

Docket Established for Market Dominant Products Rate Adjustment
Docket R2009-2
USPS Postal Rate Increase effective May 11, 2009

March 2, 2009

Postal Regulatory Commission
Dan Blair, Chairman
Washington, DC 20268-0001

Dear Mr. Blair:

Alaska Commercial Co is the major grocery and general merchandise retailer serving rural Alaska. We operate 32 stores from Barrow, Alaska down along the west coast of Alaska for communities like Kotzebue, Nome, Unalakleet, Hooper Bay, Bethel and Dillingham. We also serve remote interior communities like Fort Yukon, McGrath, St. Mary's and Aniak. Then we have store location along the Aleutian Chain, King Cove and Sand Point. We have a store on Kodiak Island, stores in the Gulf of Alaska (Cordova and Yakutat) and stores in Southeastern Alaska (Sitka, Klawock, Craig and Hydaburg).

Our operations in rural Alaska extend back to 1867. We are often the community provider of not only the basic necessities of life, but also serve as a banking and community center. We have been a long term part of the everyday life of Alaskan and feel that one of our strengths is how well we are "in tune" to the communities we serve.

We are a very large user of the postal service in Alaska. We use bulk mail, priority mail, insured mail, parcel post and most importantly bypass mail.

In the past year, we shipped approximately 24 million pounds of bypass mail. Our annual USPS postage cost, primarily bypass mail, is \$7.93 million.

We are writing to express our deep concern with the pending rate increase in the parcel post (bypass mail) effective May 11, 2009. Our calculations reflect that the proposed parcel post increase reflects an increase between 40% and 45% for parcels weighing from 40 lbs to 60 lbs.

Without a doubt, the size of the proposed increase will have a dramatic and damaging affect on the lives of rural Alaskans. Folks living in these communities already face one of the most daunting living environments found in the United States. Not only do they live where weather extremes pose natural hardships, they have a very limited economic base for income generation. Unemployment is high, job opportunities are low and, more importantly, the economic realities of living in these areas is harsh. Residents in these areas that so greatly depend on bypass mail for their everyday living needs have little to fall back on, except to marginalize their purchase of basic food needs, supplement their food thru subsistence hunting and just plain "cutting out" purchases that makes life better.

Please consider these direct freight cost increases if the proposed rate schedule takes place:

Milk:	\$1.50 per gallon increase
Eggs:	\$.22 per dozen increase
Flour:	\$1.30 per 10 lb bag
Sugar:	\$.65 per 5 lbs bag

We also want to bring to the attention of the Postal Regulatory Commission these additional considerations regarding the increase.

First, bypass mail in Alaska, by definition, saves the USPS operational expenses over normal parcel post. Bypass mail does not get inducted, handled, processed, staged or drayed thru a postal facility. USPS avoids the expense of maintaining or providing for facilities, equipment, utility expenses to handle bypass mail as regular parcel post. It deserves a separate rate structure to address that these expenses are avoided.

Second, we certainly understand the need for the USPS to have pricing flexibility to offset cost increases. The USPS has mandates that allow for rate increase levels tied to formulas related to inflation and other price caps. We strongly believe that in the case of bypass mail, the increase between 40% and 45% is extremely excessive. We would ask that the price increases be more gradual, measured and taken in smaller incremental amounts. We fear that this increase will in fact drive down the use of USPS, attacks the concept that the USPS should serve the common good of all US citizens and be a detriment to the ongoing viability of these remote communities.

Third, we would encourage the USPS to maintain the Alaska Regional office and allow for the implementation of the recommendations from the working group of Alaskan shippers, air carriers and postal employees. This work group, which we are a member, identified many process improvement actions that would drive down the cost of operating the Alaska bypass mail system. These cost benefits would greatly help residents in rural Alaska.

Fourth, we support the recommendation for the establishment of a 70 lbs rate structure across the bypass mail system. This proposal will lesson the impact of the current rate increase and encourage the most efficient use of the bypass mail system.

Fifth, the Alaska bypass mail system has been recognized in law with directives to ensure the residents of rural and isolated Alaskan communities have affordable, reliable and safe bypass mail, non-mail freight and passenger service. The proposed increase would negatively impact these desired benefits of the Alaska bypass system.

We strongly urge you to consider the impact this rate increase will have on residents in rural Alaska.

Respectfully,

Rex Wilhelm
President & CEO
Alaska Commercial Co.

Bob Cain
Vice President, Logistics
Alaska Commercial Co.