

GAO Highlights

Highlights of [GAO-18-112](#), a report to congressional committees

Why GAO Did This Study

In 2016, USPS handled over 1 billion pieces of international mail—both inbound (received from other countries) and outbound (sent to other countries). International mail is governed by the UPU, which is comprised of over 190 member countries, including the United States. The UPU establishes remuneration rates, called terminal dues, for certain types of international mail exchanged between member countries. Questions have been raised about how current and future planned rates for terminal dues affect USPS and other stakeholders that are involved in international mail. GAO was asked to review the terminal dues system.

Among other issues, this report examines the financial effects of: (1) the current UPU rates for terminal dues and (2) the planned changes to those rates on USPS and mail stakeholders. GAO analyzed USPS's mail data for fiscal years 2012–2016; USPS's, the Postal Regulatory Commission's (PRC), and UPU's policies and documents; and applicable U.S. statutes. GAO interviewed USPS, PRC, and Department of State officials, and mail stakeholders, including U.S. companies, such as FedEx and UPS, and consultants. These stakeholders were identified through public comments made to PRC on proposals related to terminal dues. While not generalizable, the views provide illustrative examples.

This is a public version of a sensitive but unclassified report issued in August 2017. Information related to USPS's revenues, costs, and volumes for international mail that USPS has deemed proprietary has been omitted from this report.

View [GAO-18-112](#). For more information, contact Lori Rectanus at (202)512-2834 or rectanusl@gao.gov.

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INTERNATIONAL MAIL

Information on Changes and Alternatives to the Terminal Dues System

What GAO Found

The Universal Postal Union (UPU), a specialized agency of the United Nations, created the terminal dues system so that designated postal operators in member countries could compensate designated postal operators in other countries for delivering mail in those countries. GAO found that it is not possible to quantify the financial effects of the terminal dues system on various U.S. mail stakeholders because the data needed to conduct such an analysis are not readily available. However, stakeholders GAO spoke with and literature GAO reviewed described differing impacts of the terminal dues system on U.S. stakeholders. For example,

- Analysis by the United States Postal Service (USPS)—the U.S. designated postal operator—found that the rates for inbound international terminal dues mail does not cover its costs for delivering that mail in the United States. As a result, USPS's net losses on this type of mail more than doubled between 2012 and 2016. In contrast, USPS analysis indicates that the rates for outbound international terminal dues mail has resulted in net positive revenues for USPS, which offset the losses from inbound terminal dues mail.
- U.S. businesses that send outbound terminal dues mail may benefit to the extent that their costs to mail items to certain countries through USPS may be lower than the actual mail delivery costs in those countries.
- U.S. consumers who receive imported products may pay lower mailing costs for products originating from low terminal dues rate countries.
- Express consignment operators such as FedEx and the United Parcel Service said the terminal dues system creates a competitive disadvantage for them. Representatives from these companies said that they have difficulty competing for some international mail business because they cannot offer pricing as low as the postage based on the terminal dues rates offered by designated postal operators.

The UPU adopted increased terminal dues rates for member countries starting in 2018. GAO found that these planned changes could affect U.S. stakeholders differently, but the effects are also difficult to quantify because of limited information and forecasting variability. Nevertheless, stakeholders identified examples of the potential effects that the planned changes could have on them. For example:

- For USPS, an increase in inbound terminal dues rates should reduce related losses for delivering this mail; although USPS's costs may increase from paying higher terminal dues rates to countries where USPS sends most of its outbound terminal dues mail.
- U.S. businesses that send outbound terminal dues mail may have to pay higher postage to USPS to cover the increase in terminal dues rates to send mail to other countries, thus increasing costs to them.
- U.S. consumers who receive lower-priced imported products may experience a reduced benefit because of the higher terminal dues rates for inbound mail.
- The increased rates for inbound terminal dues mail may allow rates offered by express consignment operators to become more competitive as they may be able to offer their mail products at more comparable costs.