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Postal Regulatory Commission Reply Comments by Frontiers of Freedom

Re: Docket No. ACR2016

Frontiers of Freedom is an educational foundation whose mission is to promote the principles of individual freedom, peace through strength, limited government, free enterprise, free markets, and traditional American values as found in the Constitution and the Declaration of Independence.

Included in the US Constitution is the creation of what today is known as the US Postal Service; however today's US Postal Service is much different than the one that was operated by the first Postmaster General, Benjamin Franklin. The original intent of the US Postal Service was to provide affordable letter mail delivery to every address in the country at an affordable rate. Because of a number of distractions that plague the USPS, today's service falls far short of its original intent and should be addressed by its regulatory body, the Postal Regulatory Commission (PRC).

While it is a positive development that most service performance levels have improved from the severe declines from a year ago, overall service still falls short of levels mandated of the US Postal Service. In fact, for First-Class Mail offerings, which mail customers depend on the most, not one product in this class met its service performance target for a second year in a row. What is even more frustrating is that there doesn't appear to be an actionable plan being laid out by postal management to fix these service failures.

The US Postal Service currently has over \$100 billion in debt and unfunded liabilities. Leadership maintains that much of this was caused by declines in business for services they are obligated to perform, like First Class Mail. Considering these products are facing price increases by USPS, but have declines in reliability, it's no wonder they are losing customers. Despite the consistent short falls on service and continual prices increases, these products remain the USPS' most profitable.

To best capitalize on its most financially stable products, the US Postal Service needs to be run better from a business perspective. The current organization has the second largest real estate footprint in the United States behind only McDonalds and is the second largest employer to Wal-Mart. Yet curiously, their debt increases with each

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passing quarter and leadership has failed to propose a plan that improves their short term financial standing, let alone identify a path towards paying down their enormous debt and become financially sustainable.

For starters, the PRC must push the US Postal Service to fix their poor service performance. Falling short of standards one year is reason for improvement. Failing to meet standards multiple years is a trend and deservedly needs much greater attention.

Another concern raised by the USPS' 2016 ACR is the need for their most recent price increase for First Class mail. With products that operate in both competitive markets and as government protected monopolies, under the same umbrella, many questions must be raised about pricing policy. A basic review of market dominant products and their cost coverage yields a simple conclusion that this portion of their business is producing healthy financial returns. In fact, First Class Mail covers costs by 224.5 percent, which is a sizable profit margin. Why then, was it necessary to increase prices on stamps last month? What was the justification?

Given that the revenue of government protected monopoly products exceed costs, the question must be raised about where the USPS' debt is coming from. All the evidence points to the USPS's competitive products for which the agency is attempting to increase the volume of business activity. For these products, one must ask whether a 5 percent cost attribution is adequate when competitive products far exceed 5 percent of their overall business. In the end, deductive reasoning and common sense tell us that with cost attribution at such a low rate, the threat of cross-subsidization is high, violating federal law and regulations. The lack of transparency displayed by the USPS on this front makes it much more imperative that the PRC hold the USPS accountable on this clear breach.

In short, the USPS needs to do more to improve service. As the only provider of mail delivery, the high cost for such unreliable service is indefensible. Please accept these comments for consideration of ways that the US Postal Service can better deliver and meet expectations of their loyal customers.