



Before the  
Postal Regulatory Commission  
Washington, D.C. 20268-0001

Competitive Product Prices  
Inbound E-format Letter Post

Docket No. CP2019-155

Comments of the Lexington Institute  
(June 19, 2019)

The Lexington Institute urges the Postal Regulatory Commission to require the U.S. Postal Service to publicly disclose a specific set of prices for delivery of Inbound Letter Post Small Packets and Bulky Letters (E format) and for the associated Inbound Registration Service.

The Postal Service's request to keep this information private is fundamentally flawed, for three reasons.

***U.S. businesses and consumers will be better served with full transparency***

Many in the U.S. manufacturing, retail and e-commerce sectors have lost substantial business to competitors in China and other countries because of the current terminal dues regimen. In the future, these businesses and consumers should know the relevant pricing information to facilitate better business and planning decisions. A publicly available set of terminal dues rates, consistent with postage rates for domestic mailers, is the only way to ensure that U.S. merchants are protected against continued postal preferences for foreign mailers.

The rapid growth in e-commerce shipments from China to the United States in recent years has resulted in substantial losses to the Postal Service while also creating broader economic problems. In fact, the current international postal system means billions of dollars of lost U.S. sales as well as related tax payment losses. It means lost U.S. jobs.

Thus, reversing the current terminal dues regimen, and doing so in a clear and forthright public manner, ensures that the Postal Service will meet its fundamental mission under Title 39 to “bind the nation together.” Subsidizing imports from China and other countries runs directly counter to the letter and spirit of Title 39.

***The Postal Service is significantly undercutting U.S. negotiators seeking a new and fair international postal shipping agreement with the Universal Postal Union (UPU)***

Beginning with a Presidential memorandum issued on August 23, 2018, the Administration has taken a number of steps to end the bizarre situation by which small packages (4.4 pounds and under) can be sent into the United States for postal delivery at 65 percent (or even less) of what it costs to send the same package domestically.

The Presidential memorandum calls for “ensuring that rates charged for delivery of foreign-origin mail containing goods do not favor foreign mailers over domestic mailers.” It also calls for “a system of fair and nondiscriminatory rates for goods that promotes unrestricted and undistorted competition; and terminal dues rates that fully reimburse USPS for costs to the same extent as domestic rates for comparable services.”

In its May 20 filing, however, the Postal Service is acting directly counter to these goals by filing the rates under seal. In fact, the Postal Service does not even provide the Commission the courtesy of providing specific rates saying, “The Postal Service proposes to specify, in a subsequent filing, the exact rates that will apply to Inbound E-format Letter within this range.” This audacious statement amounts to the Postal Service saying to its regulator and the Administration, “Trust us, we will get it right.”

Furthermore, it was the Administration, and not the Postal Service, that brought attention to the terminal dues’ situation.

Throughout its May 20 filing, the Postal Service often sounds like it anticipates the Administration will either fail in its negotiations with the UPU or that there will be a lack of resolve to set the above mentioned “fair and nondiscriminatory rates” if the U.S. leaves the UPU and enters into bilateral and multilateral agreements.

On page five the Postal Service says, “because the Postal Service does not yet know which scenario will prevail in the UPU negotiations, and to preserve its flexibility, it has established a range of acceptable rates within which rates can eventually be selected as circumstances warrant.” Again, this presupposes that the United States will not be resolute in obtaining “fair and nondiscriminatory rates” within or outside the UPU.

The U.S. Postal Service’s unwillingness to put forward clear and direct prices for international mail and packages that mirror U.S. domestic rates sends a troubling signal that the Administration may not be able to deliver on what it is proposing. With ongoing UPU negotiations, and an Extraordinary Congress set for September 24-25 in Geneva, this undercuts the strong U.S. negotiating position.

In fact, many industrialized countries at the UPU share the fundamental concerns of the U.S. and are looking for a clearer and fairer system. Nonetheless, forging consensus will be challenging and is made more difficult by the Postal Service’s filing.

***As a competitive product, the price, by definition and by inherent logic, must be publicly stated.***

The Postal Regulatory Commission has wisely decided that inbound small packages should be classified as competitive products (Order No. 4980, January 9, 2019). Thus, if the Postal Service’s filing is to be consistent with this pronouncement and the Presidential memorandum, the rates can and should be publicly available.

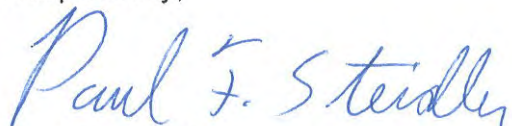
At the recent Postal Vision 2020 conference, postal consultant Jim Campbell presented the attached two pages of information showing terminal dues rates relative to the range of U.S. domestic postage proposed by the Postal Service in this docket. Our negotiators with the UPU should be empowered with this information, sourced from the Postal Service, as it demonstrates foreign mailers can and will be treated fairly.

Instead, by keeping the information under seal and failing to announce a specific schedule of rates, the Postal Service has added needless complexity and secrecy to the U.S. rate structure, thereby further impeding our negotiators.

In addition, the Postal Service's rates should take into account the fees necessary for it to be a customs' clearing agent. Applying the customs laws to postal packages in the same way as to non-postal packages will be expensive for the Postal Service, but it is essential to help combat the menaces of foreign counterfeiting and opioid drug shipments, which are tearing at what binds America together.

Thank you for your attention to these matters.

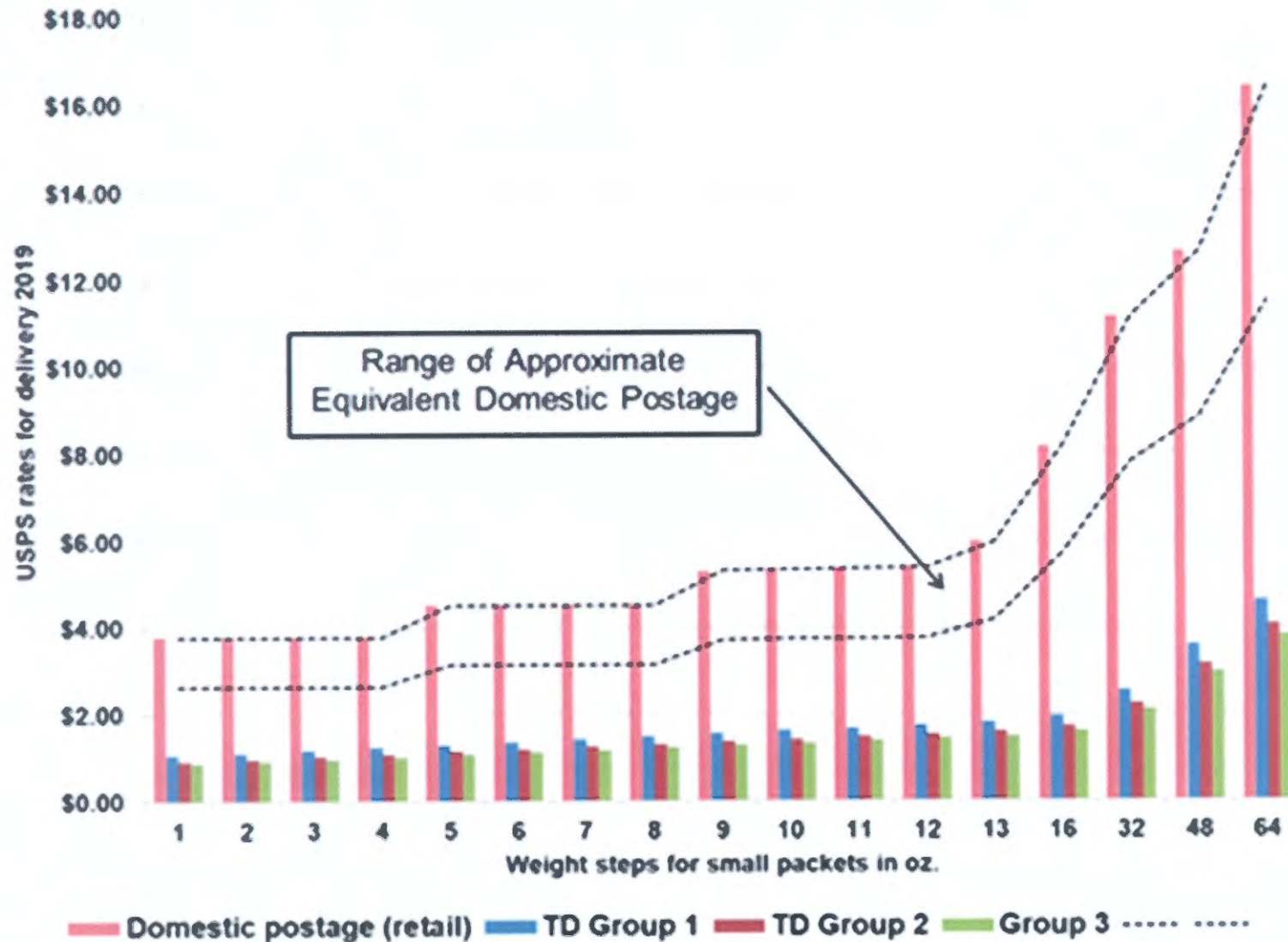
Respectfully,



Paul F. Steidler  
Senior Fellow -- Lexington Institute  
[steidler@lexingtoninstitute.org](mailto:steidler@lexingtoninstitute.org)  
703-522-5828

Attachment – Exhibit on Terminal Dues v. Domestic Postage, 2019 (two pages)

## Terminal dues v. U.S. domestic postage – 2019



Source: Jim Campbell, Presentation to Postal Vision 2020 / 9.0, "Embracing the 'USO'", Ritz Carlton, Pentagon City, June 5-7, 2019.



## Notes

1. Domestic postage rates are annualized averages of daily rates. They use zone 6 rates where rates are zoned (see UPU Impact Tool v0204). Rates for 2020 and 2021 are assumed to increase by 3% per year from prior year.
2. 70% is the approximate difference between the upper (retail rates) and lower boundaries (commercial rates) for self-declared rates for E-format proposed by USPS in Inbound Letter Post in CP2019-155.
3. UPU terminal dues are converted from SDR to USD using the average exchange rate for each year except the exchange rates for 2019-2021 are set at the average exchange rate for 2019 Q1. The weight for each weight step is assumed to be 50% of the weight step, except the weight for the 0 to 1 gram weight is assumed to be 0.75 gram.
4. The composition of an average small packet in 2018 is based on a sample of 8 countries in the UPU 2018 IPK study, Table 8a. POC C2 RIG 2019.1 Doc 9e (Dec. 20, 2018). While not perfectly representative of international mail generally or inbound US mail, it is the only available public source for the distribution of international mail by shape and weight step.