

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Report on Universal Postal }
Service and the Postal Monopoly }

Docket No. PI2008-3

REPLY COMMENTS OF PARCEL SHIPPERS ASSOCIATION
TO PRC NOTICE AND ORDER NO. 71
(ISSUED APRIL 18, 2008)

The Parcel Shippers Association (PSA) appreciates this opportunity to submit reply comments in response to PRC Order No. 71, the Postal Regulatory Commission's (Commission) Notice and Order Providing an Opportunity to Comment on a number of topics related to universal postal service and the postal monopoly. We filed Initial Comments on June 30.

We agree with the view expressed by several parties that the Commission should refrain at this time from recommending changes to the scope of the Postal Service's universal service obligation (USO) "as it is commonly understood today" and postal monopolies so soon after the enactment of the PAEA and that the Commission should submit a "*descriptive* rather than a *prescriptive* report" to Congress. See, e.g., NPPC Comments at 2; Time Warner Comments at 1; MPA Comments at 2; DMA-PostCom Comments at 7. It appears most commenters are generally satisfied with the level of service USPS provides and support preserving the existing postal monopolies.

1. The Universal Service Obligation (USO) Should Include Competitive Products.

PSA strongly disagrees with those few who argue that the USO should not cover competitive products. Postal Service Comments at 3-4, 19; FedEx Comments at 4; UPS Comments at 5. PSA agrees that, as suggested by others, the Postal Service should be given substantial flexibility with respect to competitive products to adapt to market forces and compete on a level playing field. See PSA Initial Comments at 3, fn.

2. The law, however, is clear that the delivery of “mailable packages,” not just of market-dominant packages, is a postal service. 39 U.S.C. 102(5). As the President’s Commission on the United States Postal Service found, the delivery of “parcels [among other postal products] on a universal basis” is what “the country and its economy rely on [the Postal Service] most to do.”¹ We agree with DMA and PostCom the Postal Service should not be given unfettered freedom to simply withdraw from providing core postal products, whether they are classified as market-dominant or competitive. See DMA-PostCom Comments at 9.

Postal Service competitors point out that they offer delivery, essentially, universally. See UPS Comments at 3. Of course, they presently cannot deliver to Post Office Boxes, APOs or FPOs. Further, it is the Postal Service, not other carriers, that delivers many of those competitors’ packages the last mile. UPS Mail Innovations and FedEx SmartPost hand off a substantial volume of parcels to the Postal Service for final delivery. <http://www.upsmailinnovations.com/about/index.html>; PRC Docket No. R2006-1, Tr. 33/11241.

¹ *Embracing the Future, Report of the President's Commission on the United States Postal Service*, (2003) page 28

As the Commission recognizes, universal postal service and the USO involve more than simply providing service to all delivery points. Rather, the USO also must entail a range of product offerings, access to postal facilities and services, frequency of delivery, rates and affordability, and quality of service. PRC Order No. 71 at 5. While other carriers may be willing to service all addresses, we suspect the manner in which they find it profitable to do so, particularly in rural and other harder-to-serve areas, would not meet the needs of the nation. For example, unlike the Postal Service (which charges uniform rates regardless of geographic location), other carriers impose substantial surcharges for delivery to harder-to-serve areas (e.g., residential, rural, and remote addresses). PSA doubts that many rural Americans would view “universal service” at surcharged prices as a satisfactory substitute for Postal Service-provided universal service at uniform rates.

Finally, we expect that allowing the Postal Service to withdraw from providing a competitive product would substantially reduce the likelihood of universal parcel delivery service at affordable rates, particularly in harder-to-serve areas. There is no guarantee that other carriers will continue to serve essentially all addresses, even with surcharges, in the future. They are free to abandon delivery to all addresses, as DHL apparently plans to do shortly (handing off all parcels in thousands of rural ZIP Codes to the Postal Service for final delivery). Postal Service Press Release No. 08-062. May 29, 2008. “Postal Service Exclusive Carrier of Packages to the Last-Mile for DHL.” DHL is not alone in using the Postal Service for the final delivery of parcels, particularly in harder-to-serve areas.

Requiring the Postal Service to continue to provide all parcel delivery services, including both those classified as competitive and market-dominant, is necessary to ensure a truly universal parcel delivery network.

2. Saturday Delivery Is Critical. Furthermore, Caution Should Be Exercised When Making Adjustments to the Frequency of Delivery.

In our Initial Comments, we took no position on the frequency of delivery that should be required by the USO. WE explained, however, that if frequency were reduced, Saturday delivery should be retained since eliminating Saturday delivery would inconvenience many Americans because that is the only existing delivery day most are home to receive packages. We also pointed out that any cost savings from eliminating a day of delivery would be partially offset by increased costs for leaving notices, holding packages, and attempting redelivery. PSA Initial Comments at 4-5.

Others raised questions about the wisdom of eliminating a delivery day. See, e.g., DMA-PostCom Initial Comments at 11; ValPak Initial Comments at 11; NPPC Initial Comments at 6-7; MPA Initial Comments at 6-7. We agree with DMA-PostCom which concluded:

Until a strong case can be made that reducing the frequency of delivery would result in substantial savings, we believe that it would be premature to give serious consideration to changing current delivery schedules.

DMA-PostCom Initial Comments at 11.

3. “Do Not Mail” Initiatives.

Finally, we are pleased that others have noted the potential adverse impact of “Do Not Mail” initiatives on the Postal Service, and applaud the Commission for its field hearing which raised legal issues surrounding those initiatives. See e.g., UPS Initial Comments at 5-6.; Pitney Bowes Initial Comments at 11; Testimony of Robert Corn-Revere before the Postal Regulatory Commission, Washington, D.C. (July 10, 2008). Given the significant scale economies in the provision of postal services, declines in mail volume caused by restrictions placed on mail delivery could have a significant adverse effect on the Postal Service’s ability to provide universal delivery services at affordable rates, impacting all package service carriers (UPS, *et. al*) because of the inevitable decline in the mail order business. PSA Initial Comments at 7.

Respectfully submitted,

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Dated: August 1, 2008