



August 7, 2018

The Honorable Steven T. Mnuchin  
Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, DC 20220

Dear Secretary Mnuchin:

We understand that the Task Force on the United States Postal System is engaged in a review of the operations and financing of the USPS including specifically “the expansion and pricing of the package delivery market and the USPS’s role in competitive markets.” As a coalition representing millions of small, medium and large businesses and consumers that rely on affordable package delivery services, we are concerned that this review may become an effort to justify measures that would force the U.S. Postal Service to raise its prices for these services above rates which cover their costs and are market based. We urge the Task Force to instead pursue solutions that preserve an affordable, reliable postal package delivery system as an essential part of America’s infrastructure.

### **The Package Coalition: Delivering America’s Economy**

The Package Coalition is an alliance of companies that are connecting Main Street to the digital economy. Our members represent millions of small, medium and large businesses that have harnessed the power of e-commerce to create jobs and economic growth in communities nationwide, and include some of the country’s best-loved consumer brands. Our members rely on affordable, reliable postal package delivery services to grow their business, create jobs, and exceed customer expectations. In many remote and rural parts of the United States the postal system is the only affordable delivery alternative and serves as an economic lifeline for small businesses and consumers.

The Package Coalition supports fair competition in the package delivery business and recognizes that a growing and profitable package delivery business is necessary to help financially support universal postal services to all Americans. Our mission is to preserve reliable, affordable package delivery services for all American small businesses and consumers. We oppose

legislative or regulatory changes that would force the Postal Service to artificially raise its prices; forcing the Postal Service to raise its prices for package delivery services will harm, not help, Main Street businesses and consumers.

### **Postal Reform that Puts America First**

Like other stakeholders that depend on a strong, well-functioning postal system, we know there are areas where the Postal Service needs to improve. But package pricing is not one of them. As the Task Force considers options for reform, we urge you to preserve the features that have supported the Postal Service's significant contributions to American society and economic growth. These include:

***Reliability:*** The U.S. postal system reaches more addresses than any other delivery channel, in every corner of every state, every day. This is a 'final mile' network that American businesses and consumers can count on, and have for more than 250 years.

***Affordability:*** Where private competitors charge "rural surcharges" in more than 23,000 zip codes, the Postal Service provides affordable universal package delivery services for customers and small businesses wherever they are — including in remote and rural areas. In the era of ecommerce, the Postal Service serves as a crucial and cost-effective link to the digital economy for more than 7,000,000 small businesses.

***Profitability:*** The Postal Service's package delivery services are growing, profitable, and now essential to financially support universal postal services. Far from being subsidized by market dominant mail products, packages are helping to keep the Postal Service in business, keep mail costs low, and establish a foundation for long-term financial stability — all without a taxpayer subsidy. In 2017 package delivery services earned \$20.7 billion — \$7 billion above the costs of providing those services.

***Fairness:*** Congress created statutory guardrails to ensure fair competition in the package delivery business, including a legal requirement for all USPS competitive package products (including negotiated agreements) to cover their own direct costs and an appropriate share of overhead. An independent federal regulator, the Postal Regulatory Commission, is charged with reviewing all prices to ensure this legal requirement is met. Federal courts have consistently upheld the Commission's findings and approach; the U.S. Court of Appeals for the District of Columbia did so most recently in May.

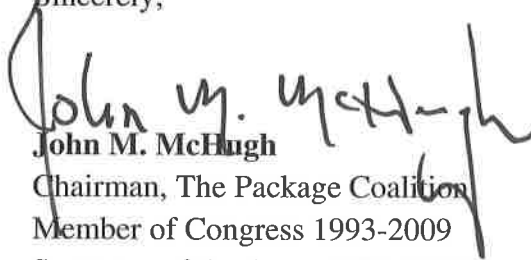
***Pro-Growth:*** The U.S. postal system contributes over \$1.4 trillion to the U.S. economy and generates over 7.5 million jobs. Forcing the Postal Service to raise prices on its competitive package products would benefit large private competitors, but harm shippers and consumers, and ultimately erode the positive contribution that the postal system makes to the American economy.

*America First:* The U.S. postal system is the world's largest and most complex. The role it plays in American society and economic growth is distinctive, particularly in remote and rural areas where the Postal Service serves as an indispensable economic lifeline.

The Task Force can uphold the Postal Service's unique role and contributions by giving it the tools and incentives to improve its business without changing the postal system's character as an essential public service. Preserving an affordable, reliable postal package delivery system is fundamental to this approach. As the members of the Package Coalition work to deliver America's economy, we stand ready to work with you to deliver on this vision of pro-growth, America-First postal reform.

Thank you for your consideration.

Sincerely,



**John M. McHugh**  
Chairman, The Package Coalition  
Member of Congress 1993-2009  
Secretary of the Army 2009-2016