

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

Review of Nonpostal Services

Docket No. MC2008-1

**Initial Brief Of
ASC, Inc.
On Philatelic Service And OLRP Product Issues**

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ASC, Inc. (ASC) hereby submits its initial brief on issues relating to philatelic services and Official Licensed Retail Program (OLRP).

Specific statutory authority, sound public policy considerations and substantial record evidence all support the conclusion that the Postal Service should be allowed to continue offering Philatelic Products and Services, such as the Framed Stamp Art produced by ASC, to stamp collectors and potential stamp collectors at its retail locations and through the usps.com web portal. Further, the Postal Service should have the flexibility to conduct such activities through its OLRP Program and/or the Philatelic Services Program.

ASC's Operations And Interests In This Proceeding

For over a decade, ASC has produced high quality Framed Stamp Art that it sells to the Postal Service and other customers. ASC operates a very efficient 30,000 square foot manufacturing facility with state-of-the-art equipment and a team of experienced, highly trained craftsmen.

In order to produce high quality Framed Stamp Art, ASC maintains an inventory of over 5.5 Million new and cancelled U.S. postage stamps, as well as framing materials and over 100,000 linear feet of frame molding. This substantial investment permits ASC the flexibility to create and deliver on time the dynamic Framed Stamp Art products desired by the Postal Service and individual stamp collectors.

ASC's current Stamp Art catalogue includes over 800 distinctive designs. Representative examples of ASC's Framed Stamp Art products can be viewed at

the web pages referenced on page 2 of the sworn statement of Charles P. Naumoff, ASC's founder and President.¹

ASC currently operates under the Postal Service's OLRP Program. Under OLRP, responsible personnel in local post offices throughout the country preview and order specific ASC products using a highly efficient, automated "eBuy" program. After ASC receives these orders through the eBuy system, it manufactures the number of items ordered and then uses the Postal Service to deliver the products to individual postal retail locations that ordered them. Naumoff Statement at 3.

Existing OLRP systems have worked well for ASC and the Postal Service.² An important feature of the OLRP program is that the vendors, including ASC, assume the inventory risk and only ship to post offices when there is demand, thus eliminating large funding requirements and inventory risks for the Postal Service. Naumoff Statement at 3.

ASC is not a large company and its resources are limited. Nevertheless, ASC decided it had to participate actively in this proceeding because the Postal Service accounts for over 80% of ASC's annual revenues. Any Commission decision adversely affecting the OLRP Program and/or the Philatelic Services Program would have drastic consequences for ASC.

For these reasons, ASC has a substantial stake in the outcome of this proceeding.

ARGUMENT

ASC recognizes that, in Section 102 of the Postal Accountability and Enhancement Act, Public Law 109-435 (PAEA), which amended 39 U.S.C § 404, Congress charged the Commission with important responsibilities to determine which nonpostal services should continue and which should be terminated. We

¹ See Statement Of Charles E. Naumoff On Behalf Of ASC, Inc., dated July 30, 2008.

² Automated order processing and fulfillment has enabled ASC to plan and execute its manufacturing functions in a very efficient, cost effective manner that results in very favorable prices for the Postal Service and the ultimate consumers of ASC's Philatelic Products. Naumoff Statement at 3.

also recognize that, in order to discharge its duty, the Commission needed to take a broad view of the Postal Service's revenues from nonpostal sources.

Perhaps there are some nonpostal activities as to which it might be a close call whether the Postal Service should be allowed to continue providing such services. However, it simply is not reasonable to claim that the Postal Service should be required to stop offering philatelic products and services. In Section 404 (a) (5) of the Postal Reorganization Act of 1970 (PRA), Congress provided the Postal Service with specific power "to provide philatelic services." Section 102 (a) of PAEA eliminated the Postal Service's specific power, under PRA § 404 (a) (6), "to provide, establish, change, or abolish special nonpostal or similar services" but it did nothing to diminish or limit the Postal Service's power to provide philatelic services. ASC respectfully suggests that Congress did not intend philatelic services to be treated as nonpostal services. Indeed, provision of philatelic services is so closely tied to, and supportive of, the provision of "postal service," as defined in 39 U.S.C. § 102 (5), as to be indistinguishable.

Sound public policy considerations and substantial record evidence also support providing the Postal Service with the authority to engage in its longstanding Philatelic activities and the freedom *and flexibility* to provide such products and services through the existing OLRP and/or Philatelic Services Programs and the [usps.com](https://www.usps.com) web portal. Patrick R. Donahoe, Deputy Postmaster General and Chief Operating Officer, explained the genesis and evolution of the special relationship that exists between philatelic products and services and the Postal Service's core postal services:

Philatelic services promote continued interest in the mail. As far as I know, stamp collecting has been around as long as stamps have, and is an integral and acknowledged part of our culture to the point that the law specifically states that the Postal Service will provide philatelic services. The services include selecting images for issuance on commemorative stamps, issuing stamps and providing services to philatelists. Because stamps are used to pay for services of the federal government, the counterfeiting of stamps can be punished under the counterfeiting criminal laws. This underscores the inherent governmental nature associated with the producing, issuing and accounting for postage stamps. The main focus of the philatelic services we provide is to ensure a secure

means of payment of postage through stamps and to promote the hobby of stamp collecting.³

ASC's President, Charles Naumoff explained the importance of this mutually beneficial relationship:

[S]uch activities promote the core business of the Postal Service by promoting Stamp Collecting along with related sales of philatelic products. Together, they form strong bonds between the Postal Service and users of the postal system because they showcase the beauty and collectability of U.S. postage stamps. These educational activities also foster a greater appreciation of the Postal Service's role, throughout history, in shaping and promoting the Nation's core cultural values and celebrating the extraordinary achievements of its citizens working together. Similarly, many philatelic products emphasize significant shared experiences as embodied in beloved cultural icons such as the Legends of Hollywood Series (featuring Frank Sinatra, Elvis Presley, Marilyn Monroe and others), Baseball, the American Flag, and Black Heritage (Martin Luther King, Jr. etc.).⁴

As Mr. Naumoff also pointed out "stamps sold to stamp collectors (Philatelists), including new stamps incorporated into ASC's Framed Stamp Art products, are an important source of additional revenue for the Postal Service." As he explained, "Collectors purchase stamps at the full rate. . . . [U]nlike most stamps which people use in payment for delivery service, collectibles do not require the Postal Service to incur the costs of actually delivering mail pieces. Accordingly, sales of stamps to collectors are more profitable for the Postal Service."⁵ Finally, the Postal Service earns additional profits when it sells ASC's Framed Stamp Art and similar Philatelic items at local post offices locations or through [usps.com](https://www.usps.com).

³ Statement Of Patrick R. Donahoe On Behalf Of United States Postal Service, dated June 23, 2008 (Donohoe Statement) at 19.

⁴ Naumoff Statement at 3-4.

⁵ Naumoff Statement at 5.

There is another important consideration that supports continuation of Philatelic Activities, whether conducted under the auspices of the OLRP Program or the Philatelic Services Program.⁶ In Order No. 50, the Commission stated that the “purpose of the review is to determine which nonpostal services should continue, **taking into account the public need for the service and the private sector’s ability to meet that need.**”⁷ This implies that the Postal Service should not continue nonpostal activities where the private sector already has the ability to meet that need.

Whatever relevance that analysis may have for other Postal Service activities under review in this case, it has no application to Philatelic Products and Services. The relationship between the Postal Service and producers of Framed Stamp Art, such as ASC and other philatelic products and services is a mutually beneficial, cooperative relationship. As Mr. Naumoff emphasized,

[T]here are few other viable retail outlets for Philatelic Products, including the Framed Stamp Art produced by ASC. Other retail outlets simply are not widely available to the general public or stamp collectors, especially young people just beginning to experience the pleasures of stamp collecting. In contrast, local post offices and the Postal Service’s usps.com web site are natural focal points for exploring the educational and other benefits of stamp collecting. Accordingly, the mutually beneficial, cooperative relationship that now exists between the Postal Service and creators of Framed Stamp Art and other Philatelic Products should not cause the Commission any concern that the Postal Service’s participation in this activity interferes with the rights and prerogatives of private firms. **To the contrary, the supportive role played by the Postal Service has been a key to ASC’s success.**⁸

Under these circumstances the Postal Service’s Philatelic activities do not raise any concerns that would require that they be terminated.

⁶ Tina Lance, then the manager of Retail Marketing in the Postal Service’s Retail Operations Department, stated that “[s]ome OLRP items are philatelic collectibles, including framed first day covers with other artwork that are currently accounted for under the OLRP program, but are likely to be accounted as philatelic items in the future.” Statement Of Tina Lance On Behalf Of United States Postal Service, dated March 19, 2008, at 11, footnote 7.

⁷ *Review Of Nonpostal Services*, Docket No. MC2008-1, Notice And Order Concerning Review Of Nonpostal Services, issued December 20, 2007.

⁸ Naumoff Statement at 5 (emphasis added).

CONCLUSION

For the foregoing reasons, the Commission should find that there are no grounds for terminating the Postal Service's Philatelic Services or sale of Philatelic products through the OLRP program.

Respectfully submitted,

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