

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES
INBOUND E-FORMAT LETTER POST

Docket No. CP2019-155

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 1-10 OF CHAIRMAN'S INFORMATION REQUEST NO. 1**
(June 7, 2019)

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 1, issued on May 30, 2019. Each question is stated verbatim and followed by the response. To the extent that unredacted portions of the files accompanying these responses are being filed under seal, the Postal Service incorporates by reference the Application for Non-public Treatment that it filed in this docket on May 20, 2019.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

Anthony F. Alverno
Chief Counsel,
Global Business and Service Development

Jeffrey A. Rackow
Attorney

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1101
(202) 268-6687; Fax -5418
jeffrey.a.rackow@usps.gov
June 7, 2019

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

1. Please refer to the mail processing, delivery, other, air transportation, and surface transportation costs in Excel file "Inbd Packts.xlsx," tab "02_Inputs," cells C13:G13, and Excel file "Inbd Packts – Adj for Group IV.xlsx," tab "02_Inputs," cells C13:G13. The source indicated for these costs is Docket No. ACR2018, Library Reference USPS-FY18-NP2 - FY 2018 International Cost and Revenue Analysis (ICRA) Report (Revised 2/11/19), February 11, 2019. Please provide links to the specific cells in the ICRA that contain the mail processing, delivery, other, air transportation, and surface transportation costs for inbound packets. Please provide a crosswalk or links if necessary.

RESPONSE:

The sources from Docket No. ACR2018, folder USPS-FY18-NP2, Reports (Unified)

Revised 2/11/19, 'ICRA Database' tab are:

- Mail Processing: (Sum of cells AF1316:AF1548) + (Sum of cells AH1316:AH1548)
- Delivery: (Sum of cells AF1550:AF1782) + (Sum of cells AH1550:AH1782)
- Other: (Sum of cells AF1784:AF2016) + (Sum of cells AH1784:AH2016)
- Air Transportation: (Sum of cells AH2018:AH2250)
- Surface Transportation: (Sum of cells AF2018:AF2250)

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

2. Please refer to Excel file "Inbd Packts.xlsx," tab "05_Unit," column F and column G, and Excel file "Inbd Packts – Adj for Group IV.xlsx," tab "05_Unit," column F and column G. Please confirm that the minimum and maximum revenue does not incorporate applicable bonuses or penalties based on the Postal Service's CY 2018 UPU Quality of Service Link service performance. If not confirmed, please explain.
 - a. If confirmed, please provide revised financial workpapers that include minimum and maximum revenue based on the Postal Service's CY 2018 UPU Quality of Service Link service performance.
 - b. If confirmed, please quantify any potential forfeited or bonus revenue based on the Postal Service's CY 2018 UPU Quality of Service Link performance scores using both the minimum and maximum rates.

RESPONSE:

Confirmed. The minimum and maximum revenue does not incorporate applicable bonuses or penalties. For clarification, however, the application of such penalties or bonuses is not mandatory if the United States is no longer a member of the Universal Postal Union (UPU); moreover, even if the United States continues to be a member of the UPU, it does not have to participate in certain aspects of Quality Service Link service performance, as such participation is voluntary. See UPU Convention Regulations Article 30-109.2.

- a. Supplemental financial workpapers are provided that include the minimum and maximum revenue adjusted to reflect the Postal Service's CY 2018 UPU Quality of Service Link (QSL) service performance and applied to UPU Groups I through III. Note that the Group IV countries do not participate in QSL; therefore, the 2018 QSL performance scores did not result in an adjustment to the Group IV country rates paid to the United States. Redacted versions of the supplemental

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

two Excel financial workpapers, as well the pdf UPU 2018 performance report,¹ accompany the filing of these Responses, and non-public unredacted versions are also being filed under seal in this docket. It should be noted that these financials show a scenario where quality adjustments are applied, but, as indicated above, such a scenario is not a foregone conclusion.

- b. The potential forfeited or bonus revenue based on the Postal Service's CY 2018 UPU Quality of Service Link performance scores using both the minimum and maximum rates appear in the two supplemental financial workpaper Excel files in the Inputs tabs, at cells K94:K95 & L94:L95.

¹ Note that, even in the non-public version of the UPU 2018 performance report, the data concerning the inbound service performance of foreign postal operators (i.e., operators other than the Postal Service) are redacted, as those data are sensitive for the foreign postal operators and are irrelevant to the issues in this docket.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

3. Please refer to Excel file "Inbd Packts.xlsx" and Excel file "Inbd Packts – Adj for Group IV.xlsx." The Postal Service "proposes that a small proportion of E-format item volume dispatched by some of the world's least developed countries that send letter post below certain annual tonnage thresholds (known as "Group IV" countries) would be subject to generally lower terminal dues established in the UPU Convention." Notice at 10.
- a. Please specify the annual tonnage threshold below which the terminal dues established in the UPU Convention would apply in lieu of the proposed range of rates in the instant docket.
 - b. Please indicate whether the threshold could potentially increase or decrease in future years.
 - c. Please quantify the contribution and cost coverage from Group IV countries: (1) if the minimum and maximum proposed rates are applied to all Group IV countries; and (2) if the current terminal dues rates in the UPU Convention are applied to Group IV countries with annual tonnage below the threshold the Postal Service identifies in response to question 2.a. above.
 - d. Please provide the percentage of Group IV revenue from foreign postal operators in Group IV with annual tonnage below the threshold.

RESPONSE:

- a. Sensitive negotiations among UPU member countries are ongoing; the U.S. Department of State leads the negotiations on behalf of the United States. UPU proposals under consideration have thresholds of 50 and 100 metric tons. See UPU Document CA C 2 2019.1–Doc 6. For the present analysis, the workpapers assume 100 metric tons.
- b. The UPU could potentially increase or decrease the threshold in future years; once a final decision is made on the threshold amount that will be applied in the event that changes to the UPU Acts described in Document CA C 2 2019.1–Doc 6 are adopted, a decrease in the threshold over time would be

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

compatible with longer term efforts to bring more countries to target levels, but this would not necessarily affect outcomes for mail destined to the United States if the United States is no longer a member of UPU.

- c. The contribution (and cost coverage) from Group IV countries, as reflected in the supplemental financial workpapers that accompany these Responses, are as follows:

(1) The contribution (and cost coverage) from Group IV countries with the minimum and maximum proposed rates for E-format items applied to all Group IV countries appear in the two supplemental financial workpaper Excel files in the CHIR-1, Q3c&d tabs, at cells E5:H5.

(2) The contribution (and cost coverage) from Group IV countries with the 2020 terminal dues rates in the UPU Convention applied to Group IV countries below 100 tons, and the minimum and maximum rates for E-format items applied to Group IV countries above 100 tons, appear in the two supplemental financial workpaper Excel files in the CHIR-1, Q3c&d tabs, at cells E7:H7.

- d. The percentages of Group IV revenue from operators in Group IV below the threshold, both when the maximum and minimum rates are applied to all Group IV countries, and when the terminal dues rates are applied to the Group IV countries below the threshold, appear in the two supplemental financial workpaper Excel files in the CHIR-1, Q3c&d tabs, at cells B101:C101 & B103:C103.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

4. The Postal Service states that it is cognizant of the need to ensure that E-Format volume is not remailed through Group IV countries in order to avoid the higher self-declared rates. *Id.* at 10-11. Please describe the specific steps the Postal Service will take to detect and prevent such remail.

RESPONSE:

The United States notified all UPU countries and their designated operators via Circular No. 75 in June 2018 of its intent to avail itself of remedies for remail provided under the UPU Convention Article 12.² The Postal Service presently monitors changes in inbound volumes each month in order to detect potential remail activity, which can be confirmed by personnel in the field examining the received items. The Postal Service offices of Revenue and Volume Reporting (RVR), Global Business (GB), International Postal Affairs (IPA), International Operations (IO) and International Accounting (IA) collaborate cross-functionally to identify, mitigate, communicate, and, if necessary, hold and invoice for the remail from the dispatching country. When detected, the Postal Service sends notices to origin postal operators with options, charges, rate calculations, and deadlines to the respective foreign postal operators. The Postal Service also may either hold or return such mail.³

² Further, the UPU is expected to consider additional protections against remail at its 2020 Abidjan Congress. The UPU Postal Operations Council has already begun examining the problem and possible further solutions, which could be proposed at the UPU Abidjan Congress. See UPU Document POC C2 2019.1-Doc.7.

³ In addition, in a scenario where Group IV countries below an established threshold are extended different rates, the tonnage threshold itself would help limit the impact of remail, as the E-format rates would apply if the volumes exceed the threshold.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

5. The Postal Service states that it anticipates that it will be able to institute the proposed rates for E-Format items whether or not the United States is a member of the UPU. *Id.* at 5. Please compare costs the Postal Service will incur for the exchange of international mail if the United States remains a member of the UPU and if the United States does not remain a member of the UPU.

RESPONSE:

There is some uncertainty as to how the various costs that “the Postal Service will incur for the exchange of international mail” will change if the United States does not remain a member country of the UPU. The answer will depend in part on which products, mail streams, originating countries, and destinating countries are at issue. For example, the costs to the Postal Service for one outbound mail flow to country X may increase or decrease to a different degree than the change in costs for the outbound mail flow to country Y, depending in part on the relative options for delivery to those different countries. Nevertheless, the Postal Service’s statement as cited in this question pertained specifically to the application of rates for inbound E-format items, which is the only focus of this docket. Although the United States withdrawal from the UPU might impact the feasibility or timing of the continued exchange of certain mail streams or products, the essential processing, transportation, and delivery costs to be incurred following the acceptance of inbound E-format letter post (meeting the product’s classified specifications) from foreign postal operators at the Postal Service’s International Service Centers (ISCs) should remain relatively stable, all other things being equal. Of course, changes in volumes, mail profiles, and revenues may

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

eventually lead to changes in costs, but estimating those changes at present would be difficult at this stage.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

6. The Postal Service proposes to specify, subsequent to the Commission's favorable review of the range of rates, the exact rates that will apply to Inbound E-Format Letter Post within this range. *Id.* at 1-2.
- a. Please discuss whether the Postal Service intends to apply the same per-item and per-kilogram rates to all foreign postal operators, with the possible exception of countries in Group IV with annual tonnage under a certain threshold, or whether the Postal Service intends to apply different rates within the range to different foreign postal operators.
 - b. If the Commission approves the proposed range of rates, please identify when the Postal Service expects to notify the Commission of the specific rates.
 - c. If the Commission approves the proposed range of rates, please identify when the Postal Service intends for the rates to take effect.
 - d. If the Commission approves the proposed range of rates, please identify the duration for which the rates will be in effect.

RESPONSE:

- a. The Postal Service intends generally to apply the same self-declared per-item and per-kilogram rates to all foreign postal operators for the inbound E-format letter post product, with the possible exception of such items dispatched from UPU Group IV countries below certain tonnage thresholds. However, that would not preclude the Postal Service from negotiating bilateral or multilateral commercial contracts with foreign postal operators for different rates.
- b. The Postal Service does not yet know the date on which it will notify the Commission of the specific rates within the range, but that notice would be filed at least 15 days before the effective date of those rates (see also response to subpart (c)). However, some degree of urgency to reach a conclusion to this docket is needed, as the Postal Service may be unable to reach firm commitments with major bilateral trading partners without the

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

conclusion of the review in this docket from the Commission. The Postal Service accordingly urges the Commission to conclude this proceeding shortly after the close of the comment period, so that efforts to negotiate bilateral agreements with foreign postal operators are not prevented from being timely concluded.

- c. As stated in its Notice filed on May 20, 2019 (at 1 n.1), the Postal Service has not yet established an effective date for the rates, but for present purposes, consistent with the Statement from the White House Press Secretary dated October 17, 2018, rates for terminal dues that address the distortionary effects of the current Convention rates are to be implemented by January 1, 2020.
- d. The Postal Service anticipates that changes in the rates would likely track annual rate cycles as currently established for domestic postage rate changes for corresponding services (e.g., First Class Package Service and Priority Mail).

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

7. To justify limiting the proposed rates to foreign postal operators, the Postal Service asserts that the proposed rates are designed for volume that concentrates at a handful of select international gateways that are designed to facilitate international mail exchange with foreign postal operators that do not employ domestic postage payment techniques, thereby necessitating a per-item and per-kilogram methodology. *Id.* at 13-14.
- a. Please explain why non-postal operators⁴ could not hand over their inbound international items to the Postal Service at these select gateways in the same manner that they do for domestic mail to access the proposed rates.
 - b. Please discuss whether or not non-postal operators that are unable or unwilling to employ domestic postage payment techniques should be able to pay rates with per-piece and per-kilogram components.

RESPONSE:

- a. Non-postal operators could not hand over inbound international items at the Postal Service's ISCs in the same manner that they do for domestic mail because they do not use the same receptacle based system for dispatch of cross-border mail. Doing so would exacerbate space limitations at ISCs, which are already coping with high volumes of mail and limited space.
- b. Non-postal operators should not be able to pay the rates with the per-piece and per-kilogram components, because they are not providing the reciprocal service to the Postal Service for U.S.-origin mail as foreign postal operators do, and they do not settle with the Postal Service based on imbalances because they do not provide reciprocal service. The Postal Service receives a corresponding benefit for its outbound mail dispatched abroad when this

⁴ Non-postal operators may include international private carriers, consolidators, and large foreign e-commerce merchants with the capability to organize their own transportation.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

approach is used reciprocally with a foreign postal operator. The non-postal operators also do not face the same limitations on employing domestic postage payment techniques as postal operators. The per-item and per kilogram rate approach that is common among postal operators is used because the alternative of separately weighing and rating each inbound international mailpiece would not be possible without expending considerable time and effort, and it is impracticable to devise alternative payment methods among postal operators as they do not all operate on the same postage indicia platform. The same is not true of non-postal operators, as they can submit their mailings using individualized weigh and rate determinations, as all other customers do. Moreover, non-postal operators do not contribute to the development of information technology and standards that have been designed by postal operators and at their expense, either through direct contributions of intellectual property, hands-on effort, and/or financial payments. Use of a combined piece and kilogram rate thus promotes administrative simplicity and keeps costs manageable. Moreover, private operators could segregate their volumes and cherry-pick the self-declared rates for more costly pieces (such as those that exceed the average zone).

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

8. To justify limiting the proposed rates to foreign postal operators, the Postal Service asserts that the rates are designed for the profile of foreign postal operators and that "foreign postal operators are believed to dispatch all of their E-format volume destined for the United States to the Postal Service." *Id.* at 14. The Postal Service further asserts that "controls against cream-skimming abuses by private operators that have different profiles and that do not dispatch all of their E-format volume destined for the United States to the Postal Service would be difficult to manage." *Id.*
- a. Please identify the sources used to develop the assertion that foreign postal operators, particularly commercialized or privatized foreign postal operators in major countries, dispatch all of their E-Format volume destined for the United States to the Postal Service. Please provide all documentation used to develop this assertion.
 - b. Please identify the sources used to develop the assertion that some non-postal operators do not dispatch all of their E-Format volume destined for the United States to the Postal Service. Please provide all documentation used to develop this assertion.
 - c. Please identify the sources used to develop the assertion that the traffic profiles of E-Format volume destined for the United States from foreign postal operators is different from the profile of non-postal operators. Please provide all documentation used to develop this assertion.
 - d. Please specify the mail profile for inbound mail from non-postal operators that would be necessary to access rates offered to foreign postal operators.
 - e. Please discuss the risks of cream-skimming created by offering the proposed rates to non-postal operators.
 - f. Please explain whether the same risks of cream-skimming would be created by offering the proposed rates to foreign postal operators in major countries, many of which are commercialized or privatized and operate on a regional or global level.

RESPONSE:

- a. The Postal Service bases its assertions on its understanding of the market.

This understanding is supported by the channels of inbound volumes dispatched by foreign postal operators and reported to the Commission. By

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

contrast, the Postal Service has entered into certain bilateral commercial contracts with certain foreign postal operators in the past which would provide for inbound direct entry as an alternative. However, those arrangements do not presently account for any inbound volumes, and two of three arrangements have since been terminated. See, e.g., Docket Nos. CP2008-14, CP2008-15, & CP2009-62. The Postal Service has since identified one direct entry agreement, which is a marketing agreement without rates, with a customer that is affiliated with a postal operator. As individuals knowledgeable about this matter are unavailable at the time of this filing, the Postal Service will update this response in the event that any volumes tendered could be foreign origin substitutes for E format items.

- b. The Postal Service bases its assertions on its understanding of the market. This understanding is supported by market research, including non-public, commercially sensitive market research previously filed under seal with the Commission, including in Docket No. MC2019-17.⁵ In addition, the Postal Service refers to Office of Inspector General, United States Postal Service, Terminal Dues in the Age of Ecommerce, Report Number RARC-WP-16-003, at 11 (December 14, 2015) (discussing alternative channels for small packages and other items dispatched from abroad to the United States, including by non-postal operators).
- c. See responses above to Questions 8a-b.

⁵ See, e.g., USPS-LR-MC2019-17/NP1 (filed November 16, 2018).

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

- d. To access the rates for foreign postal operators, the principal mail profile features that would be required would consist of reliable data for average weight per piece and distances used (average zone), as well as avoidance of retail (which may include delivery, such as pickup service) and acceptance costs that would normally attend induction of domestic mail.
- e. As explained above, offering the rates to the non-postal operators presents them an opportunity to segregate their volumes and cherry-pick the self-declared rates for subsets of those volumes only where most lucrative, as, for instance, for zones above the average zone used to develop the rates for receptacle-based dispatching systems.
- f. While this is a theoretical possibility, the Postal Service doubts this would become a major concern, in large measure because of the complexity needed to comply with domestic mailing requirements, and the fact that any such mailings would no longer be eligible for receptacle-based acceptance and post-settlement processes, which means that postal operators would have to prepay postage in lieu of settling on imbalances well after the fact.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

9. The Postal Service indicates that foreign postal operators rely on a degree of simplicity that is driven by more limited capabilities and the need for uniformity to ensure that universal service can be provided throughout the world, but that these capability limitations do not generally serve as practical barriers for private carriers. *Id.*
- a. Please confirm that there is diversity in the capabilities of foreign postal operators.
 - b. Please explain how the capabilities of foreign postal operators differ.
 - c. Please discuss how capability limitations serve as barriers for postal operators.
 - d. Please discuss whether all foreign postal operators have more limited capabilities than private carriers.
 - e. Please explain why a simple rate structure should only be offered to operators with limited capabilities.

RESPONSE:

- a. Confirmed.
- b. Foreign postal operators are designated by their governments to fulfill the UPU member countries' obligations to provide a "single postal territory" for international mail, meaning designated postal operators must deliver inbound international mail to the recipient in their own country. The governmental laws and regulations of that nation determine how the universal service will be applied. Variation exists because a nation's designated operator still has some flexibility to define its range of products and services based on the business model of its operations, IT infrastructure, accounting, etc., but greater diversity is created for what some countries can offer. Sophistication of infrastructure and the level of funding they may have available (government

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

- funding, revenue base from customers, etc.) can impact how effectively each implements the desired goals of its business model.
- c. Differences in resources, training and investments in accounting/dispatching software, infrastructure to support tracking, and electronic recording of mail exchange can become challenges for some postal operators, especially those of developing countries. Insufficiently or unreliable electronic and information technology infrastructure can pose difficulties for some developing country postal operators in being able to accurately verify their accounts payable, as well in their processing, transmitting and settling on their accounts receivable. Diversity in levels of ability to track and record accountable postal items can make adjudication of indemnification and settlement problematic for some postal operators. In some cases, the mail volumes involved would make more sophisticated accounting techniques and requirements more expensive than the revenue received.
- d. In comparison to postal operators, private carriers generally have greater accessibility to integrated software, more advanced network infrastructures, contractual accountability and relationships. Advantages in these types of accesses generally enable private carriers to offer more competitive rates, greater speed, reliability and other services that not all foreign postal operators are capable of offering. The ability to offer discounted domestic rates into the U.S. could potentially give private carriers a better price-to

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

delivery opportunity over the traditional international mail products offered by the posts.

- e. The postal operators in the least developed nations generally do not have access to the same capabilities of the private carrier service companies. Due to low mail volumes, limited technological advancements, limited training opportunities, and low postal administrative staffing, these postal operators are often not positioned to implement a complex accounting or rate structure. To be clear, however, the Postal Service did not assert that a simple rate structure should be offered only to operators with limited capabilities, though that is certainly one of the considerations. Other considerations supporting the simple rate structure for postal operators include the need for receptacle-based dispatching systems in lieu of requiring each operator to attempt to comply with the domestic postage payment requirements of each country. Those factors, in turn, implicate cost savings and operational simplicity that postal operators generally need to help fulfill their universal service missions, regardless of their individual levels of capability.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

10. The Postal Service explains that the minimum rates in the proposed range generally correspond to the Postal Service's commercial rates for First-Class Package Services and Priority Mail, taking into account both the published and negotiated service agreement rates paid by commercial mailers for those rates. *Id.* at 9. Please identify requirements that foreign postal operators would have to meet to qualify for rates in the proposed range and explain how these requirements compare to those for First-Class Package Services Retail and Commercial, Priority Mail Retail and Commercial, and current Negotiated Service Agreements.

RESPONSE:

It is important to keep in mind that the range of rates is intended to accommodate different potential outcomes. The Postal Service believes that all of the rates within the proposed range satisfy the applicable statutory and regulatory requirements and achieve the objectives of the Presidential Memorandum, but the Postal Service is not yet at a stage where the actual rates to be applied within the proposed range have been determined. As indicated in the initial notice in this docket, the Postal Service will return with more specific information concerning the actual rates as the situation evolves. If the United States remains in the UPU, such per-piece and per-kilogram rates would be uniformly applied to all designated operators, except Group IV designated operators below a specified threshold or those operators for which a bilateral rate is negotiated. In a scenario in which the United States remains in the UPU, designated operators subject to the new rates would have to meet all of the specifications required by MCS 2340 (e.g., the size and weight limitations in 2340.2). In addition, they are generally expected to fulfill the requirements of the UPU Convention and Convention Regulations (e.g., foreign postal operators tender mail at one of the Postal Service's exchange

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

offices using proper documentation or the equivalent, thereby avoiding the "first mile" processes in the postal production chain, such as retail or commercial acceptance and transportation from acceptance points to processing plants).

In a scenario in which the United States exits the UPU, the Postal Service expects that similar policies will be applied, namely, that such rates will be applied uniformly to all designated operators, with potential exceptions for Group IV countries as well as operators entering into negotiated service agreements. Domestic retail or commercial bulk mail acceptance processes apply to the domestic products, and these differ from the acceptance channel for inbound international mail.