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**Postal Regulatory Commission  
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Senator Malcolm Wallop

(1933 - 2011)

Founder

**Re: Docket IM2016-1**

To Chairman Taub, and Commissioners Langley, Hammond, and Acton:

There is no doubt that we live in a worldwide economy today. Free trade agreements are being forged every day between countries with the hopes to drive down prices for products that one country makes in exchange for lower prices on products produced in other countries.

While the merits of free trade seem to be common sense, what does not make sense is the United States Postal Service, a quasi-government agency, promoting small businesses in China at the expense of American business. Some American small businesses are being undercut by Chinese competitors who sell the very same products because it costs the American business 12-times what it costs their Chinese competitor to ship the very same product through the taxpayer subsidized postal system. It is a difference of thousands of miles, yet 12 times cheaper according to some reports.

The current terminal dues system is overly complex and is not fair for American business and commerce. In addition, an entity that relies on taxpayer support, like the U.S. Postal Service, should be serving the U.S. taxpayer first, not China. The UPU needs to create a level playing field as opposed to picking winners and losers.

Frontiers of Freedom is an educational institute with a mission to promote the principles of individual freedom, peace through strength, limited government, free enterprise, free markets, and traditional American values as found in the Constitution and the Declaration of Independence. We have many concerns about the current business management, the financial state of the U.S. Postal Service, and the negative impacts they are having on commerce and postal consumers.

Please accept these comments along with the below op-ed that was published in April of 2015 on this topic as Frontiers of Freedom's opposition to the current, out of balance terminal dues system and governance model instituted by the UPU. The PRC must ultimately advise the Department of State to forge a better agreements with the UPU that will not cause billions in lost revenue for USPS and also eliminate the requirements of our Postal Service to offer preferential service to foreign mailers over American individuals and companies.

Sincerely,

George Landrith  
President and CEO  
Frontiers of Freedom

## Why does USPS favor foreign shippers?

By: George Landrith • 4/19/15

Where possible, policy leaders in this country should make the promotion of American businesses a priority. When the American economy is flourishing, our country flourishes.

That doesn't mean Americans should shy away from international trade. In our global economy, the shirts we wear, the phones we use and the cars we drive oftentimes are made overseas. Due to a number of factors, there are some products where American companies do not enjoy a comparative advantage compared to foreign competitors and vice versa.

It is understandable that American companies sometimes lose in competition. What is not understandable, however, is when an American entity like the United States Postal Service creates a competitive advantage for foreign producers.

USPS charges less than 94 cents to deliver a four pound package from China to an American consumer. Compare that to an American company trying to ship the same package from a neighboring state – it could be charged \$11.30, according to a quick online search. The American company has to pay 12 times what the Chinese shipper would be charged, adding to its overhead costs. Something seems out of whack here.

Why is the Postal Service choosing to lose money on this business? According to a study published recently by the Lexington Institute, the U.S. Postal Service lost \$79 million in 2013 for inbound international mail. Further, according to their 2014 Annual Compliance Report, they only covered 70 percent of their costs on inbound international mail, constituting a 30cent loss for each dollar of business they did internationally on mail delivery.

While there are still a number of other business areas in which USPS operates, this should help clarify how it has maxed out its \$15 billion credit limit with the U.S. Treasury and finished the last fiscal year with another \$5.5 billion loss.

While the postal service appears to be running itself into the ground financially, it is American consumers and American businesses that are disadvantaged. In fact, USPS just reported their 2015 Q1 financials – a new record in package deliveries, and a loss of \$754 million. What's more, it makes 23 of the last 25 financial quarters in which the postal service has operated in the red.

USPS security standards for international shipping have not been meeting the standards that most Americans would expect, either. The postal service does not electronically track packages sent through foreign postal services. This creates concerns for public safety, as unsafe products and food can enter the United States. It creates concerns for national security, as unknown organizations could ship or chemicals into this country. There are also financial implications, as U.S. Customs is unable to collect billions of dollars annually, due to unreported foreign goods entering the U.S. via the Postal Service.

If USPS competitors in the package delivery market are providing more rigorous security measures and tracking international packages, why is it too much for the USPS to do the same? Since 9/11, our ports have had to take on heightened levels of security and airlines have increased security measures as well. Why is the Postal Service not up to code? Further, if the private shipping companies are forced to charge customers for the cost incurred to ship their package, why can the U.S. Postal Service charge artificially low rates to international customers? These are two critically important questions that need to be addressed.

The U.S. Postal Service should not be subsidizing international package shipments to the detriment of American businesses. Rather, they should be focusing on what they were originally set up to do – to provide letter mail service anywhere in the country at a reasonable rate.