

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

Docket No. P12008-3

REPORT ON UNIVERSAL POSTAL SERVICE
AND THE POSTAL MONOPOLY

STATEMENT OF VINCENT P. GIULIANO
IN RESPONSE TO COMMISSION ORDER NO. 71

I am Vincent P. Giuliano, Senior Vice President of Government Relations for Valassis Direct Mail. My 36 years in the direct mail industry have shaped my perspective on the importance of the Universal Service Obligation (USO).

I was a holiday mail carrier; later, one of eight ADVO salesmen selling solo saturation mail marketing services. ADVO's list maintenance department, which I ran, supplied our resident list to the Commerce Department for its use as the base file for the 1980 and 1990 censuses. I was on the ADVO team that pioneered shared mail as an advertising alternative, and for 24 years, I have used the mail to recover missing children. I can attest to the power of mail and how it is grounded in the USO. True to Benjamin Franklin's vision, mail service is a vital, accessible, and cost-effective channel for public discourse.

Background

As the Postal Regulatory Commission notes in its Federal Register Notice of April 30, 2008, the Universal Service Obligation (USO), is not defined by law. Nevertheless, it has evolved over 230 years into a set of standards, a bedrock principle upon which businesses were developed and

can evolve and upon which daily life expectations of America's citizenry are based. Ninety-eight percent of us check our mailboxes every day, and 78 percent sort through it right away.

Millions of times every day, a simple act of faith occurs between Americans and the Postal Service. When we deposit mail in the blue collection boxes or drive our vehicles up to Postal Service docks, we do so with confidence that the USPS will get our hard copy messages safely to their destinations.

The Postal Service, the most trusted part of our government, delivers more than 700 million pieces a day to over 160 million addresses, generating \$77 billion of revenue a year. Delivery six-days-a-week across the nation at no cost to the recipient is a complex, Herculean effort that is routinely performed so well that it's taken for granted and generally perceived to be a right.

This shapes the way we solicit business, pay our bills, and send greetings. It influences how we vote, how we tax, how we buy, and how we engage our legal system. It is a powerful force with deep cultural, as well as economic, overtones.

There is an etching in stone about this happening in all types of weather, but it is not the weather that threatens the Postal Service. Technology continues to reshape our society. Our global economy is being transformed, and the actions and limitations required by the Postal Accountability and Enhancement Act may recast the Postal Service's future. The continued existence of USO and the ability to compete are critical if the USPS is to remain viable.

Universal Service Obligation is an Important Public Policy Vehicle

Widespread media fragmentation and the proliferation of electronic media are prompting a reassessment of the mail's utility and value. I believe that mail has the potential to experience enormous volume growth. If the USPS is permitted to aggressively market itself as an alternative medium and if every postal marketer, every letter and rural carrier, carries the message, it can become the first choice for many advertisers. Postal carriers reach 100 percent of customers, one at a time. No other entity, public or private, has that breadth of reach and the power to generate a response.

On the negative side, some are demanding the same level of control over mailboxes as is available to utilities like telephones, cable television, and the Internet. Others insist that in the wireless age, paper is increasingly marginal.

Such arguments side-step the fact that mail service is paid for by senders. By simply choosing to have a mail box, patrons on carrier routes can enjoy free USPS delivery services six-days-a-week. This reaches the 53 percent of Americans who, according to a 2007 Pew Internet and American Life report, lack broadband internet access in their homes. Mail reaches across geographic separations as well as class, race, and gender distinctions. Universal service enhances every citizen's ability to connect with others and may be credited with the rescue of 144 missing children through the "Have You Seen Me?" mail program.

As the founder of the America's Looking for its Missing Children Program, I have experienced the extraordinary power of the USO. The 100th child recovered was abducted from Easton, Pennsylvania and recovered on Roatan Island off the coast of Honduras. A graduate student from Tulane University vacationing there witnessed bizarre behavior. Every morning, a

child about three years old was locked up in a truck. When the student returned home, the packet of mail the USPS held for him included our little white card with that child's picture. The USO found that one American who knew where the child was and reported the location. If he had not received advertising mail, that child might not have been found.

In the aftermath of Hurricane Katrina, the delivery infrastructure was seriously damaged. Nonetheless, postal service deliveries was one of the few reliable systems through which citizens could be reached.

In 1979, a serious tornado struck the Windsor and Suffield, Connecticut area and 270 homes were leveled, including my home. Within three days, USPS delivery was restored. The mere presence of mail delivery assured me, my family and neighbors, that things would return to normal. This same infrastructure offers the only comprehensive and cost-effective network that can be used as a base file for each U.S. Census, thus contributing to the process in which national revenues, benefits, and entitlements are distributed. Our legal system continues to rely on universal service to deliver documents.

Mail delivery routes to some urban and rural enclaves are not profitable, but such cross-subsidization must not be viewed through a purely corporate lens. The universal service obligation was not primarily designed to generate revenue but as a policy to encourage personal, cultural, and commercial intercommunication.

Universal Service Obligation is an Interstate Commerce Highway

Shared mail is a microcosm of the postal system. Like the Postal Service, we depend on customers, not taxpayers, for revenue. Like the Postal Service, we struggle to grow volume to fuel our national distribution,

while maintaining affordable pricing and giving good service. Shared mailers have painfully learned the complex volume-driven economics that make universal service possible.

I have witnessed the mail's effectiveness as a tool for economic empowerment. Noting the unaffordable costs of media advertising for many businesses, I helped develop shared mail, then an eye-opening new option for small and medium businesses. In that role, I experienced the stress of taking risks to guarantee shared mail's coverage, frequency, and pricing. For shared mail to become an option for sales promotion and advertising managers, it needed to have a defined geography; a published and fixed frequency; zip code selectivity; and a published rate card comparable to traditional media pricing.

Like USPS mail, shared mail needed to generate enough volume not only to cover the cost of opening market areas, but enough to sustain the total program even though portions of the market were not profitable. The one distinct difference between shared mail and USO coverage is that shared mailers can make the decision to discontinue coverage. The USPS does not have that option.

To succeed, shared mail requires a mixture of advertising from national to local, from small to large. One of our early lessons was learned the hard way. When we launched shared mail, we assumed that if we could just have three participants in every package we would do better than breakeven. Not true, because large advertisers do not have similar store locations, so many packages had only one or two participants. We were able to surpass breakeven by adding a local sales force that sold small business advertisers on shared mail. Similarly, the USPS needs a critical mass of volume, a variety of products, and a creative marketing and sales force.

Shared mail responds to customers' needs: USPS Mail Moments survey estimates that 73 percent of consumers want to receive new product announcements. Shared mail also responds to the USPS's need for sustainable volume and revenue, and to the needs of 26 million small businesses. It offers parents, caregivers, and budget-conscious households across the country a spectrum of savings opportunities.

Without the Postal Service's dedication to universal service, it would be harder for thousands of businesses to offer economical and secure transport of goods, whether cottage-produced Vermont maple syrup or high-end electronics. The network lends itself as a "new retail" distribution center through the Internet, serving business-to-consumer booksellers and consumer-to-consumer auctioneers alike. Universal mail offers Americans in remote areas ready access to product and pricing choices through large retail centers.

Universal Service Defines Us

I urge the Commission to guard the universality of our Postal Service, especially at this juncture when revenue shortfalls already put it at risk. To define service frequency, geography, products, and rates in such a way as to reduce volume would exacerbate the difficulties of an already troubled system.

I urge the Commission to acknowledge universal service as it exists today as delivery six-days-a-week to all areas and populations, and as a sender based business model that provides free delivery to the recipient. The Commission should also acknowledge that the USPS must be financially able to continue it, and the senders of the mail must be financially able to afford it. If the Commission defines universal service rigidly, it would put it

at risk. To deal with changing circumstances, the USPS must have the flexibility to make businesslike changes.

Respectfully submitted,

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