

**Statement of**  
**Department of State, Bureau of International Organization Affairs**  
**Acting Deputy Assistant Secretary Robert J. Faucher**  
**before the Subcommittee on Government Operations of the**  
**House Committee on Oversight and Government Reform**

**June 16, 2015**

Mr. Chairman,

Thank you for this opportunity to discuss the Department of State's role in international postal matters, including the processes at the Universal Postal Union that establish terminal dues, as well as our goals in these activities and our efforts to consult stakeholders.

For one hundred and forty years, the Universal Postal Union has provided the framework for the international exchange of mail. This includes setting the rates of remuneration for the delivery of in-bound international letter mail. United States participation in the Universal Postal Union is led by the Department of State, which is responsible for the formulation, coordination and oversight of foreign policy related to international postal services. In discharging these responsibilities, the Department of State works closely with the Postal Regulatory Commission, the U.S. Postal Service and other concerned government agencies, including the Department of Homeland Security, the Department of Commerce, and the Office of the United States Trade Representative. We also have a unique asset in the International Postal and Delivery Services Advisory Committee, which brings together key private sector and government stakeholders to exchange views and make recommendations on foreign policy relating to international postal and delivery services.

In 2012, the International Postal and Delivery services Advisory Committee helped to formulate the 2013-2016 United States Strategic Plan for the Universal Postal Union, which identified five priorities with regard to the further evolution of the terminal dues system. These priorities are:

- a) to support the fundamental principle of market-oriented, cost-based, country-specific terminal dues under which increases in rates are phased in

over time or introduced with ample advance notification to avoid sudden and steep postage rate increases for mailers;

- b) to further refine the methodology of the terminal dues pricing model to produce rates that more closely reflect costs;
- c) to take account of subsidized postage rates in many countries;
- d) to continue progress in achieving inclusion of Universal Postal Union member countries in the target terminal dues system, after analysis of the impact of entering the target system on new target countries;
- e) to monitor Universal Postal Union actions to move member countries to the target terminal dues system.

Terminal dues rates are established in the Universal Postal Union Convention, which is adopted by the Congress of the Universal Postal Union every four years and which establishes universally applicable rules for the provision of international postal services. The last Universal Postal Union Congress was held in Doha in 2012. The next Congress will take place in Istanbul in the fall of 2016.

The Department of State provides the head of the U.S. delegation to Congresses of the Universal Postal Union. It also initiates the Circular-175 process to authorize negotiations, and coordinates preparations for Congresses of the Universal Postal Union, including production of position papers that are cleared through an interagency process the State Department also leads. In addition to this interagency coordination, the Department of State also solicits the views of the Postal Regulatory Commission on the consistency of proposals to Congresses of the Universal Postal Union that could establish a rate or classification for a market dominant product with the regulatory standards and criteria established by the Postal Regulatory Commission.

Formulation of United States positions before a Congress of the Universal Postal Union is informed by stakeholder input, principally through the International Postal and Delivery Services Advisory Committee, which the Department of State convenes when there are issues to consider and before major Universal Postal Union meetings. The U.S. delegation to a Congress of the Universal Postal Union has sometimes included private sector advisors, whose knowledge and perspective has proven to be invaluable. I, therefore, anticipate that we will continue this practice for the upcoming Istanbul Congress. I should note that we were privileged to have had Ms. Sparks, who is testifying before you today, serve as a member of the U.S. delegation to the 2012 Doha Congress.

The terminal dues provisions of the Universal Postal Union Convention come forward to the Congress of the Universal Postal Union as proposals from the Postal Operations Council and the Council of Administration, which are the Universal Postal Union's main subsidiary bodies. The United States is currently a member of both councils. Most of the actual work of preparing the terminal dues provisions and related proposals takes place within the Postal Operations Council's Physical Services Committee's Letter Post Remuneration Group and various project teams and working groups established under it. The State Department designated the Postal Regulatory Commission and the Postal Service as co-leads for U.S. participation in this process, although in any particular meeting a Postal Regulatory Commission staff member or a Postal Service staff member may be identified as the lead or sole U.S. participant. The State Department, however, retains final authority for determining U.S. positions.

The focus of current work in the Postal Operations Council is to finalize two terminal dues pricing model options that would incorporate the differences in delivery costs associated with mail items of different shapes, since, for example, handling costs are higher for a box than for an envelope. We strongly support this effort, which advances our goal of further refining the pricing model methodology to produce terminal dues rates that more closely reflect costs to postal service providers. In addition, there is a potentially far-reaching initiative that has been launched by the Canadian and Belgian co-chairs of the Postal Operations Council's Physical Services Committee to modernize the Universal Postal Union's physical services portfolio, potentially integrating letter post and parcel post, which has implications for terminal dues. The United States has been invited to participate in the work of the *ad hoc* group established to develop the remuneration aspects of this initiative.

Let me conclude with a further note on stakeholder consultation. At the State Department's request, a Postal Service official briefed the International Postal and Delivery Services Advisory Committee on the state of play in terminal dues work in the Postal Operations Council at the Committee's most recent meeting on February 13. Greater stakeholder engagement in this stage of the process is constrained, however, by the fact that Letter Post Remuneration Group meetings are closed and Postal Operations Council documents are not publically available. Despite this limitation, which we hope to overcome through rule changes, we have had two lengthy, though inconclusive, discussions of terminal dues issues in the International Postal and Delivery Services Advisory Committee in the past year. These discussions focused on proposals presented by Advisory Committee members representing the commercial express delivery industry with the objective

of having the United States propose them at the 2016 Istanbul Congress. The International Postal and Delivery Services Advisory Committee took no action on these proposals but recommended that a sub-committee be formed to facilitate a more detailed examination of terminal dues issues. The State Department accepted this recommendation, and has authorized establishment of a subcommittee for this purpose.

Mr. Chairman, thank you again for this opportunity to describe the role of the Department of State in international postal matters, including the process of establishing terminal dues and to outline U.S. goals in this process. I would be happy to answer any questions members of the committee have on these topics or on other matters related to terminal dues or the Universal Postal Union or international postal and delivery services in general.