

(Pub. L. 91-375, Aug. 12, 1970, 84 Stat. 724.)

EFFECTIVE DATE

Section effective July 1, 1971, pursuant to Resolution No. 71-9 of the Board of Governors. See section 15(a) of Pub. L. 91-375, set out as a note preceding section 101 of this title.

§ 406. Postal services at Armed Forces installations

(a) The Postal Service may establish branch post offices at camps, posts, bases, or stations of the Armed Forces and at defense or other strategic installations.

(b) The Secretaries of Defense and Transportation shall make arrangements with the Postal Service to perform postal services through personnel designated by them at or through branch post offices established under subsection (a) of this section.

(Pub. L. 91-375, Aug. 12, 1970, 84 Stat. 724.)

EFFECTIVE DATE

Section effective July 1, 1971, pursuant to Resolution No. 71-9 of the Board of Governors. See section 15(a) of Pub. L. 91-375, set out as a note preceding section 101 of this title.

§ 407. International postal arrangements

(a) It is the policy of the United States—

(1) to promote and encourage communications between peoples by efficient operation of international postal services and other international delivery services for cultural, social, and economic purposes;

(2) to promote and encourage unrestricted and undistorted competition in the provision of international postal services and other international delivery services, except where provision of such services by private companies may be prohibited by law of the United States;

(3) to promote and encourage a clear distinction between governmental and operational responsibilities with respect to the provision of international postal services and other international delivery services by the Government of the United States and by intergovernmental organizations of which the United States is a member; and

(4) to participate in multilateral and bilateral agreements with other countries to accomplish these objectives.

(b)(1) The Secretary of State shall be responsible for formulation, coordination, and oversight of foreign policy related to international postal services and other international delivery services and shall have the power to conclude postal treaties, conventions, and amendments related to international postal services and other international delivery services, except that the Secretary 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 the Postal Service, a private provider of international postal or delivery services, or any other person.

(2) In carrying out the responsibilities specified in paragraph (1), the Secretary of State shall exercise primary authority for the conduct of foreign policy with respect to international postal services and international delivery services, including the determination of United States positions and the conduct of United States participation in negotiations with foreign governments and international bodies. In exercising this authority, the Secretary—

(A) shall coordinate with other agencies as appropriate, and in particular, shall give full consideration to the authority vested by law or Executive order in the Postal Regulatory Commission, the Department of Commerce, the Department of Transportation, and the Office of the United States Trade Representative in this area;

(B) shall maintain continuing liaison with other executive branch agencies concerned with postal and delivery services;

(C) shall maintain continuing liaison with the Committee on Homeland Security and Governmental Affairs of the Senate and the Committee on Government Reform of the House of Representatives;

(D) shall maintain appropriate liaison with both representatives of the Postal Service and representatives of users and private providers of international postal services and other international delivery services to keep informed of their interests and problems, and to provide such assistance as may be needed to ensure that matters of concern are promptly considered by the Department of State or (if applicable, and to the extent practicable) other executive branch agencies; and

(E) shall assist in arranging meetings of such public sector advisory groups as may be established to advise the Department of State and other executive branch agencies in connection with international postal services and international delivery services.

(3) The Secretary of State shall establish an advisory committee (within the meaning of the Federal Advisory Committee Act) to perform such functions as the Secretary considers appropriate in connection with carrying out subparagraphs (A) through (D) of paragraph (2).

(c)(1) Before concluding any treaty, convention, or amendment that establishes a rate or classification for a product subject to subchapter I of chapter 36, the Secretary of State shall request the Postal Regulatory Commission to submit its views on whether such rate or classification is consistent with the standards and criteria established by the Commission under section 3622.

(2) The Secretary shall ensure that each treaty, convention, or amendment concluded under subsection (b) is consistent with the views submitted by the Commission pursuant to paragraph (1), except if, or to the extent, the 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. Such written determination shall be provided to the Commission together with a full explanation of the reasons thereof, provided that the Secretary may designate which portions of the determination or

explanation shall be kept confidential for reasons of foreign policy or national security.

(d) Nothing in this section shall be considered to prevent the Postal Service from entering into such commercial or operational contracts related to providing international postal services and other international delivery services as it deems appropriate, except that—

(1) any such contract made with an agency of a foreign government (whether under authority of this subsection or otherwise) shall be solely contractual in nature and may not purport to be international law; and

(2) a copy of each such contract between the Postal Service and an agency of a foreign government shall be transmitted to the Secretary of State and the Postal Regulatory Commission not later than the effective date of such contract.

(e)(1) In this subsection, the term “private company” means a private company substantially owned or controlled by persons who are citizens of the United States.

(2) With respect to shipments of international mail that are competitive products within the meaning of section 3631 that are exported or imported by the Postal Service, the Customs Service 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 such shipments in the same manner to both shipments by the Postal Service and similar shipments by private companies.

(3) In exercising the authority under subsection (b) to conclude new postal treaties and conventions related to international postal services and to renegotiate such treaties and conventions, the Secretary of State shall, to the maximum extent practicable, take such measures as are within the Secretary’s control to encourage the governments of other countries to make available to the Postal Service and private companies a range of nondiscriminatory customs procedures that will fully meet the needs of all types of American shippers. The Secretary of State shall consult with the United States Trade Representative and the Commissioner of Customs in carrying out this paragraph.

(4) The provisions of this subsection shall take effect 6 months after the date of enactment of this subsection or such earlier date as the Bureau of Customs and Border Protection of the Department of Homeland Security may determine in writing.

(Pub. L. 91–375, Aug. 12, 1970, 84 Stat. 724; Pub. L. 105–277, div. A, §101(h) [title VI, §633(a)], Oct. 21, 1998, 112 Stat. 2681–480, 2681–523; Pub. L. 109–435, title IV, §405(a), Dec. 20, 2006, 120 Stat. 3229.)

REFERENCES IN TEXT

The Federal Advisory Committee Act, referred to in subsec. (b)(3), is Pub. L. 92–463, Oct. 6, 1972, 86 Stat. 770, as amended, which is set out in the Appendix to Title 5, Government Organization and Employees.

The date of enactment of this subsection, referred to in subsec. (e)(4), is the date of enactment of Pub. L. 109–435, which was approved Dec. 20, 2006.

AMENDMENTS

2006—Pub. L. 109–435 amended section generally. Prior to amendment, section consisted of subsecs. (a) to (d)

relating to responsibilities of the Secretary of State and the Postal Service for international postal arrangements.

1998—Pub. L. 105–277 substituted “International Postal Arrangements” for “International postal arrangements” in section catchline and amended text generally. Prior to amendment, text read as follows:

“(a) The Postal Service, with the consent of the President, may negotiate and conclude postal treaties or conventions, and may establish the rates of postage or other charges on mail matter conveyed between the United States and other countries. The decisions of the Postal Service construing or interpreting the provisions of any treaty or convention which has been or may be negotiated and concluded shall, if approved by the President, be conclusive upon all officers of the Government of the United States.

“(b) The Postal Service shall transmit a copy of each postal convention concluded with other governments to the Secretary of State, who shall furnish a copy of the same to the Public Printer for publication.”

EFFECTIVE DATE OF 2006 AMENDMENT

Pub. L. 109–435, title IV, §405(b), Dec. 20, 2006, 120 Stat. 3232, provided that: “Notwithstanding any provision of the amendment made by subsection (a) [amending this section], the authority of the United States Postal Service to establish the rates of postage or other charges on mail matter conveyed between the United States and other countries shall remain available to the Postal Service until—

“(1) with respect to market-dominant products, the date as of which the regulations promulgated under section 3622 of title 39, United States Code (as amended by section 201(a)) take effect; and

“(2) with respect to competitive products, the date as of which the regulations promulgated under section 3633 of title 39, United States Code (as amended by section 202) take effect.”

EFFECTIVE DATE

Section effective July 1, 1971, pursuant to Resolution No. 71–9 of the Board of Governors. See section 15(a) of Pub. L. 91–375, set out as a note preceding section 101 of this title.

TRANSFER OF FUNDS TO STATE DEPARTMENT

Pub. L. 105–277, §101(h) [title VI, §633(d)], Oct. 21, 1998, 112 Stat. 2681–480, 2681–524, provided that: “In fiscal year 1999 and each fiscal year hereafter, the Postal Service shall allocate to the Department of State from any funds available to the Postal Service such sums as may be reasonable, documented and auditable for the Department of State to carry out the activities of Section 407 of title 39 of the United States Code.”

§ 408. International money-order exchanges

The Postal Service may make arrangements with other governments, with which postal conventions are or may be concluded, for the exchange of sums of money by means of postal orders. It shall fix limitations on the amount which may be so exchanged and the rates of exchange.

(Pub. L. 91–375, Aug. 12, 1970, 84 Stat. 725.)

EFFECTIVE DATE

Section effective July 1, 1971, pursuant to Resolution No. 71–9 of the Board of Governors. See section 15(a) of Pub. L. 91–375, set out as a note preceding section 101 of this title.

§ 409. Suits by and against the Postal Service

(a) Except as otherwise provided in this title, the United States district courts shall have original but not exclusive jurisdiction over all

POSTAL ACCOUNTABILITY AND ENHANCEMENT ACT

APRIL 28, 2005.—Ordered to be printed

Mr. TOM DAVIS of Virginia, from the Committee on Government Reform, submitted the following

R E P O R T

[To accompany H.R. 22]

[Including cost estimate of the Congressional Budget Office]

The Committee on Government Reform, to whom was referred the bill (H.R. 22) to reform the postal laws of the United States, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

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The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited as the “Postal Accountability and Enhancement Act”.

(b) **TABLE OF CONTENTS.**—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—DEFINITIONS; POSTAL SERVICES

Sec. 101. Definitions.

competition prohibitions and eliminates sovereign immunity protection from suits in Federal court for violations of Federal law. The amended section 409 allows injunctive relief against officers and employees of the Postal Service in case of violation of the antitrust laws, while the Postal Service itself would be subject to all available remedies.

Fourth, the amendment would require the Postal Service to consider local zoning, planning, or land use regulations and building codes when constructing or altering buildings.

As amended, section 409 further requires the Postal Service to represent itself in most legal proceedings permitted by the amendment as well as in cases involving administrative subpoenas issued by the Postal Regulatory Commission and appeals of decisions by the Commission or the Governors. The amendment requires that judgments arising out of activities of the Postal Service must be paid by the Postal Service, and judgments arising out of violations of law involving competitive products must be paid from revenues from competitive products.

Sec. 305. International postal arrangements

Section 305 of the bill replaces section 407 of title 39. Section 407 deals with international postal arrangements.

New subsection 407(a) establishes a policy framework for future international postal agreements that stresses separation of regulatory and operational functions.

Subsection 407(b) vests the Secretary of State with authority to lead U.S. delegations in intergovernmental meetings devoted to postal matters. The Secretary is barred from concluding agreements with respect to any competitive product that give preference to any entity, either public or private, including the Postal Service. The subsection provides the Secretary in carrying out his responsibilities under this section shall maintain continuing liaison with other federal agencies and the Congress, and appropriate liaison with the Postal Service and affected members of the public. The subsection further declares that the Secretary of State shall establish an advisory committee, under the Federal Advisory Committee Act, to help perform such functions as the Secretary considers appropriate in connection with the necessary coordination and liaison with entities in the public and private sectors as the Secretary develops U.S. foreign policy related to international postal services and other international delivery services.

Subsection 407(c) provides that, before concluding an international agreement that establishes a rate or classification for a market-dominant product, the Secretary shall request a decision from the Postal Regulatory Commission to determine whether the proposed rate or classification is consistent with the Commission standards and criteria for market dominant products. The Secretary must ensure that international agreements are consistent with the Commission's decision except to the extent that modification may be required by considerations of foreign policy or national security.

Subsection 407(d) authorizes the Postal Service to enter into agreements or contracts as it deems appropriate for international postal services or other international delivery services without the consent of the Secretary as long as any agreements with agencies

or subsidiaries of foreign governments are contractual in nature and do not purport to be international law. The Postal Service must notify the Secretary and the Commission of agreements with agencies of foreign governments.

In light of studies conducted by the General Accounting Office and the former U.S. Customs Service, subsection 407(e) requires the Bureau of Customs and Border Protection of the Department of Homeland Security to afford non-discriminatory access to U.S. customs procedures for both the Postal Service's Competitive products and similar products of U.S.-owned private carriers. Since some foreign governments currently limit access to simplified customs procedures to government post offices—thus discriminating between the Postal Service and U.S. private carriers—the subsection requires the Secretary of State “to the maximum extent practicable” to negotiate with other countries to make available customs procedures that do not discriminate between the Postal Service and U.S. private carriers while fully meeting the needs of all types of American shippers.

Sec. 306. Redesignation

Section 306 redesignates a subchapter heading in chapter 36 of title 39 to reflect various amendments in the bill.

TITLE IV—GENERAL PROVISIONS

Sec. 401. Qualification requirements for Governors

Section 401 of the bill amends section 202 of title 39. Section 202 establishes the Board of Governors and provides that the nine Governors shall represent the public interest generally. The amendment adds a requirement that the President shall select at least four Governors based solely on their demonstrated ability in managing organizations or corporations, in either the public or the private sector, of substantial size (employing at least 50,000 employees). The amendment requires the President to consult with the Speaker and minority leader of the House and the majority and minority leaders of the Senate in selecting individuals to nominate to the Board.

The amendment also has a provision that one of the nine Governors must be chosen from among persons unanimously nominated by all labor unions recognized by law as collective-bargaining representatives for employees of the Postal Service in one or more bargaining units. The term of office for this Governor is three years (instead of nine).

Section 401 recognizes the bill vests enhanced powers and responsibilities in the Governors. A majority of current and former Board members have indicated support for well-defined qualification requirements for Board appointments. The qualification provisions in the bill are modeled on the appointment criteria for the Amtrak Board of Directors. Those Governors currently serving or nominated before enactment are not affected by this change.

Sec. 402. Obligations

Current law imposes a \$2 billion annual cap on borrowing for capital investments and a \$1 billion annual cap on borrowing for operating expenses. As recommended by the President's Commis-

POSTAL ACCOUNTABILITY AND
ENHANCEMENT ACT

R E P O R T

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

together with

ADDITIONAL VIEWS

TO ACCOMPANY

S. 2468

TO REFORM THE POSTAL LAWS OF THE UNITED STATES



AUGUST 25, 2004.—Ordered to be printed

Filed, under authority of the order of the Senate of July 22, 2004

U.S. GOVERNMENT PRINTING OFFICE

tages the Postal Service has as a government entity should be blunted.

This legislation provides a clear separation between market-dominant and competitive products by creating a new Postal Service Competitive Products Fund. The Postal Service will deposit in this fund any revenue it earns from its competitive products. The Postal Service will use that revenue to pay all costs related to providing competitive products. Any judgment against the Postal Service or the federal government related to the Postal Service's competitive products will also be paid out of the fund. The Postal Service will be free to invest any surplus revenue deposited in the fund, subject to regulations issued by the Department of the Treasury, and to borrow money against any assets related to competitive products. Receipts into and disbursements from the Postal Service Competitive Products Fund will be treated the same way as receipts and disbursements of the existing Postal Service Fund pursuant to section 2009a of title 39. Like the Postal Service Fund, then, the Postal Service Competitive Products Fund will not be included in either the budget submitted by the President or the congressional budget, will not be factored into the calculation of the federal budget deficit and will be exempt from any statutory budget limitation or deficit control measures.

The legal advantages the Postal Service enjoys over its private sector competitors are also erased in this legislation. The Postal Service will be required to pay an annual "assumed Federal income tax" on income earned by its competitive products. The amount of the tax each year would equal the income tax a corporation would pay if its only activities were those activities conducted by the Postal Service that are related to competitive products. The Postal Service will compute its "assumed Federal income tax" itself and pay it by January 15. Instead of paying the tax to the Treasury, the tax will be deposited into the Postal Service Fund.

This legislation makes clear that the Postal Service is barred from using its rulemaking authority to put itself at a competitive advantage or put another party at a competitive disadvantage. In addition it is put on the same legal ground as its private sector competitors in seven key ways. First, all Postal Service activities are subjected to those provisions in federal laws prohibiting fraudulent business conduct. Second, all Postal Service activities outside the postal monopoly are subjected to federal antitrust laws and all prohibitions on unfair competition. Third, the Postal Service Competitive Products Fund is made a "person" for purposes of federal bankruptcy laws. Fourth, the Postal Service is required to consider local zoning, planning or land use regulations and building codes when constructing new buildings. Fifth, U.S. customs law and any other laws related to the import and export of postal services are applied to the Postal Service's international postal products classified as competitive in the same manner that they apply to items shipped by the Postal Service's private sector competitors. Sixth, the Postal Service's sovereign immunity protection from suits in Federal Court for violations of Federal law is eliminated. Seventh, and finally, the Postal Service is required to represent itself in most legal proceedings permitted under this legislation as well as in cases involving administrative subpoenas issued by the Postal

Regulatory Commission and appeals of decisions by the Commission or the Postal Service's Board of Governors.

The Committee recognizes that the Postal Service may enjoy other advantages in the competitive product market that are not addressed in this legislation. For this reason, we require in section 703 that the Federal Trade Commission submit a report to the President, Congress and the Postal Regulatory Commission within one year of the enactment of this Act identifying any federal and state laws that apply differently to the Postal Service than they do to the Postal Service's private sector competitors. If any discriminatory laws are identified, the Trade Commission's report will include recommendations for either ending the discrimination or accounting for them in some way through the rates the Postal Service charges for its competitive products. The Regulatory Commission will take the Trade Commission's recommendations into account when revising the regulations on rates for competitive products required under section 3633 of title 39.

Improved accounting

To make the financial separation between the Postal Service's market-dominant and competitive products even clearer, S. 2468 also calls on the Secretary of the Treasury to develop recommended accounting practices and principles for the Postal Service. The Secretary will consult with the Postal Service and an independent certified public accounting firm in making these recommendations. The recommendations, which will also include guidance on how the Postal Service should determine its "assumed Federal income tax", which will be submitted to the Postal Regulatory Commission within one year of enactment. The Regulatory Commission will then establish a set of rules on accounting and the calculation of the tax after giving the Postal Service and other groups an opportunity to comment.

The goal of this process is to prevent the subsidization of competitive products by market-dominant products by better identifying the costs incurred by the Postal Service in providing competitive products. The President's Commission points out that the Postal Service today is able to attribute less than 60 percent of its costs among its various products. This means that more than 40 percent of costs are labeled as institutional.¹⁴ The Postal Service itself admits that a disproportionate amount of these so-called institutional costs are paid for with revenue generated by First-Class mail, which is covered by the postal monopoly and, under this Act, will be classified as market-dominant. According to the Transformation Plan, First-Class mail comprises roughly half of the Postal Service's mail volume but pays more than two-thirds of the Postal Service's institutional costs.¹⁵ The Committee agrees with the President's Commission when they say that this situation should be improved.¹⁶ The Postal Service should be able to attribute a greater percentage of its costs. If they do this, it is likely that a greater share of costs can be attributed to competitive products and, to the

¹⁴Embracing the Future: Making the Tough Choices to Preserve Universal Mail Service, 93.

¹⁵Transformation Plan, 4.

¹⁶Embracing the Future: Making the Tough Choices to Preserve Universal Mail Service, 93.

extent that they can be, should be reflected in the rates charged for those products.

The fact that the Committee believes the Postal Service can improve on its 60 percent attribution rate does not mean we believe the Postal Service should strive to attribute 100 percent of its costs, or any other arbitrary percentage. We also do not believe that the Postal Service should be forced to attribute such a large percentage of its costs to competitive products that those products will no longer be affordable and will no longer be made available to the customers who need them, particularly those customers living in parts of the country that are not well-served by the Postal Service's private sector competitors. We do believe, however, that Treasury, the Postal Service and the Postal Regulatory Commission should partner with private sector accounting experts and postal stakeholders in an open, transparent and continuous process to improve cost accounting and cost attribution at the Postal Service, especially as it applies to competitive products.

International postal arrangements

This legislation also makes it clear that the Department of State, not the Postal Service, is the federal agency that will take the lead in formulating U.S. foreign policy related to international postal services. The Secretary of State is given the authority to lead U.S. delegations in intergovernmental meetings devoted to postal matters and is barred from concluding agreements that, with respect to any competitive product, give preference to any entity, including the Postal Service. In carrying out his responsibilities during international postal negotiations, the Secretary is required to maintain appropriate liaison with other federal agencies, with the Postal Service, and with affected members of the public. He or she is also required to establish an advisory committee under the Federal Advisory Committee Act to help perform the necessary coordination and liaison with entities in the public and private sectors as U.S. foreign policy related to international postal services is developed. Before concluding an international agreement establishing a rate or classification for a postal product subject to regulation by the Postal Regulatory Commission, the Secretary will request the Commission to submit views on whether the terms of the agreement are consistent with the rate and classification system they will establish.

This language does nothing to prevent the Postal Service from entering into commercial or operational contracts related to providing international postal services. Any such agreement involving an agency of a foreign government, however, must be solely contractual in nature and must apply only to the Postal Service and those agencies party to the contract. No contracts entered into by the Postal Service will be treated as binding international law.

USPS Board of Governors

At present, the U.S. Postal Service Board of Governors is comprised of nine Governors who serve with the PMG and Deputy PMG on an 11 member Board of Governors. The Governors are appointed by the President and confirmed by the Senate. They serve staggered nine year terms, and by law, no more than five members may belong to the same political party. The President's Commis-

ties to federal laws prohibiting the conduct of business in a fraudulent manner. Second, the amendment subjects all Postal Service activities outside the postal monopoly to federal antitrust laws and unfair competition prohibitions and eliminates sovereign immunity protection from suits in Federal Court for violations of Federal law. Third, the amendment makes the Postal Service's Competitive Products Fund a "person" for purposes of federal bankruptcy laws. Fourth, the amendment requires the Postal Service to consider local zoning, planning, environmental, or land use regulations and building codes when constructing new buildings.

Section 409 as amended further requires the Postal Service to represent itself in most legal proceedings permitted by the amendment as well as in cases involving administrative subpoenas issued by the Regulatory Commission and appeals of decisions by the Commission or the Governors. The amendment requires that judgments arising out of violations of law involving competitive products be paid out of revenues earned from competitive products.

Section 405—International postal arrangements

Section 405 amends section 407 of title 39, United States Code. Paragraph 407(a) states that it is the policy of the United States to promote and encourage communications between peoples by efficient operation of international postal services and other international delivery services for cultural, social, and economic purposes; to promote and encourage unrestricted and undistorted competition in the provision of international postal services and other international delivery services except where provision of those services by private companies may be prohibited by U.S. law; to promote and encourage a clear distinction between governmental and operational responsibilities with respect to the provision of international postal services; and to participate in multilateral and bilateral agreements with other countries to accomplish the objective.

Paragraph 407(b) provides that the Secretary of State shall be responsible for the formulation, coordination, and oversight of foreign policy related to international postal services. However, the Secretary cannot conclude any postal treaty or convention that would grant an undue or unreasonable preference for the Postal Service with respect to any competitive product. The Secretary of State shall coordinate with other agencies having authority vested by law such as the Postal Regulatory Commission, the Department of Commerce, the Department of Transportation, and the Office of the United States Trade Representative. In addition, the Secretary shall maintain continuing liaison with other executive branch agencies concerned with postal and delivery issues; the Committee on Governmental Affairs of the Senate and the Committee on Government Reform of the House of Representatives; and the Postal Service and representatives of users and private providers of international postal and delivery services.

Paragraph 407(c) requires that, before concluding any treaty or convention that establishes a rate or classification for a market-dominant product, the Secretary of State shall request that the Postal Regulatory Commission submit its views on whether such a rate is consistent with section 3622.

Paragraph 407(d) states that the Postal Service can enter into commercial or operational contracts related to international postal

services as long as they are solely contractual and do not purport to be binding under international law. A copy of each contract shall be forwarded to the Secretary of State and the Postal Regulatory Commission.

Paragraph 407(e) requires that the customs laws of the United States be applied in the same manner to both shipments of the Postal Service and private companies and that to the extent practicable, the Secretary of State shall encourage governments of other countries to make available a range of nondiscriminatory customs procedures.

Subsection 405(b) permits the Postal Service to establish postage rates for international mail until regulations under section 3622 and 3633 are promulgated by the Postal Regulatory Commission for market-dominant products and competitive products respectively.

TITLE V—GENERAL PROVISIONS

Section 501—Qualification requirements for Governors

Section 501 amends section 202 of title 39. As revised, section 202 provides that the nine members of the Board of Governors shall represent the public interest generally. The amendment also adds a requirement that the Governors shall be selected by the President based solely on their demonstrated ability in managing large organizations or corporations, in either the public or the private sector. The amendment requires the President to consult with the Speaker and minority leader of the House and the majority and minority leaders of the Senate in selecting individuals to nominate to the Board. The term of office for Governor is five years instead of nine. Those Governors serving under an appointment made prior to enactment will not be affected, however, when that office becomes vacant, the appointment of any person to fill that office shall be made in accordance with this amendment. This section also establishes transition rules for vacancies occurring in terms of Governors incumbent as of the date of enactment.

Section 502—Obligations

Section 502 amends section 2005 of title 39 to delete specified limits on borrowing for capital improvements and for operational expense by the Postal Service. The Postal Service Fund's \$2 billion annual cap on borrowing for capital investments and \$1 billion annual cap on borrowing for operational expenses is modified to a \$3 billion total annual combined cap for both purposes.

Section 503—Private carriage of letters

Section 503 amends section 601 of title 39 to provide limited additional statutory exemptions to the postal monopoly. Subsection 503(b) provides that a letter may be carried outside the mail under three new circumstances: (1) when the amount paid to a private carrier is at least 6 times the rate then currently charged for the first ounce of a single-piece first-class letter; (2) when the letter weighs at least 12 and one-half ounces; and (3) when private carriage is within the scope of current Postal Service regulations that purport to suspend the operation of current law. By setting the limit at 6 times the first-class stamp price, the amended section