

REMARKS OF RUTH Y. GOLDWAY

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The Pew Charitable Trusts
901 E St., NW
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- Thanks to the Pew Trust for organizing this conference. I also want to express my appreciation to the USOIG for issuing its thoughtful and timely research paper on this topic.
- The Postal Regulatory Commission is an independent agency that has exercised regulatory oversight over the Postal Service.
- In 2006, Congress enacted the PAEA, the Postal Accountability and Enhancement Act. The PAEA significantly strengthened the Commission's authority and was intended to serve as a counterbalance to new flexibility granted to the Postal Service in setting postal rates.
- The Act requires the Commission to develop and maintain regulations for implementing a price cap system and to make the Service more transparent and accountable by consulting with the Postal Service on delivery service standards and performance measures, by preventing cross-subsidization or other anticompetitive postal practices, adjudicating complaints and reviewing any changes in products or services the USPS contemplates.
- While the previous legislation allowed the Service to offer pretty much any kind of product or service, the PAEA limited the Postal Service to offering only “postal services,” defined as “the delivery of letters, printed matter, or mailable packages, including acceptance, collection, sorting, transportation, or other functions ancillary thereto,” and grandfathered existing non-postal services.

- The Commission has the responsibility for deciding whether a new product or service is postal or non-postal. The PAEA required the PRC to review each non-postal service the Service offered in 2006. Any non-postal service which the Commission did not authorize was to be terminated. Further, the Postal Service was prohibited from offering new non-postal services.
- If a Postal product or service fails to meet the definition of a “postal service, it must be classified as a “non-postal service.” It may be allowable but only if it falls under the grandfathering provisions of the PAEA or if a separate statutory authorization exists, for example 39 U.S.C. 411 which authorizes the Postal Service to provide services to other government agencies.
- However, the Postal Service can seek to expand its current array of products and services if they expand upon current postal services or if they meet the definition of a “postal service.”
- The Commission’s role in the process is to review the Postal Service’s proposal, assess whether it is authorized under the PAEA, and consider:
 - (1) The availability and nature of enterprises in the private sector engaged in the delivery of the product;
 - (2) Its likely impact on small businesses;
 - (3) The views of those who use the product; and
 - (4) The terms of service and pricing.
- The PRC’s 2007 review of non-postal products did not include any services that were specifically banking in nature as the Postal Service was not offering such services at the time.
- However, there are several products and services in what can be described as in “the financial realm” that the Postal Service has traditionally provided that have been reviewed and authorized by the PRC.

- The Postal Service currently offers three money transfer products. They are (1) Domestic Money Orders; (2) International Money Transfer Services – Inbound Outbound; and (3) International Money Transfer Services – Outbound (markets outbound under the name Sure Money (Dinero Seguro)).
- Postal domestic money orders are considered postal services because it is likely that the majority of them are sent through the mail. Money orders may be purchased at any post office, branch or station, are available up to \$1,000, for an affordable fee (\$1.25 up to \$500, \$1.65 for \$500-1000) and may be cashed at any post office or deposited or negotiated at any financial institution. The Postal Service will replace damaged, lost or stolen money orders, and has adopted detailed security measures for cashing money orders.
- The Postal Service also offers international money orders for up to \$700, at a fee of \$4.50. IMOs can then be mailed using First-Class International or Express Mail International, and cashed at post offices in the destination country.
- During the PRC’s initial review of non-postal services, the Commission found that the Postal Service has an extensive history in providing remittances to customers. It recognized the unique role of the Postal Service in this area, and that International Money Transfer Services offered through postal networks were ancillary to hardcopy postal services. It therefore classified International Money Transfer Services as a postal service.
- The Commission further found that IMTS serve as both a complement and an extension to the paper money order that uses modern technology extending and enhancing a service that has been provided for many years.

- International Money Transfers are available through Dinero Seguro, a service provided at certain Post Office locations for customers to send funds to individuals or firms in ten Latin American countries. Funds are transferred to foreign posts, participating banks or other approved agents in Latin America, where payees claim them.
- The United States has the highest volume of international remittances in the world. Over the years, the Postal Service has played a critical social role in the development of immigrant communities here, and by offering a convenient and efficient way to transfer funds, supporting the growth of developing countries.
- Local postmasters have reported to me that often the unbanked prefer to go to a local post office for money orders rather than a bank or pay day loan company because post offices are often more conveniently located, familiar and trustworthy. It charges affordable fees, and provides reliable, universal mail service, making it a familiar, non-threatening place for the unbanked to conduct a variety of transactions.
- I have also heard from some postmasters that they provide some limited check cashing services to their customers.
- Under the PAEA, the Postal Service may have several opportunities to expand its current financial-related services. For example, the Postal Service could explore the following options:
 - Expand domestic and international money orders to include both hard copy and electronic formats;
 - Expand International Money Transfer Services to more countries in Latin America, or South and East Asia coordinating with efforts being developed by the Universal Postal Union (UPU) and advertise this service more aggressively;

- Provide online information and access to money transfer products on usps.com or, in the future, a mobile phone app;
 - Make more consistent its current check cashing services which are available on an ad hoc basis in many post offices.
- It may also be possible under the law for the Postal Service to combine bill payments and the Postal Service’s postal authority. Money orders are typically used for bill payments. For instance, the Postal Service might be able to offer a service by which money orders, could, at the time of purchase, be addressed for mailing or sent electronically to the particular party to be paid by the money order.
- In the case of utilities or government agencies receiving frequent money order payments, the Postal Service could propose to set up a designated PO Box number address for money order payments.
- The Postal Service could partner with federal government agencies such as Social Security, HHS, Labor Department, and/or Rural Economic Development programs of the Agriculture Department to offer benefits and services to the unbanked through the Postal Service’s network.
- I suggest these partnerships because the Postal Service is specifically authorized to enter into agreements with executive agencies of the federal government and the United States Government Printing Office to furnish property and services.
- In fact, services to federal government agencies are not considered “commercial” services and are thus not subject to Commission review and could be implemented as soon as the Postal Service reached agreement with the federal agency on terms and conditions.

- Under this authority, the Postal Service currently provides such services as processing passport applications for the State Department, and selling Migratory Bird Hunting and Conservation stamps for the U.S. Fish and Wildlife Service. It works with Homeland Security on emergency response programs and with the Census Bureau.
- As an effective, reliable presence in every community, the Postal Service could be further relied upon to deliver relief and aid to vulnerable populations. For the unbanked, Social Security cash cards could be delivered and reloaded through local post offices. In the aftermath of a natural disaster, post offices could be the distribution point for FEMA cash cards and Small Business Administration relief aid. The local post office could efficiently verify address and identity, and be the location where relief is distributed.
- It is noteworthy that The Postal Service is seeking clarification in its legislative reform proposals to clearly enable it to make arrangements with state and local governments as well.
- Getting back to the Commission's oversight responsibilities, the Postal Service has significant leeway to engage in what are termed experimental products and/or market tests. For example, a prepaid card service, both open-loop and closed loop, is currently being offered by the Postal Service as a market test through the sale of gift cards.
- The Postal Service has recently completed its analysis of this market test and has filed a Request with the Commission for authorization to permanently classify the gift cards as a "postal service." The Commission is now reviewing this request and will determine if the sale of prepaid cards qualifies as a postal service.

- The Postal Service could also explore partnerships with financial institutions that may not require regulatory approval or legislation. It has what we would call “public-private partnerships” with many companies. For example, as part of its arrangements with FedEx, FedEx has its own drop boxes at post offices. Personally, I would hope that creative arrangements with local non-profit community banks, or larger regional or national banks would be possible. Perhaps others in the banking sector might see the extensive network of post offices in underserved areas as a potential resource. Unfortunately, the Postal Service, from my point of view, is working very hard to downsize its network and has not articulated a strategy to support its retail operations – an issue I’ve been concerned about for years.
- Other potential banking services being discussed today – E-commerce, savings accounts, mobile financial service, and credit services— would not, at first glance, appear to qualify as postal services under current law, and would require either additional statutory authorization or some sort of partnership arrangement.
- As we have heard earlier today, the Postal Service has served as a bank in the past. From 1911 to 1967, the Postal Savings System gave Americans, and particularly immigrant populations, the opportunity to establish savings accounts at designated Post Offices.
- And numerous other posts around the world, from Brazil to France, offer financial services which provide them with additional revenue. The latest, India, is actively considering the move. There is no one model that fits all, but some of you here today will, I hope, move forward and consider ideas best suited to our country and our traditions.
- From my point of view, it is critical that we make the future of our Postal Service a priority. As the volume of mail continues to decline and methods

of communication change, I believe that incorporating additional financial and community services into the product mix can raise additional revenue and maintain the vitality of the Postal network.

- We see how banks are increasingly closing branches around the country – especially in low income and rural areas. They respond to market forces and seek quick fixes for favorable quarterly reports. Our post offices, on the other hand, remain an integral part of our nationally owned Postal Service, which is obligated to provide universal service to all and these valuable outposts should be protected, maintained and expanded to meet the broader needs of the communities they serve.

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