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# The UPU and tides of change in the international delivery services market

March 27, 2025 / Final – revised. See also accompanying paper.

*The views expressed in this presentation are the personal views of the author only and do not express the views of any client..*

# Prologue

# Shock and awe at the UPU, 2022



## 10 shocks over a two-year period

Unprecedented situation since the UPU's creation in 1874

**1**  
Covid-19  
(Feb 2020)

**2**  
New TDs  
(Jul 2020)

**3**  
Stop Act  
(Jan 2021)

**4**  
Brexit  
(Jan 2021)

**5**  
ICS2 R1  
(Mar 2021)

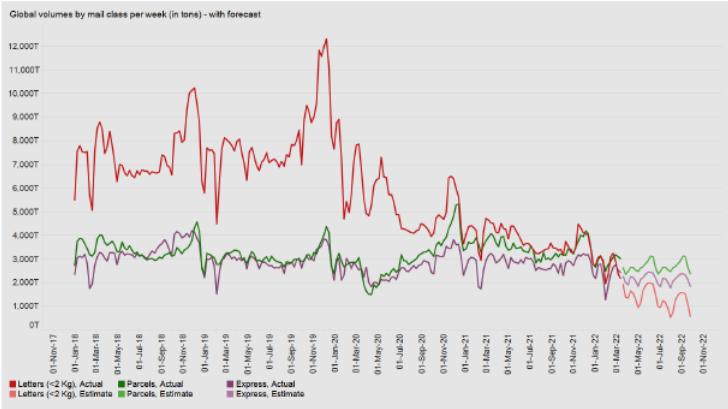
**6**  
EU VAT  
IOSS  
(Jul 2021)

**7**  
End of  
pandemic  
(Jan 2022)

**8**  
Ukraine  
conflict  
(Feb 2022)

**9**  
Inflation  
pressures  
(Apr 2022)

**10**  
Recession  
risks  
(Jun 2022)



# Shock and awe at the UPU, 2022



## Full consistency with econometrics: impacts far beyond COVID-19

### Average marginal effects on international volumes

Shocks		Letter post	Parcel post	EMS	Cargo
COVID-19 (Feb 2020)		-28.4%	-24.0%	-25.9%	-20.4%
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■ Highest negative effect     
 ■ Highest positive effect

Letter post volume  
Sep 2019  
to  
Sep 2022

**-73%**

**1. Universal Postal Union, 1875 —**

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***Tides of change***

**2. Express integrators, 1970s —**

**3. Postal reform, multinational posts, and postal integrators, 1990s —**

**4. E-commerce and e-commerce integrators, 2010s —**

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**5. Implications for the UPU**

Part 1

# Universal Postal Union (UPU), 1875 —

# Industrial Revolution begat modern postal services

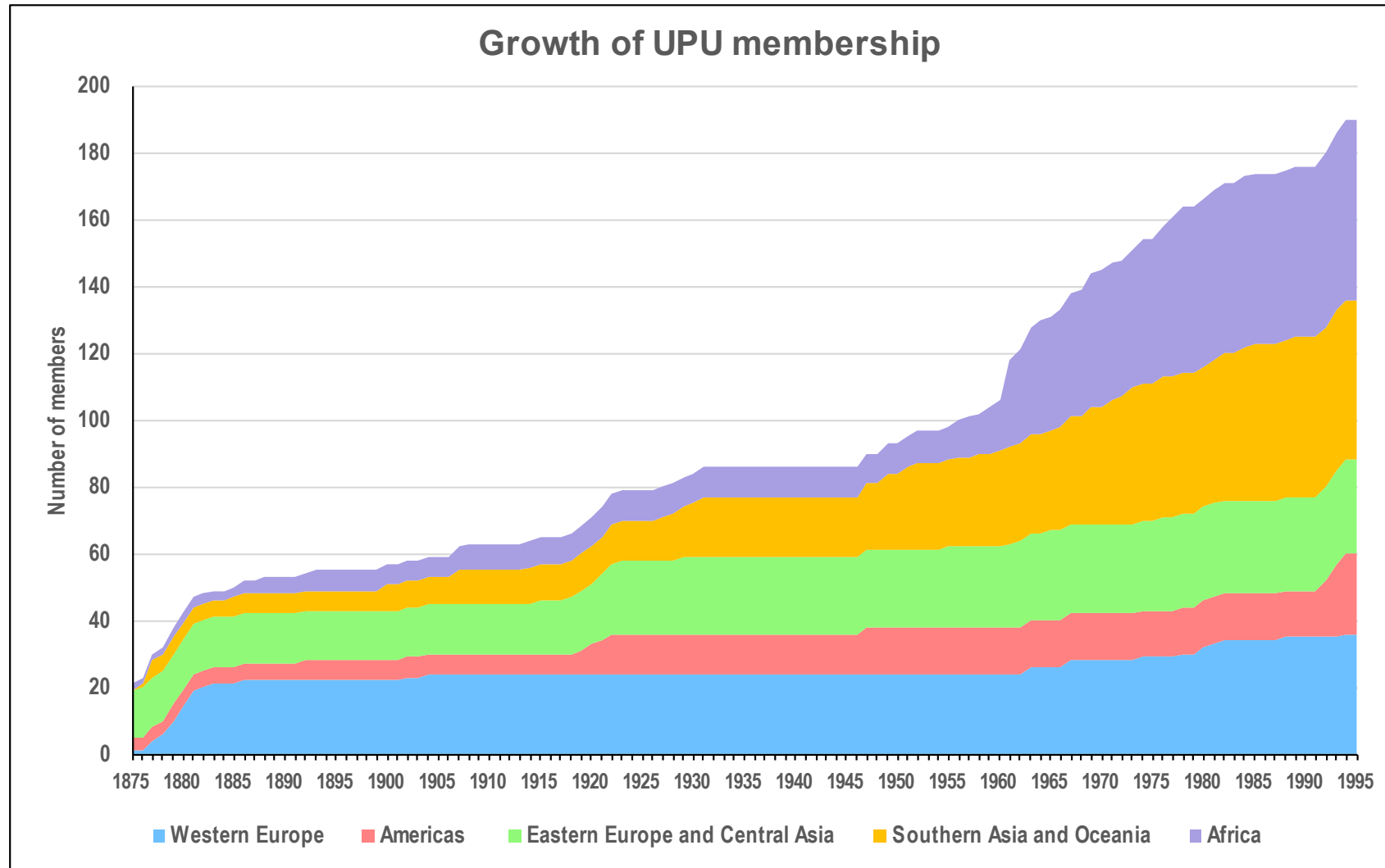
- **In the 19th century, the Industrial Revolution increased the need and means for expanded letter communications.**
  - Cities and towns grew beyond the scope of personal communications and inter-city commerce expanded.
  - Improved roads, canals, and later railroads made national letter services practical.
- **Affordable national postal services proliferated after British postal reform in 1840.**
- **By the 1860s, there was a growing demand for an affordable and practical international postal system among advanced countries.**

# Founding of the UPU - 1875

- **Founding members: 19 European countries + Egypt, US.**
- **Based on the national postal monopoly laws**
  - In all countries, postal services were government monopoly services limited to the national territory.
  - International letter service required intergovernmental agreement on the exchange of postal services between national administrations.
- **Purpose: “a single postal territory for the reciprocal exchange of correspondence”**



# UPU membership grew rapidly



# UPU Congress: meets every 4 years

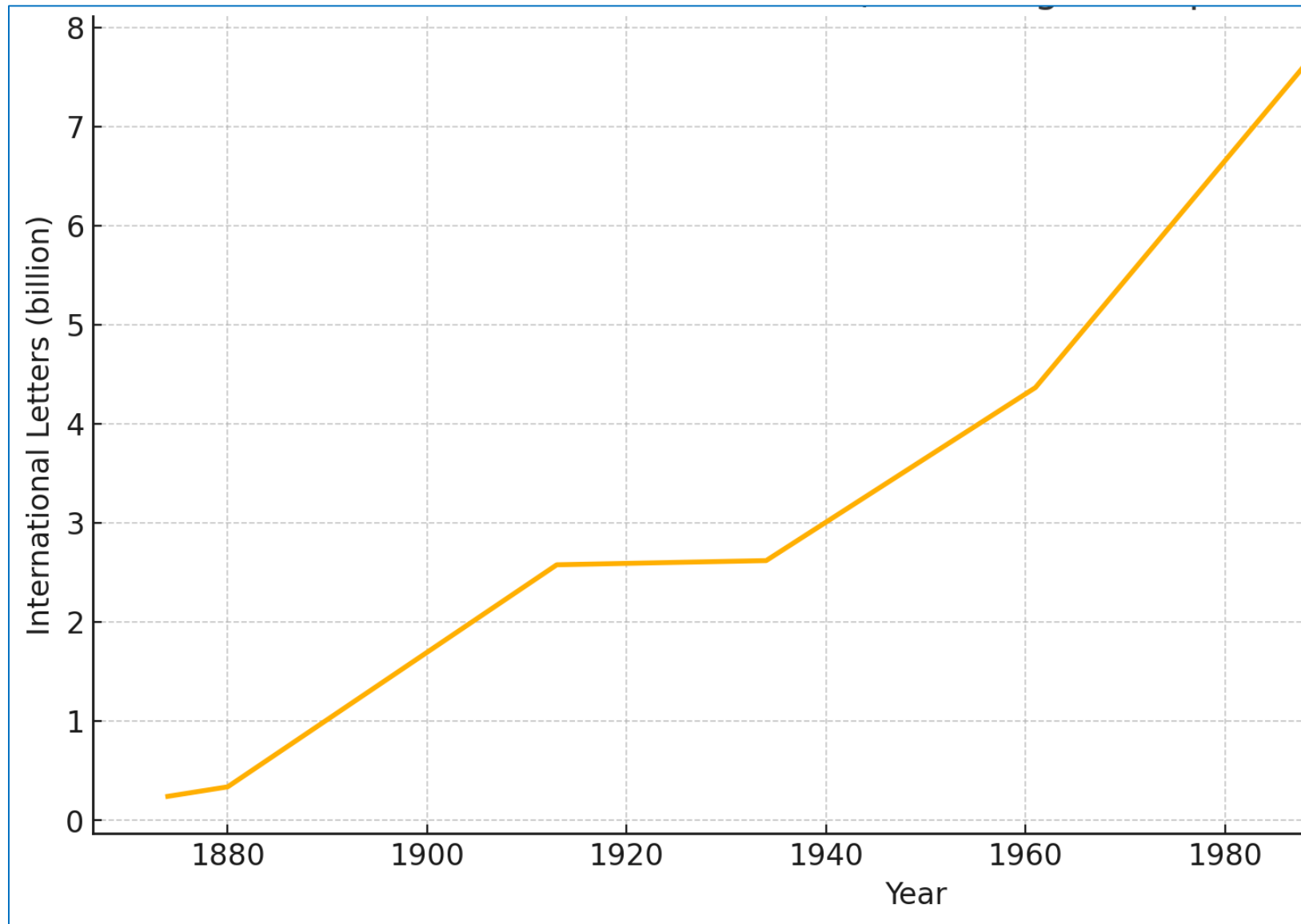


# Permanent governing committees

- Postal Operations Council
  - 48 countries
  - Operational and commercial issues
- Council of Administration
  - 41 countries
  - Policy and strategy issues



# International letter volumes grew steadily for 120 years



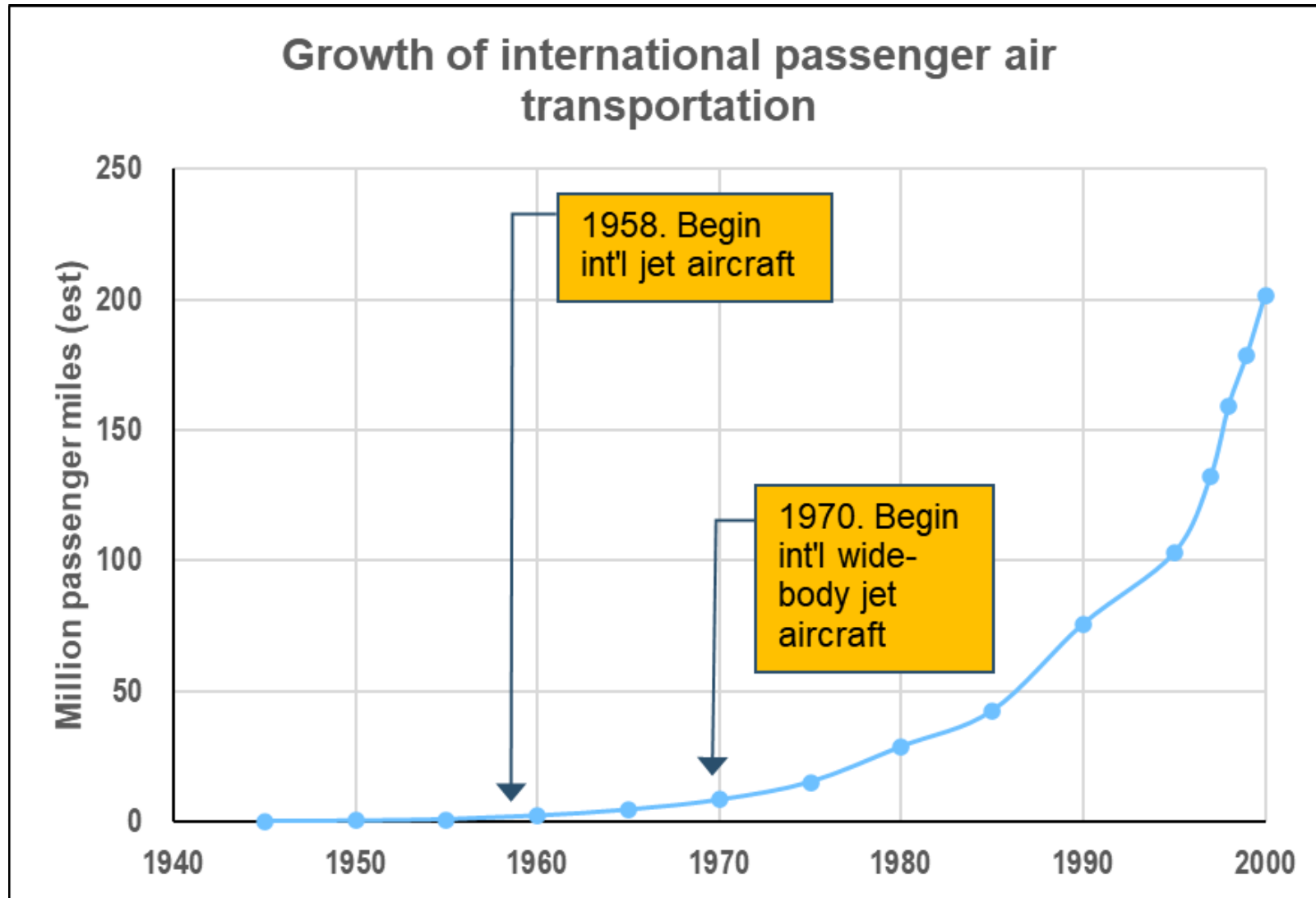
# Summary

- 1. The Industrial Revolution gave rise to the modern postal services both nationally, and later, internationally.**
- 2. The UPU was established as an intergovernmental organization because letter services were government monopolies.**
- 3. The UPU pioneered techniques of cross border coordination and its membership grew rapidly.**
- 4. From the 1875 to the 1990s, international letter volumes grew steadily and the basic functions and operations of the UPU changed little.**

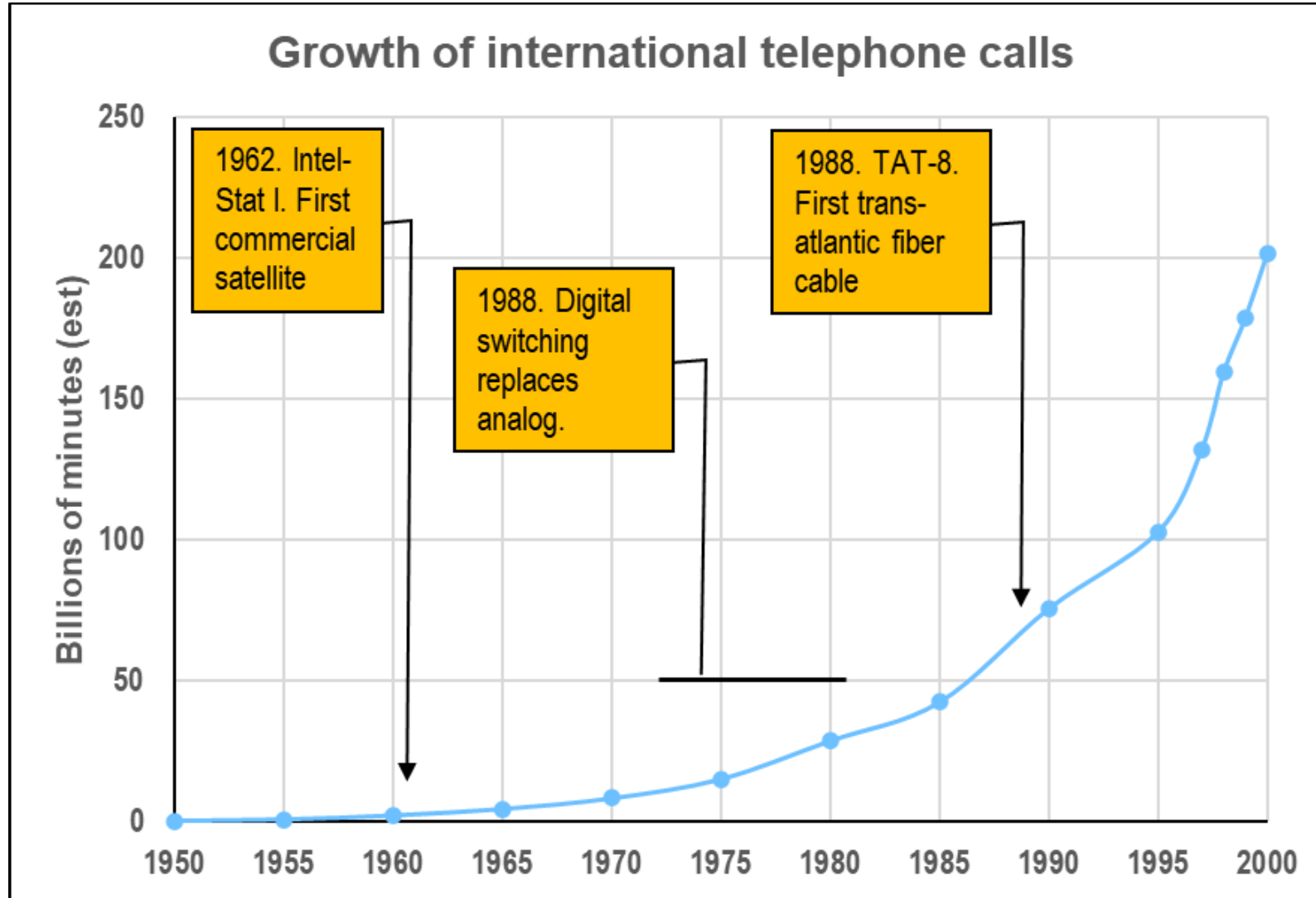
Part 2

## **Express Integrators, 1970s —**

# 1970s: Second Industrial Revolution: air transport



# 1970s: Second Industrial Revolution: telecomm



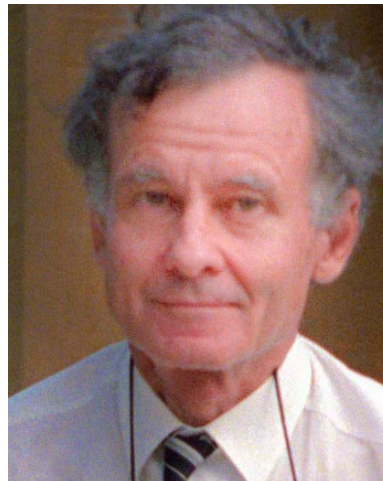


# Early 1970s: courier services pioneered by DHL, TNT

- Transported items as passenger baggage to maximize speed and reliability.
- Pickup and delivery operations tightly aligned with international flights.
- Telex enabled global coordination.
- First service was time-sensitive documents; small parcels added later.



Larry Hillblom,  
founder DHL,  
about 1984.



Gordon Barton,  
founder of TNT  
express services,  
1988



# Mid 1970s: Express services pioneered by FedEx

- Transported items via specialized all cargo aircraft flying to/from single regional hub.
- Pick up and delivery tightly aligned to operation of central hub.
- Computerized package handling, 1977.
- First service was urgent small parcels; overnight letter service added later.



Fred Smith,  
founder FedEx.



# Mid 1980s-1990s: Evolution of “express integrators”

## Courier & express optimized new technologies in similar ways

Common innovations of courier/express	Operational effects
Centralized management of end-to-end operations.	Uniform collection and delivery procedures. Rapidly response to changing circumstances
Optimal use of modern air transportation.	Loading and unloading as tightly linked to flight operations as possible.
Optimal use of modern information technologies	Close coordination of collection, transit, delivery. <u>“Tracking and tracing”</u> of individual shipments.
Focus on speed and reliability, not price.	Courier/express became critical to the expanding scope of national and international business operations.

## Mid-1990s: Four major express integrators

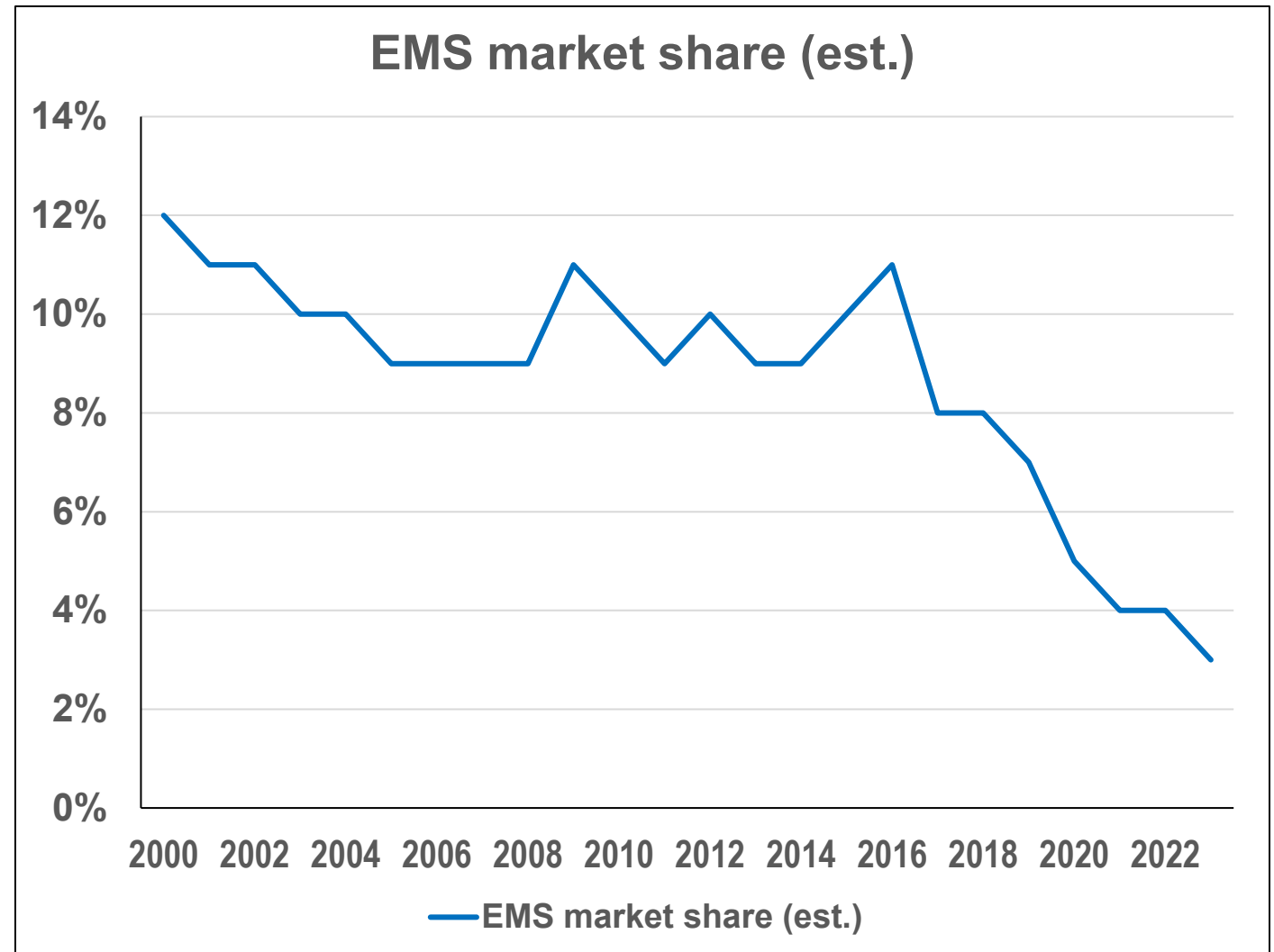


# UPU response to express integrators

- **1984 Hamburg Congress**
  - Urged governments to use postal monopoly laws to suppress couriers.
  - First business plan: commitment to improved service and strengthening the international postal system as a whole.
- **1989 Washington Congress**
  - Added EMS as an optional UPU service.
- **1999 Beijing Congress**
  - Established EMS Cooperative to improve management by giving more authority to major postal operators.

# EMS has not been competitive with express integrators

- EMS is not comparable to the services of express integrators.
- Even if considered part of the “express” market, EMS has steadily lost market share.



# Summary

- In the 1970s improvements in transportation and communications technologies led to growth in multinational companies.
- Couriers and express companies optimized use of the new technologies to pioneer a new type of cross-border collection and delivery service that featured speed and reliability with “tracking and tracing”.
- Express integrators demonstrated the inherent advantages of central management of end-to-end cross-border operations.
- The UPU was unable to develop a comparable service.

Part 3

## **Postal reform, Multinational Posts, and Postal Integrators, 1990s — 2000s**



# 1990s - 2000s. Postal reform transforms major Posts

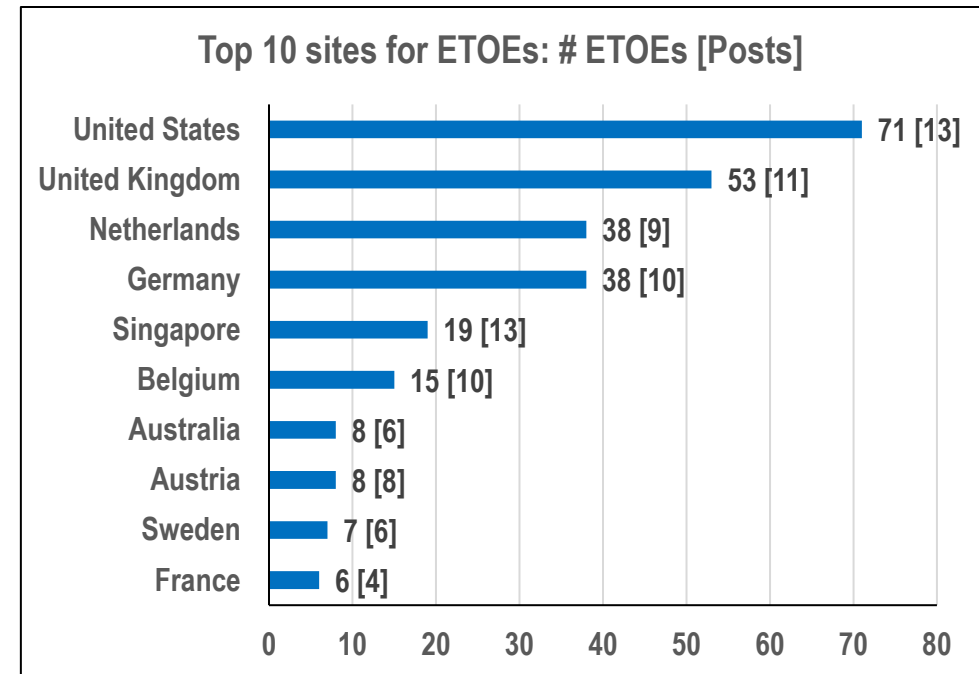
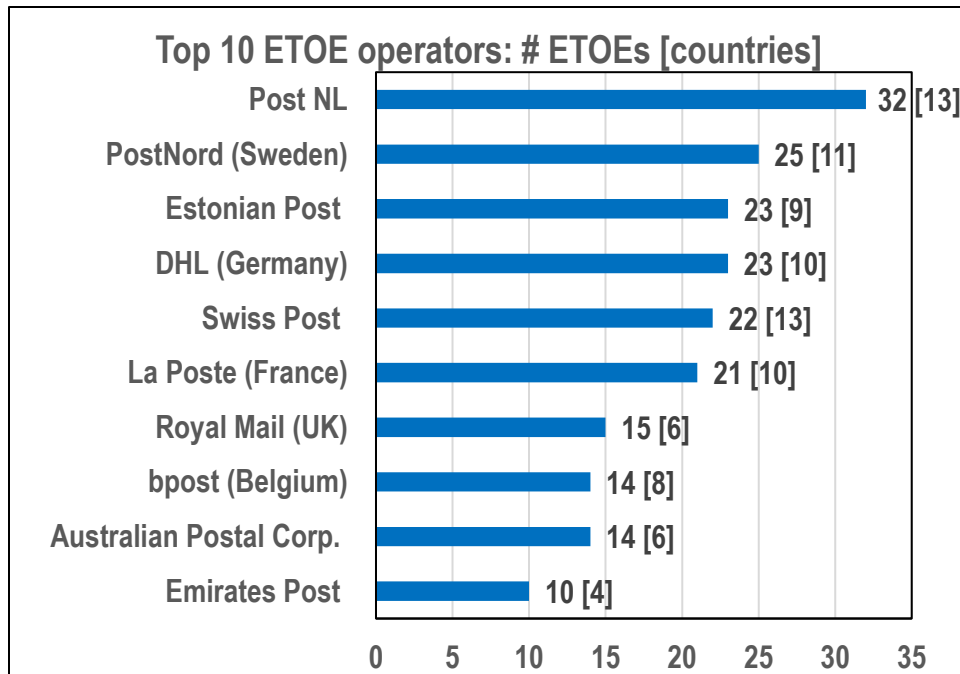
- **Early 1990s: postal reform begins in EU and Australia/NZ**
- **Major elements of postal reform**
  - Repeal of postal monopoly laws and other legal privileges.
  - Transform Post from government administration into normal corporation.
  - Define a set of essential “universal postal services” regulated and ensured by government and provided by the Post or alternate suppliers.
  - Authorized to the Post to provide non-universal services on a commercial basis both within and outside the national territory.
  - Separate regulatory and commercial functions by establishing one or more regulators independent of service providers.

# Development of multinational Posts

- **“Multinational Posts” collect postal items in multiple countries and distribute via the international post for delivery worldwide using —**
  - Remail (US, 1986 –)
    - Items collected in Country A and tender to the Post in Country B for transport via the international postal system and postal delivery in Country C.
  - Extraterritorial offices of exchanges (ETOEs) (2000 –)
    - Offices of a Post established outside its national territory.
  - Linking air cargo and international postal services.
- **Multinational Posts introduced competition for national Posts in outbound postal markets.**

# ETOE operators and locations

- 39 Posts operate 299 ETOEs in 35 countries (March 2024).
- 91 countries prohibit ETOEs; 45 Posts refuse mail from ETOEs



Source: UPU, Codelist 108, International Mail Processing Centre (IMPC) codes, open offices (Mar. 29, 2024); “Summary of responses from member countries on ETOE policy” (updated, 31 Jan. 2024).

# 1990s-2000s: Development of “Postal integrators”

- **“Postal integrators” emulated private integrators by acquiring private companies to assemble end-to-end international distribution networks**
  - **Royal PTT Netherland**
    - 1996. Acquired 100% of GD Express and bought rest of TNT (sold to FedEx in 2016).
  - **Deutsche Post**
    - 1998-2002. Acquired 100% of DHL. Other major acquisitions included Danzas (Switzerland), Airborne Express (US), Exel (UK), Blue Dart (India).
  - **La Poste (France)**
    - 2000-2002. Acquired Parceline (UK) and DPD (Deutscher Paketdienst, German).
  - **British Post Office (Consignia, Royal Mail)**
    - 1999-2002. Acquired German Parcel and various European delivery companies. Other acquisitions included Golden State Overnight (US), Dicom (Canada).

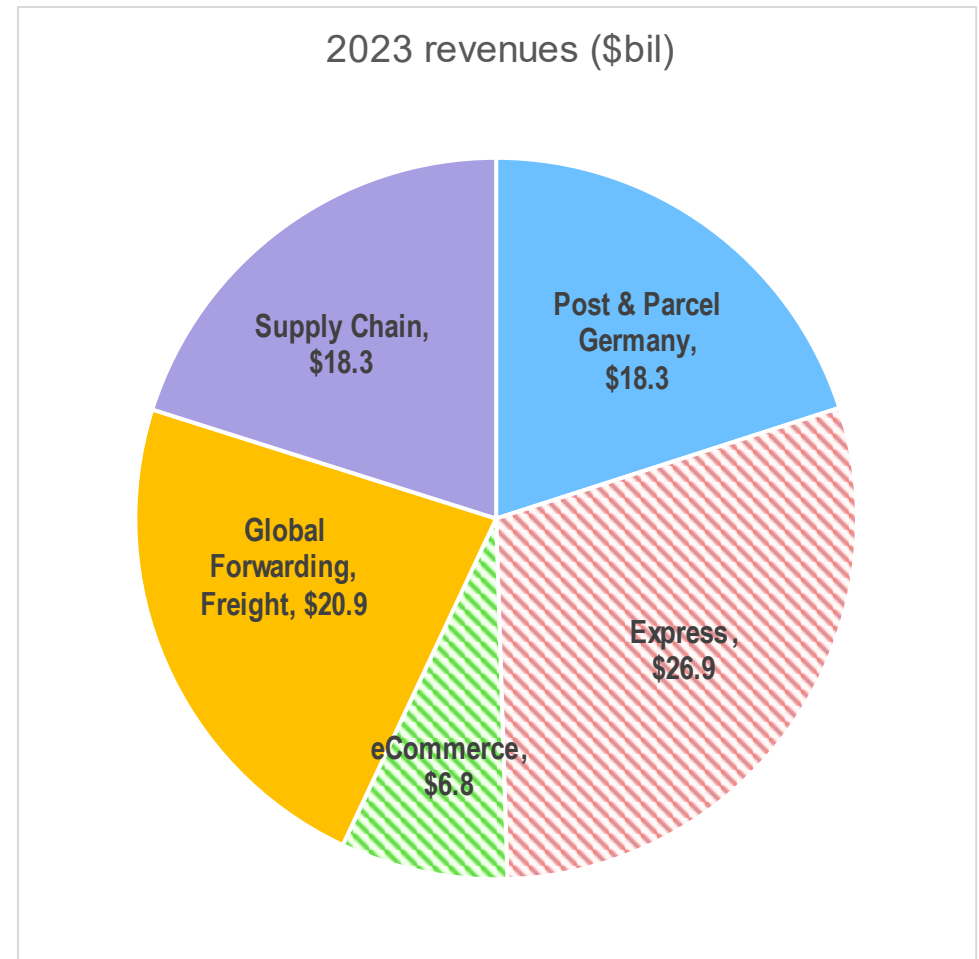


# DHL Group (formerly Deutsche Post)

- Group revenues = \$88 billion (FY 2023)
- Consolidated companies:  $\approx$  770
- Countries  $\approx$  220
- Ownership: 80% private, 20% State-owned
- #1 in global express
- #2 in global air freight and ocean freight
- #1 in contract logistics

On July 1, 2023, Deutsche Post DHL Group changed its name:

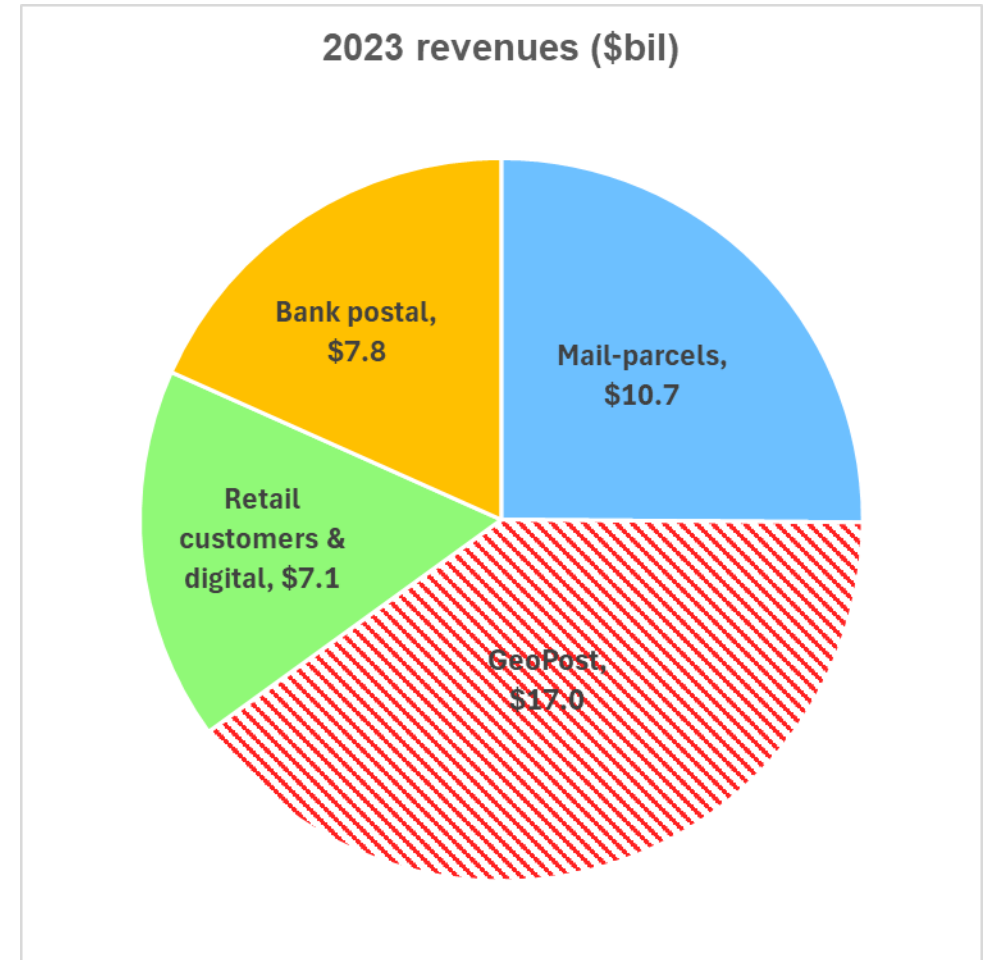
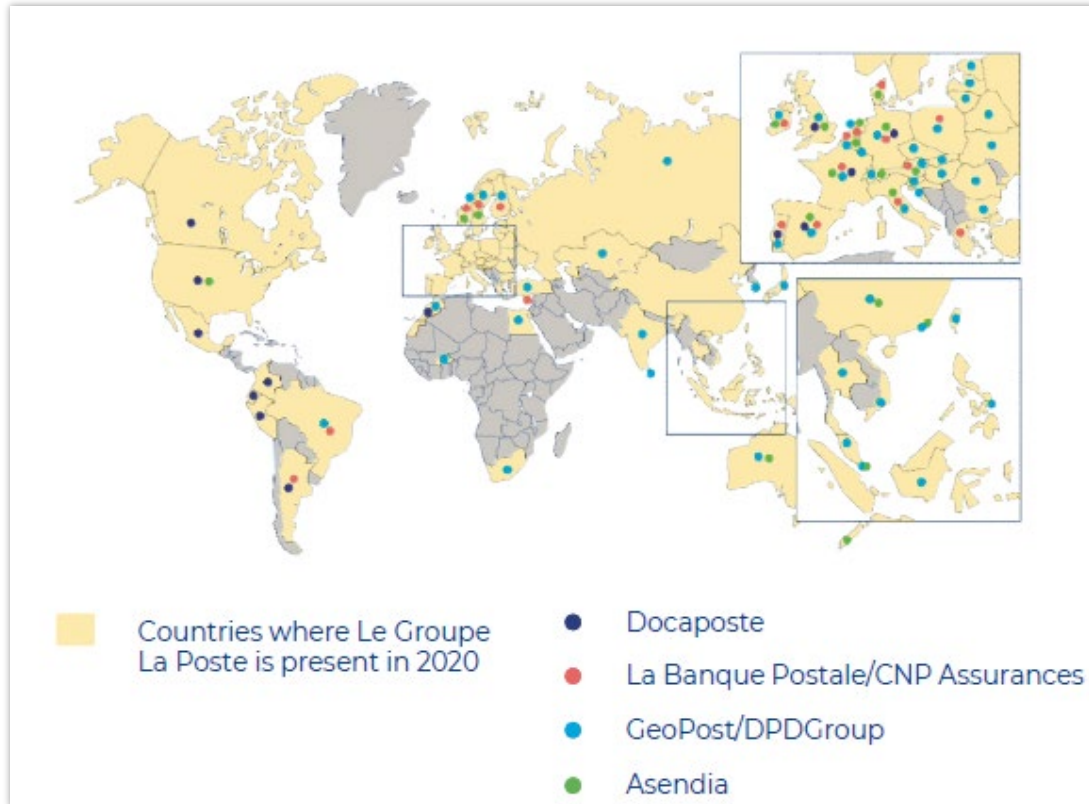
*“Today, we are one of the most international companies in the world. The name DHL Group and the use of the DHL logo for the Group follows on from the development of our company’s business, which outside of Germany almost only ever uses the DHL brand.”*



Striped segments used to calculate international and foreign domestic foreign package delivery services.

# La Poste Groupe (France)

- Group revenues = \$42.6 billion (FY 2023)
- Consolidated companies  $\approx$  345
- Countries  $\approx$  63
- Ownership: 100% State-owned



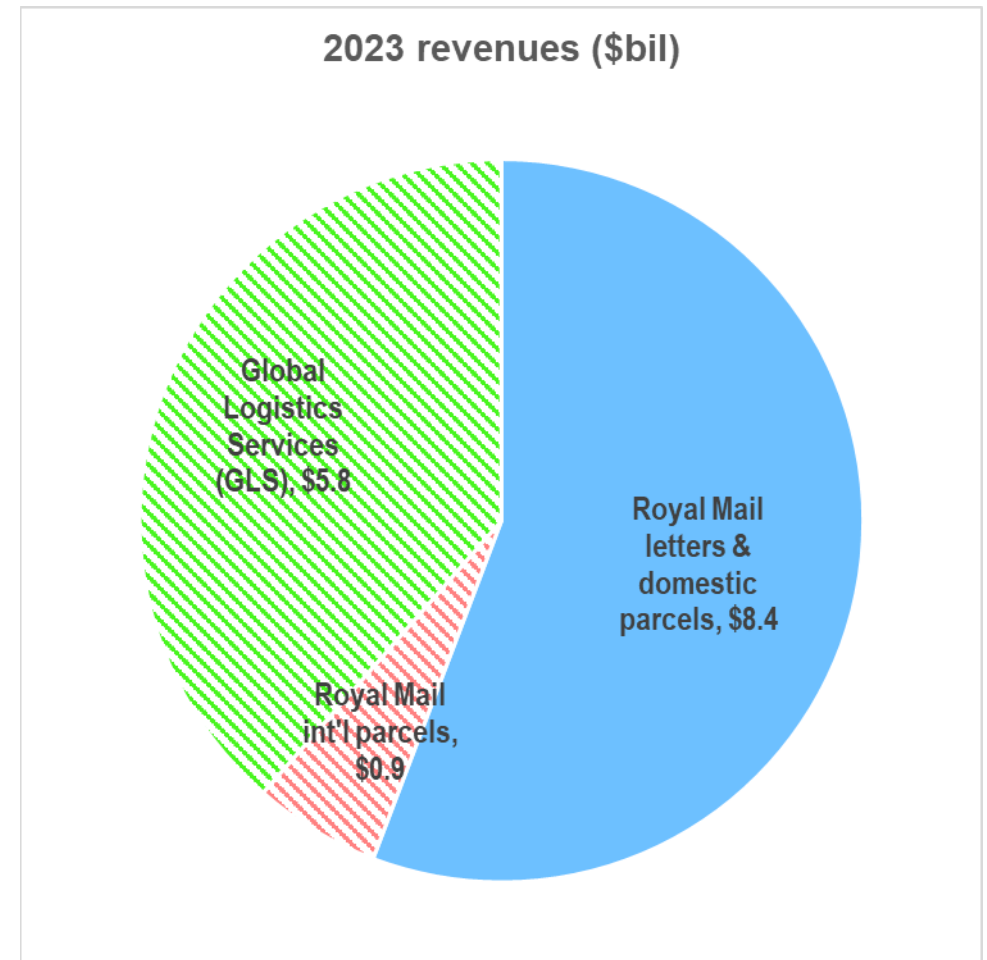
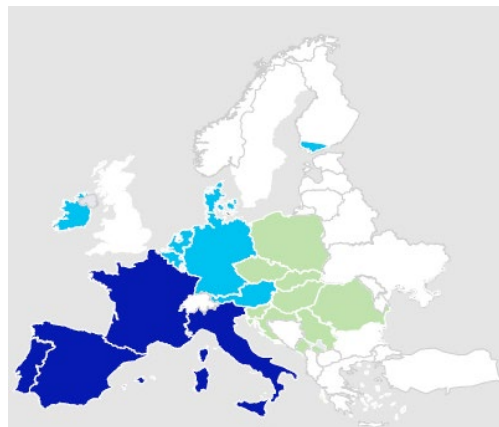
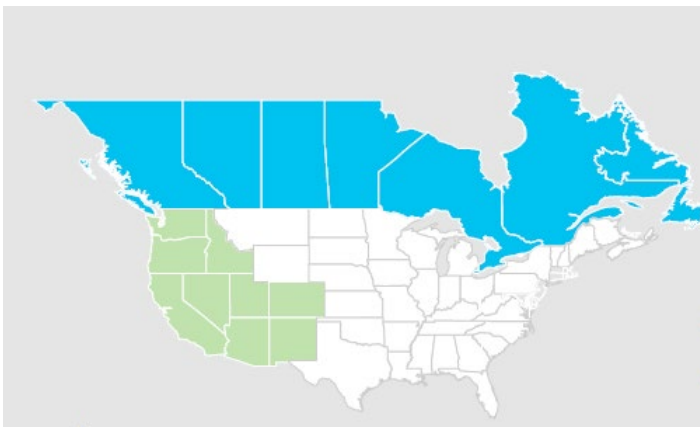
*Striped segments used to calculate international and foreign domestic foreign package delivery services.*

# International Distribution Services (formerly Royal Mail)

- Group revenues = \$11.7 billion (FY 2023)
- Consolidated companies  $\approx$  80
- Countries  $\approx$  40
- Ownership: 100% private

On July 20, 2022, Royal Mail changed its name to IDS:

*“The renaming . . . reflected the increased importance of GLS, which . . . has contributed more than two thirds of the Group reported operating profit [and seeks] to allay any shareholder concerns that GLS would be used to support Royal Mail.”*



*Striped segments used to calculate international and foreign domestic foreign package delivery services.*

# Market shares: international express services, 2021

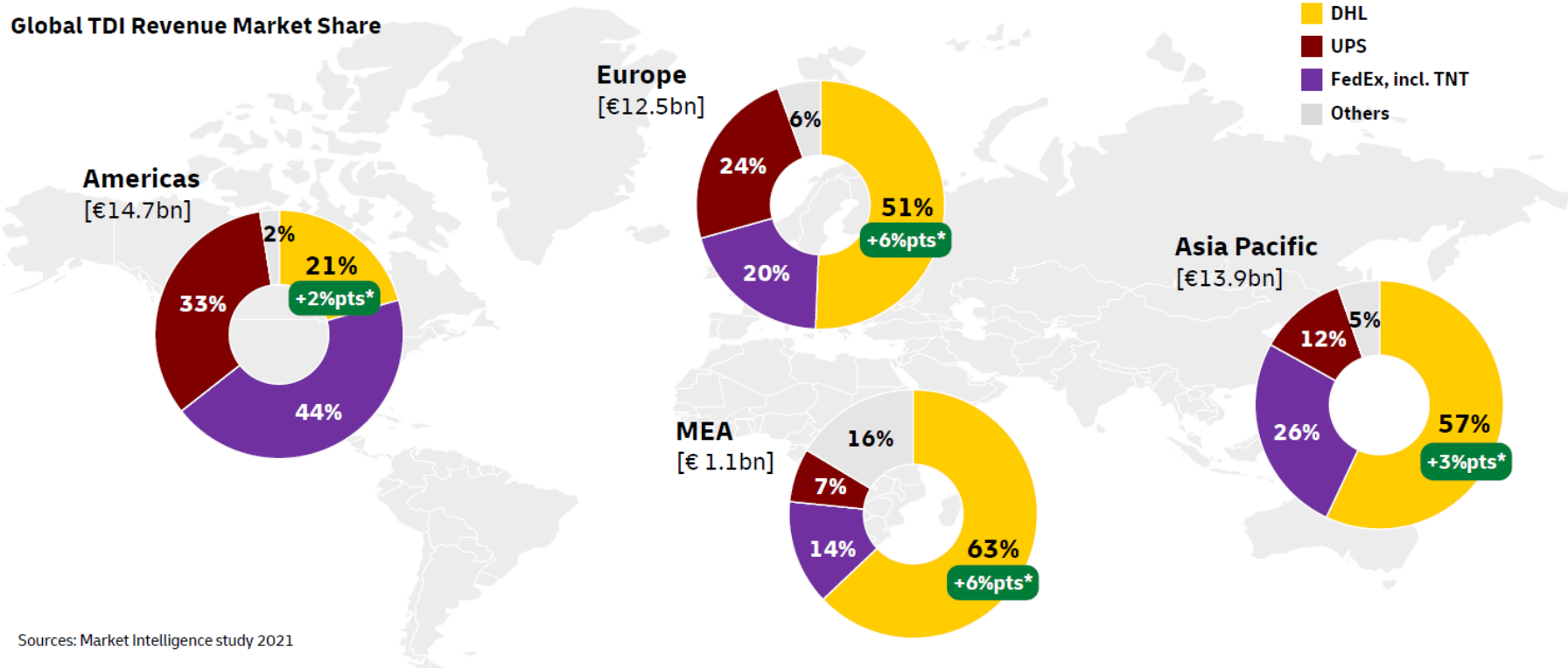
Estimated share of global “time definite international” package delivery revenues, 2021:

DHL	42.8%
FedEx	30.2%
UPS	22.7%
Others	4.5%

Total revenue = \$50 billion

## Express: Market share by geography (2021)

Global TDI Revenue Market Share

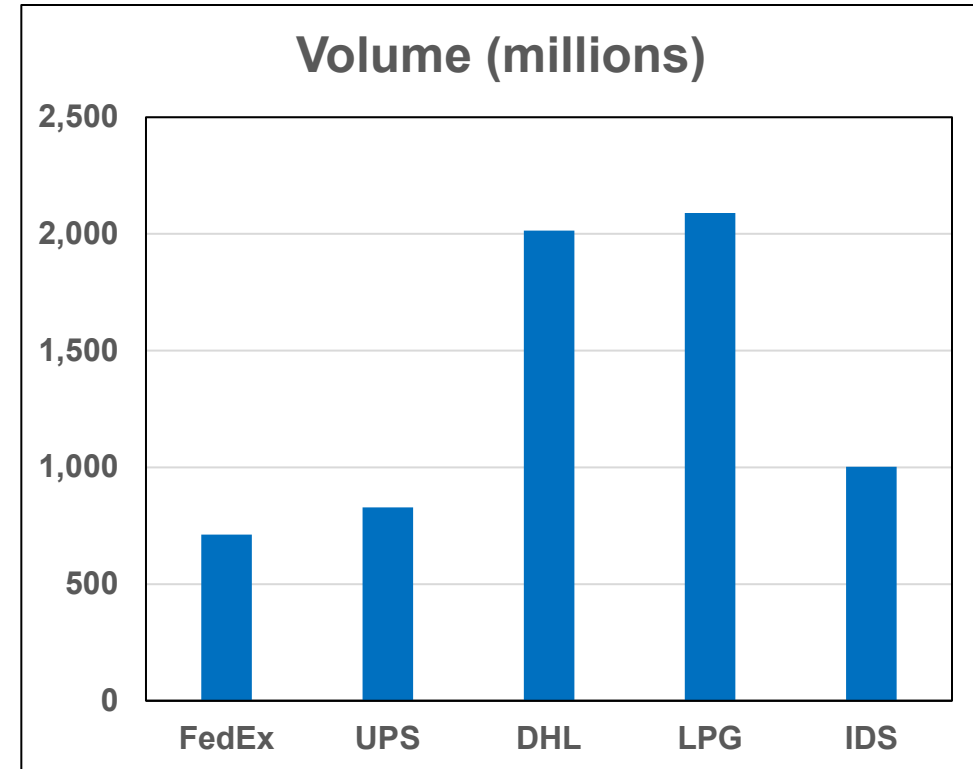
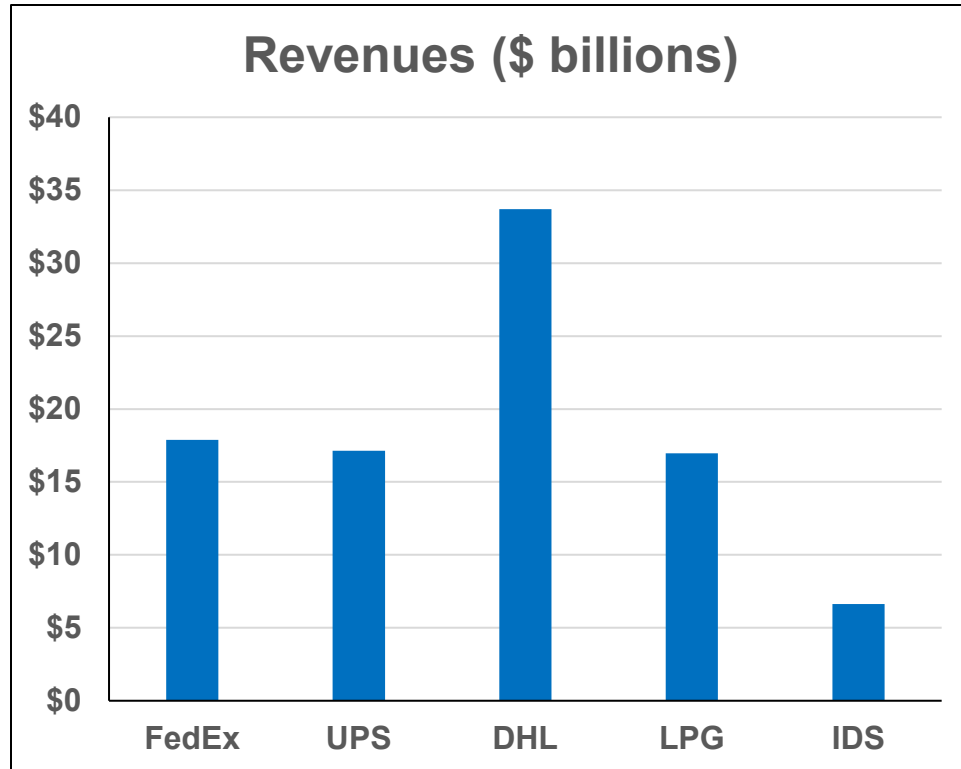


Sources: Market Intelligence study 2021

\*) vs 2016 including 53 countries



# Relative market shares: intern'l & foreign domestic packages, 2023



Source: Corporate reports and investor presentations.

Note: Data and comparisons are approximate. Companies define services differently and use different fiscal years. Separation between domestic and international packages services is often unclear.

# Effects of postal reform on the UPU

- **Postal reform has undercut the original premises of the UPU**
  - Postal services are no longer government monopoly services.
  - Postal services are not limited to national territories.
- **Postal reform has commercialized the UPU**
  - Corporatized Posts — acting as governmental representatives — have committed the UPU to promoting commercial success in the distribution system for e-commerce.
  - UPU has not terminated legacy legal privileges of Posts nor separated governmental and regulatory functions as postal reform effected at national level.

# Summary

- **Postal reform has fundamentally changed the legal framework of postal services in most industrialized countries.**
- **Posts have been transformed into commercial corporations**
  - Many have evolved into “multinational Posts” by establishing ETOEs.
  - Largest Posts have become international “postal integrators” through acquisition of private freight and express companies.
- **Basic “universal postal service” remains ensured by government.**
- **Corporatized Posts have transformed the UPU into a commercial intergovernmental organization without the safeguards included in postal reform at national level.**

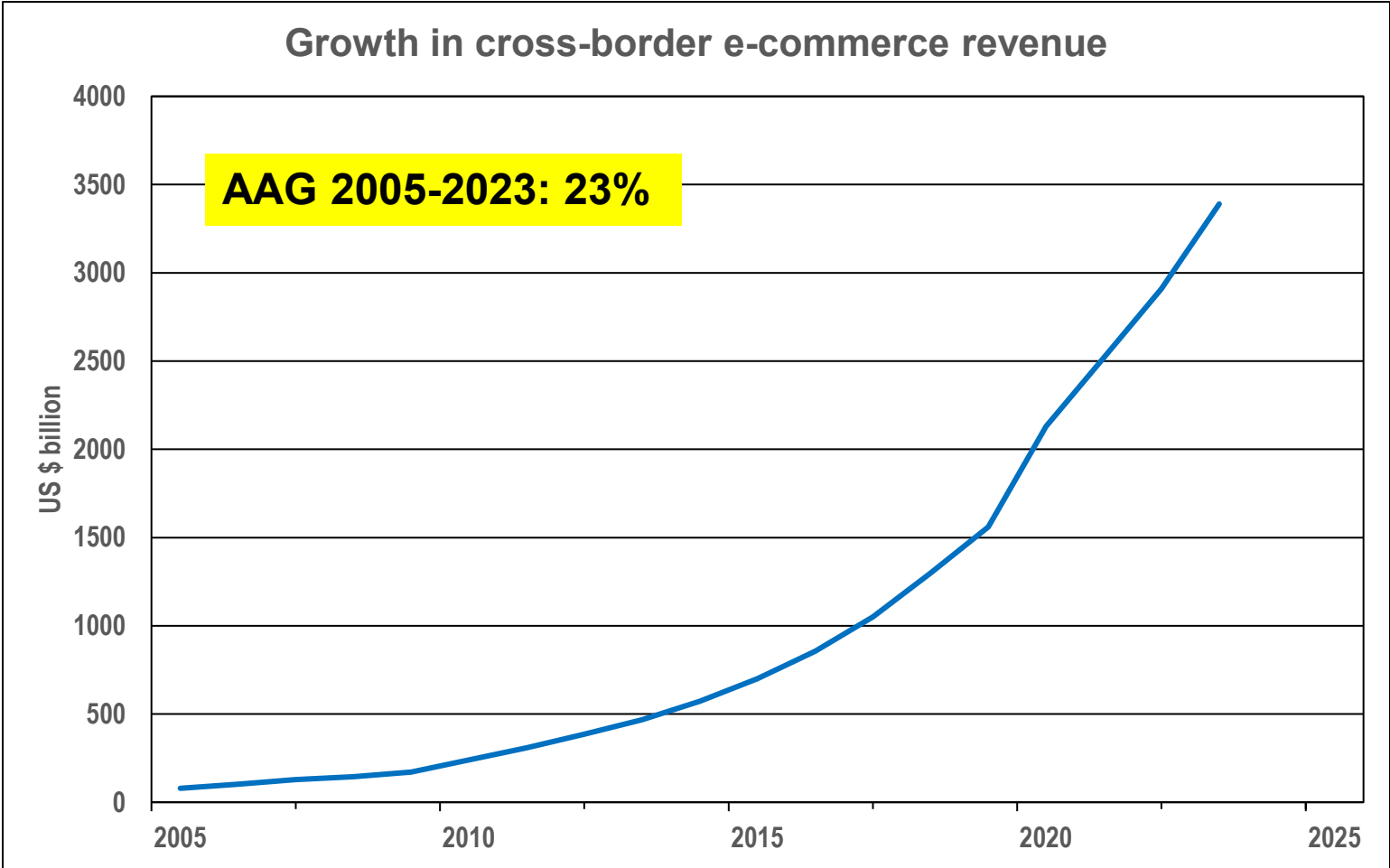
Part 4

# **International e-commerce and e-commerce integrators, 2010 —**

# Major cross-border e-commerce sellers



# Growth of cross-border e-commerce



Source: UNCTAD

# Cainiao

“Cainiao is the world’s No. 1 cross-border e-commerce logistics company with one of the world’s largest logistics networks. In fiscal year 2023, our total cross-border volume exceeded 1.5 billion parcels, and we served over 100,000 merchants and brands.”

## Our Global Network Coverage

Cainiao has established a global smart logistics network with end-to-end capabilities. It controls and operates critical nodes in strategic locations around the world, **covering over 200 countries and regions.**

- **Over 1,100** warehouses with an aggregate gross floor area of approximately **16.5 million** square meters.
- Operating the largest network of warehouses for cross-border e-commerce, with an aggregate gross floor area of approximately **3.0 million** square meters.
- **Over 380** sorting centers worldwide, with **18** located overseas in key overseas markets.
- Approximately **170** chartered flights and BSAs per week on average and **over 2,700** line-haul trucking routes globally.
- Collaborating with service providers across **more than 100** ports worldwide, we have established a smart customs clearance system.
- **Over 170,000** “pick-up, drop-off” stations which is the World's largest digital “pick-up, drop-off” network.

# Amazon

“Amazon Air operates a fleet of aircraft that fly to more than 70 destinations around the world. Some of these gateways and hubs are able to ship more than 450,000 packages on 12+ planes daily.”



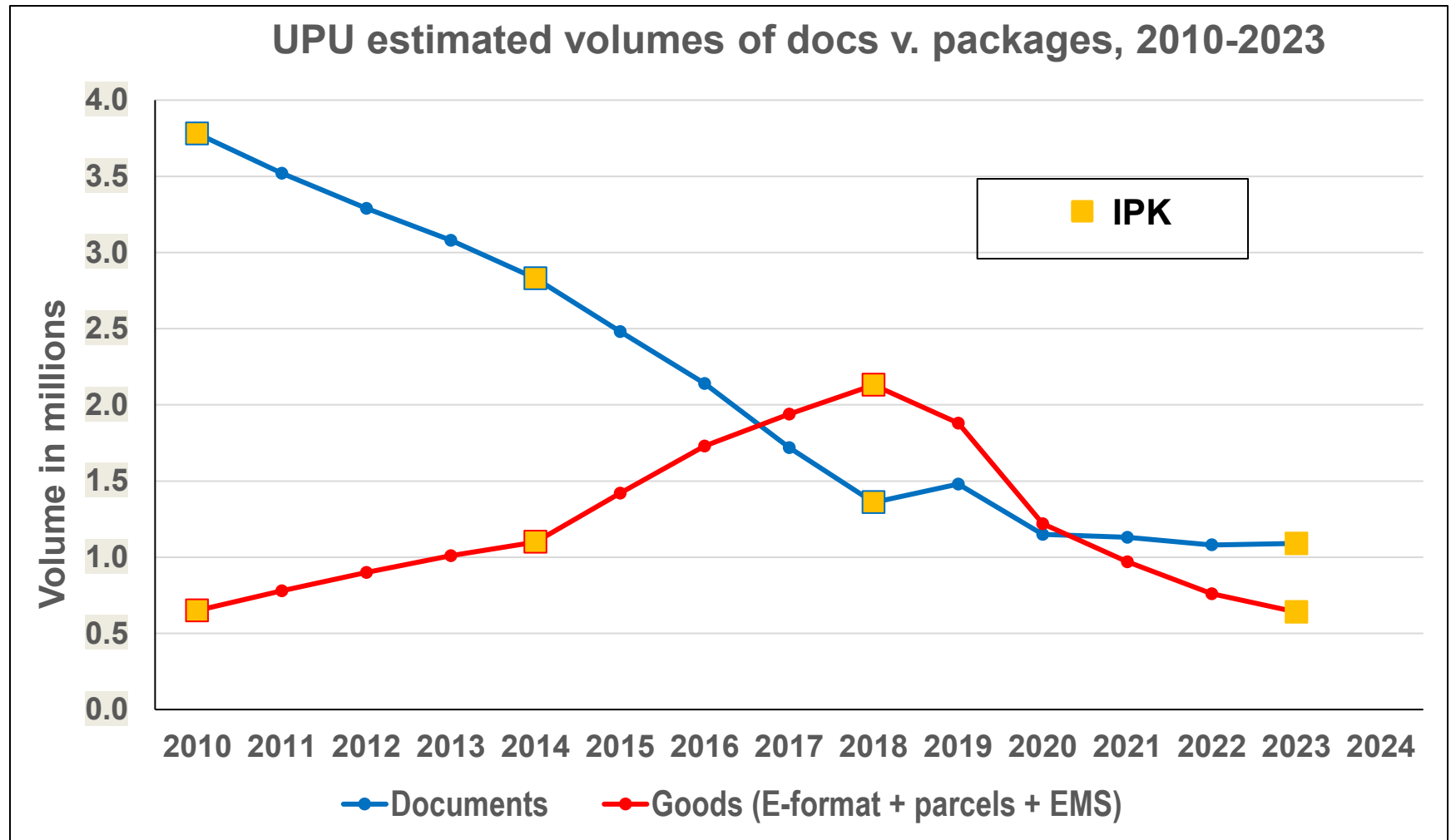


# UPU has shifted from documents to packages

The volume of documents in the international post has declined drastically.

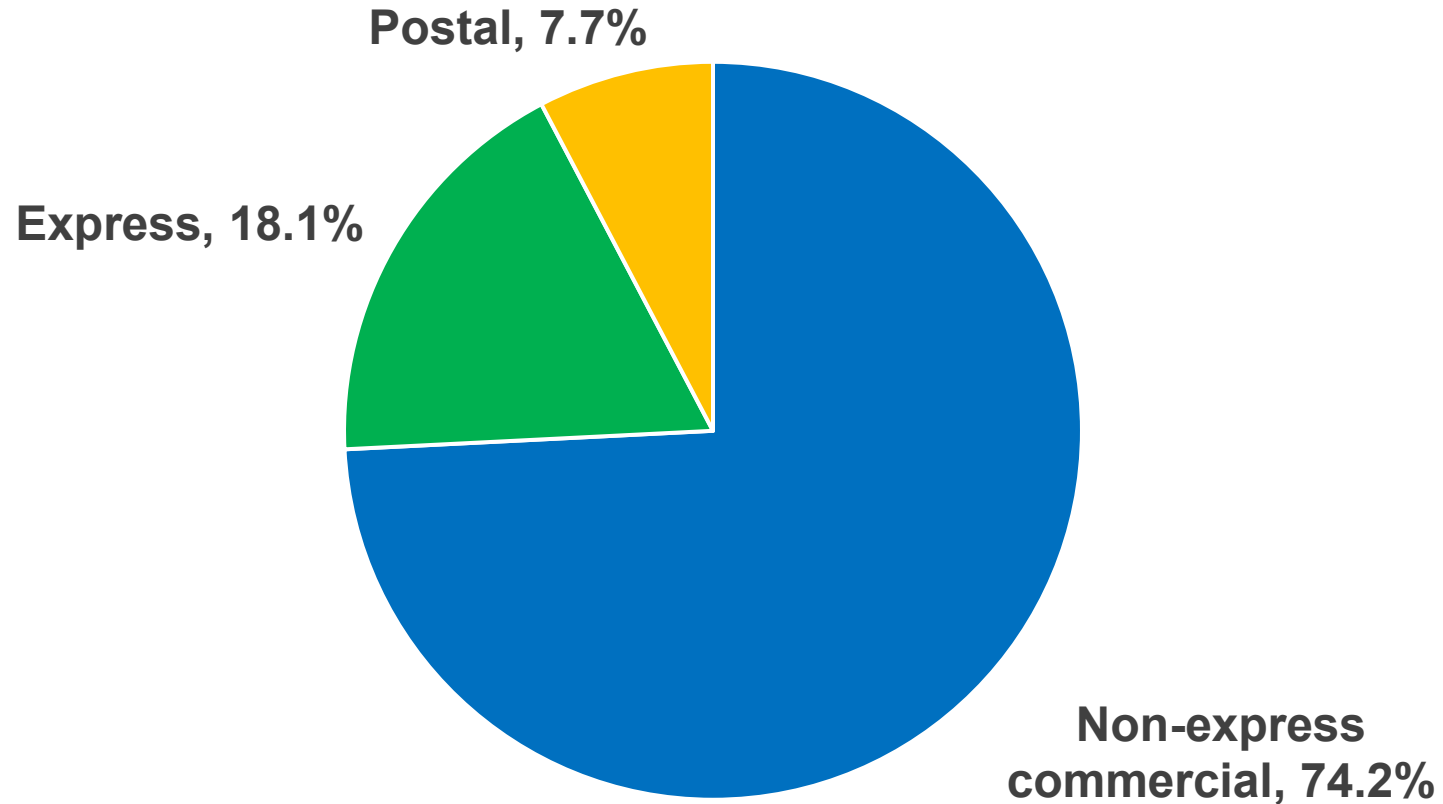
The volume of packages (E-format letter post, parcels, and EMS) grew rapidly until the pandemic in 2020 but has declined since.

*Note: Division of letter post into documents and packages is approximate only, based on periodic "IPK" studies.*



# Rise of the “e-commerce integrators”

US merchandise imports < \$800, 2023



Source: U.S. Customs and Border Protection, “Rulemaking: Trade and National Security Actions and Low-Value Shipments Regulatory Analysis and Regulatory Flexibility Act Analysis” at 46 (Jan. 15, 2025).

# McKinsey analysis (2024)

Cross-border e-commerce is growing 1.5 times faster than domestic orders. China is responsible for approximately 40% of cross-border volumes.

By 2028, 10% of global cross-border parcel volumes may be delivered through post, down from 60% in 2016.

Commercial parcel and forward-located inventory could be the modes of choice by 2028, comprising approximately 45% and 40% of the cross-border volume, respectively.

Source: McKinsey & Company, "Preparing post for further parcel opportunities" (Oct. 2024).

# Summary

- **Cross-border e-commerce shipments increased rapidly after 2005.**
- **Major e-commerce “platforms” rapidly evolved into “e-commerce integrators” by putting together centrally managed logistics systems that provide inexpensive and reliable cross-border delivery services.**
  - E-commerce integrators often use the domestic post for national delivery.
- **The UPU has sought to adapt international postal services to serve as international e-commerce distribution systems.**
  - Despite initial success in the mid 2010s, it appears e-commerce integrators are rapidly

Part 5

# Implications for the UPU

# 1. Modern integrated cross-border networks are the answer not the enemy for the UPU.

- **Decision-making by intergovernmental committees is too slow, too political, too cumbersome, and too costly.**
- **Express, postal, and e-commerce integrators have demonstrated the advantages of centrally-managed cross border networks for international transportation and customs clearance.**
  - Competitive advantages of Posts, if any, arise from economies of scale in collection and delivery, not from expertise in international transportation or customs clearance.
- **Posts should explore ways to use integrated cross-border networks to transport documents and packages between national Posts.**

## **2. The legal framework for international postal services should be aligned with principles of national reforms.**

- **Postal reforms have made Posts more efficient, innovative, resilient.**
- **Corporatized Posts have made the international postal system less fair, more distortive, and less resilient than national postal services.**
  - The UPU has been transformed into a commercial intergovernmental organization that uses legacy legal privileges and governmental authority to promote for-profit businesses of Posts in competitive markets.
  - Yet volumes of international mail have fallen significantly faster than either domestic postal volumes or international air cargo.
- **The UPU must be aligned with the principles of national postal reform.**

### **3. Postal reform has eliminated the rationale for an intergovernmental organization with respect to commercial non-universal services.**

- **Commercial cross-border non-universal postal services are neither monopolized nor provided by government nor limited to the national territory.**
  - Commercial cross-border non-universal postal services are commercial freight forwarding services and should be regulated as such.
- **Governmental processes retard, rather than facilitate, the ability of non-universal services to respond to rapidly changing markets.**
- **Preservation of efficient, undistorted competitive markets requires strict separation of governmental and commercial functions.**



## 4. Governments should maintain a limited role in the international exchange of universal postal services (1)

- Postal reform has modified the rationale for an intergovernmental organization with respect to universal services.
  - Universal services are neither monopolized nor provided by government, but they are controlled by government and limited to the national territory.
- Government should ensure a basic, affordable international universal service by agreeing to reciprocal non-discriminatory access to national universal services.
  - Access to the universal service in the destination country should be ensured to the mailers not to the Post in the origin country.

## 4. Governments should maintain a limited role in the international exchange of universal postal services (2)

- Governments should agree on basic rules for the international universal service relating to, e.g., ownership of postal items in transit, prohibited items, right of transit, and protection of personal data.
- Governments should promote development of common operational standards that facilitate the exchange of postal items before and after transmission between national universal services.
- Governments should agree to maintain appropriate levels of technical and financial assistance to postal services in developing countries.
  - Aid to developing countries should not undermine efficient, undistorted markets for non-universal services.

# Shock and awe at the UPU, 2022



## Full consistency with econometrics: impacts far beyond COVID-19

### Average marginal effects on international volumes

Shocks	Letter post	Parcel post	EMS	Cargo
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■ Highest negative effect     
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to  
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**-73%**

# Shocks reconsidered as weaknesses of the UPU

Shock	UPU weakness
<b><u>Increase in fees for delivery of inbound packages</u> (terminal dues) beginning in July 2020</b>	<b><u>UPU price-setting abuses</u> which led to —</b> <ul style="list-style-type: none"><li>• Hidden subsidy of international rates from domestic revenues;</li><li>• Unfair treatment of domestic merchants;</li><li>• Exploitation of importing Posts by large exporting Posts.</li></ul>
<b><u>Increase in customs controls</u> in the EU (ICS R1) and US (STOP Act)</b>	<b><u>UPU misuse of legacy customs privileges</u> to expand into postal e-commerce.</b>
<b><u>Unforeseen interruptions in commerce</u> due to pandemic (Covid 19), changes in regulation (repeal of EU low value VAT exemption), and war (Ukraine)</b>	<b><u>UPU inability to adapt quickly</u> to changing market conditions.</b>

There is a tide in the affairs of men.  
Which, taken at the flood, leads on to fortune;  
Omitted, all the voyage of their life  
Is bound in shallows and in miseries.  
On such a full sea are we now afloat,  
And we must take the current when it serves,  
Or lose our ventures.

– William Shakespeare (1599)