

"Option V" for Victory

United States Stays in Universal Postal Union

On September 25, the UPU passed by acclamation a compromise remuneration reform package, Option V, that merged elements of Options B and C and various amendments.

The following are key elements of Option V to reform the terminal dues system and move countries to self-declared rates on packets.

A multi-speed approach to self-declared rates

Countries above a threshold of **75,000 tonnes of inbound traffic** in 2018 can self-declare rates in July 2020.

Otherwise, countries move to self-declared rates over a 5-year period starting in 2021.

Only the United States qualifies for this fast track.

It will set self-declared rates for letter post E-format items on July 1, 2020.

Any country for which the United States self-declares rates **may reciprocally self-declare** rates for inbound shipments of letter post E-format items from the United States.

Other countries will move to self-declared rates in 2021 **over a 5-year period** with maximum annual increases each year capped at 15-17%.

Not required to self-declare packet rates:

UPU Groups 2 and 3 whose letter post flows are small (less than 25 tonnes).

Group 4 countries with less than 100 tonnes are also excluded.

That means, in essence, there are **47 countries** for which the United States could self-declare rates and which could, reciprocally, self-declare rates toward the United States.

How are self-declared rates determined?

A **cost-to-tariff ratio** is used.

The ceiling for the self-declared rate is set at **70% of a domestic equivalent**.

The self-declaring country will provide its reference rates to UPU to calculate 70% using the UPU **per-item and per-kilo formula**.

Countries can increase the cost-to-tariff ratio by **1% per year** if they can demonstrate 70% ceiling does not cover costs.

The outlook for 2020...

USPS charges self-declared rates in July 2020; countries can reciprocate.

Harmonizing of rates: Groups 1, 2 and 3 move into a single rate structure in 2020.

Group 1 cap rates will increase 5% over Group 1 rates in 2019 (on top of Istanbul Congress methodology for rates).

...and beyond

Postal rates on packets **will go up**. How much is unknown at the moment.

Impacts on **ecommerce?** TBD

Also of note: U.S. Postal Service will pay **40 million CHF to a UPU fund** (paid over 5 years) with a portion to be used to help boost data security and transmission within the UPU system.

[Click here for text of Option V.](#)