

# Consumer Action

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Postal Regulatory Commission  
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Dan G. Blair, Chairman  
Postal Regulatory Commission  
901 New York Ave. NW  
Washington, DC 20268

July 8, 2008

RE: Docket No. PI2008-3

Dear Mr. Blair:

The Postal Accountability and Enhancement Act (PAEA) requires the Commission to submit a report to the President and Congress on universal postal service and the postal monopoly in the United States, including the monopoly on the delivery of mail and on access to mailboxes.

The mandate to the Commission requires an assessment of the needs and expectations of the general public concerning the USPS universal service obligation (USO). Consumer Action<sup>1</sup> is pleased to have this opportunity to comment on universal postal service and the postal monopoly from the perspective of individuals (consumers), especially single-piece mailers, who use the post office primarily for personal, household and family needs.

We believe that Congress through the PAEA made a good start in defining “universal service” as the “continued availability of affordable, universal postal service throughout the United States.”

Consumers expect universal service from the post office. This expectation is built on decades of collective experience—we rely on the postal service and trust it to deliver our mail and to be efficient when we need to send mail. While defining which products should be included in the USO may be tricky given the interests of particular stakeholder groups, we believe that all market dominant products should be included in the USO. It would be helpful if consumers were given the tools to understand what these products are and the differences between them. Even consumers who use the postal service on a daily

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<sup>1</sup> Consumer Action (www.consumer-action.org) is a non-profit organization founded in San Francisco in 1971. During its more than three decades, Consumer Action has continued to serve consumers nationwide by advancing consumer rights, referring consumers to complaint-handling agencies through our free hotline, publishing educational materials in Chinese, English, Korean, Spanish, Vietnamese and other languages, advocating for consumers in the media and before lawmakers, and comparing prices on credit cards, bank accounts, telephone plans and other consumer goods and services.

basis would be hard pressed to explain the differences in cost and delivery standards for first class mail, single-piece first class mail, media mail, international mail, periodicals, standard mail, package services, etc.

The USPS has a monopoly over letter delivery and mail boxes, among other monopoly powers, and this in turn demands that it operate under a universal service obligation. Without a universal service obligation, Consumer Action fears that services will not be extended to customer classes or locations where revenue is lower than service cost. This phenomenon, often referred to as “redlining,” has had disastrous effects on communities when practiced by other industries, including insurance and banking.

A universal service obligation can be seen as a mechanism for creating a fundamental balance and fairness in the marketplace. A USO is not necessarily an economic burden on the post office because various opportunities exist to cross-subsidize between different rates, services and users. (However, cross subsidization pricing should ensure that individual consumers’ interests are protected when pricing is determined for corporate mailers.)

At minimum, consumers should be able to rely on the postal service’s USO to provide service in the following areas:

- Individual (single piece) first class mail
- Parcel post
- Media rate mail
- Six day per week delivery and business hours
- Nationwide delivery
- Simple, flat-rate prices
- Nearby post offices with business hours and after hours services, including postal scales, vending machines, change makers, mailing kiosks, unstaffed information terminals or sign boards with up-to-date information on postage rates
- Adequate coverage of blue collection/drop off boxes where consumers can deposit mail
- Flexible, consumer-friendly policies for residential pick-up of stamped/metered mail

Any definition of the universal service obligation for the USPS should include an emphasis on the value of the mail in consumer protection and civic functions. The mail is commonly used not only as a safe, secure way to pay bills and communicate with companies, but also to provide safety notices, send product warranties and recall notices, conduct the Census, submit voter registrations and distribute absentee ballots, and deliver communications from medical providers. For instance, the postal service is being used to send digital television conversion coupons to those who need them for the upcoming DTV Transition in February 2009.

Under laws passed in 1970, the President of the United States is required to appoint a body called the Postal Service Advisory Council. Despite its reconfirmation by Congress

with the passage of PAEA, this advisory council has not been established. The advisory council is to include three people representing the public-at-large. Consumer Action believes it is high time the advisory council was created to bring consumer voices, as well as union and bulk and institutional first class mail customers, to the table.

The Postal Service recently announced a reorganization to streamline agency operations. Under the plan, focus areas were created to manage (1) shipping and mailing services and (2) external stakeholders and customer service. In the reorganization, Stephen M. Kearney was promoted to head the external stakeholder group. He will oversee Delores J. Killete, vice president and Consumer Advocate. We trust these long-time public servants will be as responsive to the needs of individual postal consumers as they have been to the interests of bulk and corporate mailers. We suggest that they reach out to the postal consumer community to fully understand some of the issues that concern us.

Consumer Action suggests that individual consumers—not corporate bulk mailers who use first class mail—should be protected from further increases in the price of first class stamps. The Forever Stamp—first-class postage that is good any time in the future even if mailing prices go up—is an innovation in this regard. However, we suggest that rates for regular first class stamps should be frozen for individual stamp users.

Basic postal service should be subsidized for residential consumers, instead of the unfortunate situation in which first class mail has subsidized other mail products.

Closing of post offices is often a focus of attention by consumers. However the manner in which services are provided reflects some important issues. To us, universal service implies products that are fairly priced (*not* “free” or “cheap”), transparent and uncomplicated. These products must be accompanied by plainly written guides and rate charts to help consumers make the best and the most cost-effective choices to fill their needs.

The USPS is careful not to guarantee delivery of certain types of mail, but consumers are not always accurately informed of the pros/cons of any given product. How does a consumer decide how much to spend to mail something? Consumers need to know the benefits and the drawbacks of priority mail, delivery confirmations, CODs and postal insurance. The USPS compiles statistics on how often they actually meet the standards they set. But while this information is available, it is not easy for consumers to find.

The postal service isn't doing a very good job of communicating with the consumer at the post office counter. We suggest that an integral part of universal postal service includes employee training and directives to help customers choose and compare the quality and standards of service and determine proper postage. If postal employees do not feel empowered to address the relative qualities of various market dominant mail products, where else will consumers get this information? Postal consumers need to be confident in determining how to send their mail, how long it will take for it to get there and that it will not be returned for inadequate postage. Why allow consumers to send Priority Mail or a flat rate package when the contents qualifies for the media mail rate?

We also are concerned about the complexity of pricing for post office products. First class letter mail is subject to a rather bewildering variation in prices according to its size and shape. For instance, we have heard many reports of invitations and greeting cards being returned to the sender because the sender was not informed or educated that odd sized envelopes require a postage surcharge.

Complexity of pricing at the single piece level works against the consumer, who may mail items that do not have enough postage, or who may add extra unnecessary postage just to ensure delivery. The complexity in pricing for size and shape is very challenging for consumers and ultimately erodes any standard of universal service.

We suggest that there be no cuts in the number of drop off/collection boxes, particularly in rural areas and the urban core. We further suggest that efforts are made to increase the number of collection boxes in certain areas where access is limited and to step up twice daily collection at selected busy locations.

We believe that the postal service has to do more to label collection boxes with the true pick up times. Are collection times listed on collection boxes accurately represented to the consumer? After all, it seems unlikely that a postal employee can pick up mail from several nearby boxes simultaneously, even if all of them say pick up is at 10 a.m. daily. If consumers can't rely on the pick up times, then universal service standards are ultimately less reliable, less convenient and less useful to consumers.

Consumer Action believes the mail box monopoly should be preserved. We are sympathetic to the argument that consumers, especially in rural and suburban areas, have to pay for their own mail boxes, and therefore should decide who can access the boxes. But we find far more compelling reasons to limit the use of postal recipients' mail boxes. For instance, if the mailbox is open to just anyone, bulk mailers may drop out of the postal system and instead use flyers and other delivery techniques, leading to an increase in first class mailing costs that would negatively impact consumers.

We cannot envision how ending the mail box monopoly would work in homes and residential buildings where the mailboxes are locked and the postal employee has a key to open them while delivering mail. To allow entities outside the post office to have keys would open the residents to tampering, privacy violations, theft of mail and identity theft.

Consumer Action urges that six day per week mail delivery and current business hours of post offices be maintained at the present levels.

It is important for all stakeholders to know they have rights of complaint and redress. Consumer Action finds it unfortunate that postal reform legislation did not preserve the Office of the Consumer Advocate. We understand that these duties have been reassigned by the Commission, and are being handled by experienced staff people from the Office of General Counsel. However, we still feel the sting of losing the Office of the Consumer Advocate, and in particular, the attention and care taken by Shelley Dreifuss to encourage

participation by groups like Consumer Action and the Consumer Postal Council. In our view, Ms. Dreifuss was especially adept in using the discovery process to advance the public interest and was very helpful with advising us on the proper avenues for consumer complaints.

In setting standards for universal service, we believe that the consumer should be central to the discussion and solution.

Consumer Action would like to suggest that the Commission consider using opinion surveys and focus groups to get at the issues that really matter to individual postal consumers, and at their attitudes about the postal universal service obligation. It appears to Consumer Action that what individual postal consumers (as opposed to large corporate mailers) think or want has not been of particular concern to the USPS or even Congress in recent years.

For instance, as consumer advocates, we believe that the USPS should continue to provide six day per week delivery. But how do we really know what individual users of the post office believe without standardized surveying? We suggest that this is an excellent opportunity to survey postal consumers to see what they think is an appropriate level of service. In the past, consumers adjusted from two to one daily delivery. All of us may be surprised at the results of opinion surveys and focus groups.

Another useful study would be to measure the perceived impact of any reduction in pick up points, collections and number of times mail is collected on a daily basis.

While others have commented that deregulation and resulting competition in other industries, such as airlines, have resulted in lower prices and increased efficiency, we see it somewhat differently. From the consumer advocacy perspective, competition has often resulted in a confusing array of products and rapidly fluctuating prices in which consumers are often not the winners.

On a typical plane ride, you have one economy class passenger who has paid \$200 while another paid \$500—an inequity that results from chance perhaps, but still an inequity. Of greater concern, a number of smaller cities have lost most if not all of their flights as airlines focus on more profitable routes.

We should endeavor to prevent similar inequities from tarnishing the proud tradition of our U.S. Postal Service.

Sincerely yours,

A handwritten signature in cursive script that reads "Linda Sherry".

Linda Sherry  
Director of National Priorities