Postal Regulatory Commission
Submitted 6/30/2008 3:29:22 PM
Filing ID: 60346
Accepted 6/30/2008

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

Report on Universal Postal Service And the Postal Monopoly — **DOCKET NO. P12008-3**

COMMENTS OF THE ALLIANCE OF INDEPENDENT STORE OWNERS AND PROFESSIONALS (AISOP) AND THE SATURATION MAILERS COALITION (SMC)

AISOP and SMC respectfully submit these Comments on the importance of the Postal Service, and our views on the subject of "universal service" to America's small businesses and the saturation mailers that serve them.

ASSOCIATION HISTORY AND MISSION

The Alliance of Independent Store Owners and Professionals (AISOP) was formed in 1983 when John Haas, owner of Suburbia Furniture in Daly City, CA wrote a thank you letter to his mailing provider, ADVO System, Inc., writing "I have seen nine furniture stores close in my market area. The reason they closed is that they could not afford to advertise. Your shared mail advertising has helped my store survive." ADVO, along with other mailers, realized that the voice of their customers needed to be heard in Washington.

AISOP's mission is to make sure that the Postal Service, and others who influence the rates and service of the USPS, understand the importance of the USPS to small business. In coordination with other state and national small business associations, AISOP has worked to make postal leaders and government officials understand that reasonable postal rates are a survival issue for

neighborhood businesses, service providers, professionals, and home-based businesses ranging from tree cutters to snow shovelers.

The Saturation Mailers Coalition (SMC) was formed in 1997 to represent free paper publishers, shared mailers, and coupon envelope mailers that predominately serve small businesses with an affordable, geographically-targeted print advertising vehicle. SMC members all use the mail. Many of our members also have alternate distribution methods such as private carrier, rack or demand delivery, and electronic/Internet advertising sites. All have an interest in keeping the Postal Service's reach and distribution affordable, efficient (both in terms of time of delivery and rules relating to mail entry and preparation) and accessible.

When it comes to mail preparation, entry, and promotion of the Postal Service, SMC members are USPS partners. Postage is often their first or second highest cost of the business, from 20% to 50% of gross revenues. SMC members work with the Postal Service to develop best practices and efficient ways of preparing and entering mail. We are pioneers in work sharing. John Haas, and Dick Mandt, a former co-Chair of SMC, were urging the PMG, and the PRC to adopt drop entry discounts, and a low cost, simplified saturation classification, as far back as 1989.

The customers we serve, large and small, are very price sensitive. Although small businesses may depend entirely on saturation mail products to reach customers, they have few dollars to spend. When rates or prices go up, they cut back or reduce their advertising buy. Large customers have other advertising options.

SMC member companies include large, publicly held companies like Valassis Direct Mail, Inc. and Harte-Hanks Shoppers, as well as franchise companies that combine corporate headquarters with hundreds of individual, local entrepreneurs, such as Money Mailer and Super Coups. Many of

our free paper and shared mail members are individual, or husband and wife proprietors, that send mail to as few as 10,000 to 20,000 homes.

SMC members are in a business with many similarities to the Postal Service. We offer our advertising customers a mass media ad vehicle that reaches every consumers' mailbox anywhere from six times a year to twice a week. In their own interests members do everything they can to be welcome and helpful mailbox visitors. Our members have strict advertising acceptance policies to ensure that our content is family-friendly with high business standards. Our mail pieces include shopping information, coupons and offers with local value oriented content. Most of our members support charities or local organizations and causes.

The Postal Service and our businesses are facing challenges that jeopardize our ability to survive. Changing communication technologies and habits have driven down First Class mail volumes. The threats posed by do-not-mail legislative proposals, or changes in consumer attitudes towards the mail, could further destroy the sender-funded, volume-based business model that has made it possible for the Postal Service, SMC members, and their customers to survive.

For decades, SMC and AISOP have been spreading the word that advertising mail is good business for America's small businesses, consumers, the US economy, and the USPS. We have urged the Postal Service to spread that message to its stakeholders before it is too late. We welcome this opportunity to share with the Postal Regulatory Commission our views on our definition of universal service.

UNIVERSAL SERVICE

SMC asks the Commission to define the Postal Service's universal service obligation as a sender supported delivery service that reaches all American homes and businesses on a regular basis, at an affordable rate and preparation cost to senders. In most cases, we would hope that the Postal

Service is able to sustain six-day-a-week delivery. We believe however, that changing communication habits, and the risk of volume losses, require that USPS management have the flexibility to adjust delivery days and services to contain costs and maintain rate affordability. That flexibility is the hallmark of any successful business.

Rate affordability is critical for SMC members and our customers. Saturation mail is low-cost, high-contribution mail that provides needed and predictable volume for the USPS. Our members are willing to continue to do as much as possible to work with the Postal Service to achieve the lowest combined costs for the USPS, saturation mailers, and our advertising customers. There are substantial opportunities for the Postal Service to work with our members and grow volume, but the price has to be right. If saturation mail rates, or preparation requirements, become unaffordable, our members will lose customers, slash circulation or frequency, or look to alternate distribution methods.

To varying degrees, affordability is essential to maintain or attract business from all mail senders. The Postal Service needs the freedom and flexibility to continually fine-tune its network and services so as to contain costs and keep its rates and services affordable. Simply mandating the Postal Service, by report to Congress or by law, that it needs to "keep rates below inflation," will not make it happen. We hope PRC's report to Congress includes the survival question facing the Postal Service if it loses mail volume.

We would urge the PRC to refrain from any effort to "hardwire" or strictly define the universal service obligation for the USPS. If the Postal Service is required to rigidly adhere to some minimum standard of service, at all locations and under all circumstances, regardless of sender volumes, and recipient needs, this will drive up costs with a resulting loss of affordability and service for all.

SMC also asks that the PRC's report reflects the historical mission, and right of the Postal Service and postage paying mailers, to reach all homes and businesses on a regular basis.

PRC may be receiving comments from "do-not-mail" advocates where groups or individuals may advocate a "right" for consumers, to opt out of the mail. We urge the PRC to report that the "right" of American consumers to a free, sender supported, universal Postal Service is funded by a mailer right to send a mail piece to all addresses as long as the postage is paid. The Postal Service is the only remaining communications network in the United States that has no hook-up, subscription or access charges. The right to send financially underwrites free access for all. The Postal Service's ability to serve all, affordably and regularly, depends on its ability to reach all. It is perhaps the ultimate interstate commerce network. Redlining certain consumer areas or households will destroy that network.

For SMC members who promote and sell the Postal Service, the universal service mission of the Postal Service rests on its ability to <u>affordably</u> and <u>regularly</u> <u>reach all</u>. These components are inter-related. If the mail is not affordable, the Postal Service cannot support delivery on a regular basis. If mailers cannot reach all, they, and the USPS, will lose the volume and business that makes the mail affordable. This is true for senders of the mail as well as the households, consumers, and businesses that rely upon it.

There is a lot of current talk about "consumer choice" and consumer's rights to "manage their mail." Unfortunately, no one is talking about the resulting costs, or loss of opportunity, for those who still need and want the Postal Service. The Postal Service delivers mail and packages to a lot of people who depend on mail delivery. These people may receive little mail but the mail they get is important to them. The housebound person who shops by mail, the senior who gets prescription drugs by mail, and the households who get benefit checks or payments by mail that are

essential for their rent, food, and expenses, are postal dependents. They would suffer most if the Postal Service can no longer deliver mail affordably and regularly.

SMC members are old hands at promoting the Postal Service's value. SMC members choose the Postal Service for distribution because private carrier delivery is restricted or prohibited, as in gated communities. Many advertisers who mail in SMC programs offer housecleaning services, pool cleaning, home repair and improvements, and other goods and services of interest and value to upper bracket households that live in gated communities. These high-end households read and respond to saturation mail pieces, promotions, and free papers. Our ability to reach them at an affordable cost helps individuals get in business and stay in business. The Commission report should recognize the mutually dependent relationship between universal reach and access and the Postal Service's ability to bring mail and packages to all homes and businesses, including those that are not wired, and people in remote, rural, or low economic areas, who do not receive high volumes of mail.

Respectfully submitted,

_____

Donna E. Hanbery, Executive Director
The Alliance of Independent Store Owners and Professionals and Saturation Mailers Coalition
33 South Sixth Street, Suite 4040
Minneapolis, MN 55402