



July 21, 2016

The Honorable Robert G. Taub
Acting Chairman
Postal Regulatory Commission
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Dear Chairman Taub:

Thank you for the Commission's request for public comment regarding Docket No. IM2016-1, pertaining to "whether certain proposals for the 26th Congress of the Universal Postal Union are consistent with the standards and criteria for modern rate regulation established by the Commission under 39 U.S.C. 3622."

The system governing payments for the so-called "last mile" delivery of international letter mail, known as "terminal dues," is only partially based on actual costs incurred in delivery, or by participating countries' domestic postal rates. "The terminal dues are set below the delivery costs that the Postal Service incurs," stated U.S. Postal Service Inspector General David C. Williams, in testimony before the Subcommittee on Government Operations of the U.S. House of Representatives on June 16, 2015.

The Postal Regulatory Commission's Annual Compliance Determination Report for Fiscal Year 2015 concluded that, "revenue for the Inbound Letter Post product improved, but still did not cover attributable cost," noting that cost coverage for this product was 71.9 percent in FY 2015, resulting in a negative cost coverage of \$97.9 million. That Determination cited an explanation by the U.S. Postal Service that the cause of this failure to cover attributable costs "stems from the product's unique pricing regime."

The federal Postal Accountability and Enhancement Act of 2006 requires the policy of the United States (39 USC 101, Sec. 405), "to promote and encourage unrestricted and undistorted competition in the provision of international postal services and other international delivery services, except where provision of such services by private companies may be prohibited by law of the United States."

The same statute goes on to explicitly state that the Secretary of State, “may not conclude any treaty, convention or other international agreement...” which would, “grant an undue or unreasonable preference to the Postal Service, a private provider of international postal or delivery services, or any other person.”

A 2015 report published by the Postal Regulatory Commission, prepared by the firm Copenhagen Economics, documented broad distortions in international mail and shipping markets resulting from the terminal dues system.

Private-sector delivery companies have repeatedly maintained that further market distortions result from their exclusion from the terminal dues system, and produce unfair competitive advantages for designated postal operators who are able to participate, exclusively in terminal dues.

I hope that the Commission will consider these factors in its actions relating to terminal dues, and am deeply appreciative of this opportunity to offer this perspective.

Sincerely,


Don Soifer
Executive Vice President