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Postal Regulatory Commission
Submitted 2/1/2018 1:02:52 PM
Filing ID: 103654
Accepted 2/1/2018
Senator Malcom Wallop
(1933 - 2011)
Founder

**Postal Regulatory Commission
Reply Comments by Frontiers of Freedom
Regarding Docket #ACR2017**

Frontiers of Freedom is an educational foundation founded in 1995 by U.S. Senator Malcom Wallop, whose mission is to promote the principles of individual freedom, peace through strength, limited government, free enterprise, free markets, and traditional American values as found in the Constitution and the Declaration of Independence.

Over two centuries prior to the creation of the Frontiers of Freedom, the American founding fathers were building a republic that endorsed these same ideals. Some of the freedoms listed in the U.S. Constitution were freedom of religion, freedom of assembly, freedom of the press and maybe most importantly, freedom of speech. To help promote freedom of speech, the U.S. Constitution included what today is widely recognized as the US Postal Service. The USPS' original goal was to provide affordable letter mail delivery to every location in the country. Due to a number of mismanagement cases, shady diversions, and faulty frameworks, the US Postal Service has fallen miles behind its original purpose and the Postal Regulatory Commission (PRC) should do everything in its power to place it back on track.

Even though First-Class Single-Piece letters is USPS' highest volume product, it has failed to meet-on-time delivery goals for three consecutive years. Although one or even two years can potentially be explained, three straight years represents an undeniable trend. With Standard Mail Letters, performance targets have not been met for five years in a row. Considering that millions of Americans and people worldwide depend on the timeliness of mail service, consistent delays in the US Postal Service's highest volume product reflects a second-rate image of the agency. What is even more exasperating is that there has been no conscious or effective effort by postal leadership to fix the shortfalls of the US Postal Service.

The US Postal Service currently has over \$122 billion in debt and unfunded liabilities, an increase of \$48 billion in the last 10 years. Although Postal leaders claim that much of the increase is due to declines in business for services they are required to perform, such as First Class Mail, fiscal year 2017 data points undermine that argument. First-Class mail letters in 2017 earned \$13.4 billion dollars, covering costs by 235% and establishing it among the USPS' highest volume products. Thus, First-Class Mail is just one of the many examples of a necessary service that brings in an enormous amount of profit. Why then, does the US Postal Service continue to increase rates for these services even though they have a low cost attribution? We believe that

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there is a high threat of cross-subsidization, a clear violation of federal laws and policies that the PRC should examine.

Given that the revenue of government protected monopoly products exceed costs, cross-subsidization is one of the few logical explanations for the US Postal Service's continuous debt increase to nearly unsurmountable levels. Not only are such practices prohibited, this type of mismanagement puts the entire organization at risk, threatening the stability of thousands of jobs and a multi-billion dollar industry. Thus, we ask, how can—after a ten year review of the postal ratemaking system—USPS be allowed to raise rates 2 to 3 percent beyond the rate of inflation, for each of the next 5 years? The PRC needs to identify other remedies to help the USPS dig itself out of this never-ending fiscal hole.

To begin, the PRC must produce clear and enforceable guidelines on meeting mail delivery performance goals. After continuing to fall short of clearly defined objectives for multiple years, USPS must deliver more timely service. This, in turn, will be critical for increasing consumer trust in the agency.

Moreover, the USPS and PRC need to work in close coordination to create transparency in the cost allocations of each service. It is evident that without clear and open data, the United States Post Service will be more prone to use these profits earned in monopoly mail to finance their other operations. In controllable expenses alone, the US postal service reached an unparalleled \$71.6 billion in 2017.

It is also important that the US Postal Service establish a competent management structure that adequately and openly reports to the PRC. With effective, goal-oriented leadership, the US Postal Service will be able to design a short-term plan to deal with its current financial standing while creating some breathing room for a sustainable long-term solution for its \$122 billion debt.

In summary, the USPS needs to transform its ways in order to improve its service and regain the trust of the American people. Based on the objectives of the USPS when it was first created, it is unacceptable that they are charging a high price for an untimely service. The US Postal Service, with the aid of the PRC, can return to being an affordable and reliable service. Please accept these comments for consideration of ways that the US Postal Service can better deliver and meet expectations of their loyal customers.

Sincerely,



George Landrith
President, Frontiers of Freedom