

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Section 407 Inquiry

Docket No. PI2012-1

COMMENT OF THE AMERICAN COUNCIL OF LIFE INSURERS, THE COALITION OF
SERVICE INDUSTRIES, AND THE U.S. CHAMBER OF COMMERCE

Pursuant to Order No. 1420, 77 Fed. Reg. 46772 (Aug. 6, 2012), the American Council of Life Insurers, the Coalition of Services Industries, and the U.S. Chamber of Commerce are pleased to comment as follows.

The American Council of Life Insurers (ACLI) is a Washington, D.C.-based trade association with more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. ACLI members represent more than 90 percent of the assets and premiums of the life insurance and annuity industry. In addition to life insurance and annuities, ACLI member companies offer pensions, 401(k) and other retirement plans, long-term care and disability income insurance, and reinsurance. Internationally ACLI represents the interests of members on international trade, the development of regional and international regulatory standards, and on national regulatory matters in over one hundred markets around the world. ACLI is a member of the State Department's Advisory Committee on International Postal and Delivery Services.

The Coalition of Service Industries (CSI) represents the interests of the dynamic American service economy, which employs 80% of the workforce and generates 3/4 of national economic output. Since 1982, CSI has sought to create greater public awareness of the major role services play in the U.S. economy. CSI has actively participated in the U.S. international trade negotiations and is a member of the Advisory Committee on International Postal and Delivery Services of the Department of State.

The U.S. Chamber of Commerce is the world's largest business federation, representing the interests of more than 3 million businesses of all sizes, sectors and regions, as well as state and local chambers and industry associations. The U.S. Chamber is also an active participant in U.S. international trade negotiations, and is a member of the State Department's Advisory Committee on International Postal and Delivery Services.

We commend the Commission for initiating this public inquiry into the consistency of rates and classifications established by the Universal Postal Union with the laws and policies of the United States. Greater transparency and commercial neutrality in the development of international postal policy is long overdue, not only in the United States, but around the world. The Commission's leadership in this area is therefore very much appreciated. Since several members of ACLI, CSI and the U.S. Chamber of Commerce with greater expertise in the subject matter of this proceeding plan to comment individually, we will not attempt to address the specific points of your inquiry.

Nonetheless, we would like to call your attention to the larger issues at stake. Distortion of competition by foreign government policy measures favoring state-owned enterprises (SOEs) and state-supported enterprises (SSEs) sponsored as national champions. This trend constitutes a

real and present danger to our national commercial interests. Unfortunately, as OECD reports have pointed out, there are no mechanisms in place to promote and guarantee competitive neutrality, and most SOEs enjoy unearned competitive advantages (OECD report available here: <http://www.oecd.org/corporate/corporateaffairs/corporategovernanceofstate-ownedenterprises/46452890.pdf>).

Our government leaders are, indeed, rising to meet these challenges. In the Global Business Conference last February, Secretary of State Hillary Clinton forcefully summarized the problems of SOE, SSEs, and other government-created barriers to commerce as follows:

We recognize that for all the tantalizing opportunities of foreign markets, there are still significant obstacles that make it harder for American businesses. Some of these are familiar hurdles: corruption, red tape, outdated protectionist policies. But we are also confronting new challenges, like the so-called tollbooths that force unfair terms on companies just to enter or expand in a market, like forced technology transfers, government-abetted piracy of intellectual property, and *preferential treatment for state-owned or state-supported enterprises*.
[emphasized added]

Your inquiry represents an important opportunity to serve the larger interests of the U.S. industry by setting a good example for postal regulators and government ministries of all countries. A good international example is especially needed in the international postal community, where secrecy of proceedings and abuse of government authority in some countries have too often raised significant concerns. We encourage you to investigate all aspects of the issues presented fully and transparently and to address the reasonable and legitimate concerns of all parties -- public or private, American or foreign -- in the best traditions of American due process and fair dealing. This is the sort of objective, law-based, commercially neutral regulation

that we urgently need from other governments, and so this is the sort of regulation we here in the United States must provide when international issues arise.

We are concerned that the UPU system for exchange of postal items among designated operators, almost all of whom are state-owned enterprises, sets up a special system of preferential pricing exclusively for those enterprises. The fact that the prices for small packets (part of the letter-mail “terminal dues” system) are based on fixed and uniform discounts established by the UPU, and then are capped off without regard to actual costs, leads us to believe that they cannot be cost-based prices by country, and may therefore distort competition. The UPU parcels pricing system (called inward land rates”) is not even a system but is simply a general authorization from the Congress of the governments for the postal operators’ council to set the delivery charges each country is to pay the other for delivery of larger parcels. Allowing this particular group of competitors to come together and jointly set prices under the auspices of an intergovernmental organization seems a misuse of governmental power in this vibrant competitive landscape of international delivery services.

We emphasize that our comment is not directed against the U.S. Postal Service or any other public postal operator. The reform of the U.S. postal law in 2006 has already given us a forward-looking national policy with worthy objectives: “efficient operation of international postal services and other international delivery services for cultural, social, and economic purposes”; “unrestricted and undistorted competition”; and “a clear distinction between governmental and operational responsibilities.” We ask only that you do that within your power to implement the letter and spirit of the 2006 law with an eye on the larger issues at stake.

Again quoting the Secretary of State: “America’s economic strength and our global leadership are a package deal. . . .The United States is committed to a global economic system that is open, free, transparent, and fair. And we’re working to institutionalize those norms in regional and global trade agreements and institutions.” We agree. And we believe that this inquiry is the Commission’s opportunity to make a genuine and significant contribution towards institutionalizing the norms of free, transparent, and fair trade in global postal and delivery services.

Thank you for your consideration of the views of ACLI, CSI and the U.S. Chamber of Commerce.

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