

## **Advisory Committee on International Postal and Delivery Services**

Minutes for the meeting of the committee: 1:00 p.m. to 2:30 p.m. on April 27, 2022, via Zoom videoconference.

### **Members of the Advisory Committee**

Eugene Alford – Department of Commerce

Mary Anderson – U.S. Postal Service

David Brown – U.S. Department of State, Chair

John Callan – Ursa Major

Shea Felix – stamps.com

Peter Graeve – Military Postal Service

Patrick Hedren – National Association of Manufacturers

Keith Kellison – UPS

Merry Law – WorldVu

Allison Levy – Postal Regulatory Commission

Michael Mullin – Express Association of America

Kate Muth – International Mailers Advisory Group

Todd Nissen – USTR

Brian Palmer – Amazon

Michael Plunkett – Association for Postal Commerce

Charles Prescott – Direct Marketing Association

Daniel Randall – Customs and Border Protection

Robert Reisner – Transformation Strategies, LLC

Ashley Shillingsburg – E-bay

Stephen Simchak – American Property Casualty Insurance Association

Paul Steidler – Lexington Institute

Tim Walsh – Pitney Bowes

**Designated Federal Officer:** Stuart Smith – U.S. Department of State

### **Other USG Officials Participating:**

Michael M. Kubayanda – Chairperson, U.S. Postal Regulatory Commission

## **Opening and Adoption of the Agenda (Agenda items 1 and 2)**

Stuart Smith opened the meeting at 1:00 p.m. The entire session was open to the public, hosted on a Zoom videoconference platform, with contact information published in the Federal Advisory Committee's Federal Register notice. Mr. Smith recognized the attendance at the meeting of Postal Regulatory Chairperson Michael Kubayanda. Observing that this was the third Advisory Committee session to be held virtually, Mr. Smith introduced new members of the Advisory Committee: Mary Anderson of the U.S. Postal Service, Allison Levy of the Postal Regulatory Commission, Eugene Alford of the Department of Commerce, and David Brown of the Department of State, who will serve as Advisory Committee Chair. The Advisory Committee then adopted the agenda with no objections.

## **Outcomes of the Universal Postal Union's Abidjan Congress (Agenda item 3)**

Owing to the Covid pandemic, the Universal Postal Union's preparatory meetings for the August 2021 Congress took place in virtual format, while the Congress itself was in hybrid format. At the Congress, the United States was elected to both the Postal Operations Council (POC) and to the Council of Administration (CA), marking our return to the latter body after five years' absence. The Congress also renewed the UPU's senior leadership, with Mesahiko Metoki elected Director General and Marjan Osvald elected Deputy Director General. POC members selected Jean-Paul Forceville as their new Chair, while Cote d'Ivoire's Isaac Gnamba-Yao will chair the CA for the coming four years, as his country hosted the Congress. Mr. Smith noted that the United States has excellent relations with all four UPU leaders.

The United States was pleased with most of the outcomes of the Abidjan Congress. Notably, the Congress adopted remuneration proposals that built on the 2019 Geneva Agreement on small packets that will allow member states reciprocity in self-declaring rates. Counting among the missed opportunities of the Congress, however, was member states' rejection of a U.S.-supported proposal to make tracking mandatory on inbound packets containing goods.

## **UPU Task Force on Opening (Agenda item 4)**

David E. Brown noted that the United States assumed the role as co-chair of the UPU Task Force on Opening the Union to Stakeholders in the Wider Postal Sector in November 2021, in preparation for the planned September 2023 UPU Extraordinary Congress, which will address that issue. The other co-chair of the Task Force is Algeria. Our approach to co-chair duties is and will be to be neutral, inclusive, and transparent. Stuart Smith has taken up the duties as co-chair, while Mr. Brown will serve as the U.S. Head of Delegation to Task Force meetings.

Mr. Brown said the UPU has discussed reform for a long time, but the issue has not progressed. Now is the time to grapple with its complexities. An encouraging number of UPU member countries turned out for the Task Force discussions in March and April of 2022. The Task Force is considering three broad items related to opening: institutional reform, making available UPU products and services to the wider postal sector, and how to establish continuing reform at the UPU. Mr. Brown encouraged wider postal sector participants in the Advisory Committee to participate in the Task Force's planned "nexus" meeting with Consultative Committee members in May 2022, to present the views of non-designated operators.

Mr. Brown further stated that customers have a wide variety of delivery options for their on-line orders and do not care whether their goods arrive via USPS or a consolidator's e-platform. They are interested in a value proposition. The U.S. government has taken a measured and deliberate approach to UPU reform, addressing the central issue of how to allow private operators access to the UPU network in a way that is consistent with U.S. law and based on good public policy. We have made substantial progress in cutting the Gordian knot that has stymied reform since 1989: how to allow access to non-designated operators fairly, when they are not burdened by a universal service obligation (USO), such as the one that obliges the Postal Service to deliver to distant parts of Alaska.

Mr. Brown contrasted the relatively modest cost of the Postal Service's USO (as applied to international mail) with the booming cross-border e-commerce sector, noting that the former amounts to a tiny fraction of one percent of the latter. He stressed that we cannot lose sight of the enormous opportunity cost of not undertaking reform in terms of lost global welfare. Mr. Brown outlined six steps he envisaged as necessary in the coming months to reach an agreed U.S. reform proposal, from discussions with U.S. agency stakeholders to consultations with

wider postal actors and other UPU member countries. He averred that the U.S. draft proposal is compelling and is in the interest of the world.

On institutional reform, we envisage change that separates clearly the governmental and operational responsibilities within the UPU. In this vision, the current POC would become a Business Council, with all operators participating to define operational procedures. The current UPU Consultative Council, with a paltry 14 members, would disappear.

Lastly, on making UPU products and services available to non-designated operators, the previous Opening Task Force (from 2020-2021) helped show what the UPU could offer the wider sector. Mr. Brown encouraged non-government participants to share their views on this topic.

### **Soliciting Stakeholder Input on Opening (Agenda item 5)**

Mr. Smith solicited views of Advisory Committee members on the themes just raised by Mr. Brown, including views on transforming the UPU into an integrated network, comprising both designated and non-designated operators.

Greg Stofko from FedEx observed that his company had participated in the Federal Advisory Committee meetings for over 10 years. During that time, UPU reform has been a constant theme. He commended the State Department for looking a reform in new and fresh ways. Mr. Stofko underlined that U.S. leadership is necessary for reform of the UPU, terming this a point that can't be overstated.

While he agreed with Mr. Brown's support for separating governmental from operational functions in the UPU, Mr. Stofko said he saw as key not the number of stakeholders that join a reformed UPU but rather how operators interact with governments in specific areas. In remuneration, the UPU has been the source of well-documented distortions, even though the Geneva (2019) result was good. The UPU's setting of customs and security rules for designated operators continues to present a problem, although this issue is less relevant in industrialized countries.

FedEx is interested in the proposal that Mr. Brown referred to and would like to provide input. But all this is incredibly complex; the UPU rules are understood by few. One mechanism that Mr. Stofko thought could be useful was confidential advisory boards used by USTR and Commerce in international trade policy. This approach potentially could provide a more robust way for private industry to provide input on UPU reform.

Lastly, turning to recent reforms of the UPU Consultative Committee (CC), which he noted was not included on the Federal Advisory Committee agenda, Mr. Stofko characterized them as “pay for play” and shared his view that they are “a step backwards” for inclusivity of non-designated operators in the UPU.

Keith Kellison of UPS took the floor to say that he supports Mr. Stofko’s comments: U.S. leadership on UPU reform is “well overdue.” The benefits of structural reform include not allowing post offices to use the UPU to gain advantages for themselves. In the longer term, UPU reform is win-win, as it will remove barriers to entry to the UPU platform, opening the platform to wider players, and so expanding the pie for all. UPS recognizes that the U.S. Postal Service already is a last-mile partner for delivery of packages. Closer cooperation with the wider sector will only prove in the interests of post offices.

At the same time, Mr. Kellison cautioned that reform of the UPU should not lead to more regulation. UPS needs to see the U.S. proposal in writing. Once UPS can see it, Mr. Kellison said he would like to give input and contribute to a roadshow that would promote these ideas with other member countries.

Mr. Brown responded to Mr. Kellison by noting that the United States is lucky to have Amazon, FedEx, and UPS. No other country can rival this corporate line-up. He recommended side-events at major postal meetings to foster the education process, showing that what we are discussing is in the interests of all countries.

Mr. Smith intervened to highlight the opportunity to share views on engagement with the UPU provided to the wider postal sector by the Opening Task Force at the virtual “nexus” meeting the following week.

Eugene Alford of the U.S. Department of Commerce intervened to note that his office supported dialogue with the private sector through a mechanism called Industry Trade Advisory Committees (ITAC) made up of cleared industry advisors. He noted that this confidential mechanism could provide a useful model in the context of getting industry input for the U.S. reform proposal.

Kate Muth of the International Mailers Advisory Group (IMAG) said she wanted to echo the comments of Mr. Stofko and Mr. Kellison, saying she had covered UPU issues for over eight years and never seen such a “deep dive” by the U.S. government on reform issues. She commended the inclusive approach, saying that the e-commerce universe has changed rapidly over the past five to seven years.

Opening the UPU products and services to non-designated operators represents a new way of thinking. Ms. Muth said she attended a presentation by the UPU's Postal Technology Group in the Fall of 2021 and was struck that their technological solutions in the areas of advance electronic data (AED) and EU customs could prove useful to the private sector, even though they are only now available to UPU designated operators. Moreover, if private companies were allowed to use the technical solutions, companies would be able to add value and improve the product, benefitting other operators and customers alike. Finally, picking up on a comment by Mr. Stofko, Ms. Muth agreed that the current efforts to create a new UPU Consultative Committee "don't make a lot of sense."

Allison Levy of the Postal Regulatory Commission (PRC) said that private sector input into the U.S. reform proposal was essential. She supported the idea raised by Mr. Stofko of creating a mechanism to allow confidential input and encouraged Advisory Committee private sectors to make their voices heard. Ms. Levy said the PRC wants to support the process so that the State Department can come up with a reform proposal that it can share more widely.

As a final point, Ms. Levy echoed other speakers, saying that the UPU Consultative Committee changes that require companies to pay more to receive less make no sense. In her view, the Opening Task Force provides a much more substantial venue to define how private companies can interact with the UPU and these current CC reforms represent "the tail wagging the dog." Mr. Smith noted that the CC reforms will take effect July 1, meaning that member countries would soon lose their representation on the Committee.

### **Any Other Business (Agenda item 6)**

After soliciting whether there was any other business for the Advisory Committee and receiving no response, Mr. Smith thanked participants for attending the meeting and declared the session adjourned.