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On behalf of the 300,000 team members in the FedEx family, I would like to thank the Subcommittee for this opportunity to present our views on U.S. international postal policy.

The Subcommittee's hearing today is exceptionally timely. Over the next several months, governments around the world will develop their positions with respect to the possible revision of the Universal Postal Convention ("UPU Convention") and related agreements. These are the intergovernmental agreements that govern international postal services and thus affect the competing services of private delivery services like FedEx. The final agreements will be adopted in a general Congress of the Universal Postal Union (UPU) to be convened in Istanbul in September 2016 (the "Istanbul Congress"). Acts approved by the Istanbul Congress will go into effect on January 1, 2018, and continue for four years, until December 31, 2021. Thus, we are rapidly approaching the last opportunity until 2022 to secure reforms that serve the best interests of the people of the United States.

FedEx believes that fundamental reforms of the UPU are urgently needed to render the international system of delivery services more efficient, cost-based, competitive, and consistent with U.S. policy and the requirements of U.S. law. The current UPU framework is riddled with anomalies that are neither just nor reasonable nor adapted to the needs of the 21st century. For example,

- Pursuant to the UPU rate agreement, the U.S. Postal Service ("USPS") charges foreign post offices far less for delivery of their mail in the U.S. than it charges American mailers for similar delivery services performed for similar items even though the actual services provided for foreign mail (sorting, transportation, and delivery in the U.S.) are exactly as same as provided domestic mail. E-commerce merchants in Asia pay so little for postal delivery of lightweight (less than 4.4 lbs) goods sent to the U.S. that they can undercut American merchants selling similar products here at home because of their low shipping costs.
- As explained later, the system of international payments among post offices is so skewed that mailers in Copenhagen, Dublin and Milan are effectively subsidizing mailers in New York and London. At the same time, USPS is selling outbound commercial services to many countries at rates that are below its true costs of production.
- International postal services for e-commerce goods and other packages compete directly with private companies like FedEx and yet UPU-based "postal customs" provisions relieve post offices of the duty to provide advance electronic information

for risk assessment, the obligation to submit detailed manifests and complete entry information, and liability for errors in customs-related information.
- The U.S. and other countries have delegated to the Postal Operations Council, a UPU committee of 40 postal officials (most from highly commercialized post offices), authority to adopt regulations binding on the U.S. government and governments of other UPU member states.

In the case of the UPU, the U.S. is supporting an intergovernmental organization whose real mission has become the promotion of the commercial success of the world's post offices in their competition with private delivery services. This is true even though U.S. companies like FedEx and UPS are world leaders in the international delivery services market and have at least five times as much revenue at stake in this market as USPS, whose interest is limited to services from and to the U.S. In addition, for FedEx and other express delivery companies, the revenue derived from international delivery services is a much more substantial piece of their total revenue than for USPS. For example, FedEx's international revenues comprised approximately 44 percent of total revenues in fiscal year 2014, while for USPS, the percentage was 4.5 percent. So, the major private U.S. companies have more "skin in the game" when it comes to reforming the rules of the international delivery services market than does USPS overall.

FedEx believes that significant reforms can be accomplished in the 2016 Istanbul Congress if, and probably only if, the United States pro-actively supports meaningful reform. While reform will not be easy, other industrialized countries, many of whom have adopted procompetitive domestic postal reform laws in recent years, appear willing to support UPU reform, but only if the United States commits its resources and political capital within the UPU to the effort. In sum, we believe the Istanbul Congress — whose acts do not take effect until 2018 — needs to take four fundamental, yet still incremental, steps:

- First, the rules for exchange of postal items between major industrialized countries need to be made non-discriminatory and competitively neutral. National laws relating to security, customs, terminal dues, and antitrust should apply to postal shipments in the same way as they do to similar shipments conveyed by private companies (except monopoly letter services).
- Second, countries (such as the U.S.) which are on the receiving end of a growing flood of e-commerce shipments from Asia and elsewhere should have the option of applying normal security, customs, and postage rates to such commercial shipments, rather than the lower rates and standards presently allowed to "developing countries."
- Third, the authority of the UPU's Postal Operations Council (a committee of post offices)should be limited so that it cannot, on its own authority, adopt regulations that override national laws, and the right of UPU member countries to opt out of provisions of the UPU Convention or regulations that are inconsistent with national law or policy should be more flexible.
- Fourth, in the four years between the Istanbul Congress and the 2020 UPU Congress, the UPU should be required draw up plans to extend these fundamental reforms to the UPU as a whole, while ensuring appropriate, better targeted assistance to truly needy developing countries.

In this statement I will summarize why FedEx believes that fundamental reform at the UPU is needed, what U.S. postal law and trade policy currently requires, and what reform proposals FedEx and others have advanced so far. I conclude with suggestions on what steps should be taken to protect and promote the interests of the United States at the Istanbul Congress.

TRADITIONAL UPU PRIVILEGES AND POWERS ARE INAPPROPRIATE IN THE COMMERCIAL WORLD OF INTERNATIONAL E-COMMERCE

The UPU was established as an intergovernmental organization in 1874, an age when postal services were provided by government monopolies whose primary mission was to ensure a safe and secure medium for distribution and exchange of letters and documents. At that time, an intergovernmental organization was the only way to link national posts into what the UPU still calls a "single postal territory." When it was founded, the UPU was a great step forward in the development of a more enlightened and connected global society.

In the last two decades, the economic and commercial facts of life in the international postal system have changed radically. The Subcommittee is familiar with the steep decline in the volume of letters in the United States since 2000, and USPS's strenuous efforts to refocus its operations on package services. What is less appreciated is that this trend is much further advanced at the international level. According to the UPU, the volume of domestic letter post services (documents and parcels up to 4.4 lbs) declined by 22 percent from 2000 through 2013; in the same period, the volume of international postal service declined 53 percent.[1] These figures reflect the obvious truism that the relative advantages of electronic communications over paper communications are even greater at the international level than at the national level.

As a result, the UPU has promoted the need for national post offices to develop international package services, especially services suited to e-commerce needs. At its 2012 Congress in Doha, the UPU recognized that international e-commerce offers a "huge potential for developing markets and increasing profit margins" and that "Posts are actively exploring ways of becoming main providers of cross-border e-commerce solutions."[2] The Doha Congress adopted several resolutions instructing the standing committees of the UPU to prepare and promote postal services for e-commerce. Accordingly, in October 2014, the UPU held an extensive two-day conference on the need for developing and improving international postal services for e-commerce. Similar themes were sounded in the UPU's quadrennial Strategy Conference held in Geneva in April 2015. The UPU is now preparing a new "e-commerce product" specifically designed for e-commerce parcels weighing up to 30 kg. This product is scheduled to begin as a pilot program in July 2015.

FedEx has no objection to the UPU's efforts to raise the efficiency and competitiveness of the post offices' international e-commerce services. On the contrary, FedEx would like to work with the posts cooperatively to provide efficient and economical international e-commerce solutions in the same manner as we now do at a national level with USPS. However, it must be

[1] UPU, "Development of postal services in 2013" (Oct. 2014), p. 5. http://www.upu.int/en/ resources/postal-statistics/2013-results.html.

[2] UPU, 2012 Doha Congress, Resolution C 33/2012 ("Promoting cross-border e-commerce").

kept in mind that international e-commerce is very much a *commercial* and *competitive* marketplace, not a governmental mission or social safety net. We become concerned when the UPU seeks to extend traditional legal privileges and protections afforded to post offices for societal reasons into the emerging world of competitive e-commerce services.

For FedEx and other private carriers, there are three areas of particular concern: discriminatory customs and security controls; a system of delivery charges for international mail that is anti-competitive and economically distortive; and the conflict of interest created by the delegation of international legislative authority to the Postal Operations Council.

The first area of concern is special treatment for post offices under customs and security laws. Historically, the world's post offices have benefitted from very simple customs declarations requirements and immunity from liability under customs law. This appears to have been based on the assumption that postal parcels would be primarily "social" or personal mail, like birthday gifts, rather than business or commercial shipments. Even today, the UPU-authorized customs declaration forms for postal shipments are much simpler than the paperwork required from private delivery companies. UPU customs declarations (the "CN 22" and "CN 23" forms) require the mailer to provide minimal information about his or her shipment in a label attached the postal package.[3]

The end result of this simplification is less scrutiny of postal shipments by border agencies. When a foreign postal package arrives at a destination gateway such as USPS's New York facility at JFK airport, U.S. Customs and Border Protection ("CBP") has not received advance electronic data for security and customs screening, which information is mandatory for private company shipments. Nor does USPS complete customs entries for the incoming packages and compute the duty required. USPS stands aside, awaiting inspection by CBP. If, by chance, a dutiable postal package is discovered by CBP, it is the responsibility of the customs inspector, rather than USPS, to complete a customs entry, using a form called a "mail entry." If there is a mistake in the information provided by the foreign mailer, there are no legal consequences for USPS and, in almost all cases, no legal consequences for the mailer either. This same process for handling postal shipments is mirrored in most other countries; it is not unique to USPS or CBP. This system is so cumbersome and labor intensive for the customs authorities that it is well known that in many cases they do not complete entries or collect duties on postal shipments, even if they are dutiable. This awareness obviously creates a powerful incentive for cross-border

[3] In March 2015, China officially complained to the UPU that foreign post offices were establishing offices in China — called "extraterritorial offices of exchange" or ETOEs — and, contrary to Chinese law, competing against China Post for "the surge of cross-border e-commerce [which] has turned many countries, including China, into emerging markets with great business potential." UPU, CA C1 RIPG 2015.1 Doc 8 (2015). This gist of the Chinese complaint was that ETOEs were taking advantage of the preferential "postal customs" procedures permitted by the CN 22 and CN 23 forms, a benefit reserved for China Post's outbound shipments. China called on other countries to "respect the conditions laid out in" UPU resolutions that directed countries to deny "postal customs" processing to shipments from countries that did not accept the establishment of ETOEs in its national territory. The delegate from France properly objected that while China was free to restrict competition in its national territory, the UPU was composed of countries with different views and should not be enforcing China's anti-competitive approach to international postal services. The U.S. delegate objected only to China's additional request for a UPU study on protecting "market order."

mailers to use postal services, rather than those of private operators, and a significant competitive advantage for postal operators.[4]

Security procedures have become a critical – and for private carriers, expensive — addition to customs procedures. Security measures require airlines to transmit to security authorities in the destination country electronic data giving specific information on each shipment to be boarded on a plane *before* the plane takes off from the origin airport. International airlines must have the ability to locate and unload any shipment that is subject to a "do not load" order from the destination country. For private carriers like FedEx, developing the data systems and operational procedures necessary to comply with security requirements has been a challenging and costly task. Post offices, however, provide virtually no advance electronic information to security authorities. Although the International Civil Aviation Organization (ICAO), the International Air Transport Association (IATA), and national governments have been pressing the UPU to develop the necessary systems, the UPU is holding out for special "postal security" procedures that would parallel the simplicity of existing "postal customs" privileges.

The second area of concern is the right of post offices to have international postal shipments delivered by the post office in the destination country at exclusive rates that the post offices set jointly at the UPU. These rates are below equivalent domestic postage and, in many cases, apparently below the destination post office's actual costs. When USPS sends an e-commerce package to an industrialized country for delivery, it does not pay an amount equal to costs of the downstream portion of normal domestic postage rates. Instead, it pays rates that are fixed by the postal operators in the UPU called "terminal dues" (for documents and parcels up to 2 kg or 4.4 lbs) or "inward land rates" (for parcels up to 20 kg or 44 lbs). Terminal dues, in particular, are substantially less than what a domestic mailer in an industrialized country would pay for similar delivery services. If, for example, USPS were to contract with the Danish post office in the same way as a large domestic mailer, the Danish post office would charge USPS a delivery rate that reflects a "worksharing" (or "downstream access") discount from domestic retail rates due to the fact that USPS done part of the work. The UPU estimates that the local delivery services covered by terminal dues should be aligned to 70 percent of first class domestic postage rates for similar items (i.e., an implicit "worksharing" discount of 30 percent).[5] At the same time, the UPU has adopted an upper limit or "cap" on terminal dues charged by post offices in industrialized countries. It is the cap, not the domestic postage benchmark, that determines almost all terminal dues payments. The bottom line is that the terminal dues rates fixed for services between industrialized countries are, on average, only about half of what the UPU itself

[4] On March 26, 2015, the USPS Office of Inspector General held a forum on the "Challenges and Opportunities in Global e-Commerce." One presentation was by a mailing services company whose customers accounted for 20 percent of USPS outbound parcels. His presentation emphasized that one reason for using USPS to export packages was the "low tax assessment rate." In answer to a question, he clarified that this phrase referred to the general failure of customs authorities to collect duty on international postal shipments.

[5] In the U.S., worksharing discounts also allow for long distance transportation costs which USPS saves on shipments that a mailer tenders at the destination sorting facility. In the UPU, terminal dues cover only local delivery costs. Long distance transportation in the destination country is compensated by other charges. So, properly speaking, the difference between domestic postage and terminal dues may be equated to a worksharing discount that excludes the costs of long distance transportation.

estimates is the proper reimbursement based on equivalent domestic postage. There is only one qualification to get this heavily discounted rate: you must be a national postal operator.[6]

Since the domestic postage rates of post offices in industrialized countries are normally required by law to be cost-based, the UPU terminal dues system is creating a situation in which post offices in industrialized countries are charging each other delivery rates that are well below full cost (i.e., marginal costs plus a reasonable share of overhead and profit). In essence, they are all giving each other large nominal discounts and then are using the resulting accounting entries, that fail to accurately reflect true costs, to justify artificially low rates to customers.[7]

Why does this practice continue? In the case of Denmark, USPS has defended this practice by saying that "tying the rates to domestic mail rates, would result in a considerable increase in the cost of delivery of letter post mail abroad." USPS noted that if it had to pay the same as Danish mailers for delivery services in Denmark it would have to raise rates for its bulk international commercial mail services (International Surface Air Lift and International Priority Airmail) to Denmark by "nearly 150 percent increase."[8] USPS is thus admitting that it is using the artificially low terminal dues rates as the basis for extraordinarily low rates for these offerings, which are classified as "competitive" under U.S. law. But what does this mean in competitive terms? FedEx would have to pay the Danish post office the same higher rate as a similar Danish mailer if it conveyed U.S. e-commerce products to Denmark for local delivery by the post office, a rate which USPS and other post offices do not pay because of the UPU system.

The financial sleight of hand promoted by terminal dues is not without cost to American consumers. Even though the Danish post office undercharges USPS for the delivery of inbound international mail, the actual costs of producing the end-to-end international postal service are unaffected. The Danish post office pays its letter carriers the same for delivering American mail as it does for delivering Danish mail. The costs of delivery vehicles, gasoline, sorting facilities, etc., are all the same regardless of the origin of the mail. So who makes up for the revenue lost due to "terminal dues discounts"? USPS and the Danish post office are trading discounted services. The Danish post office undercharges USPS for the delivery of mail from the U.S., but the USPS also undercharges the Danish post office for delivering inbound international mail received from Denmark. The money that USPS loses on inbound mail is "buying" discounted

[6] It should be noted that post offices may agree between themselves on alternative terminal dues arrangements. USPS apparently has bilateral terminal dues agreements with eight post offices: Australia, Canada, China, Hong Kong, Netherlands, Singapore, South Korea, and Vietnam. USPS, Annual Report 2014 at 66. Since the content of these agreements is confidential, it is impossible to know whether they ameliorate or exacerbate the distortions and anticompetitive effects of the UPU terminal dues system. In any case, these alternative arrangements are negotiated against the backdrop of the UPU system as the default rates; so the influence of the UPU terminal dues system may be muted, but it is not eliminated. Moreover, the possibility of "side deals" does not affect the main point in my statement. The UPU terminal dues agreement needs to be evaluated on its own merits since that is the agreement that will be on the table in Istanbul.

[7] See James I. Campbell Jr, "A Revised Estimate of the Distortive Effects of UPU Terminal Dues, 2014–2017," presented at the Center for Research in Regulated Industries, 23rd Conference on Postal and Delivery Economics, June 3–6, 2015, Vouliagameni Athens, Greece. Figures are preliminary and should be taken as approximate estimates only, but they serve to indicate the magnitude of the undercharges and subsidies implied by the UPU terminal dues system.

[8] US Postal Service, PRC Docket PI2012-1, Comments (Aug 27, 2012).

delivery for the outbound mail. What USPS loses in delivering the inbound Danish mail is the difference between what it earns in terminal dues and what it would have earned by charging the Danes the equivalent of domestic postage. USPS must make up for this lost revenue by charging higher rates to other customers. Since most inbound international mail is market dominant first class mail — and since USPS is virtually compelled by current circumstances to raise rates for market dominant products to the maximum extent allowed by the price cap — revenue that is lost due to undercharging inbound market dominant mail translates into higher rates for other customers of market dominant products, either domestic or international or both. Since most outbound products of USPS are competitive products, USPS is, in effect, charging higher rates to market dominant mailers in order to subsidize lower rates for international competitive products.[9]

In short, the UPU terminal dues and inward land rate systems are price-fixing agreements which limit price competition from private operators by a practice of systematic undercharging that leads to artificially low international postage rates, at least for commercial products. In a highly competitive market, the UPU Convention gives one American operator, USPS, far cheaper access to the postal infrastructure in a foreign country than other American operators while allowing all postal operators to act in concert on pricing. The outcome is similar that which would result from the U.S. negotiating aviation agreements that give highly discounted landing fees at every major airport in the world to one U.S. airline to the competitive disadvantage of the other U.S. airlines. Moreover, these price-setting provisions are backed up by other measures that restrict bypass of the system by taking mail from one country and giving to a post office from another country.[10] These measures effectively allocate to each national post office the postal shipments originating in its national territory. As the "show-cause" orders of the Department of Transportation against the International Air Transportation Association in recent years make crystal clear, such price-fixing and market allocation techniques are flatly contrary to requirements and objectives of U.S. antitrust laws.[11]

The injurious effect of terminal dues is even worse for American carriers and retailers trying to compete with "e-tailers" from Asia. Many Asian post offices are vigorously promoting the dispatch of e-commerce shipments by post, especially the post offices of China, Hong Kong,

[9] In the case of the exchange of mail between the U.S. and Denmark, the undercharging of inbound mail from Denmark by USPS is insufficient to compensate the Danish post for all of the revenue it loses in delivering mail received from the U.S. at terminal dues rates. USPS sends more mail to the Danish post office than the Danish post office sends to the USPS. Moreover, due to low mail volumes, the unit costs of the Danish post office are higher than for USPS, so the relative uniformity of UPU terminal dues rates means that the Danish post office loses more than USPS by delivering inbound international mail at terminal dues rates fixed by the terminal dues cap. For both reasons, the Danish post office is a net loser in its exchange of mail with USPS, and its mailers must make up this net loss by paying higher postage rates, either domestic or international. The bottom line: Danish mailers are unwittingly subsidizing American mailers.

[10] Various measures of the UPU are directed against competition *between post offices* by means of remail and extra-territorial offices of exchange. "Remail" is international mail which is conveyed, either physically or electronically, from the country where the sender resides to a second country where it is posted, usually for ultimate delivery in a third country. An "extra-territorial offices of exchange" (or ETOE) is an office which a post office establishes outside of its national territory. Under the acts of the UPU, post offices may treat remail and mail received from ETOEs in a less favorable manner than ordinary international mail, thus undercutting potential international competition among post offices.

[11] See, e.g., U.S. Department of Transportation, Order 2007-3-27 (Mar. 30, 2007).

and Singapore. Under the UPU system that establishes special lower rates for "developing countries," USPS gives these post offices a discount of as much as 70 percent compared to what a comparable American mailer would pay. In 2012, USPS delivered 29 million "e-packets" from China for a terminal dues compensation of $25 million. This was $29 million less than USPS's attributable costs and perhaps $50 million less than what USPS would charge a similar American mailer.[12] Overall, a recent analysis has estimated that, under the terms of the current UPU terminal dues agreement, the major industrialized countries in the UPU are charging the three main e-commerce countries (China, Hong Kong, and Singapore) almost 80 percent less for the delivery of small packets (parcels up to 4.4 lbs) than they would charge their own citizens. This same analysis estimates that, over the four year course of the current terminal dues system, these three leading e-commerce countries will benefit from undercharges of as much as $2 billion, a figure that could reach as much as $3 billion or more if Asian e-commerce continue to grow in line with current trends.[13]

Terminal dues rates for postal delivery in U.S. and other industrialized countries are so low that Chinese merchants routinely provide "free shipping" for e-commerce goods ordered by Americans.[14] U.S. carriers in China cannot compete for China-U.S. shipments if China Post can get almost-free delivery services from USPS. Moreover, American on-line retailers selling to U.S. customers find it difficult to compete with Chinese merchants because their delivery costs in the United States are being subsidized under the UPU system.[15] As the *Washington Post* has put it, "The Postal Service is losing millions a year to help you buy cheap stuff from China." [16]

For Chinese e-commerce retailers the benefits of subsidized international postal delivery are obvious. E-commerce shipments from China to the United States increased by 182 percent from 2011 to 2012.[17] Several European post offices have indicated privately that they, too, are experiencing increases in e-commerce shipments from China of 100 percent or more per year. Last year Alibaba bought 10 percent of Singapore Post, a regional operator that is gathering and dispatching e-commerce shipments from all over Asia, not only Singapore. In effect, due to the UPU Convention, USPS is subsidizing Alibaba to help it compete with Amazon.

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[12] USPS, Office of Inspector General, "Inbound China ePacket Costing Methodology: Audit Report" (Feb 25, 2014).

[13] See the paper by James I. Campbell Jr., cited in footnote 6. Again, it should be noted that these figures are preliminary. Nonetheless, they appear to indicate the magnitude of the subsidies involved. As noted in the final section of this statement, I suggest that the Postal Regulatory Commission should develop its own estimates of the economic effect of terminal dues on the global delivery services market.

[14] In a study for the Postal Regulatory Commission on the distortions flowing from UPU terminal dues, Copenhagen Economics demonstrated the effect of terminal dues rates on the prices of ordering e-commerce goods from China. Shipments weighing just over 2 kg qualified for free shipping from China to the U.S., while shipments weighing more than 2 kg were assessed shipping charges of $41 to $78. See *The Economics of Terminal Dues: Final Report* (Sep 2014) at 46.

[15] See, Washington Post, "The Postal Service is losing millions a year to help you buy cheap stuff from China," September 12, 2014 (online edition); Fortune, "The United Nations is helping subsidize Chinese shipping. Here's How," March 11, 2015 (online edition).

[16] Postal losses incurred in delivering e-commerce imports from China have become a major concern in Europe as well as the U.S. On February 9, 2015, the front page headline in Norway's leading business newspaper was "It's Cheaper to Get a Packet from China than from Norway."

[17] USPS, Office of Inspector General, "Inbound China ePacket Costing Methodology: Audit Report" (Feb 25, 2014).

FedEx's third area of concern involves the inherent unfairness and potential for abuse that flow from vesting legislative authority in a committee of postal officials, the Postal Operations Council. The Postal Operations Council is a standing committee of the UPU composed of officials from 40 post offices. It is dominated by large, highly commercialized post offices, most of whom are corporatized and some of which are privatized.

The acts of the UPU authorize the Postal Operations Council to adopt regulations that are legally binding on the governments of member countries, in essence authorizing post offices to regulate themselves. These regulations are mostly operational in nature; they define, for example, common transportation documentation. While there can be no objection to such operational rules, there is no reason why they should be legally binding on the U.S. government, especially if it means that there is not adequate information for normal U.S. regulatory actions. More significantly, some Postal Operations Council regulations are governmental in nature and directly affect competition between post offices and private companies. For example, most of the customs privileges described above of the post offices derive from regulations, not from the UPU Convention itself.

A committee of the Postal Operations Council is currently developing new regulations relating to security measures for postal shipments. The committee has proposed regulations to define what security controls governments may place on postal shipments. The committee explained its proposals for UPU regulations that will shape national legislation as follows:

> These proposals present the regulatory framework that (customs law) legislators . . . should use as a reference whenever a decision has been made by national or supra-national authorities to introduce mandatory EAD [Electronic Advance Data] for imports or exports, and UPU mail items are made subject to this obligation. . . . [T]he proposals actually are addressed to legislators, not to [post offices] themselves. The purpose is introduce an harmonized, global approach (to avoid different solutions in different countries or regions), in accordance with the UPU 'single postal territory' principle.[18]

In particular, the proposed regulation would state that "Export parcel-post items weighing 500 grammes or more, and for which a UPU customs declaration is required, may be subject to specific import security-based requirements for providing electronic advance data." This regulation thus exempts from normal security controls all shipments which weigh less than 500 grams (1.1 lb) solely because the mailer uses the post office rather than a private company.

The legislative power of the Postal Operations Council is not limited to adopting regulations. Between Congresses, the Postal Operations Council develops most of the key proposed revisions to the UPU Convention that are ultimately adopted by the next UPU Congress. Members of the Postal Operations Council also participate in working parties of the Council of Administration, the other major standing committee of the UPU. The Council of

[18] UPU, POC C1 Customs Group, "Advance Electronic Information Regulatory Framework" (Apr. 24, 2015), an explanatory slide presentation. The text of the proposal is set out in POC C 1 CG 2015.1-Doc 7a, Annex 1 (mar. 19, 2015).

Administration is supposed to be composed of governmental representatives from 41 countries. In practice, governments are often represented by postal officials who are in Bern for the more extensive meetings of the Postal Operations Council.

Within the Postal Operations Council, the development of regulations and amendments to the UPU Convention is undertaken in "project groups" and "ad hoc committees." It is in these meetings that the critical negotiations take place. In the last year, the Postal Operations Council has implemented procedural rules that close these meetings to observers from the express industry and other interested parties. Without access to such meetings, it is difficult to ascertain which countries are advocating distortive or anti-competitive measures in areas such as customs, security, or terminal dues and impossible to present contrary views.[19]

The idea that a committee of commercially interested foreign postal officials should wield rulemaking authority over the U.S. government (and governments of other UPU countries) in respect to rules affecting competitive international delivery services seems antithetical to U.S. legal sensibilities. In the United States, it would probably violate the Due Process Clause for Congress to grant a group of private companies the authority to adopt regulations that create special legal privileges for themselves.[20] U.S. acquiescence in the legislative authority of the POC is inconsistent with the same principles of administrative fair play.

U.S. LAW AND TRADE POLICIES PROHIBIT U.S. PARTICIPATION IN A UPU CONVENTION THAT IS COMPETITIVELY UNJUST OR UNREASONABLE

In the 2006 Postal Accountability and Enhancement Act (PAEA) Congress adopted, for the first time, a national policy with respect to international delivery services. That policy is set out in section 407(a) of Title 39, United States Code. It is important to note that section 407(a) is not addressed to international postal services alone. It is a national policy with respect to "international postal services and other international delivery services." This market-based, not postal-based, orientation is followed consistently throughout section 407. The PAEA treats international postal and delivery services as a single sector. A 2010 study by the UPU underscores the soundness of this decision to promote all U.S. delivery services, since the U.S. has many of the market leaders in the sector.[21]

The policy statement of section 407(a) encompasses three mutually supportive objectives. Paragraph (1) requires the U.S. government "to promote and encourage communications between peoples by efficient operation of international postal services and other international delivery

[19] The United States has objected to closure of project group and ad hoc group meetings of the Postal Operations Council to observers.

[20] See, e.g., Gibson v. Berryhill, 411 U.S. 564 (1973); Ward v. Village of Monroeville, 409 U.S. 57 (1972).

[21] The UPU study found that about 72 percent of the international cross-border market for documents and small parcels is provided by five operators (Deutsche Post/DHL, FedEx, TNT, UPS, and USPS). Three of these are American and a fourth, DHL, is American in origin. Note that only one is a traditional government-owned postal operator USPS, and it has the smallest market share (7 percent). Adrenale Corporation, *Market Research on International Letters and Lightweight Parcels and Express Mail Service Items* (2010).

services for cultural, social, and economic purposes." In other words, the government is responsible for promoting a system of global delivery services that is *efficient*, not primarily political, and dedicated to the goal of facilitating *communications between peoples*, not to protecting a specific class of service providers.

In consistent fashion, paragraph (2) of section 407(a) requires the U.S. government "to promote and encourage unrestricted and undistorted competition in the provision of international postal services and other international delivery services." "Unrestricted and undistorted competition" is, in general, the efficient solution to the provision of commercial services. Paragraph (2) requires the government to promote and encourage competition among post operators as well as competition between the set of postal operators and the set of other delivery service providers.

Paragraph (3) of section 407(a) requires the U.S. government "to promote and encourage a clear distinction between governmental and operational responsibilities." This policy refers to both intergovernmental organizations and to the U.S. government itself. To this end, the State Department's consultation duties under section 407(b)(2) are spelled out carefully and clearly. The State Department is required to "*coordinate with other agencies*" such as the Postal Regulatory Commission (PRC), the Department of Commerce, the Department of Transportation, and the Office of the United States Trade Representative and to "*maintain continuing liaison with other executive branch agencies.*" These are the agencies responsible for establishing and implementing U.S. public policy. In contrast, the State Department is separately required to "*maintain appropriate liaison with both representatives of USPS and representatives of users and private providers of international postal services and other international delivery services* to keep informed of their interests and problems." These are to be the beneficiaries of public policy and the subject of governmental regulation.

Paragraph (4) makes explicit the application of these pro-competitive policies to U.S. participation in the UPU.

To carry out the national policy defined by subsection (a), section 407 (b) delegates to the Secretary of State primary responsibility for negotiating and concluding intergovernmental postal agreements. This delegation of authority is not unlimited, however. Subsection (b)(1) states that the Secretary of State "*may not conclude* any treaty, convention, or other international agreement (including those regulating international postal services) *if such treaty, convention, or agreement would, with respect to any competitive product, grant an undue or unreasonable preference to USPS, a private provider of international postal or delivery services, or any other person.*" So if, despite the best efforts of the State Department, a UPU agreement grants an undue or unreasonable preference to USPS, to other post offices, or to private carriers, the U.S. must take a reservation to that provision in order to participate in the agreement.

The limitation on the negotiating authority of the State Department is elaborated in two other provisions of section 407. The first is paragraph 407(e)(2), which relates to regulatory parity. It requires that U.S. laws should be applied "*in the same manner*" to all competitive products, whether postal and nonpostal: "the Customs Service [now CBP] and other appropriate Federal agencies shall apply the customs laws of the United States and all other laws relating to the importation or exportation of [competitive products of USPS] in the same manner to both shipments by USPS and similar shipments by private companies." Note that this injunction applies to *all* federal agencies and *all* laws relating to import and export. Moreover, the statute also requires the State Department to work with other governments, in and out of the UPU, to obtain "nondiscriminatory customs procedures that will fully meet the needs of all types of American shippers."

A second important limitation on the negotiating authority of the State Department is established by the requirement in paragraph 407(c) that the U.S. may not conclude a UPU Convention which establishes rates and classifications for market dominant products until the Department has obtained the "views" of the PRC with respect to whether such rates and classifications are consistent with the regulatory standards for rates and classifications of market dominant products generally. Once the State Department receives the views of the PRC, it must "*ensure*" that the new Convention is "consistent with the views submitted by the Commission" or, alternatively, overrule the views of the PRC but only if "the [State Department]Secretary determines, in writing, that it is not in the foreign policy or national security interest of the United States to ensure consistency with the Commission's views."

Two other pertinent provisions in U.S. law should be noted. First, the international postal policies enacted by PAEA should be read in the larger context of national policies towards international trade in services. The International Trade and Investment Act of 1984 directs the government to pursue trade negotiations "to reduce or to eliminate barriers to, or other distortions of, international trade in services." In 1998, following an investigation by the General Accounting Office, Congress amended the act by adding "postal and delivery services" to the list of services explicitly included in the trade in services program.[22]

Second, the PAEA applied the antitrust laws to activities of USPS outside the scope of the postal monopoly law (but omitted penalties against individual officers and employees). 39 USC §409(e)(2). Under the PAEA, the antitrust laws apply not only to international competitive products but also to all international market dominant products not within the U.S. postal monopoly. Moreover, the antitrust laws apply not only to USPS itself but also, unusually, to any "other Federal agency acting on behalf of or in concert with USPS." Thus, the State Department, USPS, and the PRC are all obliged to consider the aims and requirements of U.S. antitrust law in reviewing proposed rate agreements that would, if agreed by private parties, raise concerns under antitrust law.

All in the all, U.S. law provides a clear and specific mandate for the State Department — in cooperation with the Departments of Homeland Security, Commerce, and Justice, the Office of the United States Trade Representative, and the PRC — to secure at the UPU a progressive, procompetitive, commercially impartial legal framework for "international postal services and other international delivery services." In developing the U.S. position, the Department of State should maintain "appropriate liaison" with all interested parties, including USPS, private carriers, and users of international postal services and other international delivery services while maintaining a clear distinction between governmental and operational responsibilities.

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[22] See 19 USC §§ 2114a - 2114c. The GAO study was "U.S. Postal Service: Postal and Telecommunications Sector Representation in International Organizations" (Oct. 1998).

Proposals for the U.S. position at the 2016 Istanbul Congress

The PAEA further required the State Department to establish an advisory committee on international postal policy. This committee is called the Advisory Committee on International Postal and Delivery Services ("IPODS Committee"). FedEx and UPS have participated in the IPODS Committee from its inception, but little was accomplished in its early days. The first meeting of this committee was not convened until March 2008, too late to have any practical input for the UPU Congress held in Geneva in September 2008. Nor was any significant input sought from the IPODS Committee in preparation of the U.S. position at the 2012 Doha Congress.

FedEx was encouraged, therefore, when the State Department invited the IPODS Committee members to provide specific proposals for the U.S. position more than two years before the start of the 2016 Istanbul Congress. In September 2014, FedEx and UPS jointly presented eight proposals to the IPODS Committee and urged the IPODS Committee to recommend them to the State Department for inclusion in the U.S. position at the UPU. The eight proposals addressed the three areas of concern outlined above.

With respect to the discriminatory customs and security controls sanctioned by the current Universal Postal Convention, we offered two proposals. The first proposal was for the adoption of non-discriminatory custom clearance and other import/export controls for similar shipments conveyed between the 24 most industrialized countries,[23] where similarity is based on objective criteria relevant to enforcement of such laws. Non-discriminatory application of customs laws would include elimination the post offices' immunity from liability under customs laws. This provision would affect only 17 countries of the countries subject to the laws of the European Union (which is moving toward non-discriminatory application of customs law in any case), Switzerland, Israel, Canada, Japan, Australia, and New Zealand (as well as the United States). A second prong of this proposal would address the unjustified customs preferences given massive shipments of e-commerce packages from certain "developing countries." Member countries would be authorized to apply non-discriminatory customs treatment to countries generating very large shipments of commercial packages. This provision would likely apply immediately only to China, Hong Kong, and Singapore, and later, perhaps, to a handful of other countries. For the shipments of post offices based in the other 150 or so UPU member countries — including for shipments to or from the industrialized countries — the Postal Operations

[23] The original proposal of FedEx and UPS uses the term "industrialized countries" and authorizes that the UPU's Council of Administration to define the term. Currently, the UPU defines the term "industrialized country" to refer to 38 countries or territories. See 1999 Beijing Congress, Res. C 32/1999. This group is, in term, essentially identical to the 40 countries and territories classified by the UPU as "Group 1.1" for terminal dues purposes. Group 1.1 includes 24 major countries. Seventeen are members or the European Union or European Economic Area (and subject to EU law): Austria, Belgium, Denmark, Finland, France, Germany, Great Britain (United Kingdom), Greece , Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, and Sweden. The other seven are Australia, Canada, Israel, Japan, New Zealand, Switzerland, and United States. The remaining 16 countries and territories are very small: Falkland Islands, Faroe Islands, Guernsey, Gibraltar, Greenland, Isle of Man, Jersey, Liechtenstein, Monaco, New Caledonia, Norfolk Island, French Polynesia, Pitcairn Islands, San Marino, Vatican, and Wallis and Futuna Islands. For simplicity, the term "industrialized countries" in this statement can be equated to the 24 major countries in the UPU's Group 1.1.

Council could continue to prescribe the customs procedures for postal shipments, subject to approval of the Council of Administration. Our second customs-related proposal aimed at closing this gap over time, with a requirement for the relevant UPU committees to work with the World Customs Organization to develop non-discriminatory customs procedures for all postal packages after an appropriate transition period.

Our second set of proposals dealt with discriminatory terminal dues and other delivery charges for inbound international mail that are available only to post offices. We offered three proposals. The first proposal would amend the UPU Convention to require the 24 most industrialized countries (Group 1.1 countries unless otherwise defined by the Council of Administration) to ensure that their post offices provide all parties, postal or private, access to their domestic postal networks on the same terms as provided to national mailers. This requirement would apply only to postal shipments exchanged between industrialized countries. For example, USPS and FedEx would have the same access to postal delivery rates in France and the terms of access would be defined by French law and enforced by the French postal regulator. The French post office could negotiate individual commercial deals with USPS and FedEx to the extent permitted by French postal and competition laws. In general, our proposal would make no change in preferential terminal dues rates provided to the 150+ post offices of developing countries between 2018 and 2022. However, a second terminal dues proposal would limit abuses of this system of preferential terminal dues for developing countries. The second proposal would allow an industrialized country to decline to provide preferential rates to developing countries shipping (1) large quantities of commercial packages and (2) volumes of letter post items that are excessive by historic standards (to prevent mailers in industrialized countries from sending international mail via a developing country post office). Our third terminal dues proposal was a resolution which would require UPU committees to develop a plan to implement a non-discriminatory access rate regime worldwide after 2022 while, at the same time, establishing a more efficient assistance program to ensure that citizens in truly needing developing countries could continue to send individual letter post items to industrialized countries at affordable rates.

The third set of proposals addressed institutional issues of UPU. We offered three proposals. The first proposal would amend the UPU Convention to provide that the Postal Operations Council acting alone could not adopt regulations overriding national laws unless such authority was explicitly granted by the UPU Convention. This proposal would also require that a regulation properly implementing the Convention and binding on governments must be approved by the Council of Administration. The second proposal would allow member countries to opt out of specific provisions of the UPU Convention. The UPU has strictly limited the right of member countries to file "reservations" to provisions of the Convention. Essentially a country cannot take a reservation unless the UPU Congress approves. Our second proposal would amend the UPU Convention to adopt the more flexible rules of the International Telecommunication Union. Such flexibility in the matter of reservations appears necessary to reconcile some provisions of the UPU Convention with U.S. law. Our third proposal was a resolution which, if adopted by the UPU Istanbul Congress, would create a special high-level governmental committee to develop a plan for separation of the governmental and operational functions of the UPU. This plan would be presented to the 2020 UPU Congress for implementation after 2022.

The limited nature of these proposals should be emphasized. None of these proposals would take effect until January 1, 2018. The proposals would primarily affect two groups of countries: (1) the 24 most industrialized countries (i.e., Group 1.1 countries unless otherwise defined by the Council of Administration) and their highly commercialized (and in some cases privatized) post offices and (2) three developing countries (China, Hong Kong, Singapore) whose post offices are distributing very large quantities of e-commerce packages by means of an international postal system that was designed to give preferential treatment to postal shipments to promote "the noble aims of international collaboration in the cultural, social and economic fields,"[24] not to distort competition and enrich foreign merchants at the expense of domestic merchants. The developing countries which constitute more than three-quarters of UPU member countries would be unaffected before 2022 (the effective date of the Convention adopted in the 2020 UPU Congress). For the period after 2018, our proposals only call for studies of obviously needed reforms. Since it is too much to expect UPU post offices to endorse reforms that would limit their legal privileges, we urged the Administration to deal directly with the ministries of governments of industrialized countries that deal with UPU and trade in services issues.

In our view, all of these proposals implement principles which are mandated by the U.S. postal, trade, and antitrust laws outlined above. We have urged the U.S. government to develop formal legal analyses of these principles in order to clarify the current legal framework for the U.S. position at the next UPU Congress. In particular, we believe that price-fixing and market allocation measures of the UPU should be examined by the Department of Justice in light of the principles and requirements of U.S. antitrust laws.

So far the State Department has taken up one of our proposals, the proposal dealing with non-discriminatory customs treatment. The State Department revised this proposal so that it applies to all countries in the world not just to the industrialized and major e-commerce countries. While such equal treatment might seem most fair, we believe it could become a poison pill dooming its passage at the Istanbul Congress. Covering the industrialized countries and major e-commerce countries initially would constitute a significant leap forward, since the vast majority of mail is generated by these commercialized post offices. Additionally, in the State Department's review of our proposal, language was added which we believe gives countries substantial discretion to continue discriminatory customs and security procedures for postal shipments. We are concerned that these broadly drawn exceptions may render the proposal unenforceable in the unlikely event that it is adopted by the Istanbul Congress.

PROPOSED NEXT STEPS

In our view, the broad objectives of the U.S. government for the Istanbul Congress should be apparent. As Congress found in section 407 of the PAEA, it is in the best interests of the United States to seek a global legal framework that promotes "unrestricted and undistorted competition in the provision of international postal services and other international delivery services." As the history of the U.S. domestic delivery services sector shows clearly, competition will lead to an efficient and innovative logistics infrastructure that will, in turn, lift the efficiency of the global economy as a whole. Today, it is impossible to imagine the modern American economy without the services of a whole range of private express and specialized delivery services working in collaboration with, as well as in competition against, USPS. At the

[24] UPU, 2012 Constitution, Preamble.

international level, the network of global American companies, particularly those in services and high-technology manufacturing, are highly dependent on efficient global supply chains that are provided in large part by the international delivery services sector. The United States is also the innovator and leading producer of e-commerce services, a vast future market for international trade that has only begun to take off in the last five years. And last, but certainly not least, the United States is the leading producer of international delivery services. The U.S. thus has the most to gain by fostering a liberal environment for the future development of international delivery services

The realities of the rapidly evolving global delivery services market have already been incorporated into U.S. trade policy. Not only has the United States been a leading advocate for free trade in services at the World Trade Organization, but it has also included annexes for "express delivery services" in several bilateral free trade agreements. In 2006, the U.S. joined with the European Union in urging other nations to commit themselves to "full market access and national treatment for delivery services in the area of Postal and Courier Services, including Express Delivery."[25] The Office of the U.S. Trade Representative is today actively engaged in trade negotiations aimed at liberalizing trade in competitive delivery services generally.

How can U.S. participation in the Istanbul Congress advance this national agenda? Unfortunately, in the eight and half months since FedEx and UPS presented their proposals to the IPODS Committee in September 2014, action has been taken on only one of our proposals for reform at the UPU. There are now only fourteen months left before the Istanbul Congress convenes. Several problems in the U.S. policy making process are apparent. First, the State Department has not been able to devote sufficient resources to UPU issues. Current law requires the State Department to rely on funding by the USPS for its work at the UPU. This not only limits resources available to the State Department but also creates at least an appearance of conflict of interest.[26] Second, deliberations within the U.S. government have been complicated by treating USPS as a policymaker, rather than an interested party. This is clearly unfair to other interested parties and contrary to the intent of Congress. Third, the State Department has so far approached the UPU as a series of diplomatic concerns, rather than one involving economic and trade issues. There is, for example, no involvement from State Department's Bureau of Economic and Business Affairs, the office chiefly responsible for international economic policy issues. The State Department has relied solely on the Bureau of International Organization Affairs, whose mission is to serve as the primary interlocutor with the United Nations and other international agencies and organizations. As a result of these interrelated short-comings, the U.S. lacks solid economic or legal analyses on which to base its policies at the Istanbul Congress and insufficient intergovernmental (as opposed to UPU-based) contacts to rally for support for a U.S. position.

To prepare for the Istanbul Congress, the U.S. government needs to significantly raise the level of its game. We believe that there should be a special temporary task force formed in advance of the Istanbul Congress. The task force should be led by the State Department and

[25] Office of the U.S. Trade Representative, "Collective Request for Postal and Courier Services, including Express Delivery" (March 2006).

[26] See section 633(d) of the Treasury and General Government Appropriations Act, 1999, enacted by section 101(h) of Public Law 105-277, 112 Stat 2681, 2681-534. This appropriations rider should be repealed.

should include expertise from all appropriate bureaus within the State Department. The task force should also include full-fledged participation by the Office of the U.S. Trade Representative and the Office of Service Industries in the Department of Commerce, both of whom have deep knowledge of the role of postal services and other delivery services in international trade. The task force should have the authority and resources to require the assistance of other federal agencies, including, in particular, the Department of Homeland Security (for input from CBP) and the Department of Justice. The goals of the task force are already adequately defined by existing legislation, but the work of the task force should be conducted as transparently as possible to allow input from all interested parties. USPS, in particular, should be given every opportunity to make its case as an interested party, but it should not also participate as a member of the inter-governmental task force itself for these policy issues. While operational issues arising in the Istanbul Congress should be left to USPS, policy representations of the United States at the Istanbul Congress should be committed to a U.S. delegation that includes representatives from all interested parties (or categories of interested parties) or from none of them.

To succeed, it is crucial that the proposed task force concentrate its efforts on the relatively few governmental issues at stake in Istanbul that affect the general welfare of the United States. What matters most from a U.S. perspective? In our view, it is providing for "unrestricted and undistorted" trade in e-commerce and other commercial package services. The U.S. is the world's leading producer of international package delivery services and e-commerce retailing. Internationally, as well as domestically, American companies depend on an efficient and innovative infrastructure for the exchange of all sorts of samples, parts, just-in-time inventory, and other commercial shipments. Posts have every right to compete in this market on an equal basis with private carriers, but the UPU should not be permitted to restrict or distort this traditionally free market by extending legal privileges intended to facilitate exclusively the exchange of traditional mail services. Distortions generated by the UPU's thrust into e-commerce are growing, not least because of the explosion of e-commerce trade emanating from innovative and industrious Asian factories. The first goal of the United States should be end such distortions beginning in 2018.

What about those traditional mail services? That is, the global exchange of letters, documents, and individual packages? This remains an important (if declining) function of the world's post offices, and the U.S. has a national interest in preserving this system for the foreseeable future. There is no reason, however, to accept restrictions on the provision of traditional international mail services any more than demonstrably necessary to preserve "the single postal territory." About half of the world's international mail service is now provided by corporatized or privatized post offices who operate in liberalized markets. They are ready to compete with each other in the supply of international postal services and, in many cases, to team up with private carriers where appropriate. The United States should support such competition to the maximum extent, consistent with preserving and promoting "communications between peoples by efficient operation of international postal services and other international delivery services for cultural, social, and economic purposes."

The PRC also has a crucial role to play. The PRC is the only agency that has the expertise to adequately evaluate the economic effects of terminal dues and inward land rates on (1) USPS and (2) the global marketplace. Both evaluations are necessary in order to weigh the effects of proposals for the Istanbul Congress. Last fall, the PRC made a good start in the necessary analysis by retaining an independent consultant to prepare a report on economic distortions created by the UPU terminal dues system. So far this analysis has identified only the qualitative effects of terminal dues. It should be extended to include a quantitative evaluation as soon as possible.

In addition, pursuant to section 407(c) of Title 39, next year the PRC will be required to determine whether the terminal dues rates proposed for international market dominant products for the period 2018 through 2021 are "consistent with the standards and criteria established by the Commission" for domestic market dominant products. The final proposals of the Postal Operations Council on terminal dues will likely be known by early March 2016. In the past, the PRC has failed to evaluate proposed terminal dues with the rigor and transparency that would normally be accorded any assessment of proposed changes in postage rates. Yet the PRC's analysis is a crucial element in the international postal policy of the United States. U.S. insistence on terminal dues rates fully aligned with U.S. domestic postage rates could be sufficient, standing alone, to precipitate similar reforms for at least the exchange of mail among the major industrialized countries, if not ultimately for the UPU as a whole. Hence, the PRC should begin as soon as possible to develop an appropriate procedure for a considered and transparent review of proposed terminal dues rate in spring 2016 which allows for full stakeholder participation.

Thank you for your consideration of the views of FedEx and thank you again for initiating this inquiry in U.S. international postal policies. FedEx will be glad to answer questions and provide the Subcommittee with additional information on the important issues raised by this hearing as requested.

Nancy S. Sparks
Managing Director, Regulatory Affairs
Federal Express Corporation (FedEx Express)

Nancy Sparks joined FedEx in 1984 and has held various positions with the Company in Memphis, Tennessee, Brussels, Belgium and Washington DC. Her undergraduate work was at the University of Pennsylvania and she received her law degree from the University of Virginia. At the present time, she supervises legal support for postal and aviation regulation and other transportation-related regulations within the FedEx legal department as well as international and domestic environment, export controls and economic sanctions and restricted commodities matters. Additionally, she leads on international compliance programs related to the international operations.

She is the recipient of numerous awards and honors, including receiving the Federal Express' Five Star Award, its highest award for employee excellence, four times. She is a member of the board of directors of the International Aviation Club (Washington) and of the Women in Logistics and Delivery Services. She is also the chair of the Industry Affairs Committee of the International Air Transport Association (IATA).

Committee on Oversight and Government Reform
Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)(5)

Name: Nancy S. Sparks

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1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2012. Include the source and amount of each grant or contract.

None.

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2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

I am Managing Director, Regulatory Affairs for Federal Express Corporation, a subsidiary of FedEx Corporation.

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3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2012, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

1. FedEx provides services for many federal agencies under our GSA Multiple Award Schedule and FedEx has had a Multiple Award Schedule in place with the government for over two decades. Agencies have the discretion to purchase our services utilizing this schedule over the past three years via the acceptance of tenders or purchase orders. In addition, the Department of Defense also utilizes many tenders, all of which are tied to the GSA Multiple Award Schedule.

2. FedEx Express, a subsidiary of FedEx Corporation, was awarded Long Range International Air Transportation Services Contracts with the Air Mobility Command of the U.S. Department of the Air Force to make aircraft available to the Civil Reserve Air Fleet during fiscal years 2013, 2014 and 2015.

3. FedEx Corporation subsidiaries act as both customers and suppliers to the U. S. Postal Service. FedEx Express provides transportation services to USPS and has since 2001. FedEx SmartPost is a purchaser of last mile delivery services from USPS.

I certify that the above information is true and correct.
Signature: Nancy S Sparks

Date: 6-15-2015