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To: The designated operators of Union  
member countries

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**Reference:** 0426(DPRM.PPRE.RDI)1042

**Subject:** Provisional 2025 quality-linked terminal dues rates

Dear Sir/Madam,

The purpose of this letter is to provide details concerning the collection of information from designated operators (DOs) for the calculation and publication of the provisional terminal dues rates applicable in 2025, as provided for in articles 28, 29, 30 and 31 of the UPU Convention.

The information to be notified is both for the terminal dues system methodology for P/G and E format letter-post items in accordance with articles 30 and 31 of the Convention (referred to below as the default methodology), and for the optional self-declaration of rates for E format letter-post items in accordance with article 29 of the Convention (referred to as the E format self-declared rates methodology).

The two methodologies, and the information to be notified, are summarized in sections A and B of this circular letter, while the conditions applicable to the quality of service link to terminal dues are set out in section C.

**A. Default methodology for P/G and E format letter-post items**

Article 30 of the Convention and article 31-107 of the Convention Regulations provide that the payment of terminal dues for the exchange of P/G format letter-post items between designated operators of countries in the target system shall be based on 70% of the charges, exclusive of VAT or other taxes, for a 20-gramme small (P) and for a 175-gramme large (G) priority letter-post item in the domestic service, in force on 1 June of the year preceding the calendar year to which the terminal dues rates apply. For bulky (E) and small packet (E) letter-post items, the terminal dues are calculated from the P/G format line tilted at 375 grammes, exclusive of VAT or other taxes.

The third Extraordinary Congress in Geneva in 2019 decided that the provisions of article 30, paragraphs 1 to 3 and 5 to 7, of the UPU Convention shall also apply to the calculation of terminal dues rates for E format letter-post items (bulky letters and small packets) in flows to, from and between designated operators of countries in the transitional system (group IV of the classification system).

### *Collection of domestic charges for the application of the default methodology*

The IB will calculate the provisional terminal dues rates for 2025 based on the charges corresponding to priority items in the domestic service in force on 1 June 2024 and the average monthly SDR exchange rates for the period from 1 November 2023 to 31 March 2024.

In accordance with articles 31-107 and 31-108 of the Convention Regulations, designated operators are kindly asked to provide the IB, **by 1 June 2024**, with the charges in national currency for a 20-gramme small (P) priority letter-post item and for a 175-gramme large (G) priority letter-post item in the domestic service in force on 1 June 2024, by completing the form in Annex 1. This form is also available in electronic format on the UPU website at [www.upu.int/en/tdr](http://www.upu.int/en/tdr). Please note that priority letter-post items in the domestic service are items conveyed by the quickest route with priority within the scope of the universal service obligation (USO).

### **B. Self-declared rates methodology for E format letter-post items**

In accordance with article 29 of the Convention self-declared rates for E format letter-post items shall substitute as appropriate any reference to or rate calculation concerning E format letter-post items elsewhere in the Convention or its Regulations.

Please note that the self-declaration of E format rates *is optional*. Accordingly, the default terminal dues system methodology for E format letter-post items, as provided in articles 30 and 31 of the Convention (and as described in section A of this letter), will apply to designated operators of countries that decide not to self-declare their rates for E format letter-post items.

#### *B1 Self-declaration of E format rates*

Article 29.1 of the Convention states that designated operators may notify the IB, **by 1 June**, of a self-declared rate per item and a self-declared rate per kilogramme, expressed in local currency or SDR, that shall apply for E format letter-post items in the following calendar year. The IB shall annually publish the provided self-declared rates in SDR (the rates provided in local currency are converted to SDR) by means of an IB circular no later than 1 July of the year preceding the year in which they apply.

Additionally, designated operators shall provide the IB with 11 domestic rates for equivalent services, in order to enable the calculation of their relevant ceiling rates.

#### *Conditions applicable to the self-declaration of E format rates*

Designated operators that wish to apply self-declared terminal dues rates for E format letter-post items with effect from 1 January 2025 for letter-post flows from all DOs, with the exception of the letter-post flows referred to in paragraphs 1.1.6 and 1.1.7 of article 29 and the flows to and from the United States of America, should observe the following conditions:

- i The self-declared rates shall be expressed as both a per-item and per-kilogramme rate in local currency or SDR.
- ii The self-declared rates shall not exceed the country-specific ceiling rates that are determined on the basis of 70% of the priority single-piece tariffs of equivalent domestic services for 20-gramme, 35-gramme, 75-gramme, 175-gramme, 250-gramme, 375-gramme, 500-gramme, 750-gramme, 1,000-gramme, 1,500-gramme and 2,000-gramme E format letter-post items, exclusive of any taxes and in effect on 1 June 2024.
- iii Conditions applicable to the notification of the above-mentioned priority single-piece tariffs in the domestic service:
  - a When multiple rates are available based on thickness, the lesser domestic tariff shall be used for items up to 250 grammes, and the higher domestic tariff shall be used for items above 250 grammes.
  - b Where zonal rates apply in the equivalent domestic service, the mid-point rate shall be used, and domestic tariffs for non-contiguous zones shall be excluded for determination of the mid-point rate. Alternatively, the determination of the zonal tariff to be used may be based on the actual weighted average distance of inbound E format letter-post items (for the most recent calendar

year). If these conditions apply, the designated operator must provide the relevant information on how the zonal tariffs have been determined.

- c The designated operator must indicate for each of the weight increments whether the equivalent domestic service and tariff include any additional features that are not part of the basic service, i.e. tracking, signature and insurance services. The calculation rules in article 29.1.2.4 shall apply in the calculation of the country-specific ceiling rates.
- iv The determination of whether or not the self-declared E format rates exceed the country-specific ceiling rates will be carried out on the basis of the calculated revenue at the weight of 158 grammes, which is the worldwide average weight of E format items. The notified self-declared rates for 2025 shall not lead to a revenue higher than either the ceiling rates or the maximum revenue of 2025; in other words, the self-declared rates shall be set, as a maximum, at either the revenue calculated with the country-specific ceiling rates, or the revenue in 2024 increased by 17% for an E format item at 0.158 kilogrammes, whichever is lower.
- v The ratio between the self-declared item rate and kilogramme rate shall not change by more than five percentage points upwards or downwards in respect of the item-to-kilogramme ratio set in the previous year. For example, if the ratio of the E format rates was 44.5% in 2024, the self-declared item and kilogramme rates for 2025 should result in a new ratio within the 39.5% to 49.5% range. Please note that these percentages are rounded to one decimal place for ease of reference, whereas real ratio variations will be calculated with the real item and kilogramme rates with all decimal places.

## *B2 Self-declaration of E format rates for flows between designated operators and the United States of America*

In accordance with article 29.7 of the Convention, the designated operator of the United States self-declared its E format rates, with the exception of the letter-post flows referred to in paragraphs 1.1.6 and 1.1.7, without the application of the maximum revenue increase limits set out in article 29.2.<sup>1</sup>

According to article 29.9 of the Convention, all other corresponding designated operators may do likewise with respect to the designated operator of the United States. This includes designated operators whose outbound flows are referred to in paragraphs 1.1.6 and 1.1.7, as they are also allowed to self-declare their E format terminal dues rates with respect to the US designated operator as long as the reciprocity in article 29.7 is preserved, i.e. the designated operator of the United States, on a reciprocal basis, is allowed to apply self-declared E format terminal dues rates on the mail flows referred to in paragraphs 1.1.6 and 1.1.7 of article 29. Designated operators whose outbound flows are referred to in paragraphs 1.1.6 and 1.1.7 have the choice not to pay the self-declared E format terminal dues rates to the US designated operator, though they should bear in mind that, on the basis of the principle of reciprocity, they cannot apply the self-declared rates to the mail flow from the United States.

Designated operators of countries classified in groups II, III or IV of the terminal dues classification system that wish to apply self-declared E format terminal dues rates should indicate in Annex 2 whether they wish to apply the conditions in paragraphs 1.1.6 and 1.1.7 of article 29, i.e. not pay self-declared E format terminal dues rates to the United States DO should their outbound volumes be below the relevant thresholds in paragraphs 1.1.6 and 1.1.7, and thereby waive the possibility of applying self-declared E format terminal dues rates on their inbound flow from the United States (provided their outbound volumes do not exceed the thresholds in paragraphs 1.1.6 and 1.1.7), or whether they do wish to apply, on a reciprocal basis, the self-declared E format terminal dues rates with the US designated operator, irrespective of the size of their outbound mail flow to the United States.

<sup>1</sup> The clause in article 29.7 was invoked by the DO of the United States through formal notification to the IB on 27 February 2020, and on the basis of evidence that it had received total annual inbound letter-post volumes in excess of 75,000 tonnes in 2018. Consequently, the DO of the United States is allowed to self-declare its E format rates on the basis of the conditions set out in article 29.7.

*Conditions applicable to the self-declaration of E format rates for flows to and from the United States*

Designated operators that wish to apply self-declared terminal dues rates for E format items with effect from 1 January 2025 for letter-post flows *to and from the United States*, other than those referred to in paragraphs 1.1.6 and 1.1.7 of article 29, should observe the following conditions:

- i The self-declared rates shall be expressed as both a per-item and per-kilogramme rate in local currency or SDR.
- ii The self-declared rates shall not exceed the country-specific ceiling rates that are determined on the basis of 70% of the priority single-piece tariffs of equivalent domestic services for 20-gramme, 35-gramme, 75-gramme, 175-gramme, 250-gramme, 375-gramme, 500-gramme, 750-gramme, 1,000-gramme, 1,500-gramme and 2,000-gramme E format letter-post items, exclusive of any taxes and in effect on 1 June 2024.
- iii Conditions applicable to the notification of the above-mentioned priority single-piece tariffs in the domestic service:
  - a When multiple rates are available based on thickness, the lesser domestic tariff shall be used for items up to 250 grammes, and the higher domestic tariff shall be used for items above 250 grammes.
  - b Where zonal rates apply in the equivalent domestic service, the mid-point rate shall be used, and domestic tariffs for non-contiguous zones shall be excluded for determination of the mid-point rate. Alternatively, the determination of the zonal tariff to be used may be based on the actual weighted average distance of inbound E format letter-post items (for the most recent calendar year). If these conditions apply, the designated operator must provide the relevant information on how the zonal tariffs have been determined.
  - c The designated operator must indicate for each of the weight increments whether the equivalent domestic service and tariff include any additional features that are not part of the basic service, i.e. tracking, signature and insurance services. The calculation rules in article 29.1.2.4 shall apply in the calculation of the country-specific ceiling rates.
- iv The determination of whether or not the self-declared E format rates exceed the country-specific ceiling rates will be carried out on the basis of the calculated revenue at the weight of 158 grammes, which is the worldwide average weight of E format items. The notified self-declared rates for 2025 shall not lead to a revenue higher than the revenue calculated with the country-specific ceiling rates at 0.158 kilogrammes.
- v The ratio between the self-declared item rate and kilogramme rate shall not change by more than five percentage points upwards or downwards in respect of the item-to-kilogramme ratio set in the previous year. For example, if the ratio of the E format rates applicable to the mail flow from the United States was 44.5% in 2024, the self-declared item and kilogramme rates for 2025 should result in a new ratio within the 39.5% to 49.5% range. Please note that these percentages are rounded to one decimal place for ease of reference, whereas real ratio variations will be calculated with the real item and kilogramme rates with all decimal places.

In accordance with article 29.5 of the Convention, designated operators that have self-declared their E format rates for 2024 and that do not communicate different self-declared rates for 2025 shall continue to apply the existing self-declared rates unless they do not satisfy the conditions laid out in article 29. For this purpose, the designated operators concerned shall notify the IB of their priority single-piece tariffs of equivalent domestic services for 20-gramme, 35-gramme, 75-gramme, 175-gramme, 250-gramme, 375-gramme, 500-gramme, 750-gramme, 1,000-gramme, 1,500-gramme and 2,000-gramme E format letter-post items, exclusive of any taxes and in effect on 1 June 2024. This data is necessary for the IB to calculate and check whether the revenue conditions described above would be met. In the absence of the notification by the designated operator concerned of the above-mentioned 11 domestic tariffs, the self-declared rates of the previous year (2024) cannot be carried over to the subsequent year (2025). In that case, the IB will calculate and publish the E format rates of the designated operator concerned according to the default terminal dues methodology (see section A). In other words, this would mean that the designated operator is opting out of the self-declaration of E format rates in 2025.

### *B3 Collection of self-declared rates and domestic tariff information*

Designated operators that wish to self-declare their E format rates in 2025 are kindly asked to provide the IB with all relevant information by completing the form attached in Annex 2 **by 1 June 2024**. This form is also available in electronic format on the UPU website at [www.upu.int/en/tdr](http://www.upu.int/en/tdr).

Designated operators that notified their self-declared E format rates in 2024 and would like to maintain them for 2025 are also asked to complete the form in Annex 2 for the notification of their domestic tariffs, in accordance with the conditions applicable to the self-declaration of E format rates.

### *B4 Rate calculator for E format self-declared rates*

A rate calculator is available on the UPU website ([www.upu.int/en/tdr](http://www.upu.int/en/tdr)) for simulation purposes. This tool will assist designated operators in calculating their default terminal dues rates (see section A), as well as their country-specific ceiling rates based on the aforementioned 11 domestic tariffs for E format items. The rate calculator furthermore provides an indication of whether the self-declared E format rates observe the conditions outlined in sections B1 and B2 of this letter and article 29 of the Convention. This rate calculator is provided for information purposes only and does not imply acceptance of the notified self-declared rates or of the domestic tariff information, both of which will be subject to review and validation by the IB before publication on 1 July 2024.

## **C. Quality of service link to terminal dues**

According to article 28.5 of the Convention, “terminal dues remuneration shall be based on quality of service performance in the country of destination”. Designated operators shall base their terminal dues remunerations on quality of service performance and participate in a UPU-agreed quality of service measurement system.

Under article 31-109 of the Regulations, the Postal Operations Council (POC) sets annual quality of service standards and targets for the link between UPU terminal dues and quality of service, based on the standards of the domestic service for comparable items and conditions. Article 31-110 of the Regulations details the principles for setting quality of service standards and targets for the quality of service link. The standards and targets approved by the POC shall be in accordance with the principles set out above.

### *C1 Principles of the quality link to terminal dues*

The following are the principles applied to the quality-linked terminal dues system:

- All designated operators, irrespective of whether they are DOs of countries and territories in the target or in the transitional system, shall have their terminal dues remuneration based on quality of service performance in the country of destination. To this end, participation in a UPU-agreed measurement system compliant with the UPU Global Monitoring System (GMS) Technical Design is mandatory.
- Exceptionally, designated operators of countries that have a total annual inward mail volume below 100 tonnes may request exemption from the quality link to terminal dues, which means that they would opt to receive from, and pay to, all the other DOs in the target system 100% of the base terminal dues rates without any adjustments based on quality of service performance. Countries wishing to request such exemption must notify the IB of their total inward mail volumes for the previous year (2023) by 1 June 2024. This provision is not available to DOs from countries classified in group I.
- If a designated operator does not qualify for the above exemption and does not put in place a UPU-agreed measurement system compliant with the UPU GMS Technical Design, it will receive 100% of the base terminal dues rates from other designated operators. However, it will be required to pay other designated operators quality-adjusted terminal dues rates and will in no case pay any terminal dues at a rate lower than 100% of the base terminal dues rates.

To ensure participation in the UPU quality link to terminal dues in 2025, members are asked to complete the response form in Annex 3, also available at [www.upu.int/en/tdr](http://www.upu.int/en/tdr), and return it to the IB **by 1 June 2024**. Designated operators that wish to be exempted from the mandatory application of the quality-linked terminal dues system and meet the requirement of having a total annual inward mail volume of less than 100 tonnes should use the same form in Annex 3 to notify the IB, in accordance with article 31-109.3 of the Regulations.

- / Designated operators already participating in the quality-linked terminal dues system (see Annex 4) do not need to return the form in Annex 3, unless they wish to inform the International Bureau of their decision to discontinue their participation in the system in 2025.

Designated operators of countries that are not listed in Annex 4 should inform the IB of their domestic service standards and targets. These standards, once verified and approved by the Postal Operations Council, will be used for the purpose of linking quality of service performance to terminal dues, provided that a UPU-agreed measurement system compliant with the GSM Technical Design has been put in place **no later than 1 January 2025**.

### *C2 Setting of quality of service standards and targets for the quality of service link to terminal dues*

In accordance with article 31-110 of the Regulations, for the purpose of the quality-linked terminal dues remuneration in 2025, the quality of service standards and targets will be set by the POC based on standards and targets applicable in the domestic service with respect to comparable items and conditions.

Therefore, members are kindly requested to provide the IB, **by 1 June 2024**, with the information on the quality of service standards of the domestic service whose charges are used for calculating terminal dues under the default methodology (i.e. the domestic service standards relating to the domestic charges that you provided through the response form in Annex 1). It is important that domestic standards be verifiable by being published on your website, printed in your general terms and conditions, or confirmed in writing by your regulator or government.

In the absence of domestic standards, the applicable standard will be established by taking account of the ability of the designated operator concerned to achieve a minimum level of performance, as defined by the POC. Please consider the principles for setting quality of service standards and targets as specified in article 31-110 of the Regulations.

### *C3 Quality-adjusted terminal dues rates*

For all designated operators that have put in place a UPU-agreed measurement system compliant with the GSM Technical Design, the final quality-linked terminal dues rates will be calculated by the IB following the publication of the final quality of service results, applying the following principles of article 31-109 of the Regulations:

- As an incentive for the participation in the quality link, the designated operators will receive an increase of 5% over the country-specific terminal dues base rates.
- Participating designated operators will be subject to a penalty if the quality targets are not met. This penalty will be one third of 1% of the terminal dues for each percentage point under the performance target.
- The penalty will in no case exceed 10% and, given the 5% incentive for participation, the maximum penalty will not lead to remuneration lower than 95% of the terminal dues base rates.
- Quality-adjusted terminal dues rates will never be lower than the minimum rates defined in articles 30 and 31 of the UPU Convention.

Should you have any questions, please do not hesitate to address them to the Remuneration Development Expert whose details are provided at the top of this letter and on the first pages of Annexes 1, 2 and 3.

Many thanks in advance for your cooperation.

Yours faithfully,



Siva Somasundram  
Director of Policy, Regulation and Markets