



## National Association of Retail Ship Centers

2637 E Atlantic Blvd. # 210, Pompano Beach, FL 33062

June 17, 2009

Postal Regulatory Commission  
Docket No. MC2009-19 Order No. 198  
New Postal Products

Thank you for the opportunity to rebut the USPS's response to the National Alliance of Retail Ship Centers (NARSC) comments regarding the addition of Greeting Cards to the USPS products. We have concerns that should be addressed.

First, it appears the Greeting Card Association comment was filed late, the response was due by April 30, 2009 and their comment is dated May 29, 2009. If their response was tardy, in fairness we respectfully request their comments not be considered in the decision to allow the USPS to add Greeting Cards to the Post Office's list of approved products

Secondly, The USPS clearly failed to address the Chairman's request to "**please provide a cost estimate**".

### **"Excerpt from the Chairman's Information Request No. 1**

**(b) For Greeting Cards, Stationery, and Related Items, please provide a cost estimate showing that the service is expected to cover its attributable costs. Development of the cost estimate should include, among other things, the cost of goods sold, window service costs based on transactions, and average transaction times. Please provide citations for all figures used. The cost estimate may consist of appropriate proxies and should be accompanied by a narrative of the development of the estimate."**

Documentation as to the costs, direct and indirect expenses and projected revenues are conspicuously absent from their response to the Chairman. If these numbers do not exist then NARSC believes that the USPS doesn't have a profitability plan in place to prove the short-term implementation and the long-term viability of the greeting card sales. In any multi-billion-dollar private sector business this would be a required item for the board to even consider before adding significant revenues and expenses. Why hasn't the USPS provided this documentation? Wal-Mart sells greeting cards so we can do it also doesn't cut it.

Thirdly, The USPS's response that these are already approved products and therefore they should not have to ask for permission is likely not the case. The fact they submitted this request and requested a determination is proof that it is required by law and should not be a foregone conclusion.

To reinforce our original comment, according to the President of the United States and many other experts in the field of economics, the engine that drives the economy is small business growth and development. Adding 30,000 plus locations for consumers to purchase greeting cards in this fragile

economy will hurt many thousands of small businesses in these fragile economic times. As we stated in our original comment, there are already tens of thousands of locations for consumers to purchase greeting cards. Additionally, the product development cycle from planning to implementation to profitability generally requires at least six months of losses, and more normally one year's time, before profitability is achieved (if at all). Can the USPS afford to lose money on a new product when they are already bleeding BILLIONS, considering reducing six day service, reducing staffing and closing marginal facilities?

The assertion that just because the USPS says they will not have a competitive advantage should not be accepted at face value. They have 30,000 plus locations where hundreds of thousands of potential customers are entering and leaving daily. They will be attracted to the new displays, the new offerings and may not purchase on the first trip, but since people tend to go to the post office frequently, and they are going to see these displays frequently, it won't take long before they connect the two and begin to think of the post office as a destination for greeting cards. That captive customer has now changed some of their purchasing decisions. This is the power of the USPS marketing channel. If allowed to sell greeting cards, over time they will command a large presence in this market. This will harm small businesses. With the purchasing power of the USPS and the advantage of not having to charge and collect state sales taxes, the USPS has a price advantage coming out of the gate. A three dollar greeting card at the post office will be sold for three dollars at the USPS but in a high sales tax state the differential is a twenty or thirty cents more. Multiply that times the annual card purchases of the average consumer, this advantage grows. They don't have the internal burden of collecting, accounting for and paying out to the state, those tax revenues. This is another competitive advantage that the USPS has over the global community of greeting card retailers. With consumers looking to save every penny they can this becomes a formidable advantage for the USPS.

From marketing stand point this is a huge market, and NARSC can see why the Greeting Cards Association would encourage the placement of their members wares in the lobby of every US Post Office in the nation.

This is a fragile time in our economy. Loosing even small revenue streams and profits in a small business environment could be a determining factor in the survivability of many of these small businesses. The USPS has failed to provide the requested documentation, they have failed to prove their case as to the viability of the product, they have failed to prove that it will not have an impact on small businesses and therefore they should be denied the right to add these services.

Thanks you for the chance to respond to the answers of the USPS in this matter.

Thank you for the opportunity to further comment on this matter.

Sincerely,

Bruce Bernstein, President

National Alliance of Retail Ship Centers