



November 11, 2011

The Honorable Robert D. Hormats
Under Secretary for Economic, Energy and Agricultural Affairs
United States Department of State
2201 C Street, N.W.
Washington, D.C. 20520

The Honorable Francisco J. Sánchez
Under Secretary of Commerce for International Trade
U.S. Department of Commerce
1401 Constitution Ave., NW
Washington, D.C. 20230

The Honorable Miriam E. Sapiro
Deputy U.S. Trade Representative
Office of the United States Trade Representative
United States Trade Representative
600 17th Street NW
Washington, DC 20508

The Honorable Wendy Sherman
Undersecretary for Political Affairs
United States Department of State
2201 C Street, N.W.
Washington, D.C. 20520

Dear Under Secretary Hormats, Under Secretary Sanchez, Ambassador Sapiro and Ambassador Sherman:

The undersigned U.S. trade associations would respectfully like to call your attention to the importance of the U.S. government pursuing a pro-active and pro-competitive strategy at and leading up to the twenty-fifth Congress of the Universal Postal Union (UPU), to be held in Doha, Qatar, in September 2012. To facilitate this effort we urge that an interagency task force be convened as soon as possible and empowered to develop an overall U.S. position and strategy in consultation with the appropriate U.S. Government advisory groups for both trade and UPU issues.

We feel strongly that it is critically important to our continued global competitiveness that U.S. Government objectives for the 2012 UPU Doha Congress be developed in recognition that some UPU member countries and members of the UPU's International Bureau have supported an activist agenda that would encourage legally privileged "designated postal operators" to expand the scope of their traditional operations into new businesses such as financial services, express services, and logistics.

We specifically request that the interagency process be used because we believe that the U.S. State Department's Bureau of International Organizations, possibly because of a lack of resources, seems currently unable to adequately fulfill its prescribed role as representative and defender of the U.S. national interest at the 2012 UPU Doha Congress. While we recognize this may be a resource issue, the net result is that the U.S. government has so far not developed an international postal policy that reflects the full range of relevant U.S. policies and interests and that advocates the pro-competitive approach mandated by Congress in the Postal Accountability and Enhancement Act of 2006.

We believe it imperative to the U.S. national interest that the Administration must begin to prepare for the 2012 UPU Congress, and important issues such as reform of the Union have not been resolved. Thus we strongly recommend that an interagency task force of your Departments be convened to work on these issues. The task force should be established to coordinate the positions of appropriate government agencies and to consult with representatives of the Postal Service and representatives of users and private providers of international postal services and other international delivery services in a manner fully consistent with the purposes and requirements of subsections 407(a) and (b) of the postal law.

Following please find a more thorough background paper on the issue. We would likewise be available to come in at your convenience to discuss this urgent, important matter. Thank you for your interest and consideration.

Sincerely,

American Council of Life Insurers
Coalition of Service Industries
U.S. Chamber of Commerce
United States Council for International Business

Background:

The Universal Postal Union (UPU) is the world's second oldest intergovernmental organization. It was founded in 1875 to facilitate the exchange of documents and parcels among national post offices. In the nineteenth century, when post offices were government ministries and virtually the only providers of nationwide delivery services, establishment of the UPU was a great boon to mankind and to international commerce. In recent decades, however, international communications and delivery services have been transformed by the rise of specialized private delivery services, major advances in communications technologies, and increasing globalization. National post offices have become far more "business-like" and commercial. In most industrialized countries, post offices are now for-profit corporations, in several cases with substantial private ownership. At the same time, private parcel and express companies are providing superior end-to-end delivery services across borders on worldwide basis. Partnerships, and even mergers, between commercially minded public postal operators and private operators have become common.

The international marketplace for cross-border delivery services in the twenty-first century thus bears little resemblance to that of the late nineteenth century. According of a recent study by the UPU, the world market for cross-border documents and lightweight (under 2 kg) packages generates about \$35 billion annually. Services for non-urgent letters account for about 30 percent of revenues, while services for parcels and express services account for the rest. The global market is dominated by five operators who collectively shared almost three quarters of the global market: Deutsche Post/DHL (21%), FedEx (19%), UPS (16%), TNT/Dutch Post (9%), and U.S. Postal Service (7%). Of these five organizations, four are completely or mostly private companies; only the U.S. Postal Service is a government agency.

Even more fundamentally, major public postal operators are facing sharp declines in their core business, the carriage of letters. As a result, post offices are seeking to diversify away from traditional postal services into other activities such as express services, logistics, financial services, and retail services. The UPU is leading the way in promoting postal innovation and diversification. At the last UPU Congress, held in Geneva in 2008, the UPU defined its role as one of advancing the interests of public postal operators by means of a "strategy based on a three-dimensional network: physical, electronic and financial."

There can be no doubt that the world's post offices continue to provide a commendable and necessary role in facilitating the exchange of what the UPU calls "social mail." And there can be no doubt that public postal operators are reasonably seeking to innovate and diversify in response to new technologies. However, there is palpable danger that the UPU itself is shifting from the role of a commercially-neutral facilitator of intergovernmental relations to the role of intergovernmental advocate and promoter of a special class of physical/electronic/financial service providers, the national post offices and their corporate successors — now called "designated operators" in the terminology of the UPU. And, since the UPU is an intergovernmental organization, this support can all too easily cross the line from advocacy and technical assistance to unjustified special legal privileges.

As several of the undersigned organizations have emphasized in other contexts, the distortion of competition created by foreign measures that favor state-owned or state-supported enterprises presents a genuine threat to American companies and their workers in world markets. We urge you therefore to help ensure that the agreements of the 2012 Doha Congress of the UPU avoid creating special legal privileges for "designated operators" in the provision of competitive and commercial products and services, whether their nature is physical, electronic, or financial (or anything else). We urge you to ensure that designated operators cannot — in the provision of competitive and commercial products and services — circumvent the sound principles of the antitrust laws by fixing

prices and allocating markets. And we urge to you ensure that UPU does not delegate to the Postal Operations Council (a committee of public postal operators) supra-national authority to adopt regulations which override the laws of the United States or the provisions of the General Agreement on Trade in Services. A glance at the current acts of the UPU will amply demonstrate that our concerns in these respects are fully justified.