



**Comments of the American Consumer Institute
Center for Citizen Research
Submitted to the Postal Regulatory Commission, February 13, 2017**

About ACI

The American Consumer Institute Center for Citizen Research (ACI) is a nonprofit (501c3) educational and research institute with the mission to identify, analyze and protect the interests of consumer in selected policy and rulemaking proceedings related to information technology, health care, retail, insurance, energy, postal and other issues. In this proceeding, the Postal Regulatory Commission (PRC) seeks reply comments to the U.S. Postal Services's (USPS) Annual Compliance Review (ACR).

General Discussion

Please accept these comments in reply to **Docket No. ACR2016**.

With each passing year, the U.S. Postal Service's prices increase, standards of service decline, and ironically enough, their debt grows. Without improvements to their business model that improve the customer experience from the cost and service perspective, the U.S. Postal Service is going to continue losing customers in the sectors of their core service – mail delivery. But judging from the recent ACR filed by the U.S. Postal Service for 2016, improving business on their core services is not the top priority.

2016 was another year of deterioration of service quality. Even though there were some instances of improvement over the previous year, the U.S. Postal Service in 2016 again, failed to meet their already lowered standards of service. The dependability of mail has consistently fallen short of expectations and recent comments by Postal Service leadership fail to instill confidence that any type of systems are in place to improve in this area.

While service standards continue to decrease, prices are only increasing. For the first time in history, postal customers received a price reprieve through a 4 percent cost reduction for stamps last year. The Exigent Rate increase was instituted in 2014 to provide the U.S. Postal Service a cash infusion of \$4 billion to help recover from the economic recession that ended, by most economists projections, in 2009. This increase was applied, not to products that the USPS struggles to profit from, but instead, was added onto the products that are most profitable – market dominant products, those that do not have market competition and are government protected monopolies like Standard Mail and First Class Mail.

Barring postal leadership's failed attempts to maintain the heightened rates despite a ruling by the U.S. Court of Appeals rejecting the legal justification of an extension, the reintroduction of the 49-cent stamp occurred on January 22nd. Unfortunately this rate increase has done nothing to boost service, nor is it

meant to positively impact on their growing debt that, coupled with unfunded liabilities, amounts to over \$100 billion.

The U.S. Postal Service finds its foundation in the US Constitution. The Postal Accountability Enhancement Act calls on the USPS to issue an ACR each year, providing the PRC with proof that they are in compliance. Each year, the ACR raises more questions than it answers. The US Postal Service was originally founded to provide affordable letter mail delivery at an affordable rate.

Today's Postal Service provides a variety of package delivery services at the expense of their letter mail service, which is overpriced and unreliable. Yet confusingly, the most profitable products enjoy poor service at increasing costs, while those that compete with private enterprise always appear to be priced artificially low. This realization leads to two outcomes that both appear to plague this quasi-government agency and both violate current regulations. They are using profits from market dominate products to subsidize money losing competitive products creating market disruption and/or increasing volumes of business at prices below cost, which only leads to increased debt. In effect, the USPS is trying to bilk consumers of its monopoly services in order to subsidize its less profitable competitive ventures like food delivery, potentially banking services, same day delivery for businesses, and other services.

Much about the U.S. Postal Service's business and management is questionable. Greater transparency, increased focus on their core services of mail delivery, and a higher standard of service at an affordable rate are three areas that are lacking. Expanded focus on these areas by both the US Postal Service and basic enforcement of current standards in these areas by the PRC will ensure necessary compliance with current regulations, and greater profitability and success for this important institution.

Respectfully,

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