

Hudson Institute

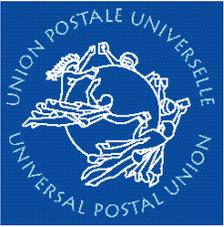
“Handle with Fear: Fixing a Broken International Postal System”

September 19, 2016

Background:

The rise of postal packages  
and legal framework for international  
postal services

James I. Campbell Jr.



# Universal Postal Union (UPU)

- UPU is an intergovernmental organization in 1874.
  - 21 member countries
  - All Posts were government agencies.
  - Only conveyed documents
- Today:
  - 192 UPU members.
  - Many large Posts are partly or completely privatized.
  - UPU is still dominated by the Posts and establishes the legal framework for international postal service.

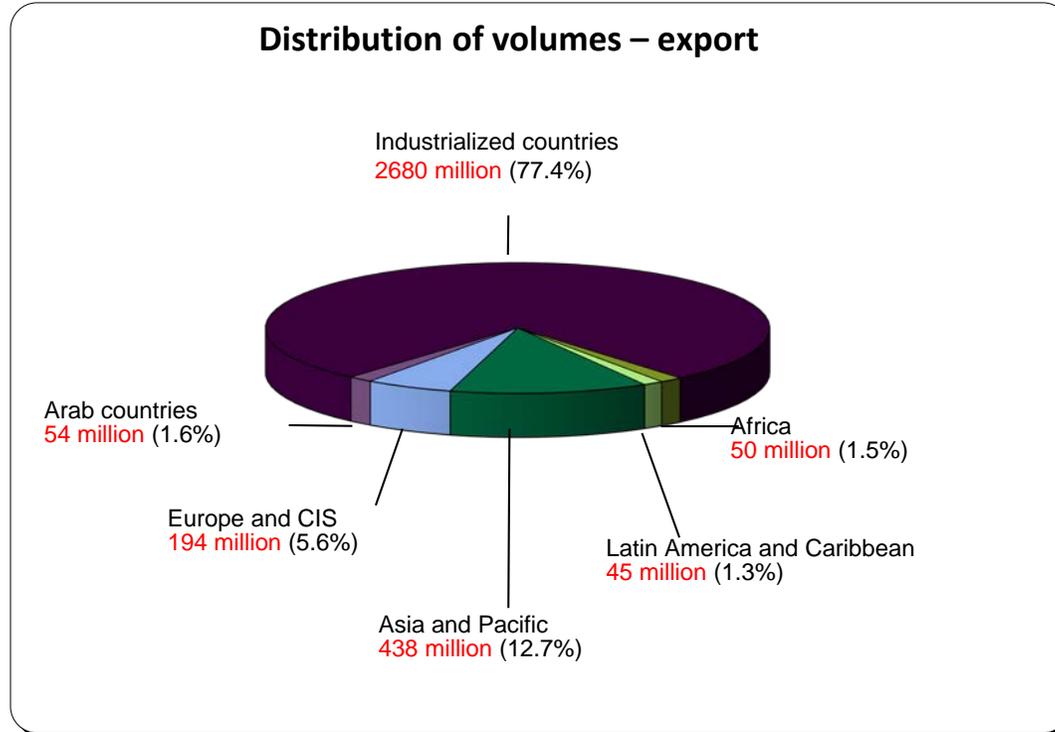


President Ulysses S. Grant



# Letter post – international service

(estimates by region, 2014)



The share of the IC does not decrease

Change 2013-2014

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▪ Africa	-23.4 %
▪ Latin America and Caribbean	-2.9 %
▪ Asia and Pacific	-4.6 %
▪ Eastern Europe and CIS	-6.3 %
▪ Arab countries	-31.8 %
▪ Industrialized countries	-6.8 %

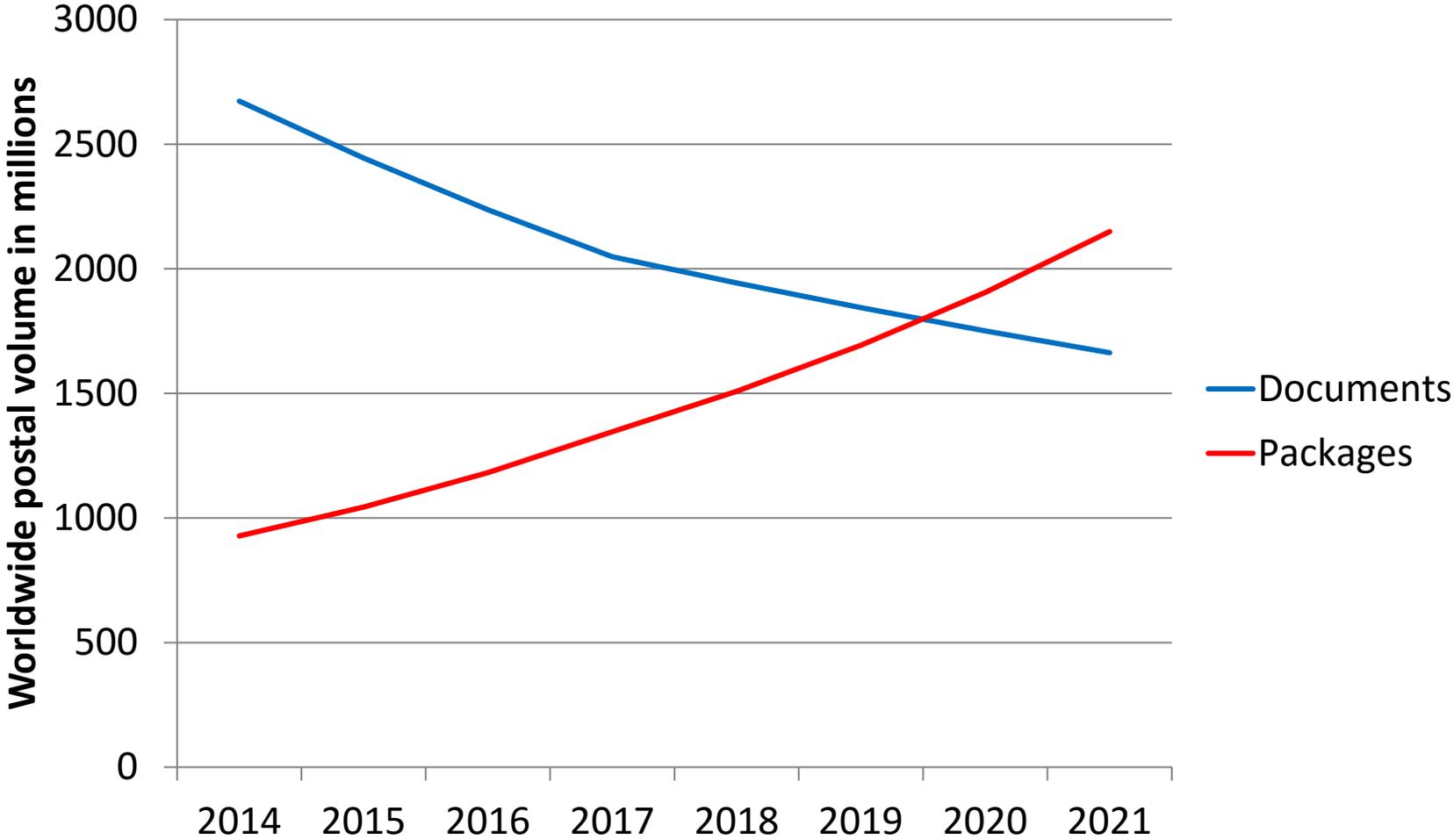
# What is carried by the international postal system?

Type of service	Volume in 2014
“Letter Post”	3,500 million
Letters and large envelopes	2,550 million
Small packets (packages up to 2 kg)	850 million
“Parcel Post” -- packages up to 20 kg	101 million
“EMS” -- express mail service	55 million

Summary in round numbers	Volume in 2014
Documents	≈ 2.5 billion
Packages (mainly IC Posts and China and Singapore)	≈ 1.0 billion

Private companies (mainly FedEx and UPS) ≈ 0.4 billion

# Packages will likely overtake documents by 2021



Source: J. Campbell estimates from UPU data.. Illustrative only. "Packages" includes small packets and parcel post only.

# UPU Convention is not adapted to a competitive e-commerce package environment

## Private carriers

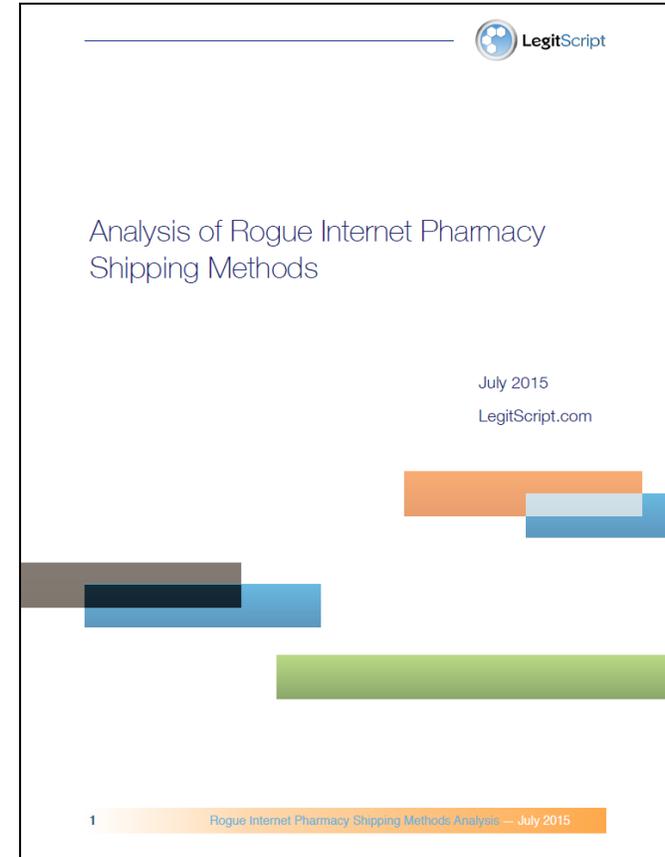
- Security info by package provided electronically before takeoff.
- Complete package info provided electronically before arrival.
- Customs entries by carrier.
- Liable for errors in customs info
- Antitrust laws prohibit rates set by agreement among carriers.
- Shipper rates set according to market and costs of compliance with law.

## UPU Posts

- Posts provide no security information on packages.
- Posts do not provide package data electronically.
- Posts to do make customs entry; Customs must do so.
- Posts are not liable for incorrect customs info on packages.
- Delivery rates established by agreement among Posts.
- Shipper rates benefit from price-fixing and lack of compliance with security and customs controls.

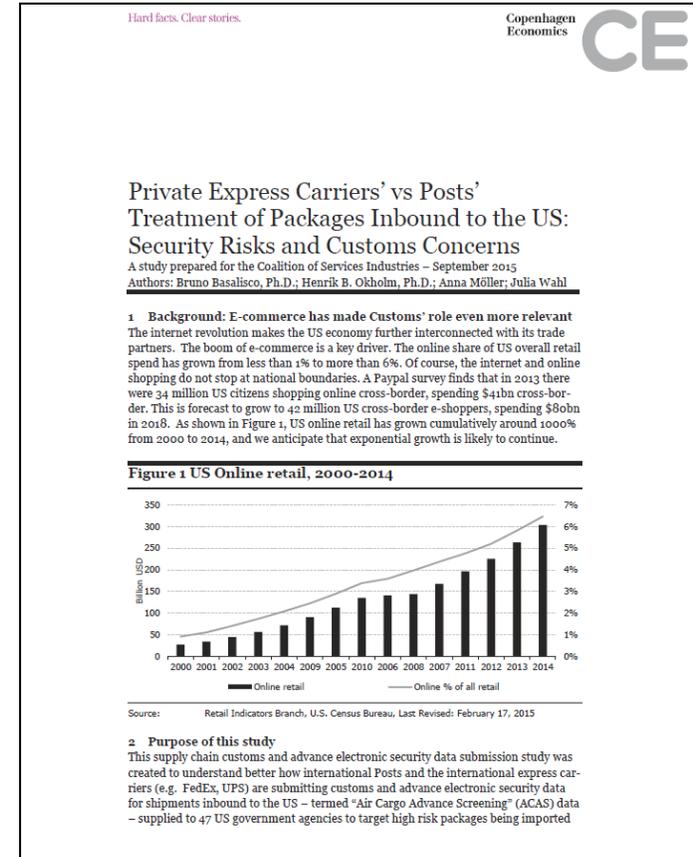
# International postal packages appear to offer an easy conduit for threats to national health and security.

- Illegal prescription drugs, often unsafe, are mostly imported into the U.S. via the international post.
- Experts are concerned that the international post is also becoming delivery system for synthetic opioids like fentanyl.
- In 2010, terrorists in Yemen placed explosives in packages shipped internationally via FedEx and UPS.



# International postal packages appear to deprive U.S. government of substantial customs duties.

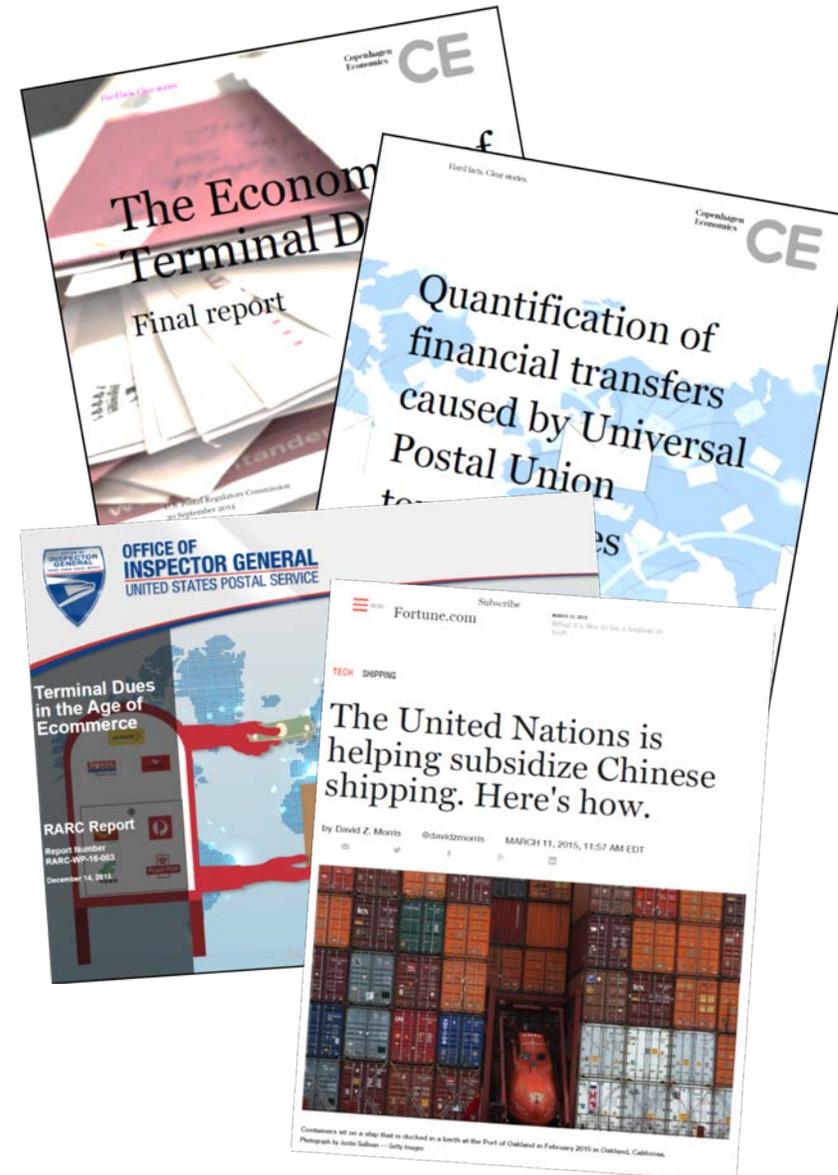
- A recent survey of identical dutiable shipments sent into the U.S. by Posts and Private Express found that:
  - Postal shipment assessed duty: 0%
  - Private shipments assessed duty: 98%
- Estimated loss of revenue to U.S. Treasury: \$ 1.1 billion per year.



# UPU delivery charges for inbound mail are distortive, anticompetitive, harmful to U.S. merchants.

Under the UPU Convention:

- USPS charges foreign mailers up to 70% less than U.S. mailers for equivalent delivery services.
- U.S. on-line merchants like Amazon are handicapped in competing with foreign merchants like Alibaba.
- U.S. express companies like FedEx and UPS are handicapped in competing in the international e-commerce market.
- USPS appears to lose tens of millions of dollars due to international undercharges (implying increases in domestic postage rates).



## U.S. statutes appear to limit U.S. agreement to UPU security, customs, and delivery rate provisions

- U.S. international postal policy objectives are:
  - “Unrestricted and undistorted competition.”
  - “A clear distinction between governmental and operational responsibilities.”
- U.S. cannot agree to a UPU Convention that:
  - Fails to apply U.S. security and customs laws to all competitive products “in the same manner.”
  - Creates an “undue or unreasonable preference” for any person.
  - Is inconsistent with principles of U.S. antitrust laws.
- U.S. trade laws commit the U.S. to “to reduce or to eliminate barriers to, or other distortions of, international trade in services” including postal and other delivery services.



- A “Congress” is a general meeting of all UPU countries.
- The Istanbul Congress is scheduled for September 20 to October 7, 2016.
- The Istanbul Congress will consider proposals to extend the UPU Convention to December 31, 2021, with small changes in provisions relating to security, customs, and delivery rates.