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REPLY COMMENTS OF THE GREETING CARD ASSOCIATION

The Greeting Card Association (GCA) files these Reply Comments pursuant to Order No. 636 (January 4, 2011). Their purpose is to discuss the proposal for cost-benefit analyses of certain Postal Service rulemaking actions, advanced in the initial comments of the National Postal Policy Council (NPPC).[1]

NPPC's proposal, briefly, is that because preparing the bulk mail its members send may be made more costly when the Postal Service changes or adds to its eligibility rules, it should be made mandatory for a cost-benefit analysis to precede the introduction of such changes.[2] NPPC characterizes the costs said to be imposed on mailers as a "shadow rate increase" and expresses concern that they will accelerate the departure of Presort First Class mail from the system. It refers several times to the costs as "uncompensated," a characterization which by itself raises some questions; but it is clear all the same that NPPC has propounded a significant issue.

It is difficult to object to the abstract notion that one should have some idea of the likely costs to others of a rule change before the change is made, and GCA does not, as a general matter, disagree with it. NPPC, however, addresses only a corner of the problem. It is not only senders of bulk mail subject to formal

[1] See Comments of the National Postal Policy Council on Annual Compliance Review, pp. 6 et seq. NPPC advances other propositions, regarding the relationship between Presort and Single-Piece rates, with which – as is not unusual – GCA strongly disagrees. Since these arguments are largely familiar to the Commission, and because of the novelty and importance of NPPC's cost-benefit analysis proposal, we restrict our Reply Comments to that issue.

[2] NPPC also suggests that the annual compliance review require the Postal Service to estimate the "uncompensated" costs these changes impose.

eligibility requirements that can experience increased costs when official action by the Postal Service makes entry of mail into the system more difficult or complicated. Senders – particularly household and small business senders – of Single-Piece First-Class Mail can bear additional costs and inconvenience when their avenues of access to the postal system are changed. For example, removal of blue boxes from neighborhood streets deprives household and home-based-business mailers of nearby secure points of deposit; mail must either be left for carrier pickup (not always a secure method) or transported to a post office. This is not just an inconvenience, but will entail extra out-of-pocket costs, such as public transit fares or extra mileage on a car. The elimination of post offices entails similar costs, especially when considering services beyond purchasing postage stamps.

It is true that the measures Single-Piece users must take to adjust to changes in access opportunities do not necessarily require new investment (e.g., in mailing software), even though they entail extra costs. That, however, is not the only, nor even the most important, point. With the rapid growth of broadband access and increasing familiarity with on-line transaction of business, Single-Piece First-Class Mail faces precisely the same risk that NPPC identifies for Presort: that "uncompensated costs"[3] imposed by changes in accessibility will drive customers to abandon the mails for electronic alternatives. The Postal Service cannot afford to lose volume from either category.

[3] GCA suggests that this characterization, frequently used by NPPC, is not altogether appropriate; the problem is not that mailers (of either bulk or single-piece mail) should be but are not compensated for the cost of entering mail under applicable rules and practices, but that the costs to them of doing so are (apparently) not adequately considered in determining whether to change those rules and practices, and may not even be known. It could be plausibly argued that, looked at in this way, some form of cost-benefit analysis would be in the Postal Service's interest too: the ultimate question would be "will the Service lose more revenue – through increased Internet diversion and cost-driven reductions in discretionary mail volume – than the savings from the rule change are worth?" That question seemingly could not be answered securely absent knowledge of the costs being imposed on mailers. Similarly, it is at least an oversimplification to speak of "shadow rate increases" when the action does not change the per-piece revenue the Service receives.

In short, NPPC has identified (part of) a problem which may indeed deserve Commission attention, but has defined it much too narrowly. If the Commission decides to act on NPPC's recommendation that a rulemaking be commenced, it should address the problem of unrecognized access costs for all types of mail and all categories of mail users – not just those subject to formal eligibility requirements embodied in Postal Service rules.[4]

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Respectfully submitted,

GREETING CARD ASSOCIATION

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[4] NPPC does not identify any specific statutory authority for such a rulemaking, at least insofar as it would mandate preliminary cost-benefit analyses. Intuitively, however, it would seem that a proceeding addressing the whole spectrum of mail classes and users, rather than just the subset of customers who face formal eligibility and mail preparation regulations, would be less likely to be criticized as an intrusion on Postal Service authority to manage.