

EMS Pay-for-performance Plan

(Version of 1 January 2005)

Article 1

Definitions

- a. “Participating Administration” means a member postal administration of the EMS Cooperative which is eligible to apply the EMS Pay-for-performance Plan, as provided in Article 2, and which adheres to the provisions of the Plan.
- b. “D Event” means the date and time that an EMS item is received at the destination office of exchange.
- c. “E Event” means the date and time that an EMS item is handed to Customs.
- d. “F Event” means the date and time that an EMS item is dispatched from the destination office of exchange, if appropriate, after passing through Customs.
- e. “H Event” means the date and time of an attempted, but unsuccessful delivery of an EMS item.
- f. “I Event” means the date and time of a successful delivery of an EMS item.
- g. “On-time Transmission” means transmission of data related to events D, E, F, H and I no later than noon local time on the day after the event took place.
- h. “Delivery Standards” means a definition of the delivery service provided in sufficient detail to allow Postal Administrations to understand the service offered and to schedule export dispatches. Delivery Standards must be validated by the EMS Cooperative.
- i. “Validated Delivery Standards” means delivery standards defined in a way that allows delivery performance measurement by the model used by the monitoring organisation for the EMS Cooperative. The definition will be confirmed by the EMS Unit and the monitoring organisation and agreed to by the Participating Administration.
- j. “On –time Delivery” means an attempted or successful delivery in accordance with the Validated Delivery Standards of a Participating Administration.

- k. EMS Pay-for-performance Introductory Plan is a variation of the EMS Pay-for-performance Plan, which can be applied for a limited period by a newly Participating Administration.

Article 2

Eligibility

- a. A postal administration that fulfils the requirements below shall be considered eligible to be a Participating Administration:
 - i. membership in the EMS Cooperative;
 - ii. use of the UPU-standard EMS identifier and bar code on 100% of its outward EMS items;
 - iii. transmission of sufficient data in its EMS event messages so that its delivery performance may be measured against its Validated Delivery Standards;
 - iv. obtainment of Validated Delivery Standards by the EMS Unit.
- b. Eligibility of a postal administration to become a Participating Administration in this Plan shall be confirmed by the EMS Unit of the EMS Cooperative.

Article 3

Delivery charges

- a. The EMS delivery charges that Participating Administrations apply during a given year to EMS items delivered under the EMS Pay-for-performance Plan shall be those that are in effect on 1 January of that year.
- b. A Participating Administration may only increase its EMS delivery charges by notifying the UPU International Bureau of the increase by 31 August of the year prior to which the increase will take effect. Participating Administrations may however reach bilateral agreements concerning delivery charges.

Article 4

Calculation of inter-administration payments in the Pay-for-performance Plan

- a. Inter-administration delivery payments shall be based on net flows of EMS traffic between participants in the EMS Pay-for-performance Plan.
- b. In the event that administrations reciprocally apply separate rates for items containing documents and items containing merchandise, the net flow of items containing documents and merchandise shall be calculated separately.

- c. The percentage of the delivery charge to be applied between Participating Administrations in the EMS Pay-for-performance shall be based on the percentage of items delivered on time (On-time Delivery), and the percentage of items for which data is transmitted on time (On-time Transmission) for each inter-administration link.
- d. If an item is handed over to Customs, an E event, followed by an F event when the item is released from Customs, should be transmitted.
- e. On-time Delivery is measured from the D event unless an E event and an F event are also transmitted. In this case, On-time Delivery is measured from the F event.
- f. Inter-administration payments shall also include an incentive target or threshold for On-time Delivery and On-time Transmission of event data. Administrations that reach this threshold will have achieved the performance target and will not be penalized for failures related to On-time Delivery and On-time Transmission. These failures include late delivery, late data transmission and the anomalies in Attachment 1.
- g. The percentage of delivery charge paid for penalized items and the incentive threshold will be as follows:

Year	%delivery charge paid for Penalized items below threshold	Threshold
2005	85%	92%
2006	80%	94%
2007 onwards	75%	96%

- h. In the first year that an administration applies the EMS Pay-for-performance Plan 2005, the percentage of the delivery charge, to be applied reciprocally, shall be as shown in the table below:

D event	H/I event	On-time Transmission Of H/I event	On-time Delivery	Percentage of delivery Charge for items below the Incentive threshold
Yes	Yes	Yes	Yes	100%
Yes	Yes	No	Yes	*Reduced payment
Yes	Yes	Yes	No	*Reduced payment
No	Yes or No	Yes or No	Yes or No	0%

Yes or No	No	Yes or No	Yes or No	0%
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*According to table (Art. 4, item g.)

- i. For administrations that apply the EMS Pay-for-performance Plan 2005, the incentive threshold shall be set at 92% for the initial year. This means that an administration that achieves On-time Delivery and On-time Transmission for 92% or more, of the items that it receives from another Participating Administration, shall receive 100% of its delivery charge for all items from that administration, as long as D and H or I events have been transmitted for these items. If 92% service performance for On-time Delivery and On-time Transmission is not reached, only the percentage of items under the threshold will be penalized at the percentage indicated above. (For example, if an administration reaches 85% performance, only 7% of the items will be penalized).
- j. In 2005, the minimum amount that a destination administration will receive for items that have a D and H or I event is 85% of that administration's EMS delivery charge. This relates to items that are either delivered late, or for which event data are transmitted late, or both.
- k. Each Participating Administration applying the EMS Pay-for-performance Plan shall receive a quarterly payment document. This will show the number of items for which D, H or I event data was transmitted, the number of items delivered in accordance with each Participating Administration's Validated Delivery Standards, and the number of items for which D, H and I event data were transmitted on time.
- l. If a Participating Administration pays a separate delivery charge for documents and for merchandise, it shall transmit the necessary data so that a separate quarterly payment documents for document and merchandise items may be produced. If the Participating Administration does not transmit the necessary data to produce a separate quarterly payment document for document and merchandise items, all items shall be considered as merchandise.

Article 5

EMS Pay-for-performance Introductory Plan

- a. Postal administrations eligible for EMS Pay-for-performance that have not yet entered any Pay-for-performance agreement can apply the EMS Pay-for-performance Introductory Plan.

- b. EMS Pay-for-performance Introductory Plan shall be applied bilaterally and reciprocally for a limited period.
- c. After the period of participation in the EMS Pay-for-performance Introductory Plan, the Participating Administration shall move to the EMS Pay-for-performance Plan.

Article 6

Calculation of inter-administration payments in the Pay-for-performance Introductory Plan

- a. Inter-administration delivery payments shall be based on net flows of EMS traffic between Participating Administrations in the Pay-for-performance Introductory Plan.
- b. In the event that administrations reciprocally apply separate rates for items containing documents and for merchandise the net flow of items containing documents and merchandise shall be calculated separately.
- c. The percentage of the delivery charge to be applied between Participating Administrations in the EMS Pay-for-performance Introductory Plan, shall be based on the percentage of items delivered on time (On-time Delivery) and the percentage of items for which data is transmitted on time (On-time Transmission) for each inter-administration link.
- d. If an item is handed over to Customs, an E event followed by F event should be transmitted.
- e. On-time Delivery is measured from the D event, unless an E event and an F event are also transmitted. In this case, On-time Delivery is measured from the F event.
- f. Inter-administration payments shall also include an incentive target or threshold for On-time Delivery and On-time Transmission of event data. Administrations that reach this threshold will have achieved the performance target and will not be penalized for failures related to On-time Delivery and On-time Transmission. These failures include late delivery, late data transmission and the anomalies in Attachment 1.

- g. The penalties and thresholds will be applied reciprocally based on the time that one administration is applying the plan with its partners. The time will be counted by quarter with a maximum eight quarters.
- h. The percentage of delivery charge paid for penalized items and the incentive threshold will be as follows:

Quarters	%delivery charge paid for Penalized items below threshold	Incentive threshold
1° to 4° (1)	90%	80%
5° to 8°	90%	90%
8° onwards (2)	Align with the EMS Pay-for-performance Plan.	Align with the EMS Pay-for-performance Plan.

Note 1: Quarter 1 to 4 refers to the first four quarters that an administration is participating in the EMS Pay-for-performance Introductory Plan. It does not refer to the first four quarters of individual agreements.

Note 2: An administration must move to align with the Pay-for-performance Plan at the start of a calendar year. Therefore, its period at a 90% for delivery charge and 90% incentive threshold may be extended beyond four quarters to a maximum of seven quarters.

- i. For the administrations that decide to apply the EMS Pay-for-performance Introductory Plan, the percentage of the delivery charge to be applied reciprocally shall be as shown in the table below:

D event	H/I event	On-time Transmission Of H/I event	On-time Delivery	Percentage of delivery charge for items below the incentive threshold
Yes	Yes	Yes	Yes	100%
Yes	Yes	No	Yes	*Reduced payment
Yes	Yes	Yes	No	*Reduced payment
No	Yes or No	Yes or No	Yes or No	0%
Yes or No	No	Yes or No	Yes or No	0%

According to table (Art. 6, item h)

- j. For administrations that apply the EMS Pay-for-performance Introductory Plan, the incentive threshold shall be set at 80% in the first four quarters. This means that an administration that achieves On-time Delivery and On-time Transmission

for 80% or more of the received items from another Participating Administration, shall receive 100% of its delivery charge for all items from that administration, as long as D and H or I events have been transmitted for these items. If 80% service performance for On-time Delivery and On-time Transmission is not reached, only the percentage of items under the threshold will be penalized at the percentage indicated above. (For example, if an administration reaches 75% performance, only 5% of the items will be penalized).

- k. In 2005, a destination administration starting the EMS Pay-for-performance Plan, will receive the minimum amount of 90% of its EMS delivery charge for items with a D and H or I event and that are either delivered late, or for which event data are transmitted late.
- l. Each Participating Administration applying the EMS Pay-for-performance Plan, or the EMS Pay-for-performance Introductory Plan, shall receive a quarterly payment document. This will show the number of items for which D, H or I event data was transmitted, the number of items delivered in accordance with each Participating Administration's Validated Delivery Standards, and the number of items for which D, H and I event data were transmitted on time.
- m. If a Participating Administration pays a separate delivery charge for documents and merchandise, it shall transmit the necessary data so that a separate quarterly payment documents for document and merchandise items may be produced. If the Participating Administration does not transmit the necessary data for separate quarterly payment documents, all items shall be considered as merchandise.

Article 7

Delivery standards

- a. Participating Administrations may revise their Validated Delivery Standards each quarter. The Delivery Standards that apply for any given quarter must be validated by the EMS Cooperative one month prior to the beginning of the quarter for which the revised standards come into effect.
- b. Participating Administrations wishing to revise their Validated Delivery Standards should present the new standards to the EMS Unit for validation three months prior to their implementation.
- c. The Validated Delivery Standards for each designated office of exchange in the

EMS Operational Guide must cover the entire area of the country (or territory of a postal administration) to which EMS items are delivered.

- d. The Participating Administration agrees to only send EMS items to offices of exchange designated for the receipt of EMS dispatches in the EMS Operational Guide and for which Validated Delivery Standards have been validated. EMS items that arrive at non-designated offices of exchange shall be sent to designate offices of exchange for the scanning of the D Event.
- e. The chart below shows the three levels of EMS Validated Delivery Standards and the data required for transmission for each of the three levels.
- f. The “delivery zone” refers to the areas of an administration where EMS items are delivered on a given day. For example, areas where items are delivered the same day as arrival at the destination office of exchange constitute one delivery zone, while areas where items are delivered the following day constitute a separate delivery zone.

Level	Exchange offices	Delivery zone	Information required in event messages
Level 1	One	One	Event + item identifier + destination administration + date +time
Level 2	One	More than one	[Data in level one] +delivery zone identifier (e.g., postcode, delivery depot code, province code or other appropriate code)
Level 3	More than one	More than one	[Data in level two] +office of exchange code

Article 8

Accounting procedures

- a. Postal administrations participating in the EMS Pay-for-performance Plan or the EMS Pay-for-performance Introductory Plan shall apply the following procedures to their quarterly settlement and payment of accounts:
- b. Delivery charges to be applied are described in Article 3 of the EMS Pay-for-performance Plan.

- c. Quarterly payment documents produced by the monitoring organization (currently International Post Corporation-IPC) shall be the basis for inter-administration payments in the EMS Pay-for-performance Plan and in the EMS Pay-for-performance Introductory Plan.
- d. The supporting documentation will be in the following tables produced by IPC as part of the EMS Cooperative's Pay-for-performance Plan and the EMS Pay-for-performance Introductory Plan:

Table	Name
1a	Payment document – Total inbound EMS items
1b	Payment document – Total outbound EMS items
1c	Payment document – Inbound EMS document items
1d	Payment document – Outbound EMS document items
1e	Payment document – Inbound EMS merchandise items
1f	Payment document – Outbound EMS merchandise items
2a	Diagnostic report – Inbound EMS items
2b	Diagnostic report – Outbound EMS items
3a	Accounting document

- e. All of these tables, except table 3a, shall be produced monthly. Table 3a will be produced quarterly.
- f. Monthly tables 1a through 1f and 2a through 2b shall be produced in Excel format.
- g. Quarterly tables 1a through 1f shall be in PDF format so that they may not be altered. Quarterly tables 2a, 2b and 3a shall be produced in Excel format for accounting use.
- h. IPC shall e-mail all the Pay-for-performance documents to the EMS Unit in Berne. Monthly documents shall be received up to the 20th day of the month following the month that reports are produced. Quarterly documents shall be received up to the 30th day of the month following the quarter that reports are produced.
- i. The reports shall include event data received by IPC by the 10th day of the month following the month that reports are produced.
- j. The EMS Unit shall in turn e-mail the Pay-for-performance documents to

Participating Administrations two working days after receiving the documents from IPC. At the same time IPC will send flat files with supporting data directly to each Participating Administration.

- k. Each Participating Administration will have 15 days, from the receipt date of the monthly reports and quarterly payment documents from the EMS Unit, to raise questions on the data.
- l. Upon receiving the quarterly payment document, each administration shall:
 - verify the amounts in the quarterly payment document, and
 - determine with which administrations it is a net creditor.
- m. In cases where the administration is a net creditor, it shall create an invoice in the same format as the quarterly payment document, and send the signed invoice within 14 days of receiving the quarterly payment document from the EMS Unit (This may be accomplished, by inserting page breaks in the Excel file containing the payment document, and printing the individual pages).
- n. The net debtor administration to which the invoices are sent shall verify the information in the invoices and either send the signed invoice to the net creditor administration, or communicate its proposed amendments within 14 days.
- o. The net debtor administration shall pay invoices within 60 days after they are accepted. The method of payment shall be agreed between Participating Administrations.

Article 9

Exchange of event data

Each Participating Administration agrees to receive all tracking events data that are transmitted by all other Participating Administrations with which it applies this Plan.

Article 10

Application of provisions of bilateral EMS agreements

The multilateral or bilateral EMS agreements in force between Participating Administrations that apply the Plan with one another shall be applicable, by analogy, in all cases not expressly governed by this Plan.

Article 11

Entry into force and duration

- a. The provisions of this Plan shall enter into force on 1 January 2005.
- b. Either participant may terminate this Agreement by giving 3 months notice of termination. The termination is effective 31 December of the year in which timely notice of termination is given.

Article 12

Disputes

In the event of disputes among Participating Administrations as a result of different interpretations of the Plan, participants may present the circumstances of the dispute to the EMS Unit. The EMS Unit and Pay-for-performance Team will facilitate in the interpretation and clarification of aspects of the Plan which are in dispute. If the dispute cannot be resolved with the facilitation of the EMS Unit and the Pay-for-performance Team, the participants may present the circumstances of the dispute to the EMS Board to facilitate the interpretation and clarification of the aspects of the EMS Pay-for-performance Plan or EMS Pay-for-performance Introductory Plan in dispute. If the dispute still cannot be resolved, the participants may use the existing UPU arbitration process outlined in the Acts of the Union (Constitution and General Regulations) to resolve the dispute, provided that the arbitrators are Participating Administrations in the EMS Pay-for-performance Plan.

Article 13

Force majeure

- a. A participating Administration is not liable for any penalties under the Plan if it fails to perform any of its obligations under the Plan insofar as it proves in accordance with Article 15:
 - i. the failure was due to an impediment beyond its reasonable control; and
 - ii. the Participating Administration could not reasonably be expected to have taken the impediment, and its effect upon its ability to perform, into account at the time of entering the Pay-for-performance agreement or EMS Pay-for-performance Introductory Plan; and
 - iii. it could not have reasonably avoided or overcome such an impediment, or at least its effects.

- b. An impediment, within the meaning above, could result from events including the following, although this enumeration is not exhaustive:
 - i. war, whether declared or not, civil war, riots and revolutions, acts of piracy, acts of sabotage, acts of terrorism;
 - ii. natural disasters, such as violent storms, cyclones, volcanic activity, earthquakes, tidal waves, floods, destruction by lightening;
 - iii. explosions, fires, destruction of machines, of factories, and of any kind of installations;
 - iv. acts of authority, whether lawful or unlawful, apart from acts for which the party seeking relief has assumed risk by virtue of other provisions of the Agreement; and apart from the matters mentioned in paragraph c below;
 - v. failure of the EDI service supplier used for data transmission.
- c. For the purposes of paragraph a above, and unless otherwise provided for in the plan or bilateral agreement, impediment does not include lack of authorizations, of licences, of entry or residence permits, or of approvals necessary for the performance of the Plan; nor does it include strikes or other industrial action (which are covered by Article 14 below).

Article 14

Strikes

- a. The definition of a strike, for the purposes of this document, is the serious interruption of normal operations due to industrial action.
 - i. Internal strike
 - An internal strike is a strike within a Participating Administration's organization which causes disruption to processing and delivery of EMS items, or to the provision of On-time Transmission about EMS items.
 - If such an internal strike takes place, the Participating Administration on strike cannot apply for a deduction of the penalties it may incur under the Plan for failing to meet service Delivery Standards or make On-time Transmission because of the internal strike. After the strike, any other Participating Administration facing an increase in the volume of EMS items received from the Participating Administration on strike can apply for an exemption from any penalties that may otherwise apply under the Plan for the first two days after the strike period.

- ii. External strike
 - An external strike is a strike which does not involve the Participating Administration itself but nevertheless affects that Participating Administration's ability to handle EMS items or provide On-time Transmission about EMS items. If an external strike takes place, the Participating Administration can claim an exemption from any penalties that may otherwise apply under the Plan for a period extending from the beginning of the external strike until two days after being notified of its conclusion.
 - After an external strike, any other Participating Administration facing an increase in the volume of EMS items received from the Participating Administration affected by the external strike, can apply for an exemption from any penalties that may otherwise apply under the Plan, for the first two days after the external strike.

Article 15

Application of force majeure

- a. A Participating Administration wishing to apply for an exemption from the penalty provisions under the Plan, for failure to meet Delivery Standards or On-time Transmission due to an event of force majeure, must adhere to the following process:
 - i. the Participating Administration must notify the EMS Unit in writing, by e-mail, by fax or by letter, within 24 hours of any event of force majeure first becoming known;
 - ii. at the same time, the affected Participating Administration must also inform in writing, by e-mail, by fax or by letter, all other Participating Administrations with whom they have a Pay-for-performance agreement and whose EMS service(inbound or outbound) will be affected;
 - iii. the affected Participating Administration must inform the EMS Unit in writing, by e-mail, by fax or by letter, within 24 hours of it first becoming known that normal service has resumed;
 - iv. at the same time, the affected the Participating Administration must also inform other Participating Administrations with whom they have a Pay-for-performance agreement, that normal service has resumed;
 - v. the final decision regarding any financial consequences under the Plan will be by agreement between the affected Participating Administrations.

Anomalies*1 Anomalies for which reduced payments are applied*

No.	Anomaly	Description	Payment applied for items below the threshold and reason
1	No office of Exchange (OE) code or invalid OE code	If the OE code in the D event is not transmitted, or if the OE code transmitted is not defined in the definition tables, performance measurement against the Validated Delivery Standards is not possible. This anomaly does not apply if the destination administration has only one OE.	If a D and H or I scan is transmitted, it shall be considered that the item was received at a destination OE and a reduced payment should therefore be made to the destination administration.
2	Invalid or missing delivery zone indicator	If the information required to identify the delivery zone in the H/I event is not transmitted, performance measurement against the Validated Delivery Standards is not possible. This anomaly does not apply if the destination administration has only one delivery zone.	If an H or I scan is transmitted, it shall be considered that the item was accepted and that delivery was made or attempted. A reduced payment should therefore be made.
3	Events out of sequence	If the date or time of the H/I event is earlier than the date or time of the D event, performance measurement is not possible.	It shall be considered that the item was accepted and delivery was made or attempted. A reduced payment should therefore be made.

2 Anomalies which have no effect on payments

No.	Anomaly	Description	Disposition
4	Both h and I events	If both an H and I event is transmitted for the same item, the date and time of delivery is taken from whichever event is earlier. The measurement of late transmission of date is made against the event used for measurement of On-time Delivery.	If the earliest delivery event is transmitted within the Validated Delivery Standards, then full payment will be made.
5	Time zone	If a Participating Administration transmits event date during different time zones, it could be penalized unfairly for late transmission.	For measurement purposes, it shall be considered that event times and transmission times occur in the same time zone. Each Participating Administration must confirm the time zone that applies for all its event transmissions.
6	Missent items: wrong destination administration	If an item is received at an OE and receives a D scan, and it is then discovered that the item is addressed to another administration, the item will not be included in the payment documents or pay-for-performance reports. An item received at the wrong destination administrations should receive an H scan before it is dispatched to the correct destination administration.	If an appropriate reason code for such item is included in the H event date, the measurement system could be modified so that these missent items are excluded from the payment documents and pay-for-performance reports.
7	Duplicate item identifiers	If a destination administration receives an item whose identifier duplicates that of an item dispatched within the last 14 months by the same administration, the item cannot be included in the performance reports, but will be listed in the Anomaly Files.	Since the origin administration should ensure that each of its outbound EMS items has a unique item identifier, the destination administration should not be penalized for duplicate item identifiers. The destination administration shall receive full payment for any such items that have a duplicate item identifier.
8	Non-standard item identifier	If a destination administration receives an item whose identifier does not conform to the UPU 13-character standard, the performance reports will not reflect on-time delivery or on-time transmission. The item will not be included in the performance reports.	Since the origin administration should ensure that each of its outbound EMS items carries the standard UPU 13-character item identifier, the destination administration should not be penalized for non-standard item identifiers. The destination administration shall receive full payment for such items.