

**UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001**

**Report on Universal Postal                    }**  
**Service And the Postal Monopoly        }**

**Docket No. PI2008-3**

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**COMMENTS OF MAIL ORDER ASSOCIATION OF AMERICA  
TO PRC NOTICE AND ORDER NO. 71  
(ISSUED APRIL 18, 2008)**

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**Introduction**

In its request for comments, the Commission recognizes the concept of “universal postal service” has not been defined by statute. As a general proposition, MOAA believes that the current situation, *i.e.* the absence of the precise parameters of universal service, should not be changed. Written communications, both personal and business, have undergone, and will continue to undergo fundamental changes as a result of the internet. The diversion to electronic transmissions has already profoundly affected the volume of First-Class Mail and every indication is that the volume declines will continue. Additionally, diversion of advertising materials of all kinds, including catalogs, to the internet is also likely to continue. Indeed, volume losses may become so large that, combined with the Postal Service’s ever increasing number of delivery points, the ability of the Service to continue to function within the PAEA price cap may become difficult.

In sum, this is not the time to adopt rigid rules, and particularly, rigid statutory provisions that would define the precise scope of the Postal Service’s obligations, most importantly including precise standards governing delivery of mail.

MOAA recommends that the Commission determine, as best it can, the financial results of a change in the current service standards. Obviously, all mailers would prefer the highest possible level of service at the least possible cost. Six-day-a-week delivery, as is currently the standard, has benefited all mailers including the MOAA members that use the Postal Service for the delivery of catalogs. In an ideal world, MOAA would like to see that standard of service maintained. On the other hand, if a reduction in the level of service, e.g., delivery five-days-a-week rather than six-days-a-week, would result in significant cost savings, MOAA members, other catalog mailers, other mailers, and mail recipients might recognize that the trade off of a reduced service in order to maintain reasonable prices is one that should be accepted. Therefore, the most important task facing the Commission and the Postal Service is to attempt to determine as accurately as is possible whether reductions in service levels would result in significant cost savings, the nature of those savings and the affects of changed delivery patterns upon both personal and business mailers.

Logically, it would appear that a reduction in the quality of service *i.e.* a reduction in the number of delivery days per week would inevitably save costs. On the other hand, the nature of the business is such that this logical conclusion may not accurately reflect the real world in which, at least for substantial areas of the country, the most efficient operation may be to maintain a continuous flow requiring that mail be delivered on a six-day-a-week schedule.

MOAA's comments on a number of the issues raised in the Commission's Notice follow:

***Topic No. 1***

MOAA believes that the Commission's definition of "universal service" as found in Topic No. 1.1 is generally sound. Unfortunately, however, there is no way of ensuring that the "rates and affordability of service" are "reasonable" simply by adopting a definition as proposed in feature (5). Similarly, ensuring "reliable, efficient, and adequate transmission of postal items" cannot be achieved simply by the adoption of regulations stating that this is one of the indicia of "universal service". Both the "affordability" and "quality" of service will depend heavily upon the ability of the Postal Service to adjust its operations to what may be declining volumes in the face of increasing costs resulting from increased delivery points. That may require drastic changes in the quality that mailers have come to expect from the Postal Service.

## ***Topic No. 2***

The “monopoly laws” as outlined in Topic No. 2 have long been in place with the intent to protect postal revenues. Over the years, a number of exceptions have been made so that even mail that is clearly a “letter” under 39 U.S.C. §601 has been exempted from the monopoly under various circumstances. It does not appear likely, however, that Congress will entertain abolishing the monopoly. In addition to the fact that, at least in the past, the Postal Service has supported the continuation of the monopoly, there are a number of mailers who are of the view that the monopoly does continue to serve to protect postal revenues by preventing “cream skimming” under which private sector competitors might be able to undercut Postal Service prices for highly concentrated mail. MOAA doubts that such a result would occur. In any event, there should be no illusions that the monopoly provides any significant protection of postal revenues. At any time that a private competitor is in a position to deliver “mail” it seems inevitable that the necessary changes will be made to ensure that the monopoly laws do not prevent that competitive service from being offered.

The most significant competitive force has been the internet which because it does not involve the delivery of hardcopy has never been subject to the postal monopoly. The continuing growth of the internet has posed, and will continue to pose, the most significant threat to postal volumes. No one would suggest that the laws be changed or interpreted to prevent that competitive force from continuing to exist.

## ***Topic No. 4***

With respect to Topic No. 4, the range of product offerings, MOAA believes that there is merit in continuing to consider all current postal products as a part of the universal service obligation of the Postal Service. On the other hand, continuing changes in the market may require that the Service closely examine the extent to which it should continue to provide service for all products. If, at some point, certain product offerings can only be made at either a loss or at extremely high prices, which would in itself result in the loss of the volume, the Service might be advised to terminate some offerings. That decision need not and should not be made currently, but no statutory obligations should be adopted that rigidly constrain postal operations in a way that would prevent the Postal Service from making needed changes in the future.

### ***Topic No. 5***

The issue of access to postal facilities and services is a significant one and may well require the Postal Service to provide postal facilities to consumers in a manner which would not be provided if it were functioning solely in a private market concerned solely with providing service in the most efficient possible way. Local post offices perform an important function for many communities, an importance that is unlikely to decline to the point of insignificance in the near future. Again, however, as with virtually all other elements of universal service, MOAA considers it important that the degree of access not be rigidly defined so as to prevent the Postal Service from making needed changes in the future.

With respect to the mailbox monopoly, MOAA is uncertain as to whether or not access to the mailbox would permit competitive forces to seriously undercut Postal Service revenues. Regardless, it is likely that most consumers would be opposed to opening the mailbox to nonpostal parties, an action that might also present security concerns.

### ***Topic No. 6***

MOAA's views with respect to the frequency of delivery have been expressed above. There is value to most, if not all mailers, from 6-day-a-week delivery, but at the same time, it would be foolish to adopt rigid statutory provisions that such service continue. MOAA considers it important to determine the extent to which less than 6-day-a-week delivery would save significant costs for the Postal Service.

On June 25, 2008, the House Appropriations Committee agreed to add report language to accompany the FY2009 appropriation requesting a report on the cost effectiveness and full consumption of five-day delivery. MOAA believes that such a report would be useful but that the request is too narrow. Instead, the full range of delivery options and cost consequences should be explored.

### ***Topic No. 7***

With respect to Topic No. 7, "rates and affordability of service", MOAA again states that "affordability" cannot be guaranteed by either statutory or regulatory provisions. Major changes have already occurred in the mailstream and there is every reason to believe that such changes will

continue. Only if the Postal Service is able to adjust its operations in a way that will enable it to continue to provide “affordable” service will that objective be achieved. The Commission can aid in that effort, but ultimately only Postal Service management will be able to determine the steps that need to be taken to ensure “affordability”. Thus far, the Commission has shown admirable restraint in recognizing that postal management must have considerable freedom in determining its prices. MOAA urges that the Commission continue to show that restraint with respect to all elements of Postal operations.

### ***Topic No. 8***

With respect to Topic No. 8, “quality of service”, MOAA believes that it is important to measure quality of service and certainly believes that the Commission should play a watchdog role in determining the actual quality of service that is provided by the Postal Service. Again, however, the quality of service will inevitably be determined by the Postal Service’s financial constraints.

### ***Topic No. 9***

With respect to Topic No. 9, MOAA reiterates that there should be an attempt to define the cost of complying with universal service, particularly as it relates to service in remote, high cost areas, especially 6-day-a-week service. The Commission raises a number of difficult questions with respect to how to calculate the costs of the universal service obligation, the benefit to the Service of the monopoly and the mailbox and other issues. All of those issues are worthy of attention, but it is unclear whether they can be answered with a degree of precision that would be useful.

### ***Topic No. 10***

With respect to Topic No. 10, MOAA believes that the Postal Service currently has the authority to adopt changes that affect the scope of universal service. As a practical matter, the Postal Service’s attempts to make some changes have been made impossible because of political considerations. That is unlikely to change in the future. The same would undoubtedly be true of any attempt by the Commission to adopt such regulations. Again, however, MOAA urges the Commission to avoid to the maximum extent possible the adoption of any statutory or regulatory provisions which would inhibit the Postal Service from making the changes in its operations to the extent that is deemed necessary to continue to provide quality service at affordable prices.

## **Conclusion**

The Commission's Notice has raised a host of difficult and in many instances unanswerable questions. The core position of MOAA is that nothing be done by the Commission that would encourage the adoption of statutory or regulatory provisions which would impinge upon the Postal Service's flexibility to adjust to what will continue to be a changing environment. MOAA believes that the Postal Service is a vital part of this nation's economy, a role that is unlikely to disappear within the foreseeable future. At the same time, the nature of that role will evolve and it is essential that both the Postal Service and the Commission act with wisdom in adopting changes that will enable the Postal Service to cope with a difficult and uncertain future.

Respectfully submitted,

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Dated: June 30, 2008