

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Jonesville Post Office
Jonesville, Texas

Docket No. A2012-100

PUBLIC REPRESENTATIVE COMMENTS

(April 13, 2012)

The Final Determination to close the Jonesville, Texas post office must be remanded under the review standards of section 404(d). Jonesville is a profitable operation and the financial trends show that it will remain highly profitable if it remains open. That, by itself, should set it apart from the vast majority of small post offices that the Postal Service has slated for closure. As will be explained, the 21st century finds the patrons of the Jonesville facility especially dependent on the secure mail service that the Jonesville area requires. Closing the Jonesville post office would make secure access to postal services so burdensome for some current patrons of the Jonesville facility that it would violate the Congressional intent expressed in 39 U.S.C. 404(d)(2)(iii) that the Postal Service maintain a “maximum degree of effective and regular postal services to rural areas.” Finally, closing the Jonesville post office will have a serious adverse social effect on the Jonesville community. Jonesville has been designated a Harrison County Historical Site. Its history and identity are inseparable from the Jonesville post office and the Jonesville general store, whose twin existence goes back well into the 19th century. Jonesville draws its cohesiveness as a community from the social interactions fostered by patronage of these two landmarks. Jonesville’s continued viability is at risk if this source of cohesiveness is removed.

Background. The term “greater Jonesville community” is used in these comments for a reason. The unincorporated village of Jonesville itself is tiny, including only 28 people by some counts.¹ The Jonesville community, however, takes in a wide area of primarily unspoiled agricultural countryside on both sides of the Texas-Louisiana border. That is why

¹ This estimate is provided by <http://www.texasescapes.com/EastTexasTowns/Jonesville-Texas.htm>.

367 alarmed patrons of the Jonesville facility filed comments opposing closure,² and 571 patrons from both sides of the Texas-Louisiana border signed a petition pleading with the Postal Service to keep the Jonesville facility open³.

Cotton was once king in the greater Jonesville service area. The legacy of this era is the oldest general merchandise store in continuous operation in the state of Texas. The presence of this store across the street from the Jonesville post office draws a steady stream not only of Jonesville natives, but of tourist buses as well. Once there, the tourists typically buy a post card commemorating that venerable institution, and walk across the street to the post office and mail it.

The Final Determination's Flawed Financial Findings. Although cotton was once king, oil and gas is now the mainstay of the Jonesville area economy, supplemented by a flow of Louisiana city dwellers relocating to its unspoiled countryside. The consequence of this economic and demographic shift is that business at the Jonesville post office is robust and growing. These are the revenue numbers:⁴

FY 2007	\$15,783
FY 2008	\$17,781
FY 2009	\$18,816
FY 2010	\$25,120
FY 2011	\$26,379

Over the previous four years, revenue at the Jonesville post office has grown at an annual average rate of 16.75 percent. At this rate of growth, the Jonesville facility will earn \$30,797 at the close of FY 2012. This will put it well above the \$27,500 annual revenue threshold that the Postal Service uses to define low-revenue offices for purposes of nominating small post offices for investigation for closure. The Jonesville facility currently

² Item 20, Proposal Comments, Item 26, Analysis of Comments.

³ Item No. 27, 46 and 47.

⁴ Final Determination at 2.

has 2.2 hours of work per day. Therefore, it is already above the threshold of 2 hours per day that the Postal Service uses to define low-workload offices for purposes of nominating facilities for closure.

If the annual expenses of operating the Jonesville facility were greater than its annual revenues, it might be understandable that the Post Office would reach a determination that closure is warranted, non-economic considerations aside. But that is not the case. Jonesville is a profitable operation that promises to become more profitable in the future, with stable expenses and growing revenue. Its outlook for expanding profitability sets Jonesville apart from most small post offices whose closure has been appealed. It also sets the Jonesville facility apart from the Postal Service network as a whole, which faces declining volume and revenue over the longer term.

The Postal Service's analysis of the ten-year impact of closing the Jonesville facility in the Final Determination was the soul of simplicity. It looked only at three aspects of the operating costs of the Jonesville facility:⁵

Salary of the PMR	\$254,288
Rent	\$ 26,442
Utilities	<u>\$ 9,472</u>
Total 10-year savings	\$226,471 ⁶

⁵ Final Determination at 35.

⁶ The 10-year estimated savings of \$226,471 is the estimate that made it into the Final Determination, and therefore must be regarded as the basis for the Postal Service decision to close the Jonesville post office. The Postal Service does not explain how the sum of these three expenses (which add to \$290,202) yields a ten-year savings of \$226,471. Its Comments note that an offer to reduce rent from the current amount a ten-year amount of \$20,230 is reflected in that total (Postal Service Comments at 14, n.37), but the bulk of the discrepancy between \$290,202 and \$224,471 remains unaccounted for. There is also a reference to an estimated annual savings of \$28,525 in the Postal Service's Comments at 13, citing Item 8 of the Final Workbook.

In arguing that closing the Jonesville post office would not degrade the level of service available to Jonesville's current patrons, the Postal Service relies on the expectation that Jonesville's current box renters will choose to receive alternative service in the form of rural carrier delivery. The Postal Service expects most of the advantages of closing the Jonesville post office, as well as most of its disadvantages, to flow from the selection of rural delivery as an alternative to renting boxes at the Jonesville facility. See FD, Item 35, page 30. The Postal Service eventually realized that these expectations were in conflict with the assumption underlying its financial impact analysis that no additional expense will be incurred providing alternative service in the form of rural delivery.

To reconcile this conflict in the assumptions that underlie its service impact analysis with those that underlie its financial impact analysis, the Postal Service filed an "Addendum" to the Administrative Record simultaneously with its Comments. That Addendum calculates the cost of rural delivery to 111 of Jonesville's box renters out of the nearby Waskom, Texas post office.⁷ The Addendum estimates that the cost of rural delivery to 111 Jonesville patrons would be \$10,463.⁸ Over ten years, this would come to \$104,630 in added expenses resulting from closing the Jonesville facility. This added expense would reduce the Postal Service's estimate of ten-year net savings as follows:

	\$226,471
less added cost of rural delivery to 111 current box renters	<u>\$104,630</u>
	\$119,831

⁷ See Memo to Record, dated February 16, 2012, accompanying United States Postal Service Notice of Filing of Addendum to the Administrative Record, February 16, 2012. The Postal Service's Comments, at page 16, note 42, state that the purpose of filing this Addendum is to "explain a contradiction in the record, an expectation that some customers will choose carrier delivery when the quantified cost of that expectation does not appear in the record."

⁸ Petitioner Lelia Vaughn points out that as of February 24, 2012, there were 127 box renters at the Jonesville facility, suggesting that this would be a more accurate number on which to base the annual cost estimate. Lelia Vaughn Response Regarding USPS Comments About the Appeal, February 27, 2012.

In her December 19, 2011 Petition, Lelia Vaughan points out that under the Final Determination's assumption that the current box renters at the Jonesville facility will choose delivery to rural boxes if Jonesville is closed, the lost rental revenue must be reflected in the net savings estimate. She identified the actual box rents paid in FY 2011 by each of the 125 patrons who were renting boxes as of December 15, 2011. Those annual rents sum to \$4,538. Over ten years, these revenues would amount to \$45,380.⁹ The loss of these rental revenues would reduce the Postal Service's ten-year estimate of 10-year net savings as follows:

	\$119,831
less loss of rental revenue from post office boxes	<u>\$ 45,380</u>
	\$ 74,451

This adjusted estimate of net financial impact over the next ten years of \$74,451, however, is ultimately irrelevant. The Postal Service did not provide a ten-year estimate of revenue earned by the Jonesville post office if it were to remain open. The substantial evidence standard of section 404(d)(5)(C) is the legal standard that applies to the conclusion in the Final Determination that closing the Jonesville post office will be a financial benefit to the Postal Service. To satisfy that standard, it is necessary to take all relevant information into account.¹⁰ The Postal Service's determination that closing the Jonesville post office will be a net financial benefit cannot survive the substantial evidence test if its 10-year financial impact analysis ignores the revenue side of the financial equation.

The most straightforward way to estimate revenues that the Jonesville facility is likely to earn over the next 10 years if it is left open is to project the FY 2011 revenue of \$26,397 at the annual rate of revenue growth over the previous four years of 16.75 percent. Applying a

⁹ Petition of Lelia Vaughn, dated December 19, 2011, at 12.

¹⁰ See, for example, 5 U.S.C. 556(d).

growth rate of 16.75 percent to \$26,379, and compounding it annually for ten years yields estimated annual revenue of \$124,115 by year ten.

The expenses of operating the Jonesville post office are known and essentially stable. These consist of a fixed annual rent for the next decade and PMR salary that has barely changed since FY 2008 when the Postmaster retired.¹¹ Only the smallest component of Jonesville's operating expenses (utilities) can be expected to change much over the next 10 years. Nevertheless, for the sake of symmetry, if a dynamic analysis is applied to the 10-year revenue projection, it should also be applied when projecting the expenses of operating the Jonesville post office. The Postal Service's estimate in its Final Determination of the ten-year expenses of continuing to operate the Jonesville post office is \$226,471. Its analysis is a static one. Therefore, one tenth of that amount (\$22,647) represents the FY 2011 expense of operating the Jonesville facility. Because expenses can be expected to grow in the next 10 years, it is necessary to find a reasonable basis for projecting that growth rate.

The PMR's salary constitutes almost all of the expense of operating the Jonesville post office. Therefore, the change in the index of urban wage rates (the CPI-w) over the last four fiscal years provides a reasonable basis for projecting the rate of growth of Jonesville's overall operating expenses over the next 10 years. Applying the average growth in the CPI-w over those years (2.4 percent) to the imputed FY 2011 expenses of \$22,647 and compounding it annually over ten years yields an annual expense of \$28,638 by the tenth year.

A dynamic analysis of the net revenue that the Jonesville post office would earn over the next ten years if it is allowed to stay open is summarized in the following table:

¹¹ Discussion with the current PMR indicates that since FY 2008, her hourly wage has increased by a barely perceptible 30 cents an hour.

	Revenue	Expense	Net Revenue
2012	30,797	23,010	7,787
2013	35,955	23,562	12,393
2014	41,978	24,128	17,850
2015	49,009	24,707	24,303
2016	57,218	25,300	31,919
2017	66,803	25,907	40,896
2018	77,992	26,529	51,463
2019	91,056	27,165	63,890
2020	106,307	27,817	78,490
2021	124,114	28,485	95,629
	681,230	256,610	424,620

A balanced 10-year financial impact analysis that considers both cost and revenue trends shows that Jonesville will be one of the most profitable facilities in Postal Service's entire retail network. If current revenue and expense trends continue, the Jonesville post office will earn an impressive profit for the Postal Service over ten years of 265 percent! If the Postal Service had considered revenue as well as cost trends in its financial impact analysis, it is inconceivable that it could have justified putting the Jonesville post office on the closure list. For the Final Determination to cite financial impacts as a justification for closing the Jonesville post office despite its rosy financial prospects fits the textbook definition of "arbitrary" under 404(d)(5)(a).

The Commission Must Take an Even-Handed Approach in Determining What Information is "On the Record." The "Addendum" that the Postal Service inserted into the record at the briefing stage of this appeal process is an analysis of the cost of providing rural carrier delivery to individual boxes as the alternative that Jonesville patrons would elect if the Jonesville facility were closed. The Postal Service has conceded that without this post-record analysis, there is a conflict between the Final Determination's assumption that rural carrier delivery will be the means by which effective access to retail and delivery services will be maintained, and the assumption that there will be no additional cost incurred by providing this

alternative service to Jonesville's current box renters.¹² The conflicting assumptions that alternative service will be used but will have no additional cost must be resolved for the Final Determination to pass the review standards of either 404(d)(5)(A) [that its findings be non-arbitrary] or 5(C) [that its findings rest on substantial evidence on the record]. The Final Determination is internally inconsistent, and fatally flawed, without the Addendum.

The financial analysis in the Addendum and the financial analysis in the Public Representative's comments have both been introduced at the briefing stage of this appeal process. If the Commission treats the Addendum correcting the Postal Service's 10-year financial impact analysis as record evidence, it must also treat the 10-year financial analysis provided in these comments as record evidence. Even handedness requires that both financial analyses be admitted into the record, or both be excluded from the record. Under either outcome the Postal Service's financial impact analysis is defective. To survive the review standards of section 404(d)(5), it must be remanded and repaired.

The Final Determination's Defective Finding that Effective and Regular Service Will Not Be Impaired. Section 404(d)(2)(iii) reflects a Congressional intent that the Postal Service maintain a "maximum degree of effective and regular postal services to rural areas" even where post offices are not self-sustaining. This Congressional intent carries even more force where, as in the case of Jonesville, the post office is self-sustaining. Maintaining a maximum degree of effective and regular postal service in the Jonesville community cannot be done if the Jonesville post office is closed. This is because the Jonesville service area has a special need for a secure way to receive mail.

It is a routine occurrence for patrons of the Jonesville facility to receive weekly oil and gas royalty checks in the mail. Unfortunately, substance abuse is also a substantial problem in the area. Those with drug habits to pay for are well aware that the Jonesville area generally lacks broadband internet service. Consequently, many Jonesville residents regularly receive social security checks, bank and credit card statements with account numbers, and their oil and gas royalty checks through the mail. They are also well aware that there is no regular law enforcement presence in the Jonesville countryside. This gives

¹² See Postal Service Comments at 16, n. 42.

substance abusers a powerful incentive to tamper with rural mail boxes in the Jonesville service area. Of the hundreds of comments filed in response to the posting of a determination to close the Jonesville post office, nearly every one expressed the fear that their mail would be exposed to theft if it is delivered to a rural mail box.¹³

The Postal Service waives these pleas for a secure form of mail delivery aside, asserting that the postal inspection service has not received reports of mail theft or vandalism in the area.¹⁴ This proves nothing. If there were reports of mail theft or mailbox vandalism to the postal inspection service, they would not be identified with Jonesville because there are no rural delivery routes that operate out of the Jonesville post office.¹⁵

The Postal Service also dismisses the security concerns of the patrons of the Jonesville post office by asserting that putting a lock on a rural mail box would take care of the problem.¹⁶ Lockable steel curbside mailboxes are available from hardware stores. Unfortunately, only the heavy duty models provide a reliable deterrent to theft in the remote, unmonitored country roads prevalent in the Jonesville service area. A tamper proof, lockable steel box and mounting post typically costs more than \$300 dollars.¹⁷ This is a daunting expense for rural wage earners and retirees. It is ten times more expensive than the renting

¹³ For example, see FD, Concern 55, Item 35, at page 29 where it is noted that:

Crime is a real threat to the residents of Jonesville. Since we first started trying to prove to you the need for our Jonesville Post Office, neighbors have had air conditioners stolen, cars broken into, intruders/burglars outside/inside their homes, drug addicts and dealers cruising country roads looking for easy money to support their bad habits. Harrison County Sheriff Department has had many thefts, burglaries, and crimes in general reported in eastern Harrison County. The local paper has a daily crime report, and if you have any doubts just read the reports. It simply is not safe to have checks, important documents that reveal identity or social security information, or any important mail put into boxes on the street.

¹⁴ See Postal Service response to Concern 9, Item 35 at page 32 of the Final Determination.

¹⁵ Any such reports would be associated with the Karnak or the Waskom post offices, since they are the only ones that support rural carriers that deliver in the Jonesville service area.

¹⁶ See Petition of Lelia Vaughn, December 19, 2011, Index of Attachments, Reference No. 12.14.

¹⁷ For example, the Oasis Post-Mount Locking Mailbox plus steel post currently comes to \$328.84 at Home Depot. See [http://www.homedepot.com/h_d1/N-5yc1v/R-100652312/h_d2/ProductDisplay?catalogId=10053&langId=-1&keyword=locking mail box&storeId=10051&superSkuld=202867188](http://www.homedepot.com/h_d1/N-5yc1v/R-100652312/h_d2/ProductDisplay?catalogId=10053&langId=-1&keyword=locking%20mail%20box&storeId=10051&superSkuld=202867188)

the typical-sized post office box at the Jonesville post office.¹⁸ Even then, a heavy-duty lockable steel curbside box would not provide a feasible way to receive any but the smallest of parcels. Of course, a Jonesville patron who doesn't live within a half mile of the rural carrier's preferred line of travel wouldn't even be eligible for this alternative form of service, even if he could afford it. See FD, Item 35, page 12, concern 17.

A Jonesville patron who can't afford to spend ten times what he now spends on a secure post office box in the Jonesville post office still has the choice of driving an extra 5 miles to the Waskom post office. Because he would have to travel most of the way on country roads, this would add 20 minutes to a round trip to the post office starting from the location of the current Jonesville post office. However, the Waskom post office is 5 miles east of the Jonesville office. Jonesville patrons who live on the north and west sides of the Jonesville service area already have to drive 20 minutes round trip just to get mail at the Jonesville facility. To rent a box at Waskom, they would have to drive 40 minutes round trip to access a rented box at the Waskom post office. For them, the added expense just for gasoline of accessing postal services would be nearly twice that of buying a heavy-duty locking curbside mailbox.¹⁹ For these unlucky patrons, accessing postal services after Jonesville is closed will require unreasonable expenditures of time and money. Driving 40 minutes a day and spending an additional \$600 plus a year to get mail cannot reasonably be viewed as receiving the "maximum degree of effective and regular postal services to rural areas," as Congress intended. The Final Determination concluding otherwise does not satisfy the "substantial record evidence" standard of review of section 404(d)(5)(C).

The Final Determination's Defective Finding that Closing the Jonesville Post Office Would Not Adversely Affect the Community. The record makes it abundantly clear that the Jonesville community has been put through the wringer. It has endured record-breaking drought, forest fires, and a direct hit from a tornado—all in one year. The anchor that has kept Jonesville from falling apart has been its historic post office. The morale and the

¹⁸ See Petition of Lelia Vaughn, December 19, 2011, at 12.

¹⁹ Six round trips over 52 weeks = 312 round trips per year. Ten additional miles per round trip is 3,120 additional miles per year. See FD, Item 35, page 7, concern 5. At 20 miles per gallon, this would require 156 additional gallons. At \$4 per gallon, the added cost of gasoline would be \$624.

cohesiveness of the Jonesville community is based on the social interactions that routinely take place at the Jonesville post office. These interactions will be a thing of the past if the Jonesville post office is closed. See FD, Item 35, page 16, concern 30. Surely the Postal Service could spare this fate to Jonesville. The only “sacrifice” it would have to make to ensure the continued viability of Jonesville is to allow a highly profitable post office to remain open.

Standard of Review. Section 404(d)(2)(A) sets out five “factors” that the Postal Service must gather evidence on and “consider” when determining whether to close a small post office. In its comments on small post office closings, including this one, the Postal Service has habitually treated the list of factors to consider in section 404(d)(2)(A) as something that it is not—an articulation of the standard of review by which those five factors are to be analyzed and findings made. The list of factors to be considered is patently not the source of the standards of review that apply to section 404(d) proceedings. The standards of review are articulated in section 404(d)(5). They are derived from the standards of review in the Administrative Procedures Act, as supplemented by Federal civil case law. These standards are expressed in the same terms as those that apply to any Federal administrative ruling when it is reviewed by a Federal court. A Federal administrative ruling must pass both of these substantive tests: 1) it must not be “arbitrary, capricious, or an abuse of discretion,” [see section 404(d)(5)(A)], and 2) it must rest on findings that are supported “by substantial evidence on the record.” [See section 404(d)(5)(C)] and 5 U.S.C. 556(d)].

The list of factors that must be considered section 404(d)(2)(A) is nothing more than that—a list. The Postal Service has interpolated into section 404(d)(2)(A) the notion that its duty is done once it has shown that it has “considered” the factors listed there. “Considering” those factors, however, is only the beginning of the Postal Service’s obligations. Its consideration of the five factors must meet the substantive standards referenced above or be remanded. Findings regarding those five factors must be made. When they are made they must be non-arbitrary, and based on substantial record evidence.

Most of the Postal Service’s comments that it files in section 404(d) cases invite the Commission to misinterpret section 404(d)(2)(A) as articulating a standard of review that the

Commission is to apply to the Postal Service's Final Determinations. Commission opinions in section 404(d) cases occasionally (and unfortunately) seem to accept the Postal Service's invitation to misinterpret section 404(d)(2)(A) as articulating the standard of review, not just listing the information to be considered.

Conclusion. The Final Determination to close the Jonesville, Texas post office does not satisfy the substantive standards of review set forth in section 404(d)(5). Jonesville is a profitable operation and all indications are that it will remain highly profitable if it remains open. The Final Determination that it will save the Postal Service money to close the Jonesville post office is based on a ten-year financial impact projection that ignores the revenue side of the equation. It ignores the fact that the growth of Jonesville's revenues over the last four years far exceeds the growth in its expenses, and that its profitability will only grow, due to rapidly rising revenues, and slowly rising expenses. The conclusion in the Final Determination that closing the Jonesville post office will increase the Postal Service's net revenue, therefore, is both arbitrary and unsupported by substantial evidence. See section 404(d)(5)(A) and (C). If a balanced 10-year analysis of the financial impact of closing the Jonesville post office is considered to be off the record, the Final Determination must be remanded so that a balanced financial impact analysis can be provided on the record to support it.

Because of the urgent need of postal patrons in the Jonesville service area for a secure way to receive their oil royalties and other financial transaction mail, closing the Jonesville facility would require its patrons to spend unusual amounts of time and money to find a secure way to receive their financial transaction mail. Imposing these extraordinary added burdens on Jonesville customers is not consistent with the Congressional intent expressed in 39 U.S.C. 404(d)(2)(iii) that the Postal Service maintain a "maximum degree of effective and regular postal services to rural areas." The Final Determination's conclusion to the contrary ignores the special security needs of the Jonesville patrons that have been demonstrated on the record. The Final Determination, therefore, must be remanded to reflect that record evidence.

Finally, closing the Jonesville post office will have a serious adverse social effect on the Jonesville community. It draws its cohesiveness as a community from the social interactions fostered by patronage of its post office. It is this cohesiveness that has preserved Jonesville as a viable community in the face of record drought, fire, and tornado damage. The Final Determination that closing the Jonesville post office will have no adverse effect of the Jonesville community does not even acknowledge the unprecedented stress that to which the Jonesville community has recently been subjected, or the critical role of the Jonesville post office in coping with that stress. For that reason, the Final Determination must be remanded to reflect that record evidence.

Respectfully Submitted,

Malin Moench

Public Representative

901 New York Avenue, N.W.

Washington, D.C. 20268-0001

(202) 789-6823; Fax (202) 789-6891

malin.moench@prc.gov