

## More cash and lower costs: can both be true?

Contact persons [anne-claude.kelly@upu.int](mailto:anne-claude.kelly@upu.int) and [alba-lucy.vinueza@upu.int](mailto:alba-lucy.vinueza@upu.int)

For more than a decade, UPU\*Clearing has been helping postal operators around the world settle their bilateral postal transactions. This is done using a system that is accessible via an Internet portal. It consolidates invoices from UPU\*Clearing members and calculates the total debt or credit of each Post vis-à-vis other users of the system. In 2015, UPU\*Clearing handled over 18,000 transactions worth more than 211 million USD. These transactions can, for example, be related to terminal dues (the system that remunerates Posts for delivering international mail), international reply coupons, or Quality of Service Fund payments. Other bills can be introduced into the system by members based on agreements between the parties involved. The 41 designated postal operators using UPU\*Clearing are very happy – with a satisfaction rate of 96% – and they have good reason to be: payments are guaranteed, and bad debt is non-existent.

### How is this possible, especially when dealing with international transactions?

A variety of international postal bills (invoices) can be introduced into the online system in SDR, USD, EUR or CHF. The amounts of bills are converted on the day of clearing from SDR to the chosen currency, at the clearing day rate in accordance with the International Monetary Fund exchange rate. Bills are then all consolidated in USD and/or EUR. One of the pillars of the system is the requirement for members to comply with the 20-day payment terms. Any default on a payment leads to suspension for several months. That means that even if the member becomes a creditor in later months, it cannot receive its money. This creates an incentive for the postal operator to exercise discipline in its

payments. Some members may be asked to open a deposit account in order to join the system, to prevent potential late payments. It is interesting to note that some members maintain such an account voluntarily. The main advantages are the reduced transaction and exchange fees, since the money for payment is available immediately without the intervention of another bank, as well as the management of those assets by the UPU\*Clearing secretariat, which settles the invoices but is also responsible for treasury management.

### So how can this system increase cash?

Thanks to a monthly schedule, which defines the settlement dates in advance for the entire year, as well as the system's reporting function, postal operators can easily check how much cash they are likely to need in advance or will be receiving, thus facilitating their treasury management. Additionally, the service has been widely credited with speeding up payments that previously took several months to settle or that simply became bad debts. The Brazilian Post pointed out that the payment processing time had been reduced from an average of six months to a maximum of 55 days, as all payments are processed by the 25th day of the month following the one in which the transaction is recorded into the system. The system has enabled some postal operators to produce an administrative cash flow in their international accounts thanks to reduction of international foreign wire transfers.

### What is the impact on cost accounting?

Back-office processes for accounting and treasury activities are reduced to a minimum with UPU\*Clearing. Jerzy Bogdalk, International Operations manager at Poczta Polska, the Polish operator, says that "individual postal operators only deal with the UPU\*Clearing secretariat through the specific bank partners and not with a multitude of other operators. Members of the system make only two transfers monthly for the settlement of accounts with many operators." A customer satisfaction study conducted in early 2015 clearly confirms those facts, and the results are astonishing: 33% of UPU\*Clearing members have reduced their banking fees by more than 40% since they started using the

system, 42% of members have reduced their collection fees by more than 40%, and 32% have reduced their staff costs by more than 40%.

The UPU\*Clearing secretariat performs full management of the system's back office, from payments through to technical support and training of members. Thanks to a fair and reasonable participation cost based on the contribution classes used for the UPU's regular budget, members are offered a great service. It is worth mentioning that there are no setup costs for users, and no software licence costs. The system is accessible through a portal, so there is no need to install software. Moreover, the implementation is fast and free. It is even possible to interface the system with a local accounting software application.

Using the UPU\*Clearing system also significantly reduces the risk of loss from exchange rate fluctuations. Outside the system, postal operators might have to deal with multiple currencies, some of which may be volatile, leading to uncertainty in financial planning. "In certain circumstances, limiting settlement to two currencies may result in better contracts with local banks for transactions in dollars and euros", says Christiaan Briké, Treasurer of Belgium's bpost.

#### **So many benefits: streamlined accounting, guarantee of payment... What else?**

Another major benefit of the system is its transparency and security. Since UPU\*Clearing uses an Internet-based platform, Posts can analyze their accounts throughout the business cycle and resolve errors online before payments fall due. This transparency encourages them to respect the rules, leading to speedy resolutions. Debtors can comment on, change, accept or refuse the electronic bills by means of an acceptance/refusal function. Reasons for non-acceptance, as well as related explanation messages, are stored in the system and can be consulted by both parties.

UPU\*Clearing can also be used for auditors, since the relevant data is centralized. "This reduces the need for time-consuming collection of data from other sources and the check for integrity", says Briké. This limited access for auditors is available at no additional cost.

Finally, UPU\*Clearing is very easy to use. There is no need to be an IT expert to implement it and to use it. It is also possible to limit manual entry using an import/export function that supports various document formats. And any change in users and contacts can be made by the UPU\*Clearing secretariat at any time upon request.

How many systems offer so many benefits? UPU\*Clearing provides solid solutions and meets the needs of postal operators in a highly competitive environment. Getting paid in a timely manner while reducing costs isn't an offer you hear every day, so don't miss out!

