

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

Before Commissioners:

Dan G. Blair, Chairman;
Mark Action, Vice Chairman;
Ruth Y. Goldway;
Tony L. Hammond; and
Nanci E. Langley

**Report on Universal Postal Service
And the Postal Monopoly**

Docket No. PI2008-3

REPLY COMMENTS OF THE
AMERICAN POSTAL WORKERS UNION, AFL-CIO
(August 1, 2008)

Pursuant to Commission Order No. 71 issued on April 18, 2008, the American Postal Workers Union, AFL-CIO (APWU) respectfully submits these reply comments in response to the Commission's Request for Comments on Universal Postal Service and the Postal Monopoly.

Defining the Universal Service Obligation

As noted in our initial comments and the initial comments of several other parties,¹ the Commission should not endorse a rigid definition of USO. The definition should be broad and generally reflect the current obligation to provide ubiquitous service at affordable rates.

¹ See for example, Comments of MOAA, page 1: "As a general proposition, MOAA believes that the current situation, i.e. the absence of the precise parameters of universal service, should not be changed." See also, Comments of AISOP and SMC, page 4: "We would urge the PRC to refrain from any effort to 'hardwire' or strictly define the universal service obligation for the USPS."

If the Commission determines that it is required to provide a more rigorous definition of the USO, it is of critical importance that the Commission reject the view that mail recipients are not customers.² This view suggests that the interests of large mailers should be paramount in the Commission's consideration of the USO. In reviewing the USO, the Commission must recognize that customers include both senders and individual recipients of the mail. The views of mail recipients, small volume and individual household mailers must be given the utmost consideration. To do otherwise would ignore the fact that all of the groups get value from the mail and would contradict a fundamental policy "prohibiting undue or unreasonable discrimination among users of the mails." 39 U.S.C. § 403(c). Most importantly, to view postal obligations solely from the position of the senders, primarily large mailers, would overlook the fundamental purpose of the Postal system, to "bind the nation together." 39 U.S.C. §101(a).

To truly be universal the USO must provide for services and access that are substantially uniform and available to all postal customers as nearly as practicable. In contrast, the National Association of Presort Mailers asserts that universal service does not mean that every individual should be served and it "should not be taken to mean that every community is entitled to the same level of service but rather to some minimal level." NAPM Comments at page 3. The Commission should reject this premise for it could easily lead to discriminatory pricing and inequitable service, contrary to the intention of Congress.³

² See for example, Comments of Direct Communications Group, June 30, 2008.

³ See Initial Comments of Representative McHugh, June 30, 2008.

USO Products

However defined, the USO must apply to both market dominant and competitive products. UPS asserts that competitive products do not require an obligation to be afforded universal service. It posits that “there is a strong business case for providing universal service.” UPS Comments, page 2. However, UPS ignores the fact that the factors that create the strong business case for providing universal service today could change tomorrow. Although FedEx and UPS claim to provide universal service, without an obligation, it is doubtful that customers of competitive product services would receive universal service at **affordable** prices. As stated by the Parcel Shipping Association “defining universal postal services to include competitive package delivery products is critical to ensuring that Americans in harder-to-serve areas have access to at least one package delivery service provider, i.e., the Postal Service, which provides reasonable service levels at affordable prices.” PSA Comments at page 4.

By leveraging the universal network, the Postal Service is best able to deliver competitive products universally at reasonable prices. In fact, both FedEx and UPS utilize the Postal Service to deliver to rural areas. If the Postal Service were to leave the competitive package delivery business, FedEx and UPS could charge much higher prices for this service. Currently, these providers consider Alaska and Hawaii international; as such, some services are already extremely expensive. Additionally, while the universal network benefits the Postal Service’s ability to deliver competitive products at reasonable prices; this would not be true if

it were only obligated to deliver to hard-to-serve areas. The Commission's report must ensure that the Postal Service is not placed in this untenable position.

USO Pricing

The Commission's Report should also counsel against different pricing systems for different postal products and should continue to require a uniform rate for, at minimum, First Class mail. In its comments, the Postal Service states "it is too early to determine whether the pricing system for bulk products should differ from that for single piece products. ... Mandating (or forbidding) specific pricing structures runs the risk of codifying price relationships that may not be appropriate over the long run and may ultimately threaten the ability of the Postal Service to meet the universal service obligation." USPS Comments page 29. This position, which implies that at some future date the Postal Service may price bulk products differently than single piece products is problematic and contrary to the principle of universal service at a uniform rate. Particularly within First Class, single piece mail and bulk mail must continue under a linked pricing structure. Otherwise, single piece mail users may be forced to bear a larger share of the cost of universal service. The proposal to de-link single piece and workshare First Class mail was rejected by the Commission in Docket No. 2006-1 and should not be reconsidered now. Likewise, we endorse Representative McHugh's comments opposing other rationales for varying price: "[s]egmenting the cost of serving different parts of the country should not be used to as an excuse for introducing discriminatory pricing or access provisions. The goal of Congress has historically been to optimize the

affordability of the entire postal system, not its individual segments.” Comments of Representative McHugh at page 2.

Not surprisingly, Pitney Bowes’ comments focus on expanding workshare discounts and “deaveraging rates across a broad range of cost causative characteristics, including shape, postage evidencing, distance and address hygiene.” Comments Pitney Bowes, page 8. This position, and similar comments submitted by National Association of Presort Mailers, are discriminatory and contrary to the enduring public nature of the Postal Service expressed in Section 101 of Title 39: “The United States Postal Service shall be operated as **a basic and fundamental service** provided to the people by the Government of the United States.” (*emphasis added*). The argument has been raised in numerous dockets before the Commission and each time flatly rejected.

Respectfully submitted,

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