

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Randolph Post Office
Randolph, Iowa

Docket No. A2012-111

PUBLIC REPRESENTATIVE REPLY COMMENTS

(April 12, 2012)

1. The Economic Impact of Closing the Randolph Post Office Will Be Negative.

The validity of the Final Determination to close the Randolph, Iowa post office depends on the validity of its conclusion that closing it will result in significant net savings. Its economic analysis consists of the following estimate of annual expenses that closing the Randolph facility would avoid (Item 41, Final Determination, at 10).

Postmaster Salary (EAS-11)	\$33,168
Fringe Benefits @33.5%	\$11,111
Annual lease costs	<u>\$10,059</u>
Total Annual Costs	\$54,336
Less Annual Cost of Replacement Service	<u>\$ 9,536</u>
Total Annual Savings	\$44,082

The Final Determination also estimates that closing the Randolph post office will incur a one-time expense of \$4,500. *Id.*

This economic analysis leaves out so many relevant items, and is so inaccurate as to the items that it does address, that it provides no useful guidance as to the actual economic impact of closing the Randolph facility. It therefore fails both of the standards of review that

apply to section 404(d) proceedings—its economic analysis is arbitrary within the meaning of section 404(d)(2)(A), and unsupported by substantial evidence within the meaning of section 404(d)(2)(C).

For example, the Final Determination estimates that the one-time expenses that would be incurred by closing the Randolph facility are \$4,500.¹ This is at least a 13-fold understatement of the one-time costs that closure would incur. The administrative record clearly shows that the Postal Service's lease for the Randolph facility costs \$10,059 annually, runs through August of 2018, and is non-cancellable. Therefore, the cost of breaking this lease prior to August, 2012, would be at least \$60,354.²

The Postal Service's estimate of the annual expenses that closing the Randolph post office would avoid includes the lease expense of \$10,059. It does so despite the fact that its lease of the Randolph facility cannot be cancelled for six more years. To produce a correct estimate of annual expenses that would be avoided by closing the Randolph post office, annual rent expense would have to be deleted from the list and utilities³ would have to be added.

A corrected estimate of annual expenses that closing the Randolph facility would avoid would consist of the following items:

¹ \$4,500 is the amount that installing a Cluster Box Unit would cost. Administration Record, Item 17, p.2. It should be noted that the assumption that alternative delivery to the current post office box holders will be delivery to a CBU is inconsistent with the Final Determination's conclusion that alternative service will preserve effective access to retail services. That conclusion rests on the Postal Service's expectation that alternative service will take the form of delivery to individual curbside boxes by rural carrier. See FD, Item 41, at 8; Postal Service Comments at 11, 13, 17.

² The arithmetic is $6 \times \$10,059 = \$60,354$.

³ Utilities calculated as the average of the last three full years of utility bills come to \$3,533. AR, Item 27, p.37.

PMR annual compensation at \$14.75/hr	\$30,680
Fringe Benefits avoided	- 0-
Utilities avoided	<u>\$3,533</u>
Total annual expenses avoided by closing	\$34,213
Less added expense of alternative rural carrier delivery service	<u>\$ 9,536</u>
Net annual expenses avoided by closing	\$24,677

The estimated salary savings is grossly overstated. Most of the expense that closing the Randolph facility would avoid is the salary of the current PMR. The EAS-11 Postmaster position has been vacant since since September of 2009. Since that time, the Postal Service has filled that position with a succession of non-career OICs. The current OIC makes \$14.75 per hour and receives no fringe benefits. AR, Item 27, at 17. This compensation comes to \$590 per week, or \$30,680 per year. It is one-third less than the EAS-11 Postmaster salary of \$44,279 that the Final Determination assumes would be avoided if the Randolph facility were closed. The Postal Service has a uniform, national policy of investigating every small post office with a retiring postmaster as a candidate for closing, and replacing all of these retiring postmasters with non-career OICs at much lower wages until the post office is closed. It is pure fiction to pretend that any of these small post offices under investigation will ever have a Postmaster earning a higher salary replace an OIC. The relevant managerial choices are to continue to operate them as they are, or to close them. Therefore, it is arbitrary for the Postal Service to assert that closing would avoid an EAS-11 Postmaster's salary rather than an OIC salary.

The revenue side of the economic analysis is ignored. The Final Determination's estimate of the economic impact of closing the Randolph post office ignores revenue impacts altogether. It is, therefore, both arbitrary within the meaning of section 404(d)(2)(A), and unsupported by substantial record evidence within the meaning of section 404(d)(2)(C). The Postal Service excuses this by asserting that "any projections regarding lost revenue would

require speculation by the Postal Service.” Postal Service Comments at 17. The Postal Service, however, relies on speculation when it counts the salary of the non-existent Postmaster’s salary as the main source of its savings. Even if it had used the more defensible OIC’s salary as the main source of savings it would still depend on speculation. This is because it will try to place the departing OIC in another position if the Randolph facility is closed, and does not know if that effort will succeed or if the OIC will be let go. FD at 9. The Postal Service should not be allowed to have it both ways— refuse to speculate about any loss of revenue when it would undermine its case, yet reaching equally speculative conclusions about expenses that it might save when such speculation bolsters its case. Speculating only when the subject of the speculation has favorable implications and refusing to speculate when the subject of speculation does not is arbitrary and violates section 404(b)(5)(A).

Two thirds of the revenue earned by the Randolph facility is ignored. A valid estimate of the revenue impact of closing the Randolph post office must account for all of the major sources of revenue generated by mailer activity at the Randolph facility. The Final Determination’s estimate of the revenue generated by the Randolph post office in FY 2011 is \$14,720. This estimate consists only of the value of mail coming in over the retail counter. The actual revenue generated annually by the Randolph post office is over \$44,000. The Postal Service’s estimate completely ignores revenue from the mail deposited by its only permit holder. Tri-Valley Bank is a \$70 million business located in Randolph. The record shows that it submits mail to the Randolph post office generating postage revenue of between \$2,200 and \$2,700 per month, amounting to approximately \$30,000 per year.⁴ The combination of over-the counter and permit postage at the Randolph facility is \$44,720. For reasons known only to the Postal Service, the Final Determination fails to account for revenues from mail that did not come over the retail counter. Because of that failure, the Final Determination’s estimate of annual revenue generated by the Randolph post office understates its actual revenue by more than two-thirds.

⁴ Tri-Valley Bank’s postage revenue ranges between \$2,200 to \$2,700 per month. The monthly average is \$2,450. Twelve times \$2,450 is \$29,400, which the administrative record approximates as \$30,000. AR, Item 27, p.22.

Potential revenue from post office boxes. A valid estimate of annual revenue generated by the Randolph post office would also have to reflect the potential revenue that it could have earned by charging standard fees for the post office boxes currently held by 88 patrons of the Randolph facility. Shortly before proposing the closing of the Randolph post office, the Postal Service ceased charging rent for these boxes. The reasons for this are known only to the Postal Service. Those box holders are now pleading with the Postal Service to give them the opportunity to continue to receive their mail by mode, and would gladly pay the going rate for the privilege.

Historically, the Randolph post office earned substantial rental revenue from these boxes. The Postal Service has voluntarily and temporarily waived this source of revenue. The potential revenue from renting these boxes, therefore, should be included in the revenue that the Postal Service could and would earn if it decided to resume its historic practice of charging rent for these boxes. The administrative record does not include an estimate of the rental revenue that these boxes were earning prior to FY 2011. The most reasonable way of estimating the revenue that the Postal Service could and should earn from these boxes is to assume that they would earn the current fees that apply to post office boxes of average size. Average sized boxes are in Fee Group 3. The annual fee for that group is \$60 dollars.⁵ If, going forward, the Postal Service were to charge the current 88 box holders the average fee for the average sized box, it would earn $60 \times 88 = \$5,280$. There is no reason for the Postal Service to forego this potential source of revenue from the Randolph post office, and it is arbitrary to exclude that potential revenue from the Final Determination's estimate of the future economic impact of closing the Randolph facility.

Total potential revenue from continued operation. For the reasons given above, a complete accounting of the annual earning potential of the Randolph post office going forward would come to \$50,000. This is broken out as follows:

Over the counter revenue	\$14,720
Permit holder revenue	\$30,000

⁵ See, e.g., Docket No. A2011-19, at 12-13.

Box rental revenue	<u>\$5,280</u>
Total expected revenue from continued operation	\$50,000

Overall economic impact of continued operation. To calculate the net economic impact of continued operation of the Randolph post office, it is necessary to subtract from expected revenue, the expected expenses of continued operation. These should consist of:

OIC annual salary at \$14.75 (40 hours/week)(52 weeks/year)	= \$30,680
Fringe Benefits	- 0-
Utilities	\$3,533
Facility rent	<u>\$10,059</u>
Total expected expenses of continued operation	\$44,272

Subtracting the total expected expenses of \$44,272 continued operation from the total expected revenue of \$50,000 yields a positive net revenue from continued operation of the Randolph post office of

\$50,000 annual revenue
<u>\$44,272</u> annual expenses
\$5,728. annual net revenue

The Randolph post office is a profitable one. Its profits are small under the current voluntary of box rental revenue, and would be larger if standard policies regarding box rental revenue were resumed. The Final Determination is based on the conclusion that the Randolph facility loses money. For reasons explained above, this conclusion is invalid when both sides of the Administrative Record are taken into account. Closing a profitable operation is not in the interests of either the patrons of the Randolph post office or the Postal Service.

Economic Impact of Closing the Randolph post office. The expenses that would be avoided by closing the Randolph post office were estimated above. The final step in a valid

analysis of the economic impact of closing the Randolph post office is to estimate the revenue that would be lost if the Randolph post office were closed.

As explained above, the post office's main source of revenue is the approximately \$30,000 that is contributed by the Tri-Valley Bank. This revenue stream will not survive if the Randolph post office is closed. The administrative record shows that the bank currently finds it necessary to make multiple daily trips to the Randolph post office to maintain a timely inflow of deposits. According to Mapquest, the designated alternative post office at Malvern, Iowa, is a 40- minute round trip. It is not be feasible for the bank to dedicate an employee to making repeated round trips to Malvern throughout the day to keep its deposits current, nor is it feasible to keep its deposits current by relying on a single daily visit of a rural carrier, as the Postal Service proposes. The banks representatives have said that if the Randolph facility closes, it will make its money transfers through private couriers, and encourage those depositors who are able to do so to make their deposits electronically. It estimates that these changes would cut its postal spending in half. Thus, closing the Randolph post office will reduce revenues from the Tri-Valley bank by \$15,000.⁶

The Final Determination Service utterly fails to address this expected loss of revenue from the Tri-Valley bank. Rather than reply to or rebut the alleged damage that reliance on rural carrier delivery would do to the business that it does with the Tri-Valley Bank, the Final Determination simply notes that delivery by rural carrier will be provided. FD at 4. In its comments, the Postal Service attempts to duck this issue of this revenue loss. It pretends that the issue is whether Randolph residents would continue to use local businesses such as the bank after it closes the post office. It asserts that they will. Postal Service Comments at 14. That is not the issue. The issue is whether those local businesses will continue to use the Postal Service. The administrative record says that to a substantial degree, they won't.

The issue of how much the residents of Randolph will continue to use the Postal Service if the Randolph facility is closed should have been addressed by the Final Determination but was not. As noted, Mapquest estimates the round trip the Randolph post office to the Malvern post officer to be 22 miles and take 40 minutes. Making that trip daily in

⁶ AR, Item 27, pages 18, 22.

a Ford F150 would cost \$8 dollars for each roundtrip--nearly \$50 dollars a week. This will be a powerful deterrent to the patrons of the Randolph post office to not rent a post office box, not to use the retail services of the Postal Office, and to do their banking electronically. AR, Item 22, at 8. A reasonable estimate of the impact on the over-the-counter revenue that the Post Office would earn from current Randolph patrons is to cut it in half. This would result in a loss of \$7,360 in over-the-counter revenue. A reasonable assumption about box rental is that none of the 88 current box holders would spend 40 minutes a day and nearly \$50 dollars a week to access a rented box in Malvern. This is what the Final Determination assumes. FD at 8; Postal Service Comments at 9, 11, 17. This would forgo all of the potential box rental revenue from those 88 box holders (estimated above to be \$5,280 under the most reasonable assumptions).

The likely revenue loss from closing the Randolph post office is summarized below.

One half of the \$14,720 Over-the-counter revenue	\$7,630
One half of the \$30,000 permit holder revenue	\$15,000
Potential box rental revenue	<u>\$5,280</u>
Total Estimated Revenue Loss from Closing	\$27,640

Below is a summary of the effect of closing the Randolph post office on the Postal Service's overall net revenues:

Estimated expenses avoided	\$24,677
Estimated revenues lost	<u>\$27,640</u>
Net Economic Effect of Closing the Randolph Post Office	- \$ 2,963

Thus, a valid analysis of the economic impact of closing the Randolph post office that considers all of the administrative record, not just the select portions that support the Final Determination, demonstrates that closing the Randolph post office would *decrease* the net revenue that it would receive from current Randolph patrons by \$2,963. The Final

Determination should be remanded so that its estimates of economic impact can be corrected to reflect the full administrative record.

2. Closing the Randolph post officer will have a negative economic and social effect on the Randolph community.

Although Commission opinions often discount the community impact of closing small post offices, the reality is that closing the Randolph post office will damage both the economy and the social fabric of the Randolph community. Sharon Perkins, one of its own residents, summed it up rather well AR, Item 22, at 8:

A small town post office is so different from one in a large town. It is a place that is the glue that helps to hold small communities together. In a large town, it is only a place to buy stamps, mail packages and income taxes. In small town America, it is the heart and soul of the entire community. ,

America is made up of thousands of little communities like ours. And in middle, rural America, post offices keep the spirit alive that our forefathers fought for. We like the fact that we know our neighbor, that we help each other, and that we support each other. We take pride in seeing the flag fly every day, we take pride in knowing that we are part of something bigger than ourselves. Our post office is where we greet each other every day, where we meet our new neighbor, where we learn of a death, where we go for community information, and for some it is the only contact they have each day with another human being. By removing post offices from small communities, you are signing away our independence and dooming us to eventual demise.

We need our post office especially now that gas prices don't allow us to just drive to the next town at the drop of a hat.

The rural carrier here at Randolph is never here at the same time every day. He may be here at 11:00 o'clock or at 1:00 o'clock. And if a substitute is working it is even worse. Can you really expect us to wait by a cluster box to get money orders, mail packages, or to sign for letter? Who is going to wait for up to two or three hours? If this office closes, you can expect UPS or Fedex to fill your shoes.

Our business community will suffer the most. Our bank is one of the strongest in our county, and state, for that matter. They will suffer the closing immensely. People who mail deposits to the bank will find that their checks are not deposited until a day later because the mail won't arrive until after the cut-off time for deposits. This bank relies so much on many trips daily to the post office—this will come to an end.

All of us here at Randolph respectfully ask you NOT to close our post office. We need your presence here and you need us as well. The small post

office is the backbone of the Postal Service and of rural America. It is our identity—our link to the outside world.

Legal Standard of Review. As the Final Determination now stands, its conclusions are arbitrary and unsupported by substantial evidence, in violation of sections 404(d)(5)(A) and (C). Although the Postal Service is not sufficiently familiar with the administrative record to realize it, closing the Randolph post office is against its own economic interests. The record does not reveal any possible benefits that would offset the economic losses associated with closing the Randolph post office.

None of the egregious errors in the Final Determination's economic impact analysis matters, of course, if the Commission misreads paragraph 404(d)(2)(A) of the PAEA to articulate a standard of review, as it sometimes has done in the past. That paragraph articulates the range of the subject matter that a determination to close a small post office is required to address. The says the Postal Service must "consider" those listed subjects. That paragraph, however, most emphatically does not constitute a standard of review.

The standards of review are found in paragraphs 404(d)(5). They articulate *the manner* in which the Post Office must consider the matters listed in subsection 404(d)(2)(A). It may not consider them in arbitrary fashion—meaning an inconsistent or illogical fashion. Nor may it reach conclusions regarding the listed matters that are unsupported by substantial evidence—meaning that if the conclusion rests on glaring factual errors, the conclusion must be remanded and the errors corrected. Merely "considering" a subject listed in paragraph 202(d)(2)(A) in the sense of mentioning its existence does not satisfy either of the substantive standards of review contained in subsection 404(d)(5).⁷ The Final Determination's analysis of economic impact fails both of those standards and must be remanded. If the Commission has doubts about this, it should ask itself how this Final Determination could assume that the revenue earned by the Randolph post office is less than a third of its actual revenue, or ignore the fact that the Postal Service cannot cancel its long-term lease, and still reach a valid conclusions about the economic impact of closing the Randolph post office.

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Respectfully Submitted,

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