

**EXTRATERRITORIAL OFFICES OF EXCHANGE (ETOE)s AND INTERNATIONAL MAIL PROCESSING CENTRE (IMPC) CODES****Council of Administration report**

<b>1 Subject</b>	<b>References/paragraphs</b>
Presentation of issues regarding extraterritorial offices of exchange (ETOE)s and international mail processing centres (IMPCs).	§§ 1 to 27
<b>2 Decisions expected</b>	
– Take note of the document.	§ 28
– Consider proposal 23.	

**I. Introduction**

1 During the Bucharest Congress cycle, the International Bureau prepared three documents on the issues regarding extraterritorial offices of exchange (ETOE)s and international mail processing centres (IMPCs), two for the Council of Administration and one for the Postal Operations Council. The fact that discussion took place in both councils is a strong indication that there are both important policy and operational issues involved.

2 At its meeting in October 2006, the CA was briefed (CA 2006–Doc 8a and Add 1) on the analysis of the results of the International Bureau survey, carried out in accordance with Bucharest Congress resolution C 44/2004, on the national policy or legislation of UPU member countries concerning ETOEs. Recognizing that the issue needed to be further analyzed in greater detail, the CA decided to consult the POC about the issues, particularly concerning the operational aspects of ETOE mail operations.

3 During the 2007 POC Plenary, the discussion (POC 2007–Doc 11) centred on ETOE mail operations and the need to clarify the situation for private companies registered as international mail processing centres or IMPCs, and their use of UPU forms. In instructing the International Bureau to continue its study, the POC decided to suspend allocation of IMPC codes to private companies until the issues were clarified.

4 The document considered by the CA at its 2007 session (CA 2007–Doc 8 and Add 1) presented ETOE and IMPC issues from the perspective of article 2 of the Convention, concerning the entities responsible for postal matters in UPU member countries. The majority of this CONGRÈS–Doc will draw from the 2007 CA document.

As the Secretariat's contribution to keeping costs to a minimum, documents for the 24th Congress are being printed in limited quantities only and will not be distributed again during the Congress. Participants are therefore requested to kindly bring these documents with them.

## II. Organization of the postal market

5 When addressing issues concerning ETOEs and private operators registered as IMPCs, it is important to have a common understanding of how the postal market is organized.

6 For the purposes of discussion of the issue in this paper, one might schematically describe the organization of the postal market in the following way.

7 Each member country is responsible for organizing, regulating and supervising its market for domestic postal service according to its national policy and legislation. Some countries may agree to coordinate their policies at a regional level:

8 The UPU, as an intergovernmental organization, establishes the treaty-level, technical and operational rules for the exchange of international postal services among its 191 member countries in order to ensure the provision of efficient, accessible universal postal services of quality and the interoperability of the international postal network.

9 In accordance with article 2 of the UPU Convention, UPU member countries notify the International Bureau of the entity or entities (governmental entity and designated operator), responsible for fulfilling the obligations arising from the Acts of the Union on their territory. The list of entities can be found on the UPU website at:

[www.upu.int/acts/en/entities\\_responsible\\_for\\_fulfilling\\_the\\_obligations\\_en.pdf](http://www.upu.int/acts/en/entities_responsible_for_fulfilling_the_obligations_en.pdf).

10 The various UPU forms contained in the Letter Post and Parcel Post Regulations are fundamental components of the UPU Acts. They, along with the other provisions of the Convention and Regulations, allow the operators described in article 2 of the Convention to exchange mail in a standard way using standard information. Airlines and customs authorities recognize mail tendered by these operators by means of the UPU forms accompanying the mail, and process it according to arrangements agreed with the UPU. Some UPU forms are intended for use by postal customers, and these are specifically listed in articles RL 267.1 and RC 213.6 of the UPU Regulations.<sup>1</sup> The other UPU forms are reserved for the operators described in article 2 of the Convention. The evolution of the electronic dimension of the postal network has seen the development of messaging standards, allowing information contained in the UPU Regulations and forms to be communicated more efficiently and accurately, for both processing and payment purposes. For example, the PREDES message contains in electronic format the information in UPU form CN 31 or CP 87.

11 If the postal market in a country is organized in such a way that operators other than those designated in article 2 of the Convention are allowed to operate on its territory, they operate as commercial entities and are not covered by the UPU Acts. If another country organizes its market in a similar way, then items can be exchanged between such operators on a commercial basis. These items are not covered by the UPU Acts.

## III. ETOEs

12 The Bucharest Congress, in resolution C 44/2004, decided that items sent from an extraterritorial office of exchange (ETOE) were considered "commercial items not subject to the UPU Acts, unless the destination postal administration has announced a policy agreeing to apply those Acts to the items it receives from ETOEs". Thus, if the destination country has declared that it applies the UPU Acts to ETOE items, terminal dues may be charged, postal customs clearance procedures of the destination country shall apply, and UPU documentation may be used. On the other hand, if the destination country has not declared that it applies the UPU Acts to ETOE items, they may be treated in accordance with the rates, terms and conditions of acceptance for domestic postal products. No terminal dues may be charged and no UPU

<sup>1</sup> CN 01, 07, 08, 11, 14, 17, 18, 22, 23, 29 and 30.

documentation may be used, including for purposes relating to airlines, to Customs and to other parties.

13 The Bucharest Congress also decided that the "agreement of any UPU member country must be obtained, in accordance with its national legislation, by any other countries or operators seeking to establish ETOEs within that country". Member countries were to advise the International Bureau of "national legislation or policy that made the operation of an ETOE on its territory legitimate or authorized".

14 Following the Bucharest Congress, member countries informed the International Bureau of their policy on ETOEs, including authorization to establish ETOEs on their territory as well as the policy they wished to apply as a destination country receiving ETOE items.

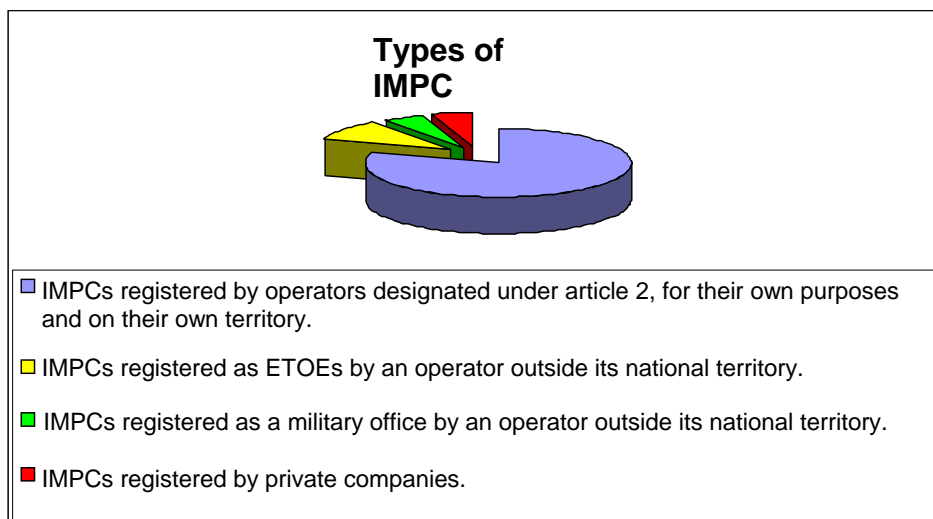
- Country of origin: 26 member countries have announced that they allow the establishment of ETOEs on their territory. Of the 26, some countries' policies have particular nuances that should be taken into account. For example, 14 countries allowing ETOEs on their territory added that they allowed, or at least did not regulate, the use of UPU forms by the ETOE operators for their outbound ETOE mail.
- Country of destination: Out of 93 member administrations responding to the IB survey or having stated their policy in IB circulars, 47 advised that they did not accept items from ETOEs under the UPU Acts. Thirty-six member administrations have announced that they apply the UPU Acts to items received from ETOEs. Some countries' policies have particular nuances that need to be taken into account.

15 The complete list of member country responses concerning their policy on ETOEs can be found on the UPU website at: [www.upu.int/etoe/en/responses\\_to\\_questionnaire\\_etoes\\_en.pdf](http://www.upu.int/etoe/en/responses_to_questionnaire_etoes_en.pdf). It is updated regularly on the basis of new information received.

#### **IV. International mail processing centres (IMPCs)**

16 By definition an ETOE is an "office of exchange operated by or in connection with a postal operator outside its national territory" (resolution C 44/2004). As an office of exchange, it must be registered by the UPU as an international mail processing centre. An IMPC is defined as an office of exchange, which creates or receives dispatches, or a mail unit, which creates or receives consignments. Most IMPCs are both offices of exchange and mail units, operated by the operators designated by UPU member countries under article 2 of the Convention. The vast majority of IMPCs (more than 1,000) fall into this category. ETOEs, as seen above, are IMPCs operated by or in connection with an operator outside its national territory. There are currently 12 operators that operate 110 ETOEs in 22 countries. In addition, 20 private companies are registered with the UPU as operating 34 IMPCs in 11 countries. Finally, a small number of international mail processing centres (IMPCs) have been registered for military mail. The operator of a UPU member country designated under article 2 of the Convention may establish an IMPC in another country where the country has a military presence over a period of time. Mail exchanged between the country and such IMPCs is treated as domestic mail, and has no impact on how the postal market is organized in the country where the IMPC is located.

17 Thus, the different types of IMPCs could be represented graphically as follows:



18 IMPCs are registered with the UPU as a six-digit code, defined under UPU technical standard S34. Standard S34 defines the structure of the code, the information to be provided and the process to be followed for registration and maintenance. The operator of an IMPC makes the request (using an "IMPC Register Update Request" form) for registration of an IMPC directly to the International Bureau, which follows the procedures in S34 to determine whether a code may be allocated. If the procedures, information requirements and conditions are met, it assigns a code, registers it and maintains it.

19 From the code itself, it is not possible to identify the operator. The code provides only the location of the IMPC. A destination operator may identify the operator of an IMPC by referring to the UPU website list, using the IMPC code.

20 UPU Standard S34 is listed as a "status 0" standard under the standards procedure adopted by the POC. Status 0 (working draft) means that the standard is in a preliminary stage of development. According to the POC standards procedure, a draft standard must pass through Status 1 (draft) before it can reach status 2 (POC approved standard). In passing through these different stages, testing is done and evaluations are made, often resulting in modifications to the standard by the time it is sufficiently stable and robust to be adopted as a UPU standard.

21 The 2007 POC, following its discussion on ETOEs and IMPCs registered to private companies, decided to conduct a comprehensive review, with the support of the Standards Board, of technical standards such as S10, S34 and S35, in order to facilitate the identification of sender operators. This review has begun, and the Standards Board is considering a draft report that may result in adjustments to some standards, including the S34 standard.

## **V. Information requirements**

22 An operator designated by a UPU member country under article 2 of the Convention has a number of information requirements to fulfil, including providing complete information concerning its offices of exchange as required in the Letter Post, Parcels and EMS Compendia. It also provides detailed accounting information regarding payment arrangements with other operators designated by UPU member countries under article 2 of the Convention. With this, and other information provided for in the Acts, operators are able to exchange mail under the Acts. For example, with this information, destination operators know where to send verification notes (CN 43), undeliverable items and empty bags, and payment information can be recorded and attributed correctly.

23 An ETOE operator or a private company registering an IMPC does not have the same information requirements. The "IMPC Register Update Request" is the only form that needs to be

completed, and, although the information provided to the IB is available and accessible on the UPU website, it is kept in a list separate from other operational information available to operators and is not published in a UPU publication.

24 More and better information may help to remedy situations such as the following:

- Some destination operators confuse the first two digits of the IMPC code (showing the country of location of the IMPC) with the operator. For example, a destination or transit operator, or an airline, may assume that the IMPC code "ATVIEG" is a code belonging to Austria Post, when in fact it is the code for a Swiss Post ETOE established in Vienna, Austria.
- Verification notes concerning mail received from an ETOE or from a private company registered as an IMPC are commonly sent by mistake to the origin country operator designated by UPU member countries under article 2 of the Convention.
- Undeliverable items from ETOEs are also commonly returned by mistake to the operator designated by UPU member countries under article 2 of the Convention.
- The country in the return address may not match the country of posting (franking and dispatch).
- Terminal dues and other remuneration arrangements under the UPU Acts are commonly misrecorded and attributed to the operator designated by UPU members under article 2 of the Convention.
- The real sender of the mail is not always identifiable, especially if the mail has been redirected through another office of exchange in another country.
- Security concerns arise if information on the exact location and identity of the sending operator are not readily available to security experts.
- Airlines and customs authorities do not know whether to apply procedures agreed with the UPU.
- More generally, the employees of the airlines, customs authorities, destination operator, and others handling international mail may not know how to process the mail sent from or received by an ETOE operator or a private company registered as an IMPC, even if they are able to identify the sending operator.

25 The proper functioning of the UPU network requires the use of agreed standards and procedures by the country of origin and the country of destination. In the same way, the process for registration of an IMPC needs to ensure that the national policies of both the country of origin and country of destination are respected. In addition, the registration process needs to ensure that agreed standards and procedures are used.

### **III. Conclusions**

26 There remains a great deal for the UPU and its member countries to learn about the effect of the liberalization of domestic markets on the exchange of international mail and on the UPU Acts. UPU members continue to have differing views and policies regarding ETOEs. Destination operators, as well as airlines and customs authorities, continue to encounter difficulties in identifying and correctly processing international mail received from ETOEs and from private companies registered as IMPCs. If a UPU member country's policy is not to accept items tendered by an ETOE operator or by a private operator registered as an IMPC (or to accept them in a certain way according to C 44/2004), then it should have the means to easily identify those items when received.

27 The number of requests to register an IMPC on the territory of a UPU member country from an operator other than the operator it has designated under article 2 of the Convention is rather small today, and it is unclear whether or how quickly it will increase in the future. The development of national policies is still in its early stages. The evolution of the market needs to be

monitored carefully and more knowledge needs to be gained. For example, more study is needed to cover such situations as an operator designated under article 2 carrying out commercial activities outside its own national territory, or other operators who are not designated under article 2 carrying out commercial activities internationally. What is the link between an IMPC code, on the one hand, and the application of the UPU Acts (regulatory and operational) to ensure the provision of universal service, on the other?

28 Congress is invited to take note of the present document and to consider proposal 23.

6 February 2008

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Chairman