

Congress of the United States
House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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September 1, 2015

The Honorable Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Mr. Dodaro:

On June 16, 2015, the Subcommittee on Government Operations held a hearing entitled, “Fair Competition in International Shipping.”¹ The hearing examined the international exchange of mail and small packages paid for through a system known as “terminal dues.” Terminal dues are established through the Universal Postal Union (UPU), a United Nations organization. The Subcommittee’s hearing focused on the inequities between the costs of mail from different countries that result from the UPU’s current rate setting system.

Throughout the hearing, Members and witnesses voiced concerns that the current framework creates winners and losers in the international mailing and shipping community based on factors that are independent—and in some instances deliberately so—from the actual costs of delivery.

Under the UPU structure, each nation has one “Designated Operator” that performs the universal service obligation for mail and small package delivery. Within any nation, the Designated Operator is the only entity subject to the terminal dues rates system. Posts and private shipping companies can choose to use or not use the terminal dues to have mail delivered in other countries according to their economic goals. Designated Operators, however, are required to accept all mail and packages covered by the UPU agreement, regardless of whether terminal dues cover the actual cost of delivery.

Under the current system, nations are divided into “target” and “transition” classes. The “target” class—generally the most industrialized countries—have relatively equitable rates amongst each other, although some disparities still exist. However, “transition” countries enjoy more favorable rates when sending mail and small packages to “target” countries.²

¹ H. Comm. on Oversight & Gov’t Reform, *Hearing on Fair Competition in International Shipping*, 114th Cong. (June 16, 2015).

² See Copenhagen Economics, *The Economics of Terminal Dues* (Sept. 30, 2014), available at http://www.prc.gov/sites/default/files/reports/The%20Economics%20of%20Terminal%20Dues_final%20report%20300914.pdf.

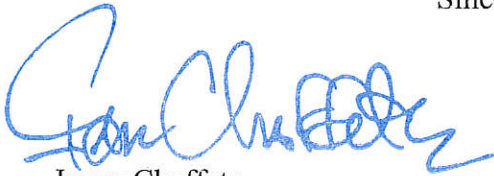
Given the rapid development of e-commerce related package delivery and the global trend toward privatized or corporatized national posts, concerns were raised at the hearing over potential anti-competitive outcomes that could disadvantage U.S. firms, such as through the purchase by an e-retailer of a stake in a country's foreign post.

We, therefore, request GAO conduct a study to examine the effect of privatization and corporatization of foreign postal operators and what this means for international shipping and the U.S. Postal Service. In particular, we request that the study address the following:

1. How do nations without a delivery monopoly select Designated Operators and ensure those operators can meet delivery requirements?
2. What anti-competitive inequities exist in the current UPU structure?
3. For privatized and corporatized posts, is there potential risk for new and greater anti-competitive behavior?
4. Are companies with strong ties to countries with lower terminal dues rates better positioned to take advantage of the disparities in terminal dues rates?
5. Does sufficient international transparency exist to determine whether or not some foreign posts are subsidizing international mail and package shipping in order to encourage exports? If so, is this occurring and to what extent? If not, what are the major limiting factors?
6. What alternatives are available to the current UPU structure of terminal dues? Are these alternatives, specifically commercial customs clearance and direct entry, effective workarounds to avoid the current system altogether?

Thank you for your attention to this important matter. Please contact Jeffrey Post or Alexa Armstrong of the Majority staff at (202) 225-5074 and Lena Chang or Mark Stephenson of the Minority staff at (202) 225-5051 with any questions about this request.

Sincerely,



Jason Chaffetz
Chairman



Elijah E. Cummings
Ranking Member



Mark Meadows
Chairman
Subcommittee on
Government Operations



Gerald Connolly
Ranking Member
Subcommittee on
Government Operations