

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Retail Access Optimization Initiative

Docket No. N2011-1

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Initial Brief of the National League of Postmasters

Respectfully submitted this 4th day of November, 2011.

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STATEMENT OF THE CASE

A. The Postal Service's Public Service Duty To Rural America.

The Postal Service has, as one of its fundamental responsibilities, the duty to provide a “maximum degree of effective and regular postal services to rural areas, communities, and small towns, where post offices are not self-sustaining.” 39 U.S.C. §101(b). While the Postal Service may view this policy as not particularly important, it certainly is not viewed as such in rural America, as the Testimony of Mayor Donald Hobbs in this docket illustrates. See Rebuttal testimony of Mayor Donald Hobbs, NLPM-RT-2 at 4, 12-16 (Hobbs). The policy of providing the “maximum service” to rural America has significant meaning, and that significance permeates every aspect of this docket, and every aspect of rural America.

The maximum service policy also appears in two other statutory sections, both of which are relevant to the issues raised in this docket.

One is in 39 U.S.C. § 2401, which specifically indicates that this duty to provide a “maximum” degree of service to rural America has public service elements, which can only lead one to the logical conclusion that postal issues in rural America are not to be analyzed simply as if the Postal Service were a business. When it comes to rural America, it is not. It is also a public service. Moreover, in recognition of this public service element, the section specifically contains an authorization for an appropriation for an annual public service appropriation to compensate the Postal Service for meeting these public service needs:

As reimbursement to the Postal Service for public service costs incurred by it in providing a maximum degree of effective and regular postal service nationwide, in communities where post offices may not be deemed self-

sustaining, as elsewhere, there are authorized to be appropriated to the Postal Service the following amounts:

* * *

(G) . . . for each fiscal year thereafter an amount equal to 5 percent of such sum for fiscal year 1971.

39 U.S.C. § 2401(b). This appropriation is worth up \$460 million on an annual basis, which is \$13,800 billion over 30 years.¹

In 1982, the Postal Service made a decision that is important to this proceeding. In that year, the Postal Service decided to stop submitting annual requests for the public service appropriation and *voluntarily agreed to assume the Postal Service's public service responsibilities*, under the maximum standard and under section 2401, *without the appropriation*. As the Postal Service itself acknowledges, this will be the equivalent of returning \$13.8 billion to the U. S. government and taxpayers by 2012.² The Postal Service's decision was subsequently acknowledged by Congress when it added a subsection (2) to section 2401(b) which maintained the public service appropriation, but said that if the Postal Service found that the amounts determined under the public service provision in 2401 *were no longer required to operate the Postal Service in accordance with the policies of this title*, then the Postal Service could reduce the amount it asked for, including reducing it to zero. 39 U.S.C. § 2401(b)(2).

Note that Congress did NOT eliminate or reduce in any way the Postal Service's obligation to provide the public service elements of providing the maximum degree of service to rural America, including running those rural post offices that were not self-sustaining. Nor did Congress eliminate the authorization for the appropriation. Indeed,

¹ See, <http://about.usps.com/strategic-planning/cs04/chp3-010.html>

² Id.

this authorization was specifically carried over by the Postal Accountability and Enhancement Act in 2006, and exists in law today.

Now, roughly 30 years later, the Postal Service perceives that its 1982 actions are having negative consequences, and it would like to stop providing rural America with the maximum degree of service. It would, rather, switch over to a somewhat less-than-ordinary level of service, including closing small post offices that it deems not self-sustaining, a course of action that is plainly illegal. See, 30 U.S.C. §§101(b), 404(d)(2), and 2401(b).

While the fact that the Postal Service perceives that its 1982 actions are now having negative consequences is unfortunate, the fact remains that the Postal Service made an informed decision back in 1982 and today must live with the consequences of that action. It has no business trying to avoid its public service responsibilities and obligations to rural America, and it must not shirk its duty to provide a maximum degree of service to rural America. But that is *exactly* what is going on in the RAOI.

The duty to provide rural America with the maximum degree of service is a duty that, until now, the Postal Service has never sought to avoid on a large scale, at least since 1976, and it is a duty that it has generally adequately performed. An initiative that tries to shun that legal duty and wiggle out of a duty that is not only assumed but also statutory is not an appropriate initiative for the Postal Service to undertake, regardless of the financial circumstances it finds itself in, and it is this Commission's duty to say so.

That the Postal Service is supposed to take into account this public service function in its deliberations on whether to close a specific rural post office is made perfectly clear by the third reference to the "maximum degree of service" policy for rural

America, found in 39 U.S.C. § 404(b). This is the section that sets out the provisions for the procedures that must be applied in considering whether to close or consolidate a post office. During the process of deliberation, the Postal Service should specifically determine, under section 404(d)(2)(A)(iii), whether the closing or consolidation is consistent with the Postal Service's responsibility to provide a maximum degree of service to rural America, where post offices are not self-sustaining:

(2) The Postal Service, in making a determination whether or not to close or consolidate a post office—
(A) shall consider—

* * *

(iii) whether such closing or consolidation is consistent with the policy of the Government, as stated in section 101(b) of this title, that the Postal Service shall provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining;

39 U.S.C. §404(d)(2)(A)(iii).

This policy, overall, is a key component of the Postal Service's Universal Service Obligation, and its duty to serve rural America.

As discussed below, there is very little evidence in the record to show that the Postal Service has seriously taken its public service responsibilities towards rural America into account in analyzing these closings, and there is much evidence indicating that it has not.

B. The 3,700 Post Offices Now On The Chopping Block.

On one level, this case is about the narrow goal of closing 3,650 small, mostly rural, independent post offices that cost the Postal Service next-to-nothing to operate, and upon which thousands of rural communities depend in a holistic and fundamental fashion, and in a fashion that cannot be replaced by alternatives. Fundamental questions of whether the effects on those rural communities have been seriously

considered in this process and in the thousands of decisions that have been made, have been raised in this record.

Fundamental questions also exist about whether the tremendous loss caused by the closures of these post offices on these communities—including the loss of identity and the concomitant political, economic and social consequences of that loss— is worth the *de minimus* benefit to the Postal Service.

The National League of Postmasters submits that, as a whole, society is going to lose more than the Postal Service gains through these proposed post office closings.

This statement does not mean that no small rural post office should ever be closed. What it does mean is that the wholesale closing of thousands of small rural post offices—that together make up less than three-tenths of the Postal Service's operating budget—is not in the public interest, and that this Commission should advise against it.

Moreover, there is an abundance of undisputed evidence that the Postal Service cannot adequately meet the needs of America's rural communities if it were to close these rural post offices. As Witness Hobbs explained, and as more thoroughly explained below, neither rural carriers nor Village Post Offices can meet those needs, even assuming that enough small businesses would agree to serve as a Village Post Office, something that Mayor Hobbs' experience suggests will not happen.

On this later point, although it is very late in this case, and the Postal Service has said nothing about this point to the Commission, there have been media reports this week on CNBC and in Reuters that the Postal Service may be abandoning its Village Post Office plan:

The financially troubled U.S. Postal Service has determined that its plan to replace money-losing offices with retailers contracted to offer basic services will not work in many rural communities.

* * *

The agency set an eventual goal of 2,000 "Village Post Offices," but it has fewer than 10 fully operating.

It is now looking at ways to operate some rural post offices more cheaply rather than closing them.

"When you get west of the Mississippi, it's more prevalent that you don't have stores in these communities, you have nothing in these communities. It's pretty much just the post office," Postmaster General Patrick Donahoe told Reuters in an interview.

"I think as you get out to these areas that don't have that option, we've got to figure out the best way to provide."

CNBC News, citing a Reuters feed. <http://www.cnn.com/id/45130395> , November 2, 2011 7:17 am.

While it is too early to give much credence to this article, it does strike the League that if the Village Post Office concept falls, then the entire RAOI should also fall for the Village Post Office was a key element, if not the major element, in the Postal Service's plan to provide replacement services.

In terms of the community meeting, the record as a whole shows that fundamental problems exist with a great many of the information-gathering procedures that were set up to allegedly "gather" community information to use in what should be a closing/nonclosing analysis. As is shown in the record, it appears that the purpose of many of these meeting was to go through the motions, and try to assuage the anger of the local community. Unfortunately, many of the platitudes that were mouthed at the meetings did not sit well with the local community, and the assurances that they would be just as well off or even better off after the RAOI simply were not accepted. The

damage to the Postal Service's Good Will, and perhaps to its political influence, has been significant.

The League has provided a number of specifics to the Commission on how community meetings are being mishandled, and more flow into the League's office every day. The Postal Service has provided no credible rebuttal evidence on this point.

The record also shows that an even bigger problems exists in determining how the Postal Service has used the information that it has gathered, and how it has made its determinations. Evidence has been submitted that shows that much of the decision-making activity is effectively being made at the Headquarters level, with lower level executives simply going through the motions, afraid to make a recommendation against closure. Again, no credible rebuttal evidence has been submitted on this point.

This discontinuance process is supposed to be designed to let the Postal Service uncover local information concerning the importance that the particular post office has in this particular community—including the nonpostal fashion in which this post office serves this community. The process is then supposed to factor that data into the Postal Service's decision-making process and come to a rational answer. See generally 122 Cong Rec, 27092-27186 et seq.; 122 Cong Rec. 27424-27427 et.seq. (Aug. 24, 1976); see generally Postal Rate Commission, *In the Matter of Lone Grove*, Docket A79-1, May 7, 1979 at 10, 13, 16; *In the Matter of Woolsey, Georgia*, Docket A82-1, May 14, 1982 at 7 (Commission contemporaneous analysis of Congressional intent).

That "factoring-in" of local information to the Postal Service decision-making process is not occurring throughout the country in this RAOI, and there is evidence that where some courageous local postal manager is trying to make it occur, higher level

officials are stepping in to make it difficult to make a “no close” decision. Tr. at 1536, 1545, 1547-49.

The record in this proceeding shows that the Postal Service, at its highest levels, started off with the attitude in this initiative that all these 3,650 post offices should be closed, unless community and political forces—which the Postal Service disdains—intervene and politically prevent the closings. While it appears that political forces have in some cases intervened and are preventing closing, that doesn’t change the perspective that the Postal Service would have closed those post offices if it had had its choice.

The record in this proceeding also indicates that many of these community meetings were held as a mere formality, simply because they had to be held in order to satisfy the letter of the law, and not because the Postal Service has any intent to factor the needs of the local community into its decision to close. Indeed, in many of these cases, the attitude of the Postal Service in holding these community meetings was one of “we are going to close this post office, and we are here to answer any questions you may have, provide you with information, and make this closure as easy for the community as we can make it.” That is not supposed to be the purpose of these meetings.

Finally, little has been said by the Postal Service about the legal prohibition against closing rural post offices that it finds to be not self-sustaining. Yet, as we all know, that is exactly what is going on in this case. Indeed, the threshold for the criteria of admission to the RAOI is earned hours. That would seem to be a fairly good criteria for segmenting facilities that are not “self-sustaining.”

In the RAOI, the Postal Service has listed a number of these small post offices which it considers dead weight because there is so little activity, and they simply want to get rid of them. The fact that there is so little activity is due to the fact that they are located in very small communities, which the Postal Service has the mission to serve with a maximum degree of service. These undisputed facts seem to be of no consequence to the Postal Service. After all, a business wouldn't do that.

The problem with that position is twofold. First, the Postal Service's rural operation—by statute—is supposed to be handled on a public service basis, with the goal of providing the maximum degree of public service to rural communities, including communities where post offices are self-sustaining. Two, the Postal Service had the opportunity to ask for \$13.8 billion to help it perform this duty, and *it voluntarily gave up that money* and agreed to perform the duty anyway.

C. The Bigger Picture.

This proceeding surely raises critical issues about the irresponsibility of the Postal Service which is seeking to shirk its public service obligations to rural America. It also raises key issues of whether the closing of these 3,650 post offices would be consistent with the policies of Title 39, particularly the maximum degree of service policy set forth in Sections 101(b), 404(d), and 2401 (b) of Title 39. This case, however, raises even broader, more important, more comprehensive issues about the future of the Postal Service, and its network. It is not clear that the Postal Service, in the context of the financial pressure it is under, has thoroughly thought through these issues.

The Postal Service has made it quite clear that it is very seriously “considering” closing 15,000 small post offices over the next several years. This would, one must

assume, include not only pretty much all the rural post offices in the country, but also a substantial number of post offices in smaller cities and suburbs.

The implication of this fact is that the Postal Service would be closing down a substantial number of the delivery nodes in its network, for post offices are primarily delivery units, not retail facilities. By definition, that means that the extent of the Postal Service's coverage and its delivery efficiencies will significantly decrease. A communication network that cuts down a substantial number of its delivery nodes is not a communication network that is going to prosper. Imagine what would happen if Verizon Wireless took down half its wireless towers. Would that help it gain business?

Individuals who think of post offices in terms of retail outlets and not as delivery nodes in a communication network love to say that the Postal Service has more retail outlets than Starbucks, McDonalds, and Wal-Mart combined. While that might be true if post offices were retail outlets, they are not mere retail outlets.

If you look at the post offices for what they are—delivery nodes in a communications network—it is equally true that the Postal Service, with its 25,000 post offices *has less than ten percent of the delivery nodes that the Verizon wireless system has*. <http://www.ctia.org/advocacy/research/index.cfm/aid/10323> (showing 256,200 delivery nodes as of June 2011 in the Verizon Wireless system).

Has the Postal Service really thought through what will happen if were it to close that many delivery nodes? We think not.

While the Postal Service has indicated that it would expect to come to the Commission every time it does another round of post office closings, that statement in and of itself raises larger issues, for it puts the closing of these 3,650 post offices in a

quite different perspective. For one, there is no guarantee that the post offices in the next town over that the Postal Service is counting on to “pick up” the slack from these closed post offices would be there in the future to pick up the slack. What then? Indeed, with 15,000 offices closing, there is a pretty good chance that most of the next-town-over rural post offices would not be there in the future. Does the Postal Service expect a rural customer to drive 30, 40, or 50 miles to the fourth or fifth post office over? Or, is the rural customer supposed to drive to the suburb of the nearest big city? Or, will there be one post office per 100 miles?

The Commission needs to take this larger picture into account for it calls into question the competence and authenticity of many of the Postal Service’s plans to serve these communities. The League, for one, has no idea how the Postal Service could serve rural America were it to close 15,000 delivery nodes, and we represent the managers who run the final delivery nodes of that network. If the League and its members, with our expertise, don’t know how it could be done, who does? The Postal Service? We don’t think so.

Perhaps the Postal Service simply assumes that Congress will eventually relieve it of the duty to provide universal service, and a maximum level of service to rural America. Or, perhaps the Postal Service figures it can “manipulate” Congress into releasing the Postal Service from its universal service obligation by slowly abandoning rural America over time, and then forcing Congress in several years to accept a *fait accompli*, thus giving Congress no choice but to eliminate the “maximum service policy.” Or, given the tremendous pressure the Postal Service is under, perhaps it just isn’t thinking clearly.

In any case, this is why Section 3661 is in the Act, and this is why the Commission is tasked with looking at issues such as this. While the Postal Service often does not take into account the larger, longer term view in its deliberations and planning, that has never been more true than it is now. The Postal Service needs to stop its knee-jerk reactions and calm down enough to look at the big picture, and the organic and functional relation between its parts and the whole. This crisis is going to end one day and things will return to some semblance of normalcy, so long as the Postal Service has not blown itself up in the meantime.

Most likely, however the Postal Service will still be here, taking in tens of billions of dollars per year, and still ranking as a major company. We do not want that day to come and have the Postal Service realize that in its panic, it has put itself into an untenable position. If the Postal Service is not going to formulate a strategic plan that takes into account the larger picture of how it can accomplish its mission yet adopt its infrastructure to the future, maintain its flexibility, and leverage its very strong product line and increase its revenue to some degree, then it is up to this Commission to hold it accountable.

For instance, the Commission should not only advise the Postal Service that the closing of these 3,650 post offices, which will save the Postal Service relatively nothing, is not consistent with the public policies of the Act, but it should go beyond that and ask the Postal Service about the rest of the 15,000 post offices to be closed. What was the Postal Service thinking in announcing that? Did it plan to abandon rural America? What is it going to do to serve rural America? What did it think the effect of closing that many delivery nodes would be on the system? At some point, if the Postal Service is

going to survive, strategic analyses of post offices must realize that they are more delivery units than retail units. Perhaps the Commission could help with this task.

While the Postal Service has indicated that it would expect to come to the Commission every time it does another round of post office closings, what if it changes its mind and simply decides to close the remaining rural post offices on a quiet, continual, and rolling basis—perhaps by suspending them first on some weak excuse. If the Postal Service were to do this, it might be quite difficult for the Commission to consider whether this larger post office initiative would be in accordance with the policies of the Act, and with the responsibilities that Section 3661 gives to both the Postal Service and the Commission.

It is incumbent upon the Commission to recognize this request for what it is, the first big step in a much larger initiative that is designed to withdraw the Postal Service from the function of operating small post offices that serve rural communities, and to advise accordingly. Thus, we urge the Commission to address this larger picture and give the Postal Service its opinion not only on whether the closing of these 3,650 post offices is consistent with the policies of the Act, but also on whether the closing of the remaining 11,500 would be consistent with the policies of the Act, and with the existence of the network in the future. If the Commission does not do this now, it may not have another opportunity to do so.

D. Serving Rural America's Needs Through the Internet.

In considering the merits of this proceeding, and in looking at the issue of the Postal Service's plan to close the smallest 15,000 post offices in its network, the Commission should consider whether there seems to be a nascent and somewhat naïve view that the Postal Service can readily move its retail function in rural America to

the internet and yet still serve the public service needs of rural Americans. Mayor Hobbs' testimony, which the Postal Service did not contest, conclusively demonstrates that simply is not possible, as does evidence provided by Witnesses Morrison and Strong, as discussed more fully below. No evidence in this docket exists to the contrary.

E. Universal Service.

Finally, there is the implication of what impact all of this has on the Postal Service's obligation to provide universal service to America, including the provision to provide the "maximum degree" of service to rural America, and the public service elements that this service involves. There is not much discussion on this issue in this docket, but it is at the heart of this matter, for the necessity of providing the maximum degree of service to rural America is inextricably linked with the notion of universal service. Indeed, were the Postal Service to unilaterally abandon the standard of providing the maximum degree of service to rural America, we submit that it would not be acting in a fashion consistent with its duty to provide universal service.

ARGUMENT

I. WIDESPREAD CLOSING OF SMALL RURAL POST OFFICES WILL HAVE A DEVASTATING EFFECT ON SMALL RURAL COMMUNITIES.

Conceptually, as the testimony of Mayor Hobbs shows, the impacts of the closing of a small rural post office on the community it serves falls into two large categories—the impact of losing the nonpostal function and the impact of losing the postal function. While the Postal Service tends to scoff about the nonpostal role of small rural post offices, the truth of the matter is that Congress, when it passed the Postal

Reorganization Act Amendments of 1976, fully recognized that small rural post offices and small rural postmasters played that role and Congress clearly intended it to continue, as the Senate floor debate makes quite clear. See generally 122 Cong Rec, 27092-27126 et seq. (Aug. 23, 1976) (Randolph at 27092, McGee at 27092, Stevens at 27128, Hollings at 27107); 122 Cong Rec. 27424-27427 (Aug. 24, 1976) (Humphrey, Packwood); see generally Postal Rate Commission, *In the Matter of Lone Grove*, Docket A79-1, May 7, 1979 at 10, 13, 16; *In the Matter of Woolsey*, Georgia, Docket A82-1, May 14, 1982 at 7 (Commission contemporaneous analysis of Congressional intent).

As Senator Randolph said:

These postmasters—men and women—are, in a sense, counselors to so many people. They help in many ways with the filling out of forms and reports, and they represent what I believe is the human side of the government. I think it is important that in all of these smaller communities—and I am not speaking in disparagement of our great cities—there is not the same type of operation which people come to expect from a large number of employees. Out in those smaller communities there are just one or two or three persons who are on the job, and they are so identified. They strive daily to help citizens generally across a broad front.

122 Cong. Rec at 27092

Indeed, a very strong argument could be made that the non-postal function that rural post offices perform in small rural communities is even more important to small communities than the postal function. There is ample evidence in Mayor Hobbs' testimony to support this. See, for example Hobbs at 12-14 (community identity) and at 15-16 (economic development). See also Tr. at 1263, 1280.

A. The Non Postal Function.

Whether it is helping illiterate citizens read, understand, and pay their bills with money orders, or acting as the emergency operations center during blizzards,

hurricanes and earthquakes, the rural post office is a destination that is widely known and easily accessible to all residents of the area. It is a destination through which almost every citizen passes in a given week, many on a given day. Hobbs at 12-13, see Tr. at 1263-64. It is literally the crossroads of the community, and the center of the community. Id. It is the place where public notices are posted, where people stop to chat, and in sociological terms, reinforce their bond and identity of community. Id. Indeed, as Witness Hobbs said, a Mayor is more likely to find the Librarian at the Post Office than at the Library. Hobbs at 12. Although Mayor Hobbs didn't explicitly say so, it is equally probable that a citizen is more likely to find the Mayor at the Post Office than at City Hall.

The Post Office is the place in Lohrville, like in thousands of other small towns, where citizens tell their Mayor how pleased (or not) they are with the town and the way things are going. Id. Small rural post offices are the place where community problems are discussed, and solutions conceived and even implemented. Id. They are the place where projects like Charity Balls are dreamed up and designed, building repair projects invented and staffed, and town celebrations born and planned. Id. They are the *only* place which is used by *everyone* in the town and thus the one place that people actually go to that truly belongs to just the community. Hobbs at 12-13, Tr. at 1263.

Rural post offices are the heart and soul of their communities. Id. It is therefore not surprising that they form a key component, perhaps the central component, of a community's identity. Id. They are a source of pride in a community, and the community thinks of it not as the Postal Service's Post Office, but as OUR Post Office. Id. It only logically follows then that taking away OUR Post Office is a serious blow to

the community, and directly undercuts the social fabric of the community, and the social bonds that keep the community together. Hobbs at 13-14

Witness Morrison notes this in her testimony, when she points out that, for rural residents, when a community's post office is closed, there is "a loss" to "the social cohesion in a community" and this is a loss that simply cannot be filled by other local businesses. Witness Morrison Tr. 921-922 Lines 24-16. Further evidence of this phenomenon is found in the record in the Superior Telegram Article "*Rural Post Offices Are Identity*" and the Des Moines Register and Tribune Article, "*With Post Office's Closure, Searsboro Surrenders.*" Hobbs at 14.

This last article raises a very important point, and that is the closure of a local post office—OUR Post Office as the community thinks of it—can often decimate a community to such a degree that the community gradually starts to wither away and many communities end up dying, a phenomena that is noted not only in the Des Moines Register and Tribune Article, but in the testimony of Witnesses Strong and Hobbs. Strong at 18, Hobbs at 13. In addition to the loss of social cohesion and the destruction of a town's identity, Witness Hobbs shows that the closing of a post office has many other disastrous effects on a community that can lead to its demise. For instance, losing a post office is the equivalent of a death sentence on the community's economic development program, for few companies that are choosing to locate in a small rural town—perhaps a company such as Mayor Hobbs' employer, Dobson Pipe Organ Builders—will choose a town without a post office over a town with a post office. Hobbs at 15-15, see Tr. at 1265. A town without a post office is, after all, not quite a "real" town, somewhat like a baseball team without a pitcher.

Surely, when Congress gave the Postal Service the public service responsibility referenced in Section 2401, and the authority to ask for almost half a billion dollars of public service funds per year, it did not expect the Postal Service to be going through places like Iowa, Montana, Missouri, Arkansas, West Virginia, and Alaska playing God, deciding which cities live and which cities die.

B. The Postal Function.

Closing a town's rural post office creates incentives for existing businesses to relocate to another town that has a post office, for the money lost by accessing postal services in the next town over³ can be considerable. Hobbs at 9, 16, Tr. at 1265. See TR at 280. Taking a half an hour to an hour, twice a day, to get and enter mail in the next town over is not a practical business arrangement for a business that regularly needs to turn around mail that is received by 11:00 a.m. and needs to go back out by 5:00 p.m. the same day. See Hobbs at 9, Tr. at 1265, 1280.

Further, losing the ability to get a hand cancelation as well as a mailed receipt for a piece that hits the outgoing mail stream late in the afternoon is no trivial matter for some businesses that have chosen to set up in small towns. Hobbs at 9, R at 1257. Likewise, losing the ability to discuss postal problems, issues, fixes, or regulations with a local manager—one who has decision-making authority—is a serious loss for a business that regularly uses the postal system.

Why should a business put up with all this hassle, inefficiency and loss of income (since time is money), when it can just move to the next town over that has a post office. Of course, should THAT town lose its post office in the next several years, then the

³ Village Post Offices and rural carriers post no practical alternative to independent post offices, as explained below.

downward spiral is renewed and instead of just facing the economic decline of a town, one is facing the economic decline of a whole area. See Tr. at 1280.

The negative impact is not just on businesses, but on the whole town, particularly on its elderly, infirm, unemployed, and low and moderate income citizens. Hobbs at 8, Tr. at 1255, 1260. Losing the ability to obtain money orders, losing the ability to easily mail items and pick up items, and forcing citizens to drive longer distances through ice, snow, and heavy rain, all impact the desirability of living in a community. See Hobbs at 8, Tr. at 1255.

As Mayor Hobbs thoroughly explains, neither Village Post Offices nor rural carriers—the so called “post office on wheels”—provide realistic alternatives to the small rural post offices that small towns have so strongly embraced. Hobbs at 5-7, 10-11. The Village Post Office would only provide two services, while the full service independent post office provides some 36 services. Hobbs at 5-6. Moreover, as described above, it is not even clear that the Postal Service could find many businesses willing to deal with the bureaucracy and hassle of setting one up, as the CNBC and Reuters article noted above indicates, and as Mayor Hobbs pointed out. Hobbs at 6-7.

Rural carriers—wonderful citizens and workers that they are—don’t pass through at a set time, and it would be ridiculous to require a citizen to stand by the roadside and endure possibly lengthy wait times, for the rural carrier to arrive. See Hobbs at 10-11. Moreover, even if it were not ridiculous, imagine what would happen if a majority of citizens on a rural route decided that on the same day they needed to variously purchase stamps, mail a package overseas, get money orders to pay bills, and send a certified, priority, or Express letter. The carrier would never get the route done, and the

people who are unfortunate to live in the middle of the route would have no idea when the carrier would be passing. See Hobbs at 10-11. Thinking that rural carriers can substitute for a post office is one of those ideas that sounds great the first time you hear it, but then falls apart as soon as one starts thinking it through. See Id.

Moreover, as discussed more below, neither Village Post Offices nor rural carriers necessarily provide a less expensive alternative, given the efficiencies of box delivery versus carrier delivery, and the salaries paid rural carriers as compared to postmasters in rural post offices. Finally, there is not credible evidence in this docket that internet high speed service or alternate carriers such as UPS and/or FED EX could offer rural America alternatives for the full range of postal services that small post offices currently provide. That, of course, assumes that one would have easy access to the high speed internet and alternative services.

Again, Congress did not intend for a Postal Service executive, as competent as he or she may be, to sit in Washington and decide who in rural America gets the advantage of decent postal services and who does not. Rather, Congress intended all of rural America to get postal services, and not just ordinary postal services, but a “*maximum degree*” of postal service, as discussed above.

The RAO proposal, and the effects that it would have on the rural communities that would lose their post offices, simply fails to meet this standard.

II. THE SERVICE OPTIONS AVAILABLE TO CUSTOMERS, PARTICULARLY RURAL AND SMALL-TOWN CUSTOMERS, WILL BE HUGELY REDUCED FOLLOWING IMPLEMENTATION OF THE RAOI.

Existing post offices in rural communities currently provide a wide array of postal and non-postal services, ranging from bulk mail to money orders on the postal end of services, and from illiteracy assistance to ensuring medications are delivered on the non-postal end. Rebuttal Testimony of Mark Strong, Page 13 at Lines 10-19 and Page 17 at Lines 8-30. If the RAOI is implemented and results in the closure of a substantial number of the listed offices, the rural communities that are targeted will lose these services and will no longer be included in the nationwide concept of universal service. See Strong responses to Interrogatories, USPS/NLPM-RT1-3, Tr. Page 1417; USPS/NLPM-RT1-13, Tr. Page 1425.

United States Postal Service witness James Boldt candidly admitted that postal customers need many more postal services than a Village Post Office will provide. Witness Boldt, Tr. Page 379 Lines 15-24. In fact, he admitted that "a lot less" services will be available at a Village Post Office. Witness Boldt, Tr. Page 384 at Lines 3-22. Indeed "No VPOs are expected to be full-service offices." Witness Boldt Tr. Page 385 at Lines 3-6.

When the Postal Service closes post offices, there is no guarantee that a replacement Village Post Office, contract postal unit, or other alternative access will be provided. As Witness Boldt stated: "We have never suggested that it [a Village Post Office, or other alternative access] was an absolute replacement for all the services." Witness Boldt Tr. Page 402 Lines 5-12. Witness Anita Morrison also recognized that many postal customer needs will not be met by a Village Post Office: "I think there is some portion of the need for postal services that can be met by a village post office, but there are still a number of actions that require going to an actual postal facility in terms

of sending registered mail or certified mail, picking up a package that is too large to be left behind and also mailing packages that don't quite fit with the prepaid boxes that are now being sold." Witness Anita Morrison Tr. Page 921 at Lines 13-23.

There are quite a number of services which will not be available at Village Post Offices. Bulk mailings will not be available. Witness Boldt Tr. 381 Lines 2-15.

Similarly, highway contract routes cannot routinely accept packages over 13 ounces. Witness Boldt Tr. 382 Lines 4-23. Passport services will not be available at VPOs or contract postal units. Witness Boldt Tr. 399 Lines 7-15.

Of particular importance to many small-town and rural postal customers, money orders will not be available in any convenient way: The customer would have to meet the rural carrier two days in a row, one day to provide the money and the form for the money order and the next day to actually get the money order." Tr. 407-408 Lines 17-14. See *also*, Strong response to Interrogatory, USPS/NLPM-RT1-13, Tr. Page 1425. For customers unable to read or write, filling out the application for the money order(s) to pay regular bill(s) would be much more difficult. Strong at 25-26. Rural carriers will have to fill out an application, and will have to go back "to their administrative office and return with the money order." Witness Boldt Tr. 408 at Lines 3-10. Consumer Advocate witness Anita Morrison testified that "[m]oney orders are a major tool for the people who are unbanked, as they say, without access to checking accounts or bank accounts. Those help them pay their rent, pay their bills and send money abroad for immigrants.... [S]o the loss of the post office service would be a major issue for those unbanked individuals." Witness Morrison Tr. 922-923 Lines 21-5. Witness Morrison pointed out that 7.7 percent of U.S. households, or 9 million

customers are "unbanked," and these are "generally low-income residents."

Witness Morrison Tr. 923 Lines 8-22.

In addition to the loss of postal services, rural communities would also lose their postmasters, who are trained and knowledgeable individuals that are often an integral part of their small communities. Strong at 14, Lines 9-15; at 17; at 25, Lines 18-19; at 26, Lines 7-9.

The Postal Service pressed Witness Strong for a quantity of post office closings and associated loss in services that would be "less than drastic," and Witness Strong pointed out that for any rural town, even one closing could be drastic. Tr. Pages 1501-1505, 1570.

National Newspaper Association witness Max Heath testified that there is "[n]ot a chance that I know of" that a Postal Service competitor like UPS or FedEx will move in to open an outlet in a small rural community when the Postal Service moves out. NNA witness Max Heath Tr. 1178 Lines 5-9.

As worrisome as the loss of a post office may be, the future prospects for the community can be even more bleak. As Postal Service witness Boldt admitted, if the Postal Service creates a VPO, and later closes it "for whatever reason," there is no requirement that the VPO be replaced. If the Postal Service closes a post office and replaces it with a VPO or contract postal unit, those offices can subsequently be closed and the public has no appeal rights to the Postal Regulatory Commission whatsoever. Witness Boldt Tr. 396-398 Lines 14-6; and Tr. 402-403 Lines 13-5.

III. THE POSTAL SERVICE HAS FAILED TO CONSIDER OR AMELIORATE THE DEVASTATING COMMUNITY EFFECTS OF POST OFFICE DISCONTINUANCES.

In his live testimony, Postal Service witness James Boldt "confirmed that some postal customers may have limited access to the nearest postal facility and that some live in areas where alternative delivery service providers are limited or unavailable." Witness Boldt Tr. 392 Lines 2-24. Witness Strong testified about places like Odd, West Virginia, where significant snowfall and physical or other disabilities can prevent customers from accessing their mail. Strong at 17, Lines 17-26. He also testified about remote places like DeWitt, Kentucky, where customers already drive significant distances to the current post office, and the route to the next-nearest post office is unsafe. Strong at 24, Lines 13-15, Strong response to Interrogatory, USPS/NLPM-RT1-27, Tr. Page 1437; Tr. Page 1518, Lines 2-12. Other communities would be required to drive 20 miles or more to reach another post office if the office in their town closed. Strong at 23, Lines 14-20.

Consumer Advocate witness Anita Morrison testified that in identifying facilities to be considered for closure under the RAOI: "In the nomination of stations and post offices for closure, it would tend to discriminate against those with lower populations, lower population densities and lower incomes." Witness Morrison Tr. 918 Lines 9-12. More damningly, witness Morrison said that, to the best of her knowledge the Postal Service did not even conduct any studies related to the impact of the RAOI on lower-income people, minorities or those who are elderly or without access to cars. Id. at Lines 13-17.

Witness Morrison further pointed out that the RAOI standard of earned revenue or workload "would tend to bias against areas with lower incomes." Witness Morrison Tr. 914 Lines 13-22. She also pointed out that there was a significant impact of the RAOI "on the elderly, over 65," and "it was significant" in rural areas. Witness Morrison at 915-916 Lines 22-9. Dr. Nigel Waters also confirmed from his demographic analysis that the RAOI would have a higher impact on older residents. Witness Dr. Nigel Waters Tr. 1337-1338.

In its direct case, the Postal Service suggested that the availability of the internet would decrease the need for brick-and-mortar post offices. To the contrary, witness Anita Morrison testified: "There are concerns in the rural areas about the availability of internet, both in the area in general, but the individual homes; that the extent of availability is much more limited in rural areas that are being affected by some of the recommended closures." She also pointed out that the "band width and the speed of internet is significantly slower in some areas. There was a comparison between Rhode Island and Idaho I believe it was that showed almost three times faster in Rhode Island," and that in rural areas half may not have internet access, and of those who do, "it may be dial-up access, or it may be a slower access than available in urban areas." Witness Morrison Tr. 914-915. Witness Strong corroborated this testimony with informal surveys conducted in a handful of small towns, which showed that a significant number of postal customers in those towns did not have access to reliable internet or cellular phone service. Strong at 25, Lines 1-4, 9-13; at 26, Lines 4-7. One estimate is that as many as 19% of Americans, or 22 million households, are without internet services at home. Strong at 22. However, the Postal Service has no way of knowing which households in

rural communities have internet and which ones don't without considering either demographic data or the input from locals at community meetings, particularly when no notes are recorded and community members have limited time to speak about their concerns. See Witness Morrison Tr. 996 Lines 1-4; Strong at 31, Lines 9-16; at 32-33, Lines 17-3.

Another significant defect in the Postal Service's RAOI data analysis is that the distance in miles to the nearest retail location, from a post office being considered for closure, was based on geographic coordinates rather than driving distance. Witness Boldt Tr. 409-410. This is significant because, as witness Anita Morrison points out, one-third of the post offices being considered for closure under the RAOI are more than 10 miles from the nearest post office, and 1 in 10 is more than 20 miles away. Witness Morrison Tr. 918-919.

In his direct testimony, Dr. Nigel Waters presented a location allocation analysis and, based on his analysis, concluded that exactly half of the locations proposed for closure in Kansas, 67 out of 134, are actually sites that should remain open. As he stated: "What we said was that there are 67 locations proposed for closure that we identified by the location allocation analysis as sites that should remain open." Witness Dr. Waters Tr. 1338 Lines 12-24. This hardly inspires confidence in the Postal Service's data and analysis.

Apart from its failure to consider driving distances instead of geographic distances, the disproportionate impact on those with lower incomes, those without internet access, and the elderly, the Postal Service also failed to consider the effect on communities when they lose their postmasters. But witness Boldt admitted that, "A

postmaster would be a defining characteristic of a post office." Witness Boldt Tr. 348-349 Lines 23-2. Thus, when a post office is closed, regardless of whether or not it is replaced with a VPO or contract postal unit, the community loses their postmaster. Yet witness Boldt admits that clerks do not have the training and experience to replace a postmaster. Witness Boldt Tr. 378 Lines 10-24. He also admits that personnel at "alternative access sites" will have less training than Postal Service retail window clerks or postmasters. Witness Boldt Tr. 383 Lines 5-14. Thus, with the closing of a post office, the community loses a valuable resource and source of knowledge, its postmaster, and the available substitutes will not be as adequate.

In the face of these many inadequacies, Postal Service witness Boldt nonetheless admits that the district and headquarters review of a determination to terminate a post office "could take as little as one day at each level." Witness Boldt Tr. 362 Lines 13-25 and Tr. 420 Lines 20-22. Indeed, for at least some post offices, the communities have been left with the distinct impression that the decision to terminate their post office was made without any review at all. Strong response to Interrogatory, USPS/NLPM-RT1-30, Tr. Page 1440-41; Strong at 29-34.

IV. THE "COST SAVINGS" TO THE POSTAL SERVICE, IF ANY, ARE NEGLIGIBLE ON A NATIONWIDE BASIS, OR FOR THE AVERAGE POST OFFICE, PARTICULARLY IN CONTRAST TO THE INCREASED COSTS THAT WILL BE TRANSFERRED TO ITS CUSTOMERS.

The cost of providing postal services "depends upon the community. It includes the cost of the postmaster, some of whom are part-time, the cost of the facility, some of which cost as little as \$1 per year, and the cost of any carriers or clerks whose salaries fall under that post office. The Postal Service estimates that the total aggregate

operating expenses of all 3,650 post offices subject to the RAOI are 'about 0.3 percent of [the Postal Service's] total operating expense.'" See Revised Response of USPS to NLP/USPS-18; Strong response to Interrogatory, USPS/NLPM-RT1-26, Tr. Page 1436.

Postal Service witness Boldt admits that "the maximum conceivable savings" for the RAOI "is \$200 million if everything is closed," even though the Postal Service admits that all 3,652 offices being considered under the RAOI will not be closed. Witness Boldt Tr. 425 Lines 17-25. Witness Boldt admits that less than 3,650 offices are likely to be closed, and that the total possible savings to the Postal Service from the RAOI "will be somewhat less than three/tenths of a percent." Witness Boldt Tr. 421-422 Lines 20-2. Witness Boldt also admitted that there will be increased costs connected with closing: "Yes, there will be additional costs." Witness Boldt Tr. 422 Lines 3-10.

Of course, this relatively minimal cost savings to the Postal Service comes at an increased cost to society. Consumer Advocate witness Klingenberg pointed out in his direct testimony, and on cross-examination that, if the maximum savings to the Postal Service might be \$200 million if all 3,652 offices being considered in the RAOI were closed (which will not be the case), 16.2 million citizens might likely face a longer drive, with an increased cost to society of \$232 million. In other words, the possible cost to society exceeds the maximum savings that could possibly be achieved by the RAOI. Witness Klingenberg Tr. 1626-1629.

Among the additional costs to the Postal Service in closing rural post offices, the "Postal Service has not taken into account the full extent of the costs of extending delivery to those customers who will now receive their mail at their home, nor the cost of servicing an NDCBU by the carrier if that is the chosen delivery mode." Strong at 13,

Lines 2-4. “The reason for this is that one does not know the full extent of costs until one takes into account what type of delivery will be provided, what type of boxes, cluster boxes, road side boxes, etc. That does not happen until the actual implementation, although this may be estimated at the 60-day proposal. Moreover, were the carrier to provide retail services, that could significantly increase the compensation a carrier receives.” Strong response to Interrogatory, USPS/NLPM-RT1-39, Tr. Page 1450.

While some the of costs passed on to society can be quantified, such as increased fossil fuel consumption necessary to drive greater distances to reach an alternate post office, other losses absorbed by communities may be on a social level, and are consequently less quantifiable, though no less costly. Strong at 13, Lines 5-9; Strong at 23, 26-27.

In light of the relatively miniscule savings to the Postal Service compared to the costs to society, the financial outcome hardly seems worth the cost of “unravel[ing] the fabric of rural America.” Strong at 19, Lines 1-3.

V. THE RAOI IS PREMISED ON FAULTY DATA

The Retail Access Optimization Initiative identified 3650 post offices that made less than \$27,500 in revenue—as substantially measured in rural offices by the number of earned hours from Small Office Variance (SOV) productivities—under the supposition that with fewer earned hours (or less revenue), a post office is being used less relative to other post offices, is less profitable, and therefore should be reviewed for closing. Strong at 28; Strong response to Interrogatory, USPS/NLPM-RT1-48, Tr. Page 1459.

However, the earned-hours formulas were never intended to be put to such a use. In addition to the numbers being inherently unreliable, the formulas were originally

“intended to be used for staffing purposes, just to get a very rough idea of the number of people need[ed] to staff a facility.” Strong at 28, Lines 6-9.

The data used to create the list of candidate offices “shows less than 2 hours of earned time. This is driven by volume[,] and a low income area or a rural area generally is going to have fewer pieces per delivery than wealthier urban or suburban areas.”

Strong response to Interrogatory, USPS/NLPM-RT1-2, Tr. Page 1416. The use of the \$27,500 minimum revenue criteria means that “fewer facilities in urban areas are going to fit into that category.”

The second part of the earned hours formula comes from retail transactions which in a non-POS or manual environment is determined by dividing the post office’s revenue by an assumed rate of \$5⁴ per transaction. The resulting number provides an estimate of how many transactions that particular office has had in a single year. This number is then multiplied by an assumed 1.3 minutes per transaction to get a total earned time for the revenue side of earned hours. See Strong response to Interrogatory, USPS/NLPM-RT1-48, Tr. Page 1459-60. These assumed numbers entered into the formulas do not reflect reality in rural post offices, because they not take into account the number of customers that may come in and buy small ticket items showing a high use but a low dollar rate. In a community with a medium income of \$15,000 does the Postal Service really think that even a \$5 transaction is representative of reality? Those post offices with transaction amounts less than \$5 could easily double the number of transactions in the formula and thus significantly increase the earned hours. Id. This

⁴ Bolt testified that the new national average for a revenue transaction is \$7.13 per transaction. SOV offices were getting more credit at \$5 per transaction. The national average includes urban and rural transactions, where the urban transactions are heavily weighted. USPS response to interrogatory NLP/USPS – 2.

earned hour program in a manual office also does not take into account any non-revenue transactions such a picking up a parcel, picking up accountable mail, helping fill out a change of address or even looking up a zip code. Id. Furthermore this revenue does not take into consideration permit mailings, bulk mailings, first class presort mailings or off site postage payments such as postage meters.

In cross examination regarding the SOV accuracy and extremely high productivities for distribution work, both Boldt and Ruiz testified to the productivity achievement rate of over 90% for SOV offices. See NLP/USPS-3 TR 374-375, TR 1743-1744. In fact, Boldt testified that the achievement rate was 97%, and Ruiz testified that there were offices hitting over 100%. The formula puts offices in the 100% achievement category to the SOV target simply by default, not because of the existence of sound data or achievable targets. Strong response to Interrogatory, USPS/NLPM-RT1-2, Tr. Page 1416.

The formula uses default numbers that are inaccurate when applied to post offices in lower income and rural communities, which are often open for fewer hours a day and whose transactions may be equally numerous but bring in less revenue when compared with urban counterparts. Strong response to Interrogatory, USPS/NLPM-RT1-48, Tr. Page 1459-60. These inaccuracies lead to skewed information that placed active rural post offices on a list to be reviewed for closing as though they were inactive. Id. “The SOV process was meant to be a complement managing tool, not a budgeting tool, and especially not a tool used to determine if an office should be on a closing list.” Id. at 60.

If the faulty data used to identify candidate offices was the only problem in the RAOI process, it is possible that local input from postmasters and community members could resolve the disconnect between the data and the reality. Unfortunately, with the top-down process, the clear messages to postmasters not to take candidate offices off the list⁵ or interfere with the RAOI process⁶, the way community meetings have been mishandled contrary to the intent of the PO-101 Handbook, and the lack of transparency toward the public⁷ as well as the postmaster organizations that are in a position to be able to help with the dissemination of information (in both directions)⁸, the end result is that the faulty data from the SOV formulas has created a death list⁹ for post offices in rural communities.

VI. THE POSTAL SERVICE IGNORED IMPORTANT DATA AND INFORMATION, AND RELIED ON UNSUPPORTED ASSUMPTIONS, IN FORMULATING ITS RAOI.

The Postal Service failed to consider, or completely ignored, important data and information in developing its RAOI. For example:

*The number of customer visits to post offices was not considered. Witness Boldt Tr. 373 Lines 17-24;

*Revenue from drop shipped mail was not considered. Witness Boldt Tr. 376 Lines 5-10;

*Revenue from returns was also not considered. Witness Boldt Tr. 376 Lines 11-17;

⁵ Tr. Page 1536, Lines 1-21

⁶ Tr. Page 1544, Lines 22-23, Page 1545, Lines 5-15; Page 1547, Lines 14-24; Page 1548, Lines 2-9; Page 1549, Lines 18-21.

⁷ Tr. Page 1544, Lines 4-13

⁸ Tr. Page 1549, Lines 9-25; Page 1556, Lines 12-21, Page 1537, Lines 10, 12-19.

⁹ Tr. Page 1538, Lines 3-6

*Transaction time for hold on deliveries, or for parcel and accountable mail pickup is not considered. *Id.*

*The RAOI does not include commercial mailer revenues. Witness Max Heath Tr. 1180-1181 Lines 16-16; Witness Klingenberg Tr. 1619 Lines 6-20;

*The RAOI also does not consider pre-stored First-Class mail revenues. Witness Klingenberg Tr. 1621;

*Nor does the RAOI consider revenue from standard mail; *Id.*;

*Nor does it consider revenue from periodicals; *Id.* and

*The RAOI does not consider the willingness of communities to provide free space for post offices. Witness Boldt Tr. 378-79 Lines 25-11.

The list of significant information or data the Postal Service chose not to gather or consider appears to exceed the relatively small amount of information considered in developing the RAOI. No empirical studies were conducted to support the Postal Service's conclusion that small-town customers probably already go to other towns to conduct business. Witness Boldt Tr. 380-381 Lines 7-1. In addition, the Postal Service felt no business need to find out the percentage of its customers who would be using alternative venues. Witness Boldt Tr. 393-394 Lines 19-1.

The Postal Service made no effort to determine where customers would go after their post offices were closed. Witness Boldt Tr. 415 Lines 2-16. Nor has the Postal Service conducted, nor does it plan to conduct, any follow-up tracking process to find out what actually happened to its customers at closed post offices. Witness Boldt Tr. 418 Lines 12-15; Tr. 419 Lines 8-13. Indeed, the Postal Service does not plan in

any way to measure the inconvenience to its customers from post office closings.

Witness Boldt Tr. 444 Lines 11-20.

In response to the Presiding Officer's Information Request, and on cross-examination, the Postal Service admitted that it did not know how many of its customers would not have access to motor vehicles, nor access to public transportation. Witness Boldt Tr. 394-395 Lines 2-22. This is true even though Consumer Advocate witness Morrison testified that the "statistics that we looked at showed that almost double the number of facility areas had more—the average was more than almost double the control group average of—households with no vehicle." Witness Morrison Tr. 919-920 Lines 15-4.

Indeed, and rather astonishingly, witness Morrison points out that, to the best of her knowledge, the Postal Service did not take any census or demographic data into account in its Retail Access Optimization Initiative. Witness Morrison Tr. 996 Lines 1-4.

Given the vital importance of post offices to small and rural communities, it is particularly telling that Postal Service Witness Boldt admits that the Postal Service has no data at all relative to the survival rate and development prospects for communities with no post offices, versus those which do have a post office. Witness Boldt Tr. 411 Lines 9-15. Indeed the Postal Service does not prepare any estimates or take into account economic development as part of the discontinuance review process. Witness Boldt Tr. 412 Lines 21-24.

The decision to close a post office is literally a life-or-death decision for many small and rural towns, but witness Boldt admits that the Postal Service does not track any data as to how many towns entirely disappear after their post office is closed, and

"considers that information unnecessary." Witness Boldt Tr. 413 Lines 1-13. Consumer Advocate witness Anita Morrison testified compellingly about the "cycle of neighborhood decline" when a town loses its post office. She testified that when "activity is diverted to another post office then the number of people who come to that business district on a daily basis is lower. That can mean the difference between profitability and failure for some of the local businesses.... [O]nce you start to have businesses close then you have a cycle where those business facilities may be underinvested in terms of repairs and maintenance and that further then leads to similar decline in other properties and an overall less attractiveness for customers." Witness Morrison Tr. 920-921 Lines 5-2. She also adds that, for rural residents, when a community's post office is closed, there is "a loss" to "the social cohesion in a community." She testified that other local businesses simply cannot fill the need that a post office does in supporting social cohesion. Witness Morrison Tr. 921-922 Lines 24-16.

VII. THE LOCAL COMMUNITY MEETINGS ARE BEING CONDUCTED IN SUCH DISREGARD OF STATUTORY CRITERIA, PRC GUIDANCE, AND THE POSTAL SERVICE'S OWN MANUALS, AS TO INVALIDATE THE RAOI PROCESS.

The design defects and lack of proper input in the RAOI process begin right at the start, and at the top. First, as witness Boldt admits, input from postmasters and supervisors was sought only after the RAOI was fully developed, even though their expertise and years of experience might have been valuable in designing the process. Witness Boldt Tr. 350-352 Lines 4-14.

Then, of course, the decision on closing money-losing post offices is left to postal officials who have performance and pay incentives to make the decision to close post offices which are not self-sustaining. Witness Boldt Tr. 346 Lines 6-25.

Then, on top of that, the Executive Leadership Team which heads up and oversees the entire RAOI process is made up of eight officials, only three of whom are directly responsible for customer service. Witness Boldt Tr. 357-358 Lines 25-22.

These defects continue down the line in the RAOI process. For example, the only formal notice the public received of the RAOI process itself was Postal Regulatory Commission Docket N. 2011-1, together with anything the press published or Congress noted. This was the only notice given to the public that 3,652 post offices, stations, and branches were being considered for closing under the RAOI process. Witness Boldt Tr. 357 Lines 3-24. Then, once the local discontinuance process began, there has been a great deal of evidence that, despite the provisions of Handbook PO-101, local postmasters were not consulted concerning community meetings, that as many as three meetings per night were being scheduled in distant communities, and that inconvenient weekday meetings were being scheduled. Witness Boldt Tr. 366-373.

National Newspaper Association witness Max Heath testified compellingly concerning the defects of the community meetings as he has heard from newspaper publishers and editors across the country. He testified that in some cases "people are being told by local management that the Postal Service doesn't want decisions made, and they don't really want any input...." Witness Heath Tr. 1184 Lines 12-22. He also testified that no photography or recording was allowed at some meetings, that reporters "felt less than welcome to be there, and nobody was really interested in input or

reporting," that "things were obviously mishandled, and the publisher intimidated to the level whether he would even run the photo, or wasn't sure because he was afraid he'd get in trouble with the handling of his mail in the future...." Witness Heath Tr. 1185 Lines 5-25. He added that some of the community meetings are being held at times that seem to be scheduled more for the convenience of the postal staff and not community members, that adequate notification also was not provided for many community meetings, and that 51.9 percent of his survey respondents said that there was no community meeting. Witness Heath Tr. 1187-89.

Witness Strong's testimony adds considerable evidence that meetings are not following the provisions of PO-101. The Postal Service appears to be deliberately hindering "meaningful community input" by setting meetings at inconvenient times in the middle of the day, sometimes in distant communities, by limiting the duration of the meetings and the length of time any member of the community can speak, and by changing dates of meetings with little or no advance notice. Strong at 29, Lines 9-24; at 30-34. The Postal Service is failing to take notes at community meetings to create a record for later review of the discontinuance proposal, and is providing mis-information about the closing process that is both offensive and indicative that the post offices will be closing regardless of the communities' input. Id.

This testimony suggests that, from top to bottom, the Postal Service failed to seek input from its experienced postal managers, that discontinuances are decided by managers with the performance and financial incentive to discontinue, that the process is overseen by an Executive Leadership Team most of whom are not responsible for

customer service, and that the community meetings were conducted in ways designed to discourage, rather than encourage, meaningful community input.

VIII. "OPTIMIZATION" IN THIS CASE IS REALLY ONLY INEFFICIENT DOWNSIZING THAT PROVIDES MINIMAL FINANCIAL BENEFITS, AND HARDLY PRODUCES "A MAXIMUM DEGREE OF EFFECTIVE AND REGULAR POSTAL SERVICES TO RURAL AREAS."

Postal Service witness Boldt was candid in admitting that "optimization" is "really just downsizing with a more attractive label," and that "optimizing" really meant discontinuance or downsizing. Witness Boldt Tr. 441 Lines 6-23; Tr. 442 Lines 4-22.

National Newspaper Association witness Max Heath testified on the Postal Service's "special obligation to rural areas:" "I guess our view is in order to bind the nation together in what we think the intention of law is, that to really truly bind the nation together, you've got to serve it all and no matter how rural, so we feel like that's been affirmed more than once." Witness Heath Tr. 1177 Lines 8-12. Witness Strong added that, "Universal service is service to all Americans, coast to coast, border to border, with each of them generally receiving the same degree of retail and delivery service at the same price.... By service, I mean not only retail and delivery service, but in terms of post offices, those types of non-postal service that have been traditionally been offered in rural America." Strong response to Interrogatory, USPS/NLPM-RT1-3, Tr. Page 1417.

Dr. Nigel Waters described post offices as "a low order of service," but he explained the essential nature of post offices, and the need for them to be close by quite compellingly:

"You know, when I was re-reading through this material, which I wrote, I realized that that – it could be interpreted as being a trivial service and somewhat demeaning. But, it's just the opposite. A low order service is something which is needed on the most frequent basis possible, possibly and I think earlier testimony has suggested maybe several times – several times a week. And so such a service, since it is needed on a frequent basis, should be available at a close distance, so that people who travel to take advantage of that service don't have to go very far. If it's a service that's needed infrequently then you don't mind going a greater distance. But for your bread, for your milk, for your newspaper, and for your post office, you want those services to be close by. That's what's meant by low order service." Witness Dr. Nigel Waters Tr. 1339 Lines 7-23.

Consumer Advocate witness Anita Morrison described postal service "as something of public good and public need." She testified that "the law does require that we provide service to rural areas regardless of whether they are losing money, whether they make a profit. There's just a basic justice aspect to it in terms of service to the population, and then the impacts on the poor and the elderly are on people who have fewer alternatives and fewer options." Witness Morrison Tr. 992 Lines 9-20.

The "Postal Service would not be able to serve rural America just as well as it does now, and certainly not to the maximum degree that it is statutorily required to do, if existing small post offices were closed...To me, it is clear that you cannot give the same service in the future as you have in the past when you require someone to drive to a farther town in order to pick up their mail... Furthermore, if a VPO would be the only retail service available and it sells only forever stamps or flat rate priority boxes, it is clear that that town is not getting the same service they do now, much less the maximum service possible." Strong response to Interrogatory, USPS/NLPM-RT1-1, Tr. Page 1415.

Consumer Advocate witness Klingenberg provided an outstanding overview when he testified:

"I understand that many of these locations don't generate a lot of revenue, but the Postal Service is a more complex entity than just the walk-in revenue at a small post office in a small town.

"The Postal Service operates an entire retail network, and an entire monopoly product that is based on people continuing to use the service, and it being an important part of people's lives. And I understand that that has become less so in recent years, but it is not clear that this [RAOI] initiative balances that." Witness Klingenberg Tr. 1717 Lines 11-21.

Witness Klingenberg provides possibly the best short summary of why the Postal Regulatory Commission should advise against the RAOI: "...if this initiative doesn't make the Postal Service better off in the end, then it is not an optimization initiative, and at this point the Postal Service has not provided cost savings data. It has not said here is the positive benefit to the Postal Service of doing this." Witness Klingenberg Tr. 1717 Lines 3-8.

CONCLUSION

Although the RAOI on its face may not appear to be aimed at rural America, the methods used to identify the candidate offices on the list to study for discontinuance have singled out rural post offices. While there are some stations that are located in urban areas, those stations have alternate access not commonly available in rural areas. Moreover, the law (as well as the PO-101 Handbook) provides specific protection for post offices in rural communities that have been ignored thus far in the discontinuance process, resulting in a severe problem for rural areas that are on the brink of losing a critical part of their community identity and the stability of their infrastructure and their economies.

With the prospect of miniscule savings to the Postal Service, increased costs to the public, flawed data used for identification of candidate offices, the broken community meeting process that is not even trying to follow the provisions of the PO-101 in many

cases, articles in CNBC suggesting the Postal Service is backing off of Village Post Offices, and all the other infirmities that we have documented, this case is a shambles.

We respectfully submit that an initiative by an agency that is designed to avoid a duty imposed on it by Congress, in this case to offer a maximum degree of service to rural America, where post offices are not self-sustaining, in the context of a specific prohibition against closing post offices for operating at a deficit, is not an initiative that this Commission should approve. This is even more true in a context where an authorization for appropriation exists, and the agency has refused to request it for thirty years because it did not need it.

This is a very important matter. We respectfully request that the Commission's opinion in this Docket be a strong defense of the role of the small, rural post office in rural America, and that it be clear, strong, and unequivocal.