

**BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001**

**Transferring Selected Post Office Box Service
Locations to the Competitive Product List**

Docket No. MC2010-20

COMMENTS OF DOUGLAS F. CARLSON

April 1, 2010

On March 12, 2010, the Postal Service filed a request to transfer some post office boxes to the competitive product list.¹ The Commission should reject the Postal Service's request.

First, post office boxes are the only postal service available in which postal employees place mail into secure receptacles in postal facilities. Private mailbox services use non-postal employees to handle and deliver mail. Therefore, the services are not comparable.

Also, while everybody who sees a post office box address for a business understands that the business receives its mail at a post office box, a private mailbox address typically looks like a street address. If the recipient uses the “#” sign after the address to indicate the box number (e.g., 2300 Main Street #125), the address may appear to be a suite or other physical address of the business. The public is generally aware of fraudulent schemes in which the supposed physical address of a business turned out merely to be a drop box or private mailbox. For example, a GAO report on health care fraud stated, “The drop box scheme uses a private mailbox facility as the fraudulent health care entity's

¹ Request of the United States Postal Service (“Request”), filed March 12, 2010.

address, with the entity's 'suite' number actually being its mailbox number."² Some business customers may be reluctant to use a private mailbox address for fear that a customer will view the business negatively if he tries to visit the business at that address or enters the address of the business into an Internet search engine and discovers that the address belongs to a private mailbox company.

Contrary to the Postal Service's assertion, UPS' advertisement that "we've out boxed the P.O. Box" does not mean that UPS' services are comparable to the Postal Service's.³ UPS' services may be better than post office box service in some ways and inferior in others. Either way, the services certainly are different.

Second, even if a private mailbox service is located next door to a post office, the two services may be competing primarily for new customers. Customers who already have a post office box may be unable or unwilling to switch to a private mailbox service if the Postal Service raises box fees.⁴ According to the Postal Service, "Customers who for reasons of price or service quality do not like Post Office box service at the selected competitive locations can instead utilize private mailbox service, such as that offered by the nearby competitor."⁵ The Postal Service also "expects the impact upon small business customers will be minimal, considering the small scale of this proposal, and the existence of a clear competitive alternative at a nearby private mailbox service provider in the event a customers [sic] is dissatisfied with any changes made at these offices."⁶

² *Health Care Fraud: Schemes to Defraud Medicare, Medicaid, and Private Health Care Insurers*, United States General Accounting Office, GAO/T-OSI-00-15, July 25, 2000.

³ See Request at 5.

⁴ The Commission should assume, for purposes of evaluating the Postal Service's request, that the desire to raise, as opposed to lower, box fees at least partially motivates the Postal Service's request.

⁵ *Id.*

⁶ *Id.* at 6.

The Postal Service, a government agency whose mission is to serve the public, apparently believes that it should be able to set prices for post office box service freely, and if the price causes a problem for a customer, the customer can simply switch to a private mailbox service. This attitude presents two problems. First, as discussed previously, some customers may have a very good reason not to switch to a private mailbox, which does not offer the security and respect that a post office box address may carry. Second, customers — in particular, small business customers — will incur hassles and costs, including the cost of new stationery and business cards, in informing correspondents of their new address. These barriers to change reduce the price sensitivity of existing post office box customers. Post office box service will be less competitive at a particular location the higher the percentage of boxes rented and the longer customers have held their box. The Postal Service apparently did not provide this important data, at least not publicly. The Commission should not evaluate the Postal Service's request without this information.

Third, and perhaps most significantly, the Postal Service is proposing to eliminate carrier delivery on Saturdays but to continue to deliver mail to post-office boxes on Saturdays. Private mailbox services usually receive carrier delivery.⁷ Therefore, post office box service will be the only way for customers to receive mail on Saturdays. Most private mailbox services will not provide this service. If the Postal Service implements the proposal for five-day delivery to which it appears committed, even though the Commission has not issued the statutorily required advisory opinion yet, the Postal Service will hold a monopoly on Saturday mail delivery and would have substantial market power to set prices of post office box delivery substantially above cost and to raise prices. This ability would be inconsistent with the criteria in 39 C.F.R. § 3020.32(d). If the only way to obtain Saturday delivery will be to obtain a post office box, post office box service will not be a competitive service in any way.

⁷ Some private mailbox services may use firm holdout service pursuant to DMM § 930.2.0. However, under the plan to reduce carrier delivery service to five days per week, the Postal

The Commission should reject the Postal Service's request to transfer any post office box services to the competitive product list.

Respectfully submitted,

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Service proposes not to provide mail on Saturdays to customers who receive firm holdout service.
Docket No. N2010-1, USPS-T-3 at 7.