Washington Universal Postal Convention (1989) – Article 85

Article 85
Basic rates and calculation of air conveyance dues relating to closed mails

1 The basic rate applicable to the settlement of accounts between administrations in respect of air conveyance shall be fixed at 0.568 thousandth of an SDR at most per kilogramme of gross weight and per kilometre; this rate shall apply proportionally to fractions of a kilogramme. (1) (2)

2 Air conveyance dues shall be calculated according to the actual basic rate (3) (less than and at most equal to the basic rate fixed in paragraph 1) and the kilometric distances given in the "List of Airmail Distances" (4) and to the gross weight of the mails; no account shall be taken of the weight of *sacs collecteurs.*

3 When dues are payable for air conveyance within the country of destination, they shall be fixed in the form of a single price. This single price shall include all the dues for air conveyance within the country, regardless of the airport of arrival of the mails, less the corresponding surface conveyance costs. It shall be calculated on the basis of the rates actually paid for conveyance of the mail within the country of destination, but not exceeding the maximum rate specified in paragraph 1, and according to the weighted average distances of the sectors flown by international mail on the internal network. The weighted average distance shall be calculated by the International Bureau in terms of the gross weight of all the airmails arriving at the country of destination, including the mail which is not reforwarded by air within that country. (5) (6)

4 Dues payable for air conveyance, between two airports in the same country, of airmails in transit may also be fixed in the form of a single price. This price shall be calculated on the basis of the rate actually paid for air conveyance of mail within the country of transit, but not exceeding the maximum rate specified in paragraph 1, and according to the weighted average distances of the sectors flown by international mail on the internal air network of the country of transit. The weighted average distances shall be determined in terms of the gross weight of all the airmails transiting through the intermediate country. (7)

5 The sum of the dues referred to in paragraphs 3 and 4 may not exceed in total the amounts which actually have to be paid for conveyance.

6 The prices for international and internal air conveyance, obtained by multiplying the effective basic rate by the distance, which are used in calculating the dues mentioned in paragraphs 2, 3 and 4, shall be rounded up to the nearest tenth of an SDR when the number made up by the figure of hundredths and that of thousandths is equal to or greater than 50; they shall be rounded down to the nearest tenth of an SDR in other cases. (8)

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1) As regards the method of calculating the max basic rates per kg-km fixed in para 1, the studies undertaken by the ELC and EC can be summarized as follows:

a The 1952 Brussels Congress decided to refer back to the ELC a theoretical study of the problem of variations in basic airmail conveyance rates (II 712 and 715). The Subcomm set up by the ELC for this study noted that the problem as a whole fell into two parts: on the one hand, to consider whether the rates fixed for mail conveyance were in accord with costs and, on the other hand, to vary these rates, if possible, by adopting a sliding scale which would establish a close link between these two elements. As regards the latter, the Subcomm considered that the relative stability of running costs experienced for some years did not justify the creation of a sliding scale and that, in addition, its introduction would involve considerable difficulties for adms on the practical level. As for the main object of the study, the Subcomm established general principles and methods for determining equitable rates for mail conveyance, the structure of the system resting primarily on airlines' average costs per revenue t-km. Since this average cost concerned all categories of air traffic, various adjustments had to be made to find

the cost of international air conveyance. The Subcomm also agreed that the basic rate thus obtained should be apportioned between the two categories of mail, i.e. LC and other articles (AO, Jx and CP).

The ELC accepted in principle the conclusions reached by the Subcomm but left it to adms to decide on their position. The Subcomm's report, entitled "Variations in basic airmail conveyance rates", was distributed to adms in September 1956 and further information (under the same title) in 1957 (see ELC Summary Records 1956, p 15 and 1957, p 17). The 1957 Ottawa Congress fixed a unit rate of 1 g fr per t-km for AO and CP abolishing the Jx category (II 571 and 572, prop 625).

b The 1957 Ottawa Congress instructed the ELC "to pursue the study started on the subject of basic airmail conveyance rates" (II 60 and 628). This was again a theoretical study which consisted in re-evaluating the data of the 1956 report. The ELC decided to distribute the new report, entitled "Study of basic airmail conveyance rates", to adms making clear that the re-assessment had been made on the basis of a few examples cited by way of illustration (1964 Vienna Congress, II 202 and 203). The 1957 Ottawa Congress also instructed the ELC to find out what simplifications could be made in the calculation of air conveyance dues, particularly on the basis of distance steps or single rates per country of destination, etc. (II 1158, props 627, 955, 956, 957 and 244).

With regard to distance steps, the ELC concluded that this formula would cause financial losses, either for adms or for the airlines, without making any real saving in accounting costs. With regard to the so called "country to country" rates, the ELC considered that such a system could not be put into general use or covered in the Conv but might at most be conceived of on an optional basis for certain direct links (1964 Vienna Congress, II 203).

c In resolution C 31, the 1964 Vienna Congress instructed the EC and CCPS to make a more thorough study of the rates question stressing the increasing importance of the conveyance of mail by air and the necessity to seek, by all possible means, conditions favourable to the development of the traffic, while safeguarding the interests of postal adms and airline companies (III 300 and 301).

At the end of the work carried out under this resolution, the EC and the CCPS proposed that the guiding principle to be followed in the matter of rates should be "that air conveyance be used as the normal means of mail transport". As for the general principle on which basic air conveyance rates should be calculated, it was proposed to calculate them "on the basis of world airline operating costs, using unit costs per revenue t-km, these costs to be adjusted to exclude items extraneous to the Post and to provide certain additional allowances" (1969 Tokyo Congress, II 507 to 539, Congress – Doc 15).

In addition, for the first time, the EC formulated a concrete prop based on its conclusions fixing a world rate of 3 g fr per t-km for LC, the rate for AO remaining unchanged at 1 g fr. The 1969 Tokyo Congress adopted this prop (II 1506–1509, prop 4000). As a result, the 4 g fr rate applicable since the 1952 Brussels Congress to the LC carried on routes outside Europe was abolished. Cf 1964 Vienna Acts – English Annotated Acts, vol (2nd part), pp 67 and 68, notes 6 and 7.

d In approving Congress–Doc 15 (cf subpara c above), the 1969 Tokyo Congress passed resolution C 71, instructing the EC to revise the basic rates taking into account the guiding principles and methods described in Congress–Doc 15 and to re-examine, in consultation with the CCPS, the adjustments made to the constituent elements of these rates (III 755).

In carrying out this study together with the CCPS, the EC decided to supplement the guiding principle laid down by the 1969 Tokyo Congress with the concept of "taking account of the interest of postal administrations, users and airlines" (decision CE 7/1972). The general method of calculation adopted at the 1969 Tokyo Congress was retained.

In 1973, after completing the various stages of the revision, the EC proposed bringing down the LC rate from 3 to 2.80 g fr per t-km (1974 Lausanne Congress, II 300, Congress–Doc 9). At its February 1974 session, however, informed by ICAO and IATA about the considerable and unexpected rise in the cost of fuel in the second half of 1973 and its long-term effects on airlines' unit costs, the EC decided to withdraw its prop and recommend the maintenance of the existing 3 g fr rate (1974 Lausanne Congress, II 333, Congress–Doc 9.Add 1). The 1974 Lausanne Congress followed this recommendation (II 1359–1361).

e 1974 Lausanne Congress resolution C 62 (II 1883–886) instructed the EC to revise, in cooperation with the CCPS, the basic airmail conveyance rates, considering several methods and formulae as well as the possibility of fixing an *LC/AO/CP* rate or an *LC/AO* rate with a separate rate for CP.

Having studied the various possibilities, the EC agreed, on the prop of the CCPS, to continue to calculate air conveyance rates according to airline unit operating costs (see subpara c above). Divergent views emerged, however, both in the EC and in discussions with IATA on the application of this formula; nevertheless, agreement on an average rate of 1.74 fr per t-km was reached in the IATA–UPU Contact Comm in 1978 on the basis of values taken from various variants of the formula. After reconsidering the question in February 1979, the EC decided not to recommend to the 1979 Rio de Janeiro Congress use of any particular formula, proposing the average rate of 1.74 fr per t-km reached in negotiations with IATA (1979 Rio de Janeiro Congress, II 855, Congress–Doc 23).

In examining the possibility of adopting an *LC/AO/CP* rate or an *LC/AO* rate, the EC collected from some 100 adms statistics on the distribution of their international airmail governed by "UPU" rates among the LC, AO and CP categories. These data showed the financial effects for adms of the adoption of a single *LC/AO/CP* rate of 1.74 fr and of the application of a series of differential rates (*LC/AO*, CP; LC and *AO/CP*). At its February 1979 session, the EC decided to submit five of these solutions, including the single *LC/AO/CP* rate, to the 1979 Rio de Janeiro Congress (see 1979 Rio de Janeiro Congress–Doc 23, II 856 and 858–871).

In June 1979, IATA asked the UPU to revise and adjust the 1.74 fr per t-km rate because of the unexpected increase in the cost of fuel which had occurred since 1978 and the prospect of further longer term increases (1979 Rio de Janeiro Congress, II 872–875, Congress–Doc 23.Add 1).

However, the 1979 Rio de Janeiro Congress adopted the single *LC/AO/CP* rate of 1.74 fr per t-km proposed by the EC (II 1603–1617, prop 3071.4).

f The 1979 Rio de Janeiro Congress passed resolution C 30 concerning the continuation of the work on fixing air-mail conveyance rates (III 905).

In 1980, IATA asked for an urgent reassessment of the rate of 1.74 g fr adopted by the 1979 Rio de Janeiro Congress, again citing the rise in the cost of fuel. The EC reviewed the situation and, at its 1982 session, considered it inadvisable to consult adms on that subject using the procedure set out in the Gen Regs for consideration of props submitted between Congresses. Meanwhile, none of the studies conducted jointly with IATA to find a method of calculating the basic air conveyance rate came up with a solution acceptable to both parties. Lastly, considering that IATA had not put forward sufficiently valid arguments to justify an increase in the rate of 1.74 g fr, the EC recommended, at its 1984 session, maintenance at the status quo. This recommendation was accepted by the 1984 Hamburg Congress (II 497, Congress–Doc 17).

g In resolution C 45 (II 498 and 502, prop 4000.6), the 1984 Hamburg Congress instructed the EC to continue following up the question of the basic airmail conveyance rate in a general way.

h Nevertheless, the study of three systems of degressive rates carried out by the EC (see 1989 EC Docs, pp 169–171) did not allow any given method to be recommended to the 1989 Washington Congress, which decided in the end to retain the status quo (II Congress/C 6 – Rep 3, prop 4000.4 and Congress–Doc 63).

2) The list of LC and AO items which appeared in 1974 Lausanne Conv, art 71 (cf note 1e above) is given below as a reminder:

– LC: letters, aerogrammes, postcards, postal money orders, COD money orders, inpayment money orders, bills for collection, insured letters, advices of payment, entry and delivery;

– AO: items other than LC. (The abbreviation "AO" means *"autres objets"* (other articles). Although the 1964 Vienna Congress had decided, as part of the general revision, to replace the word *"objet"* (article) by *"envoi"* (item), the 1969 Tokyo Congress preferred to keep the term "AO", hallowed by usage, to avoid innumerable changes in the texts (see resolution C 76, 111757).

3) The EC expressed the opinion that the actual rates (fixed within the limits of the max rates prescribed at para 1) which serve for the calculation of the rates per kg published in the AV 1 List (Det Regs, art 224, para 1b, ii), could vary according to route and in time (see CE 1973 – Doc 10, p 6).

4) See Det Regs, art 225, para 1b.

5) Para 3, together with the text of art 84, para 4, defines the system adopted at the 1957 Ottawa Congress for internal air conveyance dues (cf art 84, note 3). The aim is to establish a uniform rate applicable to all airmails from abroad, whether entirely or partly reforwarded by air (II 578 and 767).

To facilitate the establishment of single prices to be determined as a function of the entire mail received in the country of destination, including that not actually reforwarded by airmail, the 1964 Vienna Congress introduced the concept of "weighted average distances" (II 1176, prop 5041).

Since the 1979 Rio de Janeiro Congress adopted a single *LC/AO/CP* rate (see note 1e), a weighted average distance will have to be established for airmail corr (*LC/AO*), on the one hand, and CP, on the other, and a separate single price will, if necessary, have to be fixed for CP.

The two examples below illustrate the calculation of the single prices per kg of *LC/AO.*

Examples:

i A postal adm receives from other adms at its international airport A, 10,000 kg gross of mail over a certain period. Its air network consists of two routes, namely:

– a route from A to C of 700 km with a place of call at B, situated at 300 km from A and at 400 km from C;
– a route from A to D of 1,200 km.

Assuming that the distribution of the mail is as follows: kg

– mail for A (either mail intended for the town of A or mail reforwarded by surface route) 4,500
– mail for B 500
– mail for C 1,800
– mail for D 3,200

the establishment of the weighted average distance is as follows:

mail for A:	4,500 kg x	0 km =	0 kg-km
mail for B:	500 kg x	300 km =	150,000 kg-km
mail for C:	1,800 kg x	700 km =	1,260,000 kg-km
mail for D:	3,200 kg x	1,200 km =	3,840,000 kg-km
	10,000 kg		5,250,000 kg-km

Weighted average distance: $\frac{5{,}250{,}000}{10{,}000}$ = 525 km

Assuming that the rate actually paid for internal air conveyance is 1.50 thousandths of a fr per kg-km, the single price per kg is:

525 km x 0.0015 g fr = 0.80 g fr

ii If the postal adm receives at a second international airport at M, 6,000 kg gross of mail during the same period, the procedure is as indicated under i in order to determine the number of kg-km traversed. Assuming that the number of kg-km to be taken into account is 3,950,000, the calculation of the weighted average distance will be as follows:

Mail unloaded at the airport of A:	10,000 kg	5,250,000 kg-km
Mail unloaded at the airport of M:	6,000 kg	3,950,000 kg-km
	16,000 kg	9,200,000 kg-km

Weighted average distance: $\frac{9{,}200{,}000}{16{,}000}$ = 575 km

Single price per kg: 575 x 0.0015 g fr = 0.90 g fr

The same procedure is followed if the international mail arrives at several international airports.

It should be remembered that, in the above two examples, the weighted average distance is established according to the weight of mail received from abroad over a certain period fixed as the adm concerned considers appropriate. An increase or decrease in the total weight of mails coming from abroad does not affect the weighted average distance provided that the proportions of mail for the various offices (A, B, C, etc.) remain unchanged. On the other hand, if the distribution of the total weight of the mails among the various offices changes radically, the weighted average distance will have to be recalculated. In all cases, the internal air conveyance dues for this new weighted average distance are subject to the provisions of art 87.

6) With a view to simplifying accounting of internal air conveyance dues, resolution C 58 of the 1974 Lausanne Congress instructed the EC to study the possibility of settling this account on the basis of annual or semi-annual statistical returns (III 881). The EC looked into the idea of holding annual statistics for this purpose in 1977. In conclusion, however, the suggestion was rejected since, on the one hand, AV 7 bills would have to be drawn up in all cases and, on the other hand, adms which so desired could already take advantage of Det Regs, art 217, para 2, to use a statistical procedure (1979 Rio de Janeiro Congress, II 125).

Considering, however, that the principle and method of calculating internal air conveyance dues should be clarified and simplified, the 1979 Rio de Janeiro Congress passed resolution C 31 (III 905 and 906) instructing the EC to carry out a study on that subject.

The EC studied the possibility of making free air conveyance a general practice, which would have solved all the problems connected with calculating dues. An inquiry in August 1980 revealed that most adms favoured such a move but that it would be challenged by large countries. With regard to the methods of calculating internal air conveyance dues, the EC decided not to propose any change to the existing system as there were no significant enough data on this subject (1984 Hamburg Congress, I 1009 and 1010, Congress–Doc 1, para 26).

The 1984 Hamburg Congress adopted resolution C 14 instructing the EC to continue this study (II 491). The latter determined that the majority of adms were opposed to abolishing the right to collect internal air conveyance dues, but that these dues should be limited to the difference between the cost of air conveyance and that of surface conveyance, the

max rate being that given in art 85, para 1 (1989 Washington Congress, II Congress/C 6 – Rep 4, prop 4083.1 and Congress–Doc 64). The same study concluded that the weighted average distances should be calculated by the IB.

7) An optional provision introduced by the 1974 Lausanne Congress following the study carried out in implementation of 1969 Tokyo Congress resolution C 75, which instructed the EC "to study the questions of costs payable for air conveyance of airmail dispatches transiting one country to a third country" (III 756). This study showed that while most of the adms concerned fix their dues on the basis of the distance actually flown by the transit mails, in accordance with para 2, others apply the weighted average distance principle. Also, there is some degree of uncertainty owing to the absence of any reference in the Conv.
With the exception of the provision appearing at the end of para 3 ("including the mail which is not reforwarded by air…"), the proposed single rate is similar to that provided for in respect of air conveyance dues in the interior of the country of destination. The factors involved in determining this rate are thus the total weight of mail conveyed by air in transit in the interior of the country, and the sum of the distances used for such transit.
Seasonal fluctuations which might affect the average volume are not, in the view of the Comm that studied the problem, significant enough to justify the use of a compensating factor. It was found that the effect of any marked fluctuation is offset by taking account, in the calculation, of mail volumes and distances relevant to the two periods associated with airline timetables. The weighted average distance is calculated *mutatis mutandis* in the manner described in note 5 above (II 1356, prop 3065.7).
The single prices fixed by adms are given in the AV 1 List.

8) Mathematical 5/4 rule of rounding off figures introduced by the 1984 Hamburg Congress (II 489, prop 4079.1). See also Det Regs, art 204, para 2, and art 213, para 2.