



Data collection and validation

Through the studies contained in Annexes 3 and 4 of this letter, data will be collected to support the work on proposals for a modern, forward-looking integrated remuneration system (IRS) in accordance with resolution C 6/2018. All data received by the International Bureau will be treated confidentially; every necessary measure will be taken to protect the information. Only the results of calculations and simulations will be disclosed, and in aggregate form (either all countries or a group of countries), so as to make it impossible to link information to any particular country.

Analytical model for calculating the cost-to-tariff ratio

The data collected through the questionnaires in Annexes 3 and 4 concerning domestic tariffs and the costs of handling inbound postal items will be used to calculate average cost-to-tariff ratios as well as other values. For this purpose, a theoretical model will be used to analyze the data and to provide conclusions on the relationship between the cost of processing inbound international postal items and the revenue that would have been obtained if the items had been posted domestically (hypothetical domestic revenue) at the domestic single-item priority tariffs. This revenue will be calculated based on country-specific tariffs and flows as described below.

For the calculation of the cost-to-tariff ratios, the following process will be followed to obtain and/or complete the necessary data:

- Costing data: Designated operators will provide information on the costs incurred for inbound international postal items, from receipt at the office of exchange to delivery.
- Data on inward flows: In order to allow theoretical revenues and costs to be calculated, the UPU study on the number of items per kilogramme (IPK) – presented at the 2018.2 POC – collected information on number of items and weight for inward letter-post flows according to format, content (documents and goods) and/or weight step, as well as similar data for parcel-post flows by weight step. If the structure of inbound postal items is unknown for a specific country providing cost data, then the International Bureau (IB) will apply an average structure based on the latest IPK studies.
- Data on domestic tariffs: In order to allow calculation of theoretical revenues and costs, applicable tariffs (according to a combination of format and weight step) should be furnished or confirmed by the designated operators. It should be noted that while the UPU Acts and rules do not provide for specific weight steps, the weight steps have been used in previous UPU studies; domestic tariff information will be collected through the domestic tariff study conducted at the same time as the study on the costs of handling inbound international letter-post and parcel-post items.

On the basis of the data collected, the IB will calculate the theoretical revenue that would have been obtained if the inbound international items had been posted in the domestic service. Ideally, the revenue will be calculated by multiplying the number of items in each weight step and/or format by the tariff applicable in the domestic service for such items.

Next, the relationship (ratio) between the cost of inbound postal items and domestic tariffs will be established in two steps:

- By dividing the cost of processing the inbound items by the hypothetical revenue, a ratio will be established for each designated operator.
- From the individual country cost-to-tariff ratios, a median value will be determined. To the extent to which the relevant data is available, the total annual inbound volumes of each country will be considered to calculate a weighted average of these ratios. In order to avoid “overweighting” of large countries and to circumvent problems if flow data is missing, simple averages will also be calculated.

Guidelines for the provision of cost data

The method used to determine the costs related to inbound international postal items may be different for each designated operator. In order to ensure the comparability of responses, the various cost elements that may apply at each step in the process of handling and distributing inbound international items are listed below. These cost elements may be included in each category in the proportions attributable to inbound international items:

- staff costs;
- amortization of premises, vehicles and machines;
- transportation costs;
- third-party services.

Office of exchange operations

- Acceptance, weighing, checking and sampling of the dispatches received; confirmation of receipt; indication and clearance of irregularities;
- Sorting operations: separation by format/weight, region, domestic sorting centre of destination;
- Preparation of dispatches for transportation to the sorting/delivery centre (or to the office of exchange) in the country of destination for mail received in transit à découvert.

Transportation

- Costs associated with the transportation of postal items to national, regional and local sorting and distribution centres (transfer of letter mail and parcels, route planning, contracting and unloading).

Domestic sorting

- Sorting of items by delivery centre/route;
- Loading and transportation to the delivery centre.

Distribution

- Sorting of items by district, route, individual household;
- Delivery operations;
- Costs associated with the return to origin or forwarding to another country of undeliverable inbound international mail items.

Overhead

- Quality control and monitoring;
- Accounting and international settlements;
- Purchase of equipment;
- Feasibility studies;
- Supervision of operational activities and management;
- Other general costs (including costs which are not directly attributable to international mail, and which have not been allocated to the previous categories because of the use of a costing method other than fully allocated costing; this could include costs for customs clearance and quarantine).