

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

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

Docket No. PI2008-3

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

The Parcel Shippers Association (PSA) appreciates this opportunity to respond to PRC Order No. 71, the Postal Regulatory Commission's (Commission) Notice and Order Providing an Opportunity to Comment on a number of topics related to universal postal service and the postal monopoly. This is yet another welcome step by the Commission in its efforts to implement the Postal Accountability and Enhancement Act, Pub. L. 109-435, §302, 120 Stat. 3198 (Dec.20, 2006)(PAEA).

PSA is a voluntary industry association consisting of members that ship packages, largely from business to consumers, and companies that support those activities. A list of members is available on its web site at www.parcelshippers.org. PSA's mission is to promote competition in the package delivery sector.

PSA's members, collectively, touch the vast majority of the Postal Service's domestic product in the Package Services class now categorized as "competitive products." See 39 U.S.C. §3631(a). Its members also ship, or consolidate for delivery to the Postal Service, hundreds of millions of packages, such as First-Class Mail parcels, Standard Mail parcels, Bound Printed Matter, and Media Mail, that are now categorized

as “market dominant products.” See U.S.C. §3621(a). PSA members also make extensive use of carriers other than the Postal Service.

These comments cover several specific topics related to the scope of the Postal Service’s universal service obligation (USO). Before addressing those details, PSA would like to make two general points related to this proceeding. First, PSA agrees with the Commission that the USO currently “lacks an express statutory definition” and, in fact, has never been defined in the United States. Given the added flexibility that the PAEA provides the Postal Service to establish prices and manage its operations, PSA believes that statutorily defining a *basic* level of universal postal services that the Postal Service must provide, i.e., the USO, is important. Of particular importance to PSA members is that the delivery of both market-dominant and competitive packages be included in the range of product offerings defined as universal services. Subject to this basic level of prescribed service for letters, flats and packages, the Postal Service should have flexibility to adjust service to meet customer expectation and needs.

Second, regardless of the precise definition of the USO, PSA cannot envision a successful Postal Service operating under the PAEA’s inflation-based price cap for the vast majority of its revenue without either government funding or monopoly protection, and the flexibility to adjust service. Since the federal government is quite unlikely to provide substantial funding to support the USO, PSA believes that retention of the existing postal monopolies is necessary to support an ongoing Postal Service, even though, as times change, the actual value of the monopoly will probably decline.

Below we comment on several of the topics identified by the Commission in Order No. 71 including the appropriate range of product offerings, the geographic scope of service, frequency of delivery, and quality of service. We also ask the Commission to address the potential impact of do-not-mail initiatives on the ability of the Postal Service to provide affordable service, universal or otherwise.

Topic Nos. 3 and 4—Range of Product Offerings; Geographic Scope

Despite being presented with arguments to the contrary, the President's Commission on the United States Postal Service made clear in its report that the Postal Service's core mission includes the delivery of parcels on a universal basis, specifically stating:

The Commission recommends focusing the Postal Service more exclusively on what the country and its economy rely on it most to do—provide products and services directly relating to the delivery of letters, newspapers, magazines, advertising mail, and *parcels* on a universal basis.¹

Similarly, the PAEA states that “‘postal service’ refers to the delivery of letters, printed matter, or *mailable packages*. . .” 39 U.S.C §102(5)(emphasis added). PSA agrees that parcel delivery is an integral part of the Postal Service's core mission and believes that both market-dominant and competitive parcels should be included in the group of universal postal services that the Postal Service must provide.²

Because the Postal Service is the only company that provides an affordable delivery product for market-dominant packages, the continued provision of these products is essential to the ongoing operation of our members that ship First-Class Mail, Standard Mail, Bound Printed Matter, and Media Mail packages.

Additionally, while there are alternate providers (e.g., UPS, FedEx, DHL) of competitive package delivery products, the Postal Service is the only truly universal parcel delivery service, serving post office boxes; APO's; and FPO's just to cite some

¹ *Embracing the Future, Report of the President's Commission on the United States Postal Service*, (2003) page 28 (emphasis added).

² While both market-dominant and competitive products should be included in the concept of universal service, because the PAEA provides the Postal Service flexibility in the provision of competitive products, the details of the USO for competitive products need not parallel (i.e., be as prescriptive as) those for market-dominant products.

examples. Further, unlike the Postal Service, alternate providers offer less convenient access and higher prices (*i.e.*, hefty delivery surcharges) in harder-to-serve areas such as rural areas. Defining universal postal services to include competitive package delivery products is critical to ensuring that Americans in harder-to-serve areas have access to at least one package delivery service provider, *i.e.*, the Postal Service, which provides reasonable service levels at affordable prices.

Furthermore, PSA believes that the Postal Service should offer similar prices for delivery to urban and rural areas. In addition to being good policy, PSA believes that the structure of the Postal Service's delivery network is amenable to such pricing. Unlike its competitors, the Postal Service delivers mail essentially to every address, most days of the week. Due to this, the marginal cost for the Postal Service to deliver a package along with letter and flat mail in a harder-to-serve area is much less than for its competitors and much more similar to its cost for delivering packages in lower-cost areas.

Topic No. 6—Frequency of Delivery

At this point, PSA takes no position on the frequency of delivery that should be required by the USO. However, PSA strongly believes that even if the frequency of delivery required by the USO is reduced, Saturday delivery should be retained. Eliminating Saturday as a delivery day would inconvenience many Americans, result in additional Postal Service costs, and likely hurt the Postal Service's competitive position in the package delivery market.

Unlike letters and flats, which are delivered to mailboxes regardless of whether the mail recipients are home, many parcels (e.g., those that require a signature, cannot fit in the mailbox, and/or cannot be left in a secure place) can only be successfully delivered when the recipients are home. Because many Americans are and can only be home on weekends due to their work schedules, a successful delivery frequently can only be made on the weekend. Eliminating Saturday delivery would increase the

number of our members' customers that must drive to the Postal Service to pick up a package, a much less convenient option than having it delivered to the door.

In addition to this inconvenience, an increase in failed deliveries would add to Postal Service costs. When packages cannot be delivered, the Postal Service incurs additional costs to leave "Sorry We Missed You" (PS Form 3849) notices, take packages back to and hold them at post offices for customer pickup, and attempt redelivery. Further, the Postal Service is the only player in the package delivery marketplace that offers Saturday delivery at no additional charge. Eliminating this service would hurt the Postal Service's already "fragile" competitive position in the package delivery marketplace. See Docket No. RM2007-1, Comments of the Parcel Shippers Association (submitted April 6, 2007) at 3. We believe that the negative impact of eliminating Saturday delivery on failed deliveries and on its competitive position would substantially offset any cost savings from eliminating Saturday delivery.

Similarly, PSA believes that customer satisfaction with the Postal Service and our member companies would be enhanced by the Postal Service allowing its customers greater control over the method used to deliver packages. For example, the Postal Service should consider allowing customers to request that their packages be delivered during the evening when the customer will be home or that the package be held at the post office for pickup in situations when picking the package up is more convenient. Like Saturday delivery, allowing the customer additional control over package delivery will increase the likelihood of successful delivery as well as increase customer satisfaction.

Topic No. 8—Quality of Service

In previous dockets,³ PSA described its members' expectations related to service standards, on-time service performance, and service performance measurement and

³ Docket No. PI2007-1, Comments of the Parcel Shippers Association in Response to Notice of Request for Comments on Modern Service Standards and Performance Measurement for Market Dominant Products (submitted

reporting. In those comments, we explained that PSA members want “consistent, reliable, and affordable delivery service.” In particular, PSA argued:

- The current standards for Parcel Select – DBMC (2/3 days); DSCF entry (2 days); DDU entry (1 day) – are appropriate for all destination-entered parcels.
- The Postal Service should strive to achieve 98 percent on-time service performance for parcels.
- Since delivery delayed beyond the expected time frame – i.e., the so-called “tail-of-the-mail” – is the primary cause of unnecessary cost and customer dissatisfaction, the USPS performance measurement system should disaggregate data on the “tail of the mail.”
- Consistent with the requirements of the PAEA, the Postal Service should report Standard Mail and First-Class Mail parcel service performance separate from that for letters and flats.
- To help shippers better plan their operations and work more effectively with the Postal Service to resolve issues, the Postal Service should report service performance data at a granular level.

PSA has not yet developed a position on whether minimum service levels should be specified in the USO. Regardless of whether the USO specifies such levels, PSA urges the PRC to take an active role in ensuring that the quality of service offered by the Postal Service meets the expectations of mailers consistent with reasonable and affordable prices.

Implications of State Do-Not-Mail initiatives

In its field hearings, the Commission has heard concerns about legislative initiatives in several states that would, if successful, restrict mail delivery in some fashion. There is a question, of course, as to whether states have the power to restrict a federally authorized service such as mail delivery. But beyond the legal issue we believe it is important for the Commission to address in this proceeding the potential effects that a decline in mail volume resulting from such initiatives could have on the ability of the United States Postal Service to provide affordable service, universal or otherwise. Further, a future Commission proceeding to examine the important issues surrounding do-not-mail initiatives such as the environmental impact of mail, privacy concerns, and economic impact, may be appropriate.

Respectfully submitted,

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