions such as quarantine, pharmaceutical restrictions, etc.) and to find out what documents, if any (commercial invoice, certificate of origin, health certificate, licence, authorization for goods subject to quarantine (plant, animal, food products, etc.) are required in the destination country.

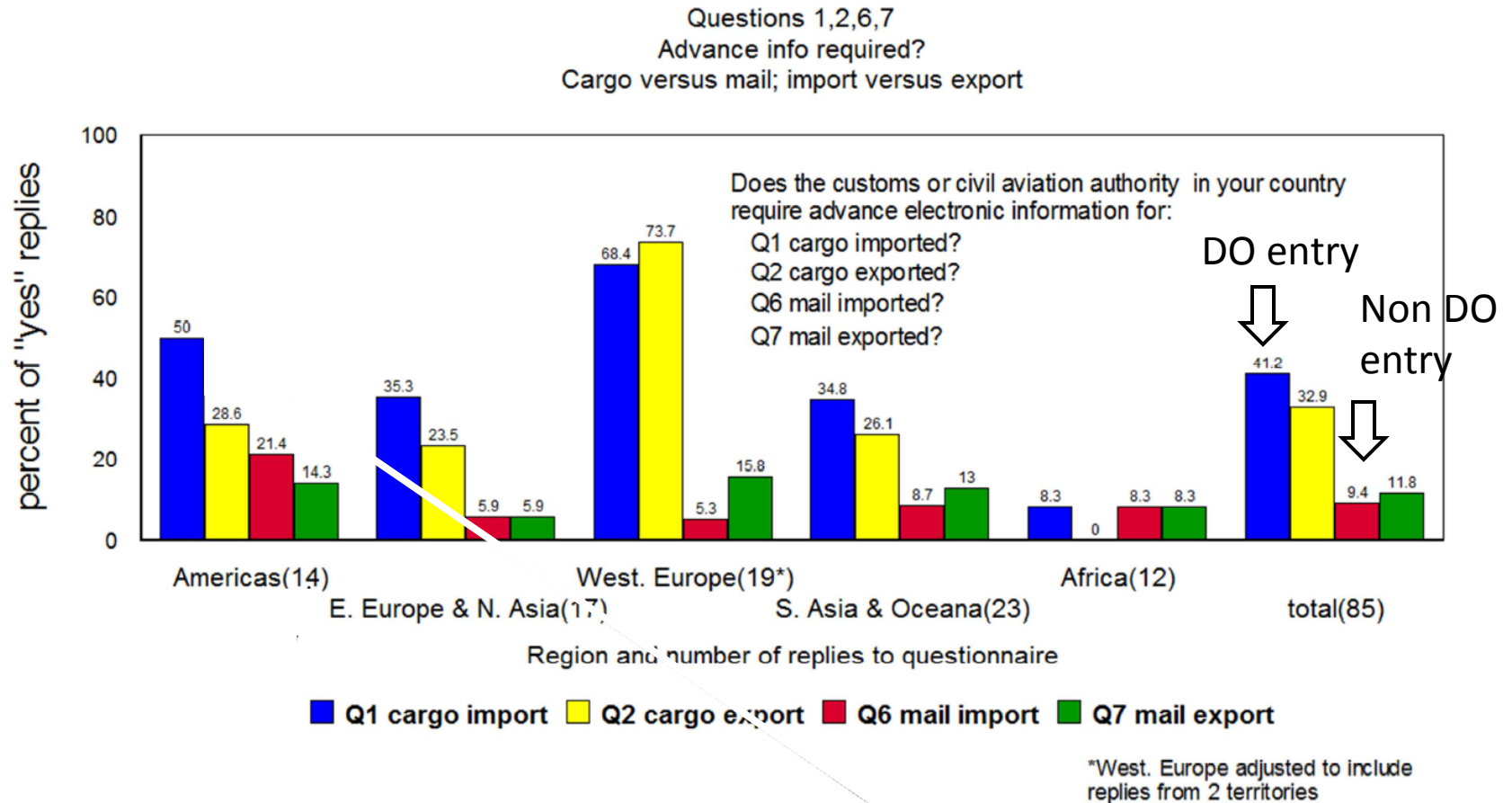
Commercial item means any goods exported/imported in the course of a business transaction, whether or not they are sold for money or exchanged.

- (1) Give a detailed description of each article in the item, e.g. "men's cotton shirts". General descriptions, e.g. "spare parts", "samples" or "food products" are not permitted.
- (2) Give the quantity of each article and the unit of measurement used.
- (3) and (4) Give the net weight of each article (in kg). Give the total weight of the item (in kg), including packaging, which corresponds to the weight used to calculate the postage.
- (5) and (6) Give the value of each article and the total, indicating the currency used (e.g. CHF for Swiss francs).
- (7) and (8) The HS tariff number (6-digit) must be based on the Harmonized Commodity Description and Coding System developed by the World Customs Organization. "Country of origin" means the country where the goods originated, e.g. were produced/manufactured or assembled. Senders of commercial items are advised to supply this information as it will assist Customs in processing the items.
- (9) Give the amount of postage paid to the Post for the item. Specify separately any other charges, e.g. insurance.
- (10) Tick the box or boxes specifying the category of item.
- (11) Provide details if the contents are subject to quarantine (plant, animal, food products, etc.) or other restrictions.
- (12), (13) and (14) If your item is accompanied by a licence or a certificate, tick the appropriate box and state the number. You should attach an invoice for all commercial items.
- (15) Your signature and the date confirm your liability for the item.

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**Customs
declaration
including all
customs
mandatory
fields**

Posts provide limited pre-arrival data



Global uniformity is deemed necessary

Article 9. Postal security

- 1. Member countries and their designated operators shall observe the security requirements defined in the UPU security standards** and shall adopt and implement a proactive security strategy. . . . This strategy shall, in particular, include the principle of complying with requirements for providing electronic advance data on postal items identified in implementing provisions . . . adopted by the Council of Administration and Postal Operations Council. . . .
2. Any security measures applied in the international postal transport chain must be commensurate with the risks or threats that they seek to address, and must be implemented without hampering worldwide mail flows or trade by taking into consideration the specificities of the mail network. **Security measures that have a potential global impact on postal operations must be implemented in an internationally coordinated and balanced manner,** with the involvement of the relevant stakeholders.

PCM exempts Posts from customs liability

UPU Convention. Article 24. Non-liability of member countries and designated operators

3. Member countries and **designated operators shall accept no liability for customs declarations in whatever form** these are made or for decisions taken by the Customs on examination of items submitted to customs control.

POC Regulations. Article RL 156. Items subject to customs control

- 12. Designated operators shall accept no liability for the customs declarations.**
Completion of **customs declarations shall be the responsibility of the sender alone**. However, designated operators shall take all reasonable steps to inform their customers on how to comply

Postal Customs Model

- **Postal products are different.** Postal shipments –including e-commerce packages and EMS – should be treated differently from non-postal shipments.
- **Legal effect of UPU Acts.** Acts of the UPU determine the rules for postal shipments.
- **Sender based.** Customs entry data provided by sender's form on package, not by Posts.
- **Simplicity.** Clearance and security procedures for Postal shipments are as simple as possible.
- **Global uniformity.** Clearance and security procedures for Postal shipments must be uniform worldwide.
- **Legal immunity.** Posts immune from liability under customs laws.

Practical effect of the PCM in the US

U.S. Customs Regulations

PART 145—MAIL IMPORTATIONS

Sec.

145.0 Scope.

Subpart A—General Provisions

145.1 Definitions.

145.2 Mail subject to Customs examination.

145.3 Opening of letter class mail; reading of correspondence prohibited.

145.4 Dutiable merchandise without declaration or invoice, prohibited merchandise, and merchandise imported contrary to law.

145.5 Undeliverable packages.

Subpart B—Requirements and Procedures

145.11 Declarations of value and invoices.

145.12 Entry of merchandise.

145.13 Internal revenue tax on mail entries.

145.14 Marking requirements.

Subpart C—Administrative Review of Mail Entries

145.21 Administrative review.

PART 128—EXPRESS CONSIGNMENTS

Sec.

128.0 Scope.

Subpart A—General

128.1 Definitions.

Subpart B—Administration

128.11 Express consignment carrier application process.

128.12 Application approval/denial and suspension of operating privileges.

128.13 Application processing fee.

Subpart C—Procedures

128.21 Manifest requirements.

128.22 Bonds.

128.23 Entry requirements.

128.24 Informal entry procedures.

128.25 Formal entry procedures.

**The future of the Postal Customs Model
is clouded by operational, legal and
competitive fairness issues.**

Basic points

- 1) The Postal Customs Model is inadequate for modern e-commerce and border controls.**
- 2) The UPU is working to improve by the Postal Customs Model to cure disadvantages while preserving advantages.**
- 3) But the future of the Postal Customs Model is clouded by operational, legal, competitive fairness issues.**

1) PCM is not reliable in implementation



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Introduction

- Proper completion of customs declarations is a long-standing problem, which was discussed at the 2012 Customs Workshop for Asia-Pacific countries
- Some points from the workshop are included for consideration by the Customs Group

CUSTOMS DECLARATION CN 23

Designated operator: From Name, Address, City, Postcode, Country. To Name, Address, City, Postcode, Country.

Declaration of contents (1), Quantity (2), Net weight (3 kg) (5), Value (4), For commercial items only (6) (7), Country of origin of goods (8).

CUSTOMS DECLARATION CN 22

Designated operator: From Name, Address, City, Postcode, Country. To Name, Address, City, Postcode, Country.

Declaration of contents (1), Quantity (2), Net weight (3 kg) (5), Value (4), For commercial items only (6) (7), Country of origin of goods (8).

RECEIPT CP 00 707 599 2 NO

Designated operator: From Name, Address, City, Postcode, Country. To Name, Address, City, Postcode, Country.

Declaration of contents (1), Quantity (2), Net weight (3 kg) (5), Value (4), For commercial items only (6) (7), Country of origin of goods (8).

Category of item (9): ☐ International Priority, ☐ International Economy, ☐ Commercial cargo, ☐ Returned goods, ☐ Other.

Comments (11), e.g., goods subject to quarantine, sanitary/phyto-sanitary inspection or other restrictions.

License (14), Certificate (15), Invoice (16), and other relevant information.

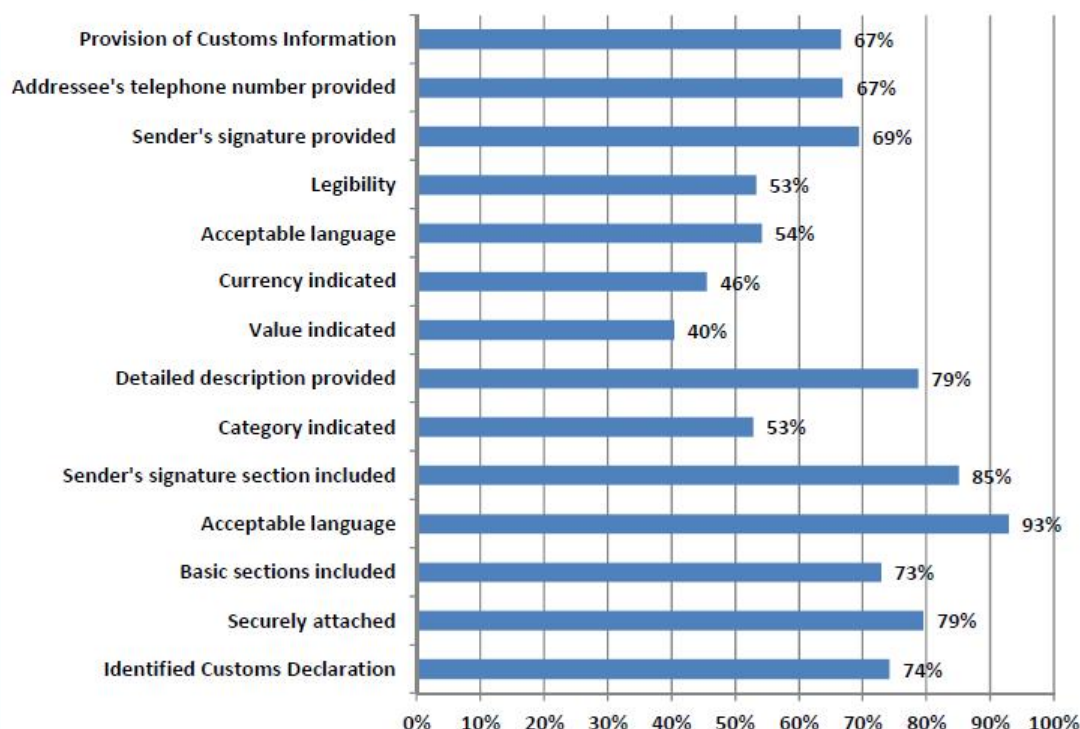


Factors – the posts' experience

EMS Customs' declarations sampling at the Office of Exchange:

- 64 DOs
- 143 EMS items

Source: EMS Unit – 2012Q2



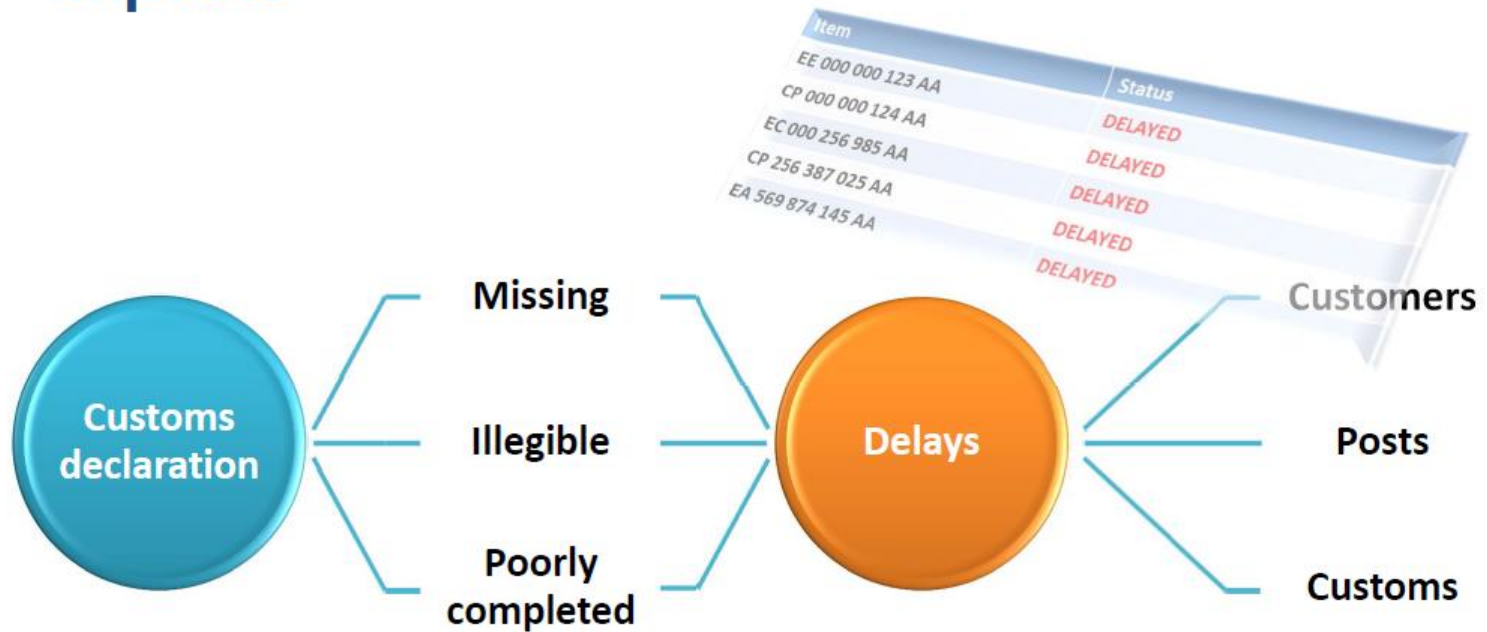
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Impacts



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Postal items often escape customs entry altogether

- **Wirthlin Worldwide survey for FedEx/UPS (1999)**
 - 90 dutiable packages sent to US from 10 European countries via FedEx or UPS.
 - 90 identical dutiable packages via the express mail service provided by foreign postal administrations with transfer either to the USPS (63 packages) or to express carriers (“independent contractors”) (27 packages).

| Carriers | Formal entries | Informal entries | Total entries | No entries filed |
|------------------|----------------|------------------|---------------|------------------|
| Express (90) | 42.2% | 46.7% | 88.9% | 11.1% |
| USPS (63) | 0.0% | 6.3% | 6.3% | 93.7% |
| Contractors (27) | 7.4% | 63.0% | 70.4% | 29.6% |

PCM is not secure enough for the 21st century

The Economist

World politicsBusiness & financeEconomicsScience & technologyCulture

A history of parcel bombs

Going postal

Sending explosives through the post has a long and murky history

Nov 4th 2010 | From the print edition


Timekeeper

Like 9

Tweet 0

PRINTER cartridges and air freight may be new, but lethal missives are not. The **Bandbox Plot** of November 4th 1712, foiled by Jonathan Swift (author of "Gulliver's Travels"), was an attempt to kill Robert Harley, Earl of Oxford and Lord Treasurer. A hatbox left at his door was configured to fire cocked pistols when the lid was lifted.

On January 19th 1764 a Danish diarist, Bolle Willum Luxdorph, described perhaps the first successful parcel bomb. A **Colonel Poulsen** received a box by post. "When he opens it, therein is to be found gunpowder and a firelock which sets fire unto it, so he became very injured."



Bridgeman

2) UPU efforts to upgrade the postal customs model


More detailed CN22 form

Original CN 22

| | | | | | |
|---|--|--------------------------|-----------------|--|--|
| CUSTOMS DECLARATION | | May be opened officially | | CN 22 | |
| Designated operator | | | | Important! See instructions on the back | |
| <input type="checkbox"/> Gift | <input type="checkbox"/> Commercial sample | Tick one or more boxes | | | |
| <input type="checkbox"/> Documents | <input type="checkbox"/> Other | | | | |
| Quantity and detailed description of contents (1) | | Weight (in kg) (2) | Value (3) | | |
| | | | | | |
| | | | | | |
| For commercial items only If known, HS tariff number (4) and country of origin of goods (5) | | Total weight (in kg) (6) | Total value (7) | | |
| | | | | | |
| I, the undersigned, whose name and address are given on the item, certify that the particulars given in this declaration are correct and that this item does not contain any dangerous article or articles prohibited by legislation or by postal or customs regulations Date and sender's signature (8) | | | | | |

Size 74 x 105 mm, white or green

Mock up of proposed changes with barcode

| | | | | | |
|--|--|---------------------------|-------------------------------|--|--|
|  UL000000014CA | | | | CN 22 | |
| CUSTOMS DECLARATION | | | | | |
| Designated operator | | | | Important! See instructions on the back | |
| <input type="checkbox"/> Gift | <input type="checkbox"/> Commercial sample | | Other (please specify): _____ | | |
| <input type="checkbox"/> Documents | <input type="checkbox"/> Other | | | | |
| <input type="checkbox"/> Sale of goods | | *Tick one or more boxes | | | |
| Quantity and detailed description of contents* (1) | Value and currency (2) | H S tariff number* (3) | Country of origin* (4) | | |
| | | | | | |
| | | | | | |
| Total value (5) | | Total weight (in kg)* (6) | | | |
| I, the undersigned, whose name and address are given on the item, certify that the particulars given in this declaration are correct and that this item does not contain any dangerous article or articles prohibited by legislation or by postal or customs regulations Date and sender's signature* | | | | | |

Size 74 x 105 mm, white or green

Source: POC C 1 CG 2014.2–Doc 4b. Annexe 1



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Possible approaches to reduce the problem

Informing the customer at the post office

- A one-page poster or brochure-type could be displayed in post offices, showing how to fill in the customs declaration form, including the reasons for the information
- The POC Customs Group could develop a model of a poster using UPU model forms CN 22 and CN 23.
- Designated operators could then use this to create their own forms with their own logos, etc. The poster could also be included on the designated operator's website.

Filling out a Preprinted FedEx US Airbill

[Section 1]
Enter the date for the shipment
Enter the Sender's Name
Enter the Sender's Contact Phone Number

[Section 2]
Enter your CSU, Chico Mail Bag Code

[Section 3]
Enter the Recipient's information, including a contact phone number

[Section 4]
Choose the type of package service you need

[Section 5]
Choose the type of packaging

[Section 6]
Choose any special handling and/or delivery options (Fees may apply)

[Section 7]
Choose the payment method for the shipment
Enter the number of packages and Total Declared Value (FedEx's liability is limited to \$100 unless you declare a higher value - Fees apply)

[Sub-Section 3]
You may choose to have the recipient pick-up the shipment at a FedEx location (No additional charge)



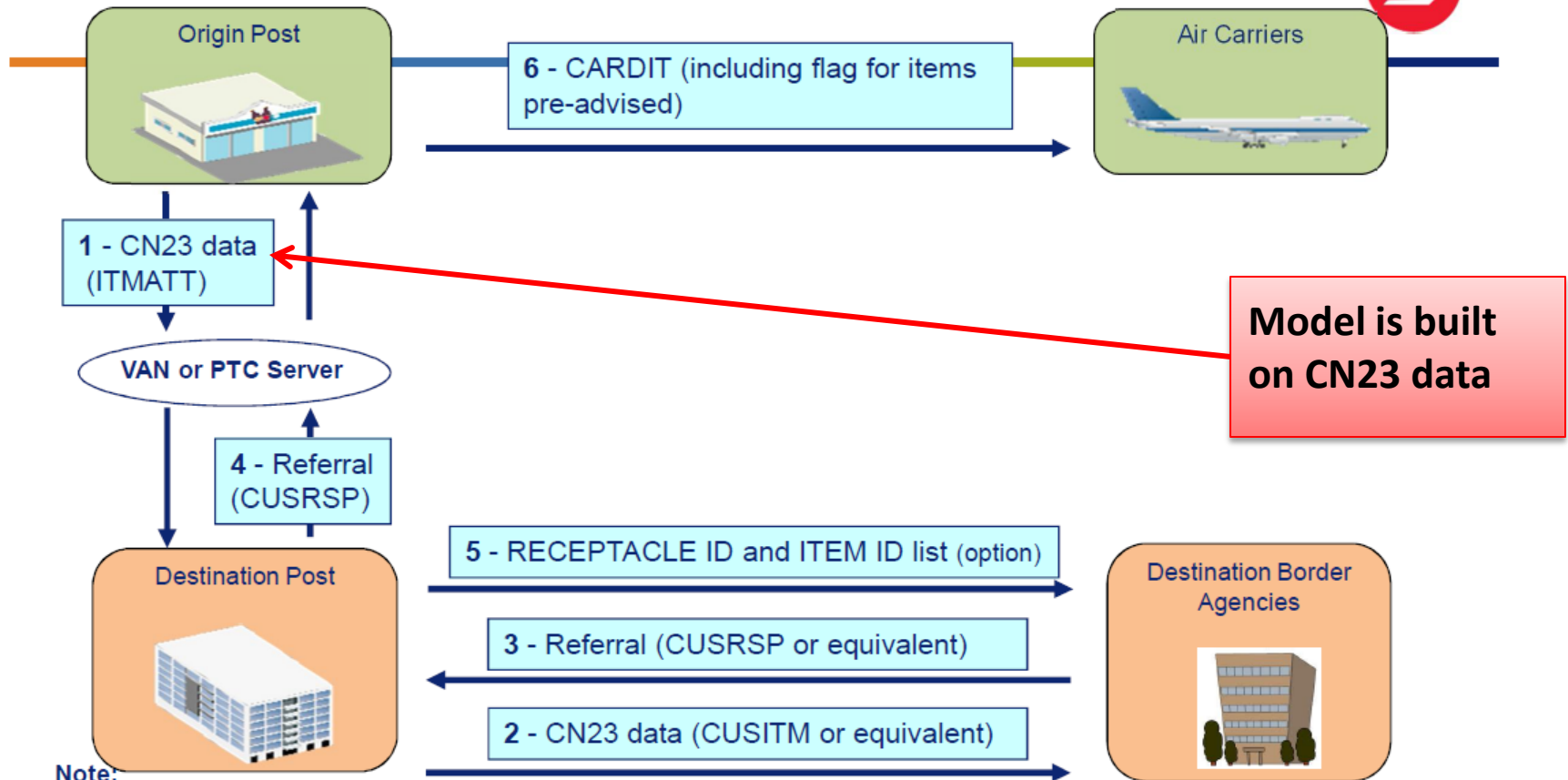
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Poster



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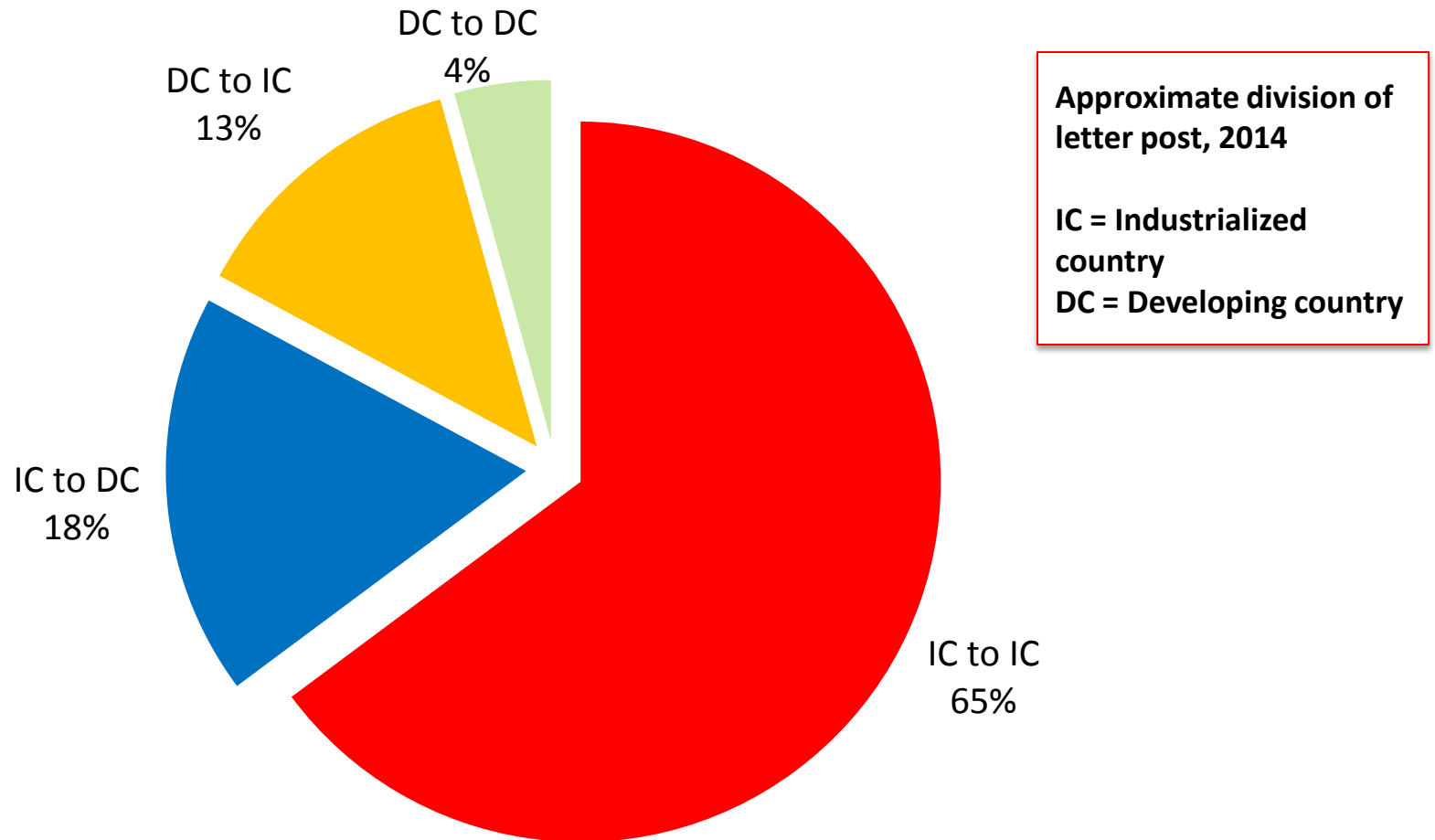
Concept image of the Advanced Data Flowchart (Postal model)



Note:

1. The advanced data flowchart comprises six (6) steps shown in the explanatory dialog boxes. However, this is only an initial concept because we have several challenges to overcome (E.g., Some Posts do not always exchange CARDIT messages with their all air carriers).
2. DNL (Do not load) and HRC (High risk cargo screening) are considered to be the representative examples of the "Referral."
3. No referral message received by Origin Post within an agreed time indicates that item can be loaded on the plane, and the decision regarding the "Agreed time" is our critical element so that the current worldwide mail flows will not be hampered.

3) PCM is questionable under EU/US law



Source: James I. Campbell Jr.. Estimates based on UPU data and other sources.

EU Customs is setting security rules for postal parcels



Draft EU Rulemaking (cont.)

- **Exemptions** for letters and postcards remain
- **'Phased-in' implementation**
 - Starting with **EMS and Parcels** (1 May 2016)
 - **Other postal products** (later implementation date)
- **'Pre-loading principle'** for airmail
- **Data** – Use of CN23 data
- **Data provision** – CN23 data by Posts; conveyance data by Air carriers (+ need to define a unique identifier allowing Customs to determine "*Which postal item is in which receptacle and on which plane*")

But UPU is opposing EU security rules

- **Widespread protest at UPU meetings in Nov 2014**
 - Strong protests from developing countries.
 - Protests supported by many industrialized countries, including members of the European Union.
- **Dec 2014. UPU officially urges member countries to pressure EU to stop implementation:**

“The Doha Congress amended Convention article 9 in order to introduce requirements for the provision of advance electronic information for postal items. The Postal Operations Council is in the process of enacting these requirements . . .

“It is imperative that a single global solution be developed for advance electronic information for customs and for security purposes. I urge you to contact your national customs officials and to give your views as part of the consultation process.”

US policy towards UPU favors competitive neutrality

- **"To promote and encourage unrestricted and undistorted competition** in the provision of international postal services and other international delivery services, except where provision of such services by private companies may be prohibited by law of the United States."
- **"To promote and encourage a clear distinction between governmental and operational responsibilities** with respect to the provision of international postal services and other international delivery services by the Government of the United States and by intergovernmental organizations of which the United States is a member."

39 USC 407(a)

Limits on what the US can agree to at the UPU

- "[T]he **Secretary may not conclude** any treaty, convention, or other international agreement ... **if such treaty, [etc.] would, with respect to any competitive product, grant an undue or unreasonable preference** to the Postal Service, a private provider of international postal or delivery services, or any other person."

39 USC 407(b)(1)

US requirements re a UPU Postal Customs Model

- “With respect to shipments of international mail that are competitive products ... that are exported or imported by the Postal Service, the Customs Service and other appropriate Federal agencies **shall apply the customs laws of the United States and all other laws relating to the importation or exportation of such shipments in the same manner** to both shipments by the Postal Service and similar shipments by private companies.”
- “**The Secretary of State shall, to the maximum extent practicable,** take such measures as are within the Secretary’s control to encourage the governments of other countries to make available to the Postal Service and private companies a range of **nondiscriminatory customs procedures** that will fully meet the needs of all types of American shippers.”

39 USC §407(e)

Substantial questions under US law

- Does the Postal Customs Model *restrict or distort competition*?
- Does the Postal Customs Model grant “*an undue or unreasonable preference*” to the Postal Service, a private provider of international postal or delivery services, or any other person?
- Does the Postal Customs Model result in application of the U.S. customs and other import/export laws “*in the same manner*” to competitive products of USPS and similar shipments by private companies?
- is the authority of the POC in the Postal Customs Model consistent with “*a clear distinction between governmental and operational responsibilities*”?

Conclusions

Summary

- **The Universal Postal Union plays a special role in international customs and security issues because it combines governmental and commercial functions.**
- **The UPU has developed a “Postal Customs Model” that results in the application of customs and security laws to Posts in a different manner than to other international delivery services.**
- **The future of the Postal Customs Model is clouded by operational, legal, and competitive fairness issues.**