

Patrick D. Hedren

Vice President
Labor, Legal and Regulatory Policy

Linda Dempsey

Vice President
International Economic Affairs

January 24, 2018

Postal Regulatory Commission
901 New York Ave. NW, #200
Washington, DC 20268-0001

Re: Comments to Docket No. ACR2017, Order No. 4377; Chairman's Information Request

The National Association of Manufacturers (NAM) is the largest manufacturing trade association in the United States, representing over 14,000 manufacturers small and large in every industrial sector and in all 50 states. Manufacturing employs more than 12 million women and men across the country, contributing more than \$2.25 trillion to the U.S. economy annually. The NAM thanks the Commission for striving to give the public more information about international mail flow, which is an issue with growing ramifications for U.S. manufacturers, workers, and consumers.

Manufacturers of all sizes compete in an increasingly global marketplace. Since 1994, U.S. manufacturers have more than doubled manufacturing output, in large part because of increased export opportunities. In just the past few years, cross-border e-commerce has grown at an incredible pace, creating new opportunities for expanding export markets. At the same time, U.S. manufacturers now face competition from foreign competitors that can use these same e-commerce platforms to reach American consumers.

International postal rates have a significant and growing impact on both competition at home and sales abroad. Shipping costs make up a large part of the total consumer cost of certain lighter and lower-priced manufactured items. U.S. manufacturers often use bulk shipping arrangements to gain the economies of scale necessary to sell their products to American consumers at competitive prices. Against this backdrop, these manufacturers now face a growing threat: the international terminal dues system enables foreign actors to ship counterfeit products to any location in the United States at far lower rates than U.S. manufacturers pay just to ship their authentic products domestically.

The combination of increasingly prominent foreign e-commerce sites and unfairly low terminal dues rates creates major practical problems for U.S. manufacturers that sell easily-copied products. Many of the counterfeit products now sold into the United States are *only* economically viable because of subsidized shipping rates that the United States Postal Service (USPS) unfairly offers to foreign shippers. The authentic products that these counterfeits emulate tend to be light and relatively inexpensive. Postal subsidies therefore have real, negative impacts on manufacturers and their workers in the United States.

Offering postal subsidies to foreign counterfeiters in China, Hong Kong, and Singapore puts U.S. consumers at risk. Counterfeiters avoid many costs that manufacturers in the United States must bear: investment in innovation, the price of high-quality raw materials, marketing expenses, and regulatory oversight, to name just a few. Each of these avoided costs translates

into a consumer hazard. There is no sensible policy rationale for why counterfeiters in these countries should receive subsidies for package shipments in the first place.

The NAM agrees with the Commission that the first step to solving this problem is to understand the contours of the issue. USPS should at least offer aggregated data on the revenue from, and shapes of, foreign mail from aggregated groups of countries. Data aggregation is a commonly-accepted method of obscuring truly commercially-sensitive information, and yet this data is a reasonable first step that would give the public, including manufacturers, workers, and consumers, meaningful information.

This basic disclosure, however, should be merely the starting point. We encourage the Commission to continue pursuing the further disclosure of information that the public may then use to assess fairly the problems caused by terminal dues rates – and to fix those problems. In our view, this information should at least include public disclosure of the volume of inbound letter post by country group and shape.

We thank the Commission for its attention to this matter. Although the problems with terminal dues rates have been plain for years, the negative impacts of the system are compounding at an alarming rate. If the Postal Services will not provide greater transparency to the public, full solutions for our nation's manufacturers, workers, and consumers will continue to be out of reach.

Please do not hesitate to contact either of us with questions or comments. We look forward to working with the Commission to ensure fair competition and safe products for American manufacturers and consumers.

Respectfully,



Patrick Hedren
Vice President
Labor, Legal & Regulatory Policy
National Association of Manufacturers



Linda Dempsey
Vice President
International Economic Policy
National Association of Manufacturers