

BEFORE THE
POSTAL REGULATORY COMMISSION

Annual Compliance Report, 2017

:
: Docket No. ACR2017
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**COMMENTS OF UNITED PARCEL SERVICE, INC. IN
RESPONSE TO NOTICE OF PRELIMINARY
DETERMINATION TO UNSEAL THE MATERIAL FILED IN
RESPONSE TO CHAIRMAN'S INFORMATION REQUEST
NO. 1, QUESTION 1
(January 24, 2018)**

United Parcel Service, Inc. ("UPS") thanks the Postal Regulatory Commission for issuing Order No. 4377 (January 17, 2018), where the Commission made a preliminary determination that the material filed in Response to Chairman's Information Request No. 1, question 1 should be unsealed.¹ These materials are composed of information related to terminal dues revenues, specifically, the FY2016 Inbound Letter Post revenue data by country group and shape.²

UPS is concerned about issues related to terminal dues, and supports the public filing of the material for several reasons.

First, UPS is concerned that the Postal Service is charging lower rates to foreign merchants to deliver mail within the United States, compared to what it charges U.S. businesses. In this respect, UPS shares the U.S. Chamber of Commerce's concern that "U.S. merchants and manufacturers are placed at an economic disadvantage to foreign merchants and manufacturers due to artificially low rates paid by foreign

¹ Notice of a Preliminary Determination to Unseal the Material Filed in Response to Chairman's Information Request No. 1, Question 1, Dkt. No. ACR2017 (Jan. 17, 2018), at 4.

² Chairman's Information Request No. 1, Dkt. No. ACR2017 (Jan. 5, 2018), at 1 (Question 1).

shippers for delivery of their merchandise within the U.S. at rates not available to domestic shippers.”³ This concern has also been echoed by Congress, which noted that under the rate structure established under the Universal Postal Union (“UPU”), “losses on international inbound letter post items exceeded \$134 million in 2016, meaning that American mailers and shippers are not only being charged higher rates than foreign shippers for comparable products and services, they are actually subsidizing many of these deliveries.”⁴ It makes no sense to treat foreign merchants as deserving of a Postal Service subsidy. Unsealing the FY2016 Inbound Letter Post revenue data will help to shed light on potential subsidization of foreign shippers, and help to ameliorate these potential risks.

Second, UPS believes that there should be greater transparency in the Postal Service’s treatment of terminal dues. In this respect, UPS agrees with the U.S. Chamber of Commerce that “the public interest in financial transparency is no different with respect to international market dominant products than with respect to domestic market dominant products.”⁵ UPS is concerned that the terminal dues rates, which are notoriously opaque, are not based on actual delivery costs, which result in the Postal Service losing money.

Third, UPS is sensitive to the needs and concerns of market-dominant mailers, especially given the Commission’s recent proposal in the 10-year rate review to permit substantial price increases in an effort to improve the Postal Service’s fiscal

³ U.S. Chamber of Commerce Motion to Unseal Library Reference and Motion to Request Issuance of Information Request, Dkt. No. R2018-1 (Oct. 13, 2017), at 1.

⁴ Letter from Kenny Marchant, John Duncan, et al. to Rex Tillerson, Secretary of State and Megan Brennan, Postmaster General, Dkt. No. IM2016-1 (Nov. 8, 2017), at 1.

⁵ U.S. Chamber of Commerce Motion to Unseal Library Reference and Motion to Request Issuance of Information Request, Dkt. No. R2018-1 (Oct. 13, 2017), at 1.

sustainability.⁶ UPS also shares the concerns of U.S.-based market-dominant mailers that they may be asked to generate the revenues needed to cover losses generated by subsidizing foreign mailers on the delivery of inbound international parcels. For similar reasons, UPS remains concerned about the risk that market-dominant mailers may be asked to pay for Postal Service costs and investments that primarily benefit the Postal Service's competitive products business. To the extent that newly released data sheds light on whether non-U.S. based market-dominant mailers are paying less than the full cost of Postal Service facilities and services that they use, this evidence has the potential to either amplify or assuage UPS concerns that non-U.S. based competitive product mailers may be benefitting from similar subsidies.

UPS agrees with the Commission's current position that the usual exception for redacting data that is truly commercially sensitive should not apply to revenue data aggregated by country group (*i.e.*, involving multiple countries).⁷ In fact, aggregating data is a commonly accepted way to avoid the disclosure of truly commercially sensitive information. For all these reasons, UPS supports unsealing the FY2016 Inbound Letter Post revenue data. In addition, for all of the reasons cited above UPS also encourages the Commission to order the further disclosure of data involving volumes, cost, and weight data of inbound international parcels (by country group and shape), to ensure that practices related to terminal dues, which might have implications for the competitiveness of U.S. businesses, can be properly evaluated to ensure that they are consistent with national laws and regulations.

⁶ See Notice of Proposed Rulemaking for the System of Regulating Rates and Classes for Market Dominant Products, Dkt. No. RM2017-3 (Dec. 1, 2017), at 26-102.

⁷ See Notice of a Preliminary Determination to Unseal the Material Filed in Response to Chairman's Information Request No. 1, Question 1, Dkt. No. ACR2017 (Jan. 17, 2018), at 3-4.

Respectfully submitted,

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