

TRANSCRIPT OF PROCEEDINGS

IN THE MATTER OF:)
UNIVERSAL SERVICE OBLIGATION)
WORKSHOP)

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ORIGINAL

POSTAL REGULATORY COMMISSION

IN THE MATTER OF:)
)
UNIVERSAL SERVICE OBLIGATION)
WORKSHOP)

Suite 200
901 New York Avenue, N.W.
Washington, D.C.

Thursday,
June 12, 2008

The parties met, pursuant to the notice, at
10:00 a.m.

BEFORE: DAN G. BLAIR, Chairman
MARK ACTON, Vice Chairman
RUTH Y. GOLDWAY, Commissioner
TONY HAMMOND, Commissioner

ATTENDEES:

CHARLES ROBINSON, Assistant Director
Office of Accountability & Compliance

DR. LEE FRITSCHLER
George Mason University

DR. CHRISTINE POMMERENING
George Mason University

ROBERT J. BRINKMANN
Discover Financial Services

DAVID F. STOVER
Greeting Card Association

DAVID C. TODD
Mail Order Association of America

SENNY BOONE
DMA Nonprofit Federation

ATTENDEES: (Cont'd)

THOMAS W. MCLAUGHLIN
Advo, Inc.
Saturation Mail Coalition

RITA D. COHEN
Magazine Publishers of America

GENE DEL POLITO
Association for Postal Commerce

PIERCE MYERS
Parcel Shippers Association

ARTHUR B. SACKLER
National Postal Policy Council, Inc.

DAVID R. STRAUS
American Business Media

JOEL T. THOMAS
National Association of Presort Mailers

WARREN POWELL

KATE MUTH
Association for Postal Commerce

BRUCE MOYER
National Association of Postal Supervisors

LEONARD MEREWITZ

MARY P. MCCORMACK
Major Mailers Association

GEORGE GOULD
National Association of Letter Carriers

RAY SALSTI
ST Mailing Services

DON SAWYER
Lexington Institute

BOB WOODHEIM

P R O C E E D I N G S

(10:00 a.m.)

CHAIRMAN BLAIR: Good morning, everyone.

Glad to see everyone here this morning, and I think most of you might have an opinion on what we are doing here today, and that's why we are here, because want to solicit your opinion as well.

On behalf of my fellow commissioners, I would like to welcome you all the Commission's Workshop on the U.S. Postal Service's Universal Service Obligation and postal monopoly. This workshop is one part of our ongoing outreach to the public to gather a broad range of input as we prepare our report to Congress on the USO. We are hoping for a lively exchange of ideas today.

Today's proceeding will supplement the comments to the record for Docket PI 2008-3. Comments are due to the Commission by the end of June. Reply comments are due July 29th and our report will be delivered to Congress in December.

Some in the postal community have inquired of the Commission whether they would be able to see a draft of the report and offer comment, and in an effort to accommodate those concerns, we plan to post the report and offer for notice and comment after

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1 delivery to Congress.

2 Following the review of those comments and
3 reply comments, the Commission may issue further
4 findings and recommendations.

5 Let me take a moment to discuss today a
6 little bit of the procedure for the event. I will
7 begin today by laying the foundation for a number of
8 questions soliciting audience response. Once the
9 question is posed to the participants, I will yield to
10 my fellow commissioners to allow them an opportunity
11 to give their perspectives and comments.

12 Then we will look forward to the
13 participants in the audience voicing your views. If
14 you would like to respond to a question or raise one
15 yourself, we ask that you rise, speak loudly and state
16 your name and your organization, if you are indeed
17 representing one.

18 A transcript of this workshop will be posted
19 on our website within the next few weeks, and I should
20 also point out that this workshop is being broadcast
21 live over our website. Hence, the need to come to the
22 microphone to speak, otherwise you won't be heard over
23 the website.

24 At this time I would like to introduce
25 Charles Robinson in the audience today. He is the

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1 PRC's assistant director of analysis and pricing in
2 our Office of Accounting and Compliance. Charlie is
3 the PRC's project manager for this effort.

4 Our contractors assisting us in this study
5 from George Mason University are also here with us
6 today. First, I would like to introduce A. Lee
7 Fritschler. Many of you may remember Lee as the
8 former chairman of the former Rate Commission. He
9 currently serves as a professor in the GMU School of
10 Public Policy.

11 We also have with us Dr. Christine
12 Pommerening, and Dr. Pommerening is a senior research
13 associate at the George Mason University, School of
14 Law. Dr. Pommerening is the project manager for the
15 GMU team who has been tasked with helping us gather
16 information for the report.

17 Let me start off today by talking about what
18 we've accomplished so far and what we have heard. As
19 many of you know, the Commission has been on the road.
20 We've traveled to Flagstaff, Arizona, and St. Paul,
21 Minnesota, to conduct field hearings on the USO and
22 the postal monopolies. Next week we travel to
23 Portsmouth, New Hampshire, and we have also decided to
24 hold a fourth and final hearing here at the PRC.
25 Witnesses have yet to be established but we are

1 looking at the week of July 7th.

2 In Flagstaff, we heard testimony for editors
3 of both the large and small newspaper, a rural letter
4 carrier from New Mexico, the Postal Service's Arizona
5 District Manager, and some of the mailers from the
6 west coast area.

7 While in St. Paul, we had the benefit of
8 comparing the needs and expectation of a postmaster of
9 a city of 340,000, to one of a town of 418. We heard
10 about the impact on small, rural communities who have
11 lost their local post office, and what steps the
12 Postal Service takes to maintain reliable service to
13 those areas. And again we heard from members of the
14 regional mailing community with a stake in the
15 Universal Service.

16 Before I go any further, I would like to
17 invite my fellow commissioners to offer any opening
18 comments they wish, and I will yield at this time to
19 our Vice Chairman, Mark Acton.

20 COMMISSIONER ACTON: Thank you, Mr.
21 Chairman. I would like to echo our Chairman's welcome
22 to all of you and remind everyone here today that you
23 are part of a defining moment in pioneering postal
24 thought.

25 Today's session is part of this agency's

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1 ongoing efforts in regards to Section 702 of the
2 Postal Accountability and Enhancement Act, which
3 requires the Postal Regulatory Commission to submit a
4 report to the President and the Congress on Universal
5 Postal Service and the postal monopoly, which report
6 is to be submitted not later than December 19 of 2008.

7 Your input is vital as the Commission moves
8 to fulfill our lawful reform obligation. We thank you
9 for your contribution.

10 CHAIRMAN BLAIR: Commissioner Goldway.

11 COMMISSIONER GOLDWAY: Yes, we are embarking
12 on a new venture, but seeing you all here gathered
13 today reminds me of the old times. We haven't had so
14 many of you together all in one room since we had the
15 last major rate case. But I think it is exciting to
16 bring you all together and to look forward in a new
17 framework to improve the Postal Service and to do it
18 in a broader way than we were able to under the narrow
19 regulations of the rate case process.

20 This discussion that we're having today is
21 in the context of new legislation. We will be asked
22 to review this issue every five years, but the
23 Commission really will be considering the nature of
24 universal service and the quality and operations of
25 the Postal Service on an ongoing basis from now for

1 the foreseeable future.

2 So I see this as the beginning of a dialogue
3 and I hope that you will raise interesting issues that
4 we may or may not be able to decide upon today, but
5 will be part of the dialogue as we continue to make
6 the Postal Service the efficient, relevant agency it
7 ought to be in the twenty-first century.

8 Welcome to all of you.

9 CHAIRMAN BLAIR: Thank you, Commissioner
10 Goldway. Commissioner Hammond.

11 COMMISSIONER HAMMOND: Thank you, Mr.
12 Chairman, and thank all of you for taking time to be
13 here today. I think it's fair to say that the field
14 hearings that we've held around the country have
15 already brought more information and more of a varying
16 perspective than even we anticipated, and the common
17 things that you are going to discuss soon, Mr.
18 Chairman, will point that out very well.

19 Today's discussion in this more informal
20 format than we are used to having in this room will be
21 very beneficial to us as we prepare our reports to
22 Congress, and I look forward to it. So thanks.

23 CHAIRMAN BLAIR: Thank you, Commissioner
24 Hammond.

25 You may notice that we have four

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1 commissioners at the table, and we have a fifth one
2 that was confirmed last week, Nanci Langley. Nanci,
3 would you stand up? Let's give Nanci a hand.

4 (Applause.)

5 CHAIRMAN BLAIR: We are awaiting the formal
6 signatures on that paperwork, so we really should have
7 a cutout of Nanci up here at this point.

8 But again, just a few rules just because
9 some of you may have gotten in after I had initially
10 stated it. But since we are alive and we are doing a
11 transcript, it is really important to use the
12 microphone. So identify yourselves, the organization,
13 if it's appropriate, and that way we will make sure
14 that we record your comments properly. So let's get
15 started.

16 From our field hearings so far, we have had
17 a number of common themes emerge. The Federal
18 Register notice we put out sought public comment on
19 six features or service elements that seem to
20 characterize universal service. One was geographic
21 scope; the second was range of products; third was
22 access; fourth was delivery of services; fifth was
23 rates and affordability of service; and sixth was
24 quality of service.

25 From the field hearings, witnesses pointed

1 out a couple of other issues as well. First, the
2 security and sanctity of the mail. It was made clear
3 that preserving the security and sanctity of the mail
4 remains an integral part of providing universal mail
5 service. Mail is an important conduit of our nation's
6 commerce, and the security of messages and
7 communications sent by mail is an important reason why
8 this meeting was chosen.

9 A second theme is the importance of the
10 Postal Service as the face of the federal government
11 in remote locations. We had the opportunity to visit
12 a post office located on a mountain top in tiny
13 Jerome, Arizona, and saw firsthand the service's
14 significance, and it's not just in public but as a
15 community service provider.

16 The Jerome Post Office clearly demonstrated
17 to the Commission the Postal Service's expansive reach
18 in the vast rural areas of our country and relates
19 directly to the Commission's reason for traveling
20 across the country to conduct these field hearings.

21 So, one of the questions I would like to ask
22 the audience today is, to what extent should the
23 universal service obligation encompass this public or
24 community service aspect? Should it encompass the
25 aspects of the security and sanctity of the mail?

1 And at this point I would like to offer that
2 question up to Commissioner Goldway, and we will go
3 just down the row if you would like to offer any
4 perspectives on the issues or the questions before we
5 open it up to the audience.

6 COMMISSIONER GOLDWAY: I think it probably
7 would be best for our discussions if we could ask the
8 audience to focus on one question at a time. There
9 are so many issues that we could bring up, but I
10 think the two that you have raised are really
11 important and we should hear from the audience on
12 those.

13 I would just say in dealing with the issue
14 of the sanctity of the mail, the issues involved the
15 mailbox monopoly as well as the inspection service and
16 the laws against opening mail. So I think if there
17 are other issues also that involve sanctity or ways in
18 which it's relevant to our competition, which is the
19 Internet, I think those are things that I hope the
20 group here today will comment on.

21 CHAIRMAN BLAIR: Mark?

22 COMMISSIONER ACTON: I'm here today mostly
23 to hear from all of you, but I just want to take a
24 moment to address some general concerns about the
25 views of the Commission, and I don't want to speak for

1 the panel, but I will speak for myself, and that is, I
2 go into this process with open eyes and open mind and
3 I'm eager to hear from all of you what you have to
4 say, and we're going to take that into account in our
5 report. I have no preconceptions of the outcome. I
6 don't even have a lot of preliminary thought at this
7 point, but we are forming that and this is part of
8 that process, so thank you for contributing.

9 CHAIRMAN BLAIR: Commissioner Hammond?

10 COMMISSIONER HAMMOND: I want to listen more
11 than talk too, but I think Commissioner Goldway
12 brought up a good point of what we have heard a lot of
13 discussed so far focuses much more on the universal
14 service obligation portion of our report rather than
15 the monopoly part, and so I would like to hear some
16 thoughts about the monopoly particularly today. That
17 would be quite helpful.

18 CHAIRMAN BLAIR: Okay. At this point does
19 anyone have a view that they think that the Commission
20 should hear from? And we will open it up to the
21 audience at this point. I have never seen this group
22 be quiet.

23 COMMISSIONER GOLDWAY: Response to the
24 Chairman or comments of your own, we would like to
25 hear them.

1 CHAIRMAN BLAIR: Please, sir.

2 MR. MCLAUGHLIN: I'm Tom McLaughlin. I'm
3 with the law firm of Bursio, McLaughlin & Keegan. I
4 do represent Velasis, but I won't pretend that --
5 although my client is here, I won't pretend that I'm
6 speaking on his behalf.

7 The one thing that occurs to me is that
8 obviously when you sent out the rulemaking you have to
9 focus on discrete issues, one, two, three, four five,
10 the different elements of what we consider universal
11 service obligation. To me, though, whatever you
12 decide ought to be service obligation and that's
13 really meaningless unless the Postal Service is
14 financially viable and able to provide that service.

15 When you look at those discrete elements, I
16 think they really are all interrelated. That's one
17 big ball of wax. You change one over here, it has
18 ripple effects. It has financial effects in the
19 Postal Service, and it has financial effects on the
20 ability to meet those service obligations.

21 So it's very important, I think, when you're
22 talking about monopoly or six-day-a-week delivery or
23 whatever else to keep in mind what those financial
24 implications are on the ability to provide that
25 service.

1 CHAIRMAN BLAIR: Any other thoughts from the
2 audience? Please don't be shy. That's why -- I know
3 that it's a formal setting that we have here. It's
4 unfortunate we couldn't get a round enough table so we
5 could see all of us here, but that's what I want to do
6 is hear from everyone because I know that your
7 thoughts are important to us, and your views.

8 MR. STRAUS: David Straus with the law firm
9 of Thompson Coburn for American Business Media.

10 As much as I hate to say it, I fully agree
11 with Tom.

12 (Laughter.)

13 MR. STRAUS: It shows how times have changed
14 before the Postal Regulatory Commission.

15 I also agree with the paper filed by Mary
16 Comaro just within the past couple of days, especially
17 on his views on privatization. I won't repeat them
18 but I think his points should be very carefully
19 considered.

20 I think your goal here, as Tom suggested, is
21 not to decide the best Postal Service that this
22 country can offer, but the best Postal Service that
23 this country can afford. What you need to look for is
24 the intersection of two lines. One is affordability
25 and one is the Postal Service that mailers require. I

1 think that to reach that goal what you need to do is
2 find out from the mailers where they could give.

3 I think mailers tend to be satisfied --
4 well, I can't speak for everyone in the room we
5 service today -- that whatever universal service is,
6 the Postal Service seems to be providing it now. The
7 Postal Service going to be under severe financial
8 stress, however. I don't think they are going to be
9 able to live within the price cap, and something is
10 going to have to give, and your job is to figure out
11 where the give can come without affecting the mailers'
12 ability to do what they need to do.

13 My client, American Business Media, six-day-
14 delivery is very important, but if you ask them if
15 they had to give up a day, what day would it be, it
16 might be different from the days that somebody else
17 would give up, and unless you know what's the most
18 important feature or the most important features of
19 today's service for mailers you won't know where the
20 hedge can be trimmed to fit the financial abilities of
21 the Postal Service.

22 So I think you should be encouraging mailers
23 in their comments to you by the end of the month or in
24 the reply comments to tell you, sort of rank what's
25 the most important and what's the least important

1 aspect of the Postal Service they are getting today
2 because if you don't know where something can give, if
3 it has to give for financial reasons, you will be
4 shooting in the dark and you may wound people you
5 don't intend to.

6 CHAIRMAN BLAIR: Thank you. We also have
7 hanging microphones in the room as well, so I noticed
8 some people in the back had raised their hands, so
9 please go ahead, but just remember we have hanging
10 microphones in the back as well.

11 MR. TODD: I'm David Todd representing the
12 Mail Order Association of America.

13 At risk of continuing that line, which seems
14 a little bit astray from your first question, I think
15 that the fundamental and overwhelming need here is to
16 try to put some cost figures to the issue of six-day-
17 a-week delivery or something less than six-day-a-week
18 delivery. And I think that in the end these are
19 probably compilations that can only be made by the
20 Postal Service, obviously with help from the
21 Commission.

22 But the reply of could you live with
23 something less than six-day-a-week delivery, the
24 answer is, well, what would it save? If we are
25 talking about some very small savings, it's probably

1 not worth it. On the other hand, if we're talking
2 about significant savings, I think that mailers could
3 adjust their schedules and their mailing practices to
4 comply with something other than this full six-day-a-
5 week delivery.

6 I echo the sentiment that I think at the
7 moment mailers are quite satisfied generally with the
8 service, and in the best of all possible worlds would
9 like to see us go forward, live within the price cap,
10 et cetera. I think that given volume trends and the
11 ever-increasing delivery points, in the real world
12 that's simply not going to be feasible and there has
13 to be a harsh comprehensive look at the structure of
14 the Postal Service, at the geographic scope of the
15 Postal Service, and the number of days of delivery
16 that are afforded to mailers, and that seems to be the
17 central, the central issue before you, and defining
18 universal service, which has never been done very
19 precisely, is important, but it shouldn't divert from
20 principal job, which is how can we make a service that
21 continue to meet the needs of commercial mailers and
22 all mailers while at the same time doing so within the
23 price cap or within affordable, as Tom McLaughlin
24 said.

25 Affordable service certainly is a sound

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1 concept for what constitutes universal service, but
2 that's only going to be possible if the Postal Service
3 is able to keep its costs in line, and I don't think
4 that's feasible under the current structure of the
5 service.

6 CHAIRMAN BLAIR: I see a number of folks
7 representing the postal unions and management
8 organizations, and I'm not trying to put you on the
9 spot, but I think when you talk about affordability I
10 think, you know, you're paying attention to this.

11 Is there an aspect that we're not looking at
12 or that the commenters aren't looking at that we
13 should hear from as well? So I want to give you all
14 an opportunity to be heard from as well and have your
15 points raised with us.

16 MR. POWELL: Good morning.

17 CHAIRMAN BLAIR: Good morning.

18 MR. POWELL: My name is Warren Powell. I'm
19 the national manager for postal and federal employees.

20 I'm listening to this aspect concerning can
21 the post office do the job it is supposed to be doing
22 under the universal service situation. As far as we
23 are looking at now, the Postal Service, I think, was
24 built and actually designed, and its main purpose was
25 to serve all of its individuals in the country and

1 around the world. In order to do that, in the
2 beginning there was never a cost factor that would
3 really make the service different.

4 We look at the service from the standpoint
5 of saying we have to get out and do the job. We are
6 the lowest cost service in the whole world as far as
7 mail. Nobody else can do the job for the price that
8 the Postal Service is now performing.

9 And so I feel that maybe we need to look at
10 the fact that, yes, there is some cost-cutting factors
11 involved, and I'm thinking on a daily basis we are
12 reading where the post office is attempting to make
13 all kind of cost-cutting measures, but at the expense
14 of service, it can't be done that way. We have to
15 give the service. We have to think about those
16 individuals in rural areas, I think the Chairman
17 alluded to, did you say Arizona?

18 CHAIRMAN BLAIR: Yes, we were in Flagstaff.

19 MR. POWELL: Right. And there is also mail
20 service being delivered out in the Grand Canyon by
21 mules, pack mules. So these people are depending upon
22 the actual mail being delivered. This is their major
23 form of communications, and so we've got to look at
24 that when we think in terms of what we're going to do
25 as far as changing.

1 Six days of service, well, that might be
2 something that could be done. However, people,
3 especially elderly people of that nature, they look
4 forward to their mail six days a week. The idea of
5 saying I'll go from Friday until Monday without a
6 letter would probably run some people completely
7 crazy, and especially when it comes down to
8 periodicals and things of that nature. Thank you.

9 CHAIRMAN BLAIR: Thank you. I saw Gene Del
10 Polito's hand in the back, and Gene, there is a
11 microphone up there.

12 MR. DEL POLITO: Yeah, I intend to use that.
13 There are a few thoughts I would like to share.

14 First of all, I would like to -- I would
15 encourage you to refocus on your initial propositions
16 relative to what should be the basic activities that
17 you would endeavor to undertake in a hearing like
18 today.

19 You started out by talking about the special
20 role the post offices play within communities that
21 often is not taken into account when we think of the
22 Postal Service. Yet at the same time we have to take
23 a look at what the task is within the constraints of
24 the current law, and the current law has specified
25 exactly what it is that it expects of the Postal

1 Service.

2 I would encourage you then to focus our
3 initial thoughts about universal service exclusively
4 on the provision of those postal services, and not on
5 the ancillary benefits and other social benefits that
6 may be derived from the postal system.

7 The Postal Service in the United States
8 today is part of the nation's economic infrastructure.
9 So I think what we need to do is to judge how well can
10 it accomplish this infrastructural responsibility in
11 being able to allow the nation to -- the economy, the
12 nation to be able to satisfy its needs in terms of
13 being consumers of the postal services.

14 Finally, the system that we have today is
15 built to be self-supporting, sustained on the basis of
16 the revenues that are provided by the senders of the
17 mail, and I think that in order to be able to begin
18 this process of talking about what then is a
19 sufficient definition of the universal service
20 responsibility and how well structured is the Postal
21 Service to be able to provide it, we must always keep
22 in mind that the decisions that we make may very well
23 have an impact on how much of a resource is going to
24 be left by the people who are willing to use this
25 service in order to be able to pay for it.

1 So while it may be nice to theorize about
2 services that are a wonderful governmental and social
3 in nature, in the absence of governmental and social
4 payment, I think that that might cause us to move down
5 pathways that would not really allow you to attain the
6 ends which I think you are shooting for today.

7 CHAIRMAN BLAIR: Mr. Gould.

8 MR. GOULD: Thank you, Mr. Chairman. George
9 Gould with Gould, Incorporated.

10 If I may, based on some of the comments that
11 were made earlier, I recognize the people on the panel
12 have, in addition to postal experience, have a little
13 experience, and if you hadn't thought of it, you might
14 want to take a look at the attempt to eliminate the
15 six-day delivery in the early nineties.

16 It was under the Carter Administration. The
17 Chairman of the committee --

18 COMMISSIONER GOLDWAY: That wouldn't be the
19 nineties.

20 MR. GOULD: Well, it was in the early
21 nineties, it started in the Carter Administration, but
22 it didn't get to consideration until the early
23 nineties. Thank you.

24 And it was a money-saving initiative. It
25 was a cost-saving initiative, and they identified

1 approximately \$400 million they thought they could
2 save by eliminating the sixth day. They arbitrarily
3 chose Saturday as the elimination, and one of the
4 interesting dynamics was there was a number of postal
5 employees who thought that this was a good idea, and
6 the reason, there were a number of reasons, but one of
7 the reasons was they assumed they would only have a
8 five-day work week, and the unions did a very good job
9 then of educating them on some of the realities on how
10 it would impact their jobs and the service that they
11 perform.

12 But there was, as you can appreciate with
13 all the work you've done, most people at the time
14 thought it was a good idea. They had in their mind
15 that on Saturday they didn't receive important mail.
16 They saw \$400 million in savings. They heard from
17 some postal employees who thought they would get a day
18 off, and it seemed like a great dynamic, and it
19 actually got reported out of the committee.

20 By the time it got to the floor of the
21 Senate, after everybody was educated, it only picked
22 up two or three votes literally. It was defeated 90
23 to 96 or something like that.

24 So my point is you might want to look at
25 that historical effort. Take a look at the testimony,

1 the recommendations from the administration, the
2 Chairman of the committee who strongly supported the
3 initiative, and it might be helpful.

4 As one of the previous speakers pointed out,
5 it sometimes seems like a good idea, it looks like it
6 will save money, the mailers can readjust, people
7 don't get important mail on a certain day, but when
8 you look at it you will find out that that's not true,
9 that the savings are illusionary to a certain point
10 because of the way the mail is processed, delivered,
11 and the needs of both the mailers and the customers.

12 So I think that particular historical event
13 would be very helpful and I might suggest that.

14 CHAIRMAN BLAIR: Thank you, Mr. Gould.

15 I know that we're going to be receiving
16 comments and I don't know if you had planned on filing
17 written comment for the Commission, but if you could
18 do the research and give it to the Commission, I think
19 it would be really helpful in terms of the legislative
20 history. Thank you.

21 Mr. Del Polito.

22 MR. DEL POLITO: Yes. Again representing
23 the Association for Postal Commerce.

24 I think Mr. Gould has very nicely focused
25 one of the issues I think that needs to be addressed

1 by the Commission and all of the participants here in
2 terms of their way to address this issue of defining
3 universal service. To the end user, to the one who is
4 actually paying for delivery, we are really expecting
5 the Postal Service to be able to provide is affordable
6 postal services that are provided with whatever
7 frequency is necessary to satisfy the need that the
8 center has to be able to also provide delivery to
9 every delivery point for which mail actually exists.

10 Now, the crux of it is is that as you take a
11 look at that issue and some of the other issues that
12 are here, as George has pointed out, one of the big
13 lion, tigers, elephants, or whatever the hell you want
14 to call them, that are out there waiting in the woods
15 is how are our policymakers going to be able to
16 respond to whatever recommendations you would go
17 forward with.

18 I would hope that the Commission, in terms
19 of its evaluation of its own job, would not allow its
20 thinking or its final report to be constrained by what
21 it might believe to be external political influences
22 that may be arguing for one thing or another. I think
23 you should remain focused on what does it take to be
24 able to satisfy the need of the sender, to be able to
25 fulfill the tasks to the recipient without necessarily

1 becoming distracted.

2 In order to be able to look at the universal
3 service issue, it is not only going to be frequency of
4 days of delivery, ultimately it's going to be how do
5 we reorganize the network in order to be able to allow
6 for the official provision of services, what
7 flexibility do we have over workforce employment, so
8 you have got a number of different things which are
9 not within your power to make individual decisions,
10 but the decisions that you make I would hope really be
11 focused on the achievement of the end of providing the
12 essential service for which the Postal Service was
13 created without undue influence from the auxiliary
14 considerations.

15 CHAIRMAN BLAIR: One of the things I would
16 ask you to comment on is that, for instance, the
17 yearly appropriations bill contains riders, and that
18 comes out of the Appropriations Committee versus the
19 authorizing committees. I probably have a little bias
20 for that. I worked for the authorizing committees in
21 both the House and the Senate.

22 Should the Commission, you know, report on
23 this practice? How viable are those riders in today's
24 environment? Is this something that the authorizers
25 should take and enact into law? Should they be

1 modified? Should the Commission look at it? Should
2 the Commission not look at it? Do people in the
3 audience have any opinions on those?

4 Mr. Stover.

5 MR. STOVER: David Stover representing the
6 Greeting Card Association.

7 We raised that issue in a slightly different
8 context in the statement that George White presented
9 in St. Paul, and I would like to rephrase it here for
10 just a moment and maybe second something which I think
11 Gene Del Polito said.

12 We heard from mailer representatives about
13 the concept of what the Postal Service can afford to
14 provide and what mailers can afford to pay for in
15 terms of service. We would urge the Commission in
16 thinking about those issues not to take the cost
17 structure of the Postal Service today with those
18 legislative riders that the Chairman spoke of
19 constraining its efficiency as a given.

20 It ought to be possible to estimate what a
21 properly streamlined network would look like, and more
22 important, what it would cost, and that would be, in
23 our view, a more valuable statistic for comparing
24 quality and scope and variety and speed of service
25 against what is ultimately feasible to do.

1 This is not a new idea. I recall during the
2 stages, the earlier stages of the drafting of the
3 present statute, some of us kicked around an idea to
4 deal with riders which was not to prohibit them, but
5 simply to require that automatically when one of them
6 was enacted the GAO would, within 60 or 90 days,
7 provide Congress with an estimate of how much money it
8 had thrown away.

9 And I think this thinking of this sort which
10 tries to look at the cost of an efficiency-constrained
11 network and see what that is doing to the potential
12 for universal service would be a very valuable thing
13 for the Commission to look at. Thank you.

14 CHAIRMAN BLAIR: Thank you

15 MR. DEL POLITO: I will kick over a few
16 other cans because my other colleagues seem to be
17 demurring from all of this stuff, but the curse of
18 policymaking within the postal arena for the past 10
19 years, as far as I'm concerned, is that we like to
20 fall prey to the idea of making decisions on an ad hoc
21 basis specifically designed with a specific question
22 that's brought before us without due and sufficient
23 reflection on what the consequences of having made
24 that decision are likely to be.

25 I think the greatest benefit that the

1 Commission can provide to Congress is to take a look
2 at these issues such as additional constraints on the
3 provision of service, and propose to Congress the
4 proposition of when you make this decision here is
5 what a consequence that comes from it, that may also
6 lead to another consequence over here, here is the
7 outcome, did you intend this outcome to actually take
8 place.

9 And if the answer is no, then go back and
10 take a look at the initial proposition that you began
11 to offer as your solution for that particular ad hoc
12 problem at the time. A classic example would be we
13 don't like the idea of curtailing services. Okay. If
14 you don't like the idea of curtailing services, and
15 you don't want to improve the efficiencies by doing
16 that or reorganizing the network, what are the costs
17 associated with doing that? What are the results that
18 are subsequently going to be done on rates? What is
19 going to be the impact in terms of failed businesses
20 evaluate for themselves, do I stay in mail or do I
21 move my communications elsewhere?

22 And as you take a look at the dwindling mail
23 volume and an exacerbation of the Postal Service's
24 financial situation in light of all the constraints
25 that are put on it, you have to ask yourself do I

1 intend this to happen, because ultimately you're going
2 to find that Congress is going to have to face the
3 proposition of either we retain a system which remains
4 sufficiently self-supporting, which means the
5 voluntary giving of money by people who choose to use
6 the service, or we must decide either to subsidize the
7 system or radically reorganize the system to function
8 in a different way.

9 CHAIRMAN BLAIR: Any comments on that?

10 COMMISSIONER GOLDWAY: I'd just like to
11 reiterate once again that this is a government-owned
12 monopoly, and the Congress in its decision in 2006
13 maintained that monopoly which implies a certain level
14 of oversight and discretion by the Congress with
15 regard to policy decisions, and a reason for a
16 monopoly that includes some sort of social benefit to
17 citizens.

18 So while we do want to focus on a very
19 efficient mailstream that's paid for by the sender, we
20 do also have to keep in mind decisions that have been
21 made for us and the overriding one is that there is a
22 monopoly and a reason for the monopoly.

23 Now, I think what Gene is saying contradicts
24 something he said earlier, which is that if you want
25 us to take a clean sheet of paper and design a new

1 system, then we will be in the position of advocating
2 that system to the Congress, and you had said you
3 didn't want us to advocate.

4 So, you know, what is it that you would
5 like? Would you like the Postal Regulatory Commission
6 to become an advocate for a new system or an arbiter
7 of the various interests involved under the system
8 that we now have?

9 MR. DEL POLITO: Commissioner, to answer
10 your question, I don't choose -- I would not like to
11 have you as an advocate of any particular proposition
12 whatsoever. I think you are here to accomplish a
13 specific task that Congress has looked to you to be
14 able to undertake in terms of the definition of the
15 provision of sufficient services to be able to have a
16 well functioning system.

17 I am not asking the Commission to advocate
18 for a change in the system. But I think it's
19 imperative that the Commission at least make the
20 nation's policymakers understand they are responsible
21 for the policies that they decide to go forward with,
22 you know.

23 I may very well love to have a 59-foot
24 sailboat in order to be able to satisfy my need for
25 the monopoly in the household that I maintain, but

1 unless I have the resources to be able to pay for it,
2 wanting it and ordering it that it shall be so are two
3 entirely different things, and I think we have gotten
4 used to look at Congress that loves the idea that they
5 have weaned away from having to provide any financial
6 support to the postal system while at the same time
7 living within the framework that there was always
8 sufficient revenue to make up for the additional
9 requirements that you ladle on.

10 Those days are over. They need to understand
11 as they put obligations on that are not necessarily
12 directly related to the people who are ordering those
13 service, we must find other ways in order to be able
14 to pay for them, or we will go on the blind trust that
15 no matter what we do mail will always be there, and I
16 think that over the past five years we have clear
17 evidence that that is not the case.

18 MR. THOMAS: Joel Thomas from the National
19 Association of Presort Mailers.

20 I would have to disagree with Gene. I think
21 that the utility of attempting to discipline United
22 States Congress is an absolutely wasted effort --

23 (Laughter.)

24 There is no reason to take any time
25 attempting. I don't think that they envision the

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1 commission they created as created for the purpose of
2 disciplining them or making them do anything. So I
3 would simply drop the whole issue.

4 What I would ask you to focus on is the
5 monopoly you referred to. What monopoly at this
6 point? There is little, if any, real monopoly left.
7 People do have alternatives for getting things
8 delivered, and I think the most important thing you
9 can do is quantify how much you can take out of this
10 monopoly to pay for these additional services and
11 community benefits you want, but you can't expect to
12 just lard on whatever you want and say, oh, it's
13 covered by the monopoly. It's not clear there is a
14 monopoly, and it's certainly not clear how much that
15 monopoly can generate in terms of revenue to cover
16 these additional costs, and that I think is the
17 critical issue.

18 I don't think that the Commission should
19 spend its time deciding in this context whether we
20 want a five or a six-day-a-week delivery system. I
21 think the other false assumption in there is everybody
22 gets five days or everybody gets six days, and I think
23 it's quite possible that some people might get five
24 and some people might get six, and maybe there is 2
25 percent or 1 percent or a tenth of a percent that get

1 three-day-a-week service.

2 It seems to me that the universal service
3 obligation could be three days a week. That does not
4 mean the Postal Service shouldn't deliver six days a
5 week if it can generate the revenue to do so. You
6 don't have to define what they are doing now as the
7 minimum that they can provide.

8 CHAIRMAN BLAIR: Anyone else want to be
9 heard from on the issue of affordability before we
10 move on to some other topics? I don't want to belabor
11 this but you bring up some very good points and I want
12 to make sure that we give everyone an opportunity to
13 be heard from.

14 MR. TODD: David Todd again.

15 Commissioner Goldway, the monopoly, it seems
16 to me, I couldn't echo more strongly the sentiments.
17 It really doesn't accomplish anything now. It has
18 been the anchor, it has been the basis for why we have
19 a regulated entity, but I don't think the monopoly
20 protects postal revenues as of now. I don't think
21 it's really protected postal revenues for quite some
22 time.

23 Certainly to the Internet, we no longer have
24 a monopoly, and beyond that, even with respect to hard
25 copy, the monopoly existed only until such time as the

1 private sector wanted to move into it, and then guess
2 what? The monopoly was adjusted so that we had FedEx
3 and UPS coming in offering a service that the American
4 people wanted. Guess what? They got to be able to
5 get it. I'm not suggesting that was a wrong result,
6 but I am suggesting that the idea that the postal
7 monopoly is of any, and I think really emphasize any
8 value to the Postal Service at this time is ephemeral,
9 it's an illusion. It doesn't work.

10 So we have to turn the attention to the
11 question of what structural changes needs to be made
12 in order for the Postal Service to be able to live
13 with the reality that the postal monopoly no longer
14 really protects its revenues, and in that context I
15 don't think that your report can proscribe or
16 prescribe the remedy, but it can certainly outline the
17 issues that need to be addressed and at the end postal
18 management is going to have to make the hard decisions
19 of how to reorganize the service in order to be able
20 to have some hope of living within the price cap
21 regime.

22 MR. MOYER: Bruce Moyer of the National
23 Association of Postal Supervisors.

24 I appreciate David's comments because I
25 wanted to reenforce that same theme; that much of the

1 responsibility in this area lies with the Postal
2 Service in marshalling its expenses and its revenues
3 in a way that makes both ends meet. Eighty percent,
4 as we know, of the Postal Service's costs are absorbed
5 in labor-related costs. The containment of those
6 costs comes about largely through collective
7 bargaining arrangements with the unions. They, in
8 turn, certainly have an impact upon the salaries and
9 compensation of managers and supervisors as well.

10 Your report can help to prescribe certain
11 potential solutions, and look to an ideal framework
12 for the Postal Service, but much of this relies really
13 upon the judgment and the skill and the agility of the
14 Postal Service in constructing its own future.

15 Lastly, I would ask you to take a look in
16 your report at the international experience of
17 liberalization of the posts, particularly as we look
18 at what's going on in the United Kingdom right now and
19 the great hope that had originally resided there, and
20 the hell that exists there now through the kinds of
21 cutbacks and privatization efforts that some have
22 certainly endorsed here this morning or at least
23 referred to that have brought about disastrous
24 consequences in their embrace by authorities abroad.

25 So I would ask you to take a look at that as

1 well as you look at the affordability factors. Thank
2 you.

3 CHAIRMAN BLAIR: Yes, sir.

4 MR. MCLAUGHLIN: Tom McLaughlin again.

5 I have a view somewhere between that of Gene
6 and Joel about the wisdom or the necessity of the
7 Commission lobbying Congress on what it ought to be
8 doing.

9 I agree with Joel to the extent that
10 probably no matter what you tell Congress they ought
11 to be doing it may not have much effect. On the other
12 hand, I do believe you have a responsibility to lay
13 out to Congress the various tradeoffs. The fact is
14 the Postal Service only has certain ways to maintain
15 viability and retain revenues that comes from mail
16 users and not recipients. They can get it from cost
17 savings, but some of those cost savings are
18 constrained by political influences. They can get it
19 from subsidies. Well, we know Congress hasn't been
20 very willing to provide subsidies, and instead has
21 imposed fairly heavy financial burdens on the Postal
22 Service.

23 So when you're talking about what kind of
24 service obligations should the Postal Service have,
25 what should the universal service be, keeping in mind

1 that it only works if it's viable, I think that it is
2 your responsibility to tell Congress that there are
3 tradeoffs; that if the Postal Service can't provide a
4 certain level of service, Congress will ultimately
5 have to make a decision. Is this a valuable service
6 for the public, and if so, have to find some way of
7 paying for it, either by liberalizing restrictions on
8 the Postal Service or by direct subsidies, and I think
9 that is important for you to lay out to Congress that
10 those are the various choices they may be faced with.

11 CHAIRMAN BLAIR: We've seen changes in
12 Postal Service in the monopoly arena as a quarter
13 century. If you think about it, we've seen delivery
14 to the door has been replaced with deliver to cluster
15 boxes in many areas. The number of collection boxes
16 has changed over time, and contract offices are
17 replacing post offices in some communities. Then again
18 the Postal Service is adding every day to -- is having
19 to increase its delivery to the increasing number of
20 addresses in different locations.

21 So, one of the questions I want to -- the
22 issues I want to focus on in this next round, and
23 we've touched on it just a little bit, is the extent
24 of the monopoly in the vision for the future. So, one
25 question I would ask the audience and I would ask my

1 colleagues to chime in as well is does it make sense
2 to have an established written fixed standard of what
3 the universal service obligation is, or should that
4 concept be allowed to evolve over time as the needs of
5 the American mailer community, consumers, capabilities
6 of the Postal Service change over that period?

7 Let's go to this side of the room right now.

8 MR. SALSTI: Ray Salsti, ST Mailing
9 Services.

10 We are primarily first-class, and I think
11 this is an important issue because there is a risk
12 element that we see. In locking down the service
13 obligation, we are seeing, at least as business
14 mailers, what we expect for service today can't remain
15 the same. We are seeing more and more burden shifted
16 to us as mailers to actually prepare and adjust to the
17 quality and capabilities of the Postal Service.

18 If those products aren't enhanced, and the
19 service also enhanced, it's not going to last. We are
20 at a tipping point literally in our industry where,
21 like Joel says, there is a choice now. The choice for
22 electronics becoming stronger and stronger as long as
23 the Postal Service doesn't upgrade and improve their
24 products.

25 So with regard to the service offering and

1 the universal ubiquity of it, that's got to change
2 over time, otherwise we will take our business
3 elsewhere.

4 COMMISSIONER GOLDWAY: Does that mean you
5 think the Postal Service should reduce its geographic
6 reach or reduce its number of days of delivery? Where
7 do you think, if you want to have an effective first-
8 class efficient mailstream, it has the bills and all
9 the financial documents that your company works on?
10 Wouldn't you need the Postal Service to deliver to
11 everyone in the United States?

12 MR. SALSTI: Absolutely, it needs to go to
13 everyone, but what I'm saying as far as service --

14 COMMISSIONER GOLDWAY: That doesn't have to
15 go every day or could the delivery time be three days
16 instead of overnight? Where do you see the give is to
17 adjust the service so it meets your needs?

18 MR. SALSTI: There will have to be some
19 change in the frequency. What that is, I don't know.
20 I just know that on the remittent side if it changes
21 from six to five, you've just created a major
22 financial impact of virtually all the businesses in
23 the country. So somewhat like, I think, maybe Joel
24 also suggested. It doesn't necessarily need to be six
25 days to everyone to every place, but there has got to

1 be something that's consistent, that can rely on, that
2 you know when you're dropping that payment back into
3 the mail it will get there within the prescribed time.
4 You know what the window is so that you can plan
5 appropriately.

6 As a biller, we set up an offer mandated to
7 have a number of days that we give the consumer from
8 when we produce the bill to when that has to be paid.
9 So knowing what those standards are, how it will work,
10 even if it evolves over time, gives us the ability to
11 change those billing dates and those due dates. So we
12 can adjust, but that's why I'm saying it will have to
13 adjust over time. It will need to be clear, and I
14 would in some ways like to have at least a general
15 written understanding of what it is. That way as I
16 talk to my clients, we have clients in Alaska. If
17 they can understand clearly what they need to do with
18 the telephone bills going to a far-reaching location,
19 we can manage that, but we need to know what it is.

20 CHAIRMAN BLAIR: So you like the idea of a
21 written fixed standard of what the USO is?

22 MR. SALSTI: I'm not saying it will be fixed
23 long term. It's going to have to be living, but I
24 would like to see something written down so that we
25 know, we can explain it, it's something that our

1 clients can understand as well as the public.

2 CHAIRMAN BLAIR: You mentioned in your
3 response something that I really think the audience
4 needs to comment on, is that you said six-day-a-week
5 delivery is important but not to everyone.

6 MR. SALSTI: Not necessarily, no.

7 CHAIRMAN BLAIR: That makes me uneasy
8 because how do you determine who isn't deserving of a
9 six-day-a-week delivery?

10 MR. SALSTI: Good example. Businesses, most
11 businesses are only open five days a week.

12 CHAIRMAN BLAIR: A lot of businesses only
13 get it now five days a week.

14 MR. SALSTI: Some don't. Some get it six
15 days. It depends. And for others, there is the
16 ability to change how you do it. For me, do I really
17 care that I get mail every single day? No. But as
18 long as I know it's consistent that I'm going to get
19 it, I can live with that.

20 CHAIRMAN BLAIR: Any other opinions?

21 MR. THOMAS: This is Joel Thomas again.

22 I would have a response to how do you decide
23 and how much does it cost to make that delivery. I
24 think one way to look at fairness is that the Postal
25 Service expend about the same amount of money and

1 effort on every person and not simply expend 10 times
2 as much on a few people as they do on the average
3 person, and I think that what we're doing now is
4 saying everybody has to get the same. That means
5 we're going to spend 10 or 20 or 100 times as much to
6 deliver to a few people than we spend on everybody
7 else, and I don't think that's fair to everybody.

8 CHAIRMAN BLAIR: Wasn't that the rationale
9 for the monopoly?

10 MR. THOMAS: That is, in part, the
11 rationale, but now the monopoly was created when
12 postage was subsidized by the government. Now it's
13 not, and you're asking the mailer to pay that subsidy,
14 not the government, and there are alternatives. The
15 monopoly no longer exists and will rapidly deteriorate
16 over time now with the viability of electronic
17 delivery, and you can't just say there is a monopoly,
18 therefore that's taken care of. It's not taken care
19 of. The monopoly is evaporating before your eyes.

20 MR. GOULD: If I may, George Gould.

21 CHAIRMAN BLAIR: David, George got there
22 first.

23 MR. GOULD: One of the dynamics that I think
24 has to be put on the table, and I don't know if the
25 Regulatory Commission, but I think they can persuade

1 the Postal Service itself to be more active in
2 educating members of Congress. I agree that you're
3 probably not going to get members of Congress to make
4 changes that are not politically viable particularly
5 in an election year, but at anytime.

6 However, if the Postal Service will take the
7 time to go up on the Hill and beyond a few people
8 educate the members as to the impact of their
9 constituents on the service at a time when we're not
10 trying to pass major legislation, it would be helpful.
11 I think Jack Potter has done a brilliant job, frankly,
12 better than any of his predecessors, in communicating
13 with members of Congress.

14 However, the Postal Service has a history of
15 then after a major accomplishment pulling back and
16 having a bunker mentality. We're not going to deal
17 with anything unless it looks like a threat, and then
18 their cover is, we're not allowed to lobby.

19 Well, no one is talking about lobbying.
20 We're talking about educating, marketing, and
21 communicating with members of Congress so they
22 understand the impact. If the Postal Service along
23 with some of the mailers and the employee groups are
24 willing to visit members of Congress now, explain the
25 alternatives, maybe based upon the recommendations the

1 Commission will make, and what the impact is, and if
2 the Postal Service would spend more time making sure
3 that they are inventive and receptive to new ideas, I
4 think this would go a long way to helping their
5 future.

6 CHAIRMAN BLAIR: David.

7 MR. STOVER: David Stover, Greeting Card
8 Association, again.

9 Going back to Chairman Blair's initial
10 question about should there be a fixed written
11 universal service obligation, I would tend to agree
12 that there has to be some wiggle room in it, but I
13 would suggest there is one issue which ought to be
14 decided and pretty well locked in stone from the
15 beginning, and that is, does the universal service
16 mean universal service but the United States Postal
17 Service, or does it mean universal service by the
18 market?

19 Because if whoever is making the decision
20 decides it means the latter, then you have to change
21 the monopoly. You have to change the mailbox rule.
22 You have to change the expectations of most of the
23 citizens of this country, and perhaps many of the
24 businesses as well as to what they can expect from the
25 Postal Service, what they should be looking for in

1 what I'll call the nongovernment postal market, should
2 there be one. These are all implications of that
3 initial decision about what exactly -- what is the
4 animal that is going to furnish universal service. Is
5 it a government agency as it has been for centuries or
6 is it a yet undefined market?

7 MS. COHEN: I'm Rita Cohen with the Magazine
8 Publishers of America, and I certainly believe that
9 for magazines and other periodicals that universal
10 service has come to mean over time six days a week to
11 every residence and community in the country.
12 Certainly they look forward to it. We found that
13 people know when their magazines arrive, and they
14 expect it on that time, so it has become something
15 that we rely on.

16 One of the things that we felt comfortable
17 with is that the monopoly, in particular, the mailbox
18 monopoly, was a way to avoid having cream skimming, so
19 that you would have threatened the viability of the
20 Postal Service for the future and their ability to
21 offer this universal service.

22 We actually have done experiments in the
23 past on private delivery, and we found that really you
24 need to have a lot of volume in order to sustain the
25 Postal Service, and so I think that we feel that the

1 monopolies do provide a service in supporting the
2 universal service obligation.

3 COMMISSIONER ACTON: Rita, I'm wondering if
4 your group may be planning on bringing some of your
5 findings with respect to that private sector provider.

6 MS. COHEN: We could certainly do that.

7 CHAIRMAN BLAIR: Bruce, you had a comment?

8 MR. MOYER: Bruce Moyer of the Postal
9 Supervisors.

10 Universal service has come to be known by
11 many Americans as providing ubiquity, uniformity,
12 relative uniformity in costs, and accessibility to the
13 post, and those three are really at the very heart of
14 the nature of this country where equity and fairness
15 in the government's treatment of the citizenry and
16 expectations by Americans of public services creates a
17 formula that I suggest you should be very respectful
18 of.

19 The notion of reducing service to five days
20 a week is fraught with a number of illusions. George
21 Gould referred to the modest cost savings. Second,
22 there is a popular perception that we would eliminate
23 Saturday service. That obviously from the reactions
24 this morning has generated mixed reactions as to
25 whether that is necessarily the best day. And when

1 you look at volume within the processing and
2 distribution of this system, the lowest points come
3 actually in the middle of the week, not on Saturdays.

4 So, I would urge you to -- you have a
5 difficult task before you in terms of trying to come
6 up with a formula there and whether that's necessarily
7 the most valuable prescription. I would urge you to
8 seriously scrutinize.

9 CHAIRMAN BLAIR: Thank you. David?

10 MR. STRAUS: David Straus, American Business
11 Media.

12 I think, and it's in response to your
13 question, Mr. Chairman, about a written set of
14 standards, I think you have to be very careful.
15 People talk today about six-day-a-week delivery. It's
16 my understanding that even some residential routes
17 don't get six-day-a-week delivery. The president of
18 the American Business Media gets zero-day-a-week
19 delivery. He has to go pick up his mail at the post
20 office. You mentioned cluster boxes. I moved 10
21 years ago from a densely populated area of Fairfax
22 County to an even more densely populated area of
23 Alexandria thinking mail service would be just as
24 good. It isn't. I have a cluster box. I have to
25 walk a block in the rain, and you can feel real sorry

1 for me.

2 (Laughter.)

3 It is a burden. We accept that burden. We
4 don't like it but we accept it, and if there were some
5 diminution of service in certain areas of the country
6 for cost reasons, people wouldn't like it, but they
7 wouldn't have much choice, and they would grow to live
8 with it. I'm not suggesting service should be cut
9 back. As I said, ABM members strongly prefer six-day-
10 a-week delivery, but they also make every other mailer
11 want good service at low cost. And if something has
12 to give and something has to give with the service, as
13 I said, for example, they would probably prefer
14 Wednesday nondelivery to any other day. For the
15 weekly business publications, Monday delivery is
16 absolutely crucial. For some other mailers, Monday
17 delivery is probably not absolutely crucial. That's
18 why I suggested before and suggest again that you
19 really need to survey the community to find out, if
20 there is going to be a cutback, what kind of cutback
21 is it. Maybe it's three-day-a-week delivery some
22 places and six-day-a-week other places.

23 I know there has been suggestion that volume
24 should drive the deliveries. That sounds like a
25 social class classification. People in the higher

1 economic strata tend to get more mail. But the Postal
2 Service that could operate within a price cap has to
3 make some very hard decisions.

4 In terms of the postal monopoly, Dave, I
5 think I disagree with what David said. If what he was
6 suggesting is the monopoly can be safely eliminated
7 without hurting the Postal Service, as you may know
8 I've done a little work from time to time for the
9 Association of Alternate Postal Systems, and those
10 guys would love to deliver the electric bills and
11 cable bills and the water bills and the other kinds of
12 very high-density first-class mail and that would
13 sustain the Postal Service.

14 Sure, that's eroding to electronic delivery,
15 but there is an awful lot of hard copy deliveries
16 still subject to the monopoly, but creek skimmers
17 would love to take away from the Postal Service. I
18 think it would be a disaster to end the monopoly.

19 CHAIRMAN BLAIR: Yes, sir.

20 MR. MCLAUGHLIN: Tom McLaughlin, again.

21 I think the simplest part of the various
22 lists of items that you have there is the one about
23 ubiquity. I doubt that there is anyone in this room
24 who would seriously disagree that the Postal Service
25 ought to provide access to every household and every

1 business in the country, and that includes the Grand
2 Canyon. Now, whether it's the bottom of the Grand
3 Canyon or a cluster box at the time.

4 When it comes to the other aspects, and by
5 the way on that point as well, if you talk about, oh,
6 well, maybe you don't have to serve all those people.
7 Who are the folks you are leaving out? It's the folks
8 who most likely also don't have Internet access.
9 These are folks for whom the mail is their
10 communication network to the rest of the country. So
11 I don't think there is any issue about service to
12 everyone and to every business, and it's got to be
13 that way.

14 There is a cost, of course, and there is a
15 cross-subsidy. Yes, some of those delivery points are
16 much higher to access, and people and mailers cross-
17 subsidize those. So we must understand that there is
18 a cross-subsidy going on, and that there is a public
19 service element of that. Folks living in high-cost
20 remote areas are getting the benefit of the mail
21 volume that is going to high-density areas.

22 In terms of service levels though, Vince
23 Gulianna reminded that years ago mail was delivered
24 twice a day. We had morning deliveries and afternoon
25 deliveries. And he mentioned that in New York City it

1 was four or five times a day, and it was to your
2 doorstep or your mailbox. There were no cluster
3 boxes.

4 Obviously, that was back in the time when
5 there was a subsidy by Congress to support the
6 service, but financial viability is a key. You can't
7 ignore financial viability, what's it cost to do the
8 service.

9 So, I think that I agree that there has to
10 be flexibility in whatever you do, even if you draft a
11 rule which says this is the standard, it has to be
12 understood that no standard is any good unless it is a
13 standard that can be met by the Postal Service with
14 its financial resources. So, there has to be some
15 flexibility there and there will be evolution.

16 Q We've been talking about affordability and
17 the extent of the monopoly. Let's talk about what the
18 products should be covered and the universal service
19 obligations. What about the specific postal products
20 that should be legally assured service by a UPO?
21 Should all postal products, just market dominant,
22 competitive products?

23 If we attempted to define universal service
24 in some way, whether it be flexible living document,
25 fixed, that aside, what products should be covered

1 under the USO? Does anyone have a strong -- does
2 anyone have views that would help us as we conduct
3 this study?

4 I'm sorry. I didn't see you back there. I
5 apologize, and we have microphones hanging from the
6 ceiling too.

7 MS. BOONE: I'll take this larger
8 microphone. Senny Boone. I'm with the DMA Nonprofit
9 Federation, and this sort of ties back to the earlier
10 discussion around setting a standard, and I think it
11 also answers part of your question regarding the
12 different products and services.

13 For the nonprofit community, a standard with
14 some flexibility is fairly essential because we are
15 serving the societal needs. There has been a lot of
16 discussion about whether there is a subsidy for that,
17 whether that subsidy should continue and the impact on
18 rolling that back. So if you're talking about
19 frequency, certainly you have to also look at the
20 impact on charitable donations coming in. If you're
21 talking about opening up the mailbox, you have to look
22 at the security of the mailbox.

23 Also, there is one additional factor that's
24 happening when you're talking about defining a
25 standard, and that is that you do have a push at the

1 state level for "do not mail", and you really have to
2 factor that in because if you don't have a standard,
3 even a standard with some flexibility, some of the
4 states might actually try to define that for the
5 Postal Service, and obviously for purposes of which
6 services should be offered by the Postal Service as a
7 monopoly service of the government, obviously the
8 services for charities and those that they serve. So
9 thanks.

10 CHAIRMAN BLAIR: One of the witnesses last
11 week in St. Paul represented the Hazelton Institute or
12 Foundation, and he talked about the importance of
13 universal service, the importance of affordability,
14 and also raised with us the requirements that the
15 federal government and state governments place on them
16 in terms of HIPAA and other medical acts that require
17 them to mail and the confidentiality of the mail.

18 So that was one of the things that I thought
19 that I personally took home from that hearing is that,
20 you know, keep in mind you need that government and
21 state governments place on mailers in terms of
22 required mailings.

23 But let's get back to what specific postal
24 products should be considered or should they all be
25 included in the USO. Pierce?

1 MR. MYERS: Pierce Myers, and these comments
2 are on behalf of the Parcel Shippers Association, and
3 they have not approved the comments that we will
4 submit on June 30th, so you put me on the spot here
5 for me to say what I'm about to say, but I'm fairly
6 comfortable that the Parcel Shippers Association will
7 say that they feel very strongly that there should be
8 a universal delivery network that is available for
9 package delivery.

10 We have a new system under which you have
11 market-dominant products. You have competitive
12 products, competitive products which are largely
13 packages, are not allowed to continue to exist if they
14 are not making money, but we do think there should be
15 a universal delivery system available for package
16 services for the ability of hard-to-serve areas to get
17 affordable delivery of consumer products.

18 CHAIRMAN BLAIR: How should that be paid
19 for?

20 MR. MYERS: How should it be paid for?

21 CHAIRMAN BLAIR: Yes. I mean, it almost
22 sounds like you want your cake and eat it too in terms
23 of you want to be able to provide competition in the
24 Postal Service in terms of package delivery, but you
25 want to make sure the Postal Service has that

1 universal service delivery system in case there is a
2 default.

3 MR. MYERS: I think we are likely to differ
4 with David Todd, if I understood David correctly, in
5 that there would be no need for a monopoly. I think
6 that you do need a monopoly to support a universal
7 delivery service for those services which are
8 available for the monopoly, what you reserve to the
9 monopoly. That would preserve a universal delivery
10 network that will be available on competitive terms on
11 a level playing field for package delivery.

12 CHAIRMAN BLAIR: Any other comments?

13 MR. THOMAS: Joel Thomas, again.

14 I would just note that needing a monopoly is
15 different than having one. You can need one without
16 having it.

17 MR. STRAUS: Confucius.

18 (Laughter.)

19 CHAIRMAN BLAIR: So let's talk about the
20 monopoly a little bit more. We have two monopolies
21 here, the letter mail monopoly and the mailbox
22 monopoly. Any thoughts? We have been told today by
23 some of our commenters that, and I'm presuming you're
24 talking about the letter mail monopoly, is invaluable.
25 Is that the case? How valuable is the mailbox

1 monopoly? Is that the underpinning of the monopoly in
2 the United States now? Are there comments along those
3 lines?

4 We'll get someone who hasn't spoken yet.
5 Yes, ma'am.

6 MS. MCCORMACK: Mary McCormack. I'm
7 representing Major Mailers Association, which is a
8 large first-class mailers, primarily telecoms, banks
9 and utility services.

10 When you talk about a mail monopoly,
11 especially in the first-class letter monopolies, which
12 is what I'm going to speak to, it's that large-class
13 mailers are being asked to do more and more as far as
14 work sharing, and we are seeing that specifically with
15 the IMB coming in, where we're going to have to not
16 only do it on the letters outgoing, they are talking
17 about tray labels, container labels.

18 We are doing more of the work share that has
19 ever been done before, and I think this is an
20 important part of the monopoly and the letters that
21 we're seeing today.

22 So, I just wanted to say that we did see a
23 drop in the first-class mail. It was dropped by 3.1
24 percent in volume in the last quarter, and I think
25 it's a definite thing where we're going to see more

1 and more electronic diversion. Thank you.

2 CHAIRMAN BLAIR: Thank you. David?

3 MR. TODD: Well, I repeat. This is an
4 argument that's going nowhere because I don't know
5 that anyone could prove it. I still firmly believe
6 that monopoly has very little value in terms of
7 protecting postal revenues. I think it's an illusion.
8 Nonetheless, I don't think it's an issue which the
9 Congress is likely to revisit at anytime soon, and
10 therefore it's perhaps not worth anything more than a
11 real expiration by the Commission in its report to the
12 Congress and the President.

13 Beyond that, I think the mailbox issue is
14 really quite different. How important the mailbox
15 issue is, I gather, subject to some debate, and again
16 without speaking -- this isn't a statement made on
17 behalf of MOAA -- I think the consumer resistance to
18 opening up the mailbox to anyone who wanted to stick
19 something in it would be enormous, and it's a
20 resistance with which I think almost any recipient of
21 mail has considerable sympathy.

22 So, it doesn't seem to me that the ability
23 to put something in the mailbox is likely to meet
24 anything other than very, very harsh resistance, and I
25 think for valid reasons. But again I think we go back

1 to -- you know, some people may love six-day-a-week
2 delivery and we all do, but the notion that the Postal
3 Service is not going to have to seriously examine its
4 entire structure to determine how it can carry out its
5 mandate within the price cap.

6 The notion that we could have six-day-a-week
7 delivery seems to me in itself illusory, knowing that
8 configuring the Postal Service who actually captures
9 savings for something less than six-day-a-week is an
10 enormous enterprise. It is not something that could
11 be accomplished quickly, but nonetheless it's got to
12 be looked at.

13 I think the Commission, among other things,
14 should encourage the Postal Service to be taking a
15 look at these things and really seriously examining
16 the extent to which a change in its structure and a
17 change in its delivery standards could amount to
18 significant cost savings.

19 CHAIRMAN BLAIR: Well, not to start off a
20 war or anything, but do all postal products need to be
21 delivered six days a week?

22 MR. TODD: I don't think so. It doesn't
23 seem to me that's feasible. To take an obvious
24 example, UPS apparently concluded and it is a well run
25 company we would all agree, that it would be more cost

1 effective for them not to deliver on Saturday. I'm
2 not saying that Saturday has to be the day that the
3 post isn't delivered, but nonetheless I think everyone
4 has to take a look at this, and it's all well and good
5 as we like it fine enough, we can all live within a
6 price cap. All mailers are going to be very happy,
7 but I don't think that's the real world.

8 I don't think we can assume that just
9 because we now have a price cap the Postal Service can
10 live with it without major changes in how it carries
11 out its business.

12 MR. BRINKMANN: You know, several thoughts
13 have come to me as I --

14 CHAIRMAN BLAIR: Would you identify yourself
15 for the record?

16 MR. BRINKMANN: Robert Brinkmann
17 representing the National League of Postmasters.

18 Several thoughts have come to me as I have
19 sat and listened to a variety of the people talk about
20 different subjects from really quite different
21 viewpoints. One I think that needs to be stressed,
22 and I think it was Mr. McLaughlin's point, this is a
23 fairly finely honed system. I mean, if you push hard
24 on one part, you could seriously disrupt the other
25 parts, and it's not clear if you push a little bit on

1 one part, you might not seriously disrupt the other
2 parts. So, you have to be very, very careful, and
3 that's point one.

4 Point two, the question of the future
5 bringing doom and gloom to the Postal Service, it's
6 clearly a possibility, but I caution you. It seems to
7 me it's not at all a probability, and I think you have
8 to be very careful about -- that could happen, but it
9 might not happen. You might not need a major
10 realignment. Flexibility is going to be very, very
11 key as we roll through the next six or seven months.

12 A third point I think and it is nevertheless
13 true, you need an affordable system. I mean, the
14 mailers' needs just must be met or this system isn't
15 going to work. And with respect to that point, one
16 point has seemed to me to be a no-brainer, and that is
17 the question of the mailbox rule, because right now
18 the carrier goes to the mailbox. He puts the mail in
19 and takes out anything that's in it. If there is
20 anything else in that mailbox when he gets there,
21 there is a sortation function that's going to have to
22 occur, that's going to be very expensive.

23 The carrier is going to have to sort through
24 to figure out what needs to be picked up to go to
25 somebody else, what is mail and what is something

1 else, and that would add a tremendous amount of cost
2 to the system, and given the points several people
3 have made about the need to be careful about cost,
4 which I think are correct, that just seems to be
5 something that really shouldn't happen for cost sakes
6 if for no other sake.

7 CHAIRMAN BLAIR: David? We'll get to you.

8 MR. STOVER: David Stover, Greeting Card
9 Association.

10 Mr. Brinkmann has talked about cost with
11 respect to the mailbox rule. I'm going to talk about
12 volume. I agree with what Bob says about the cost, by
13 the way.

14 The average consumer who does not think very
15 much about the nature and structure of the postal
16 system from one end of the year to the other very
17 often uses the mail to receive and pay bills because
18 the mail is safe. The broad-gauge thought that as of
19 from such and such a date anyone will be free to put
20 things in or take things out of the mailbox is likely
21 to push a great many people who have resisted Internet
22 transactions, because they are "not safe", to the
23 position of, well, apparently neither one is safe so
24 I'll save a stamp and some time and go to the
25 Internet, go to online payment.

1 We have to look at the effect on first-class
2 volume of change in the mailbox rule as well as the
3 effects which will be very real to the Postal Service
4 cost.

5 CHAIRMAN BLAIR: The gentleman in the back
6 of the room.

7 MR. SAWYER: Don Sawyer with the Lexington
8 Institute.

9 Two quick points. One, I don't think it's
10 necessarily necessary to take the notion that there
11 would be a broad-scale consumer uproar. I think that
12 some of the findings of the Federal Trade Commission
13 and also to some degree of the presidential commission
14 would suggest that perhaps looking at the mailbox
15 monopoly, perhaps in some -- whether it be a pilot
16 measure, perhaps something akin to empowering
17 postmasters would certainly be something worth
18 considering and not worth necessarily dismissing if
19 the notion of a broad-scale consumer uproar.

20 I would also mention, Chairman Blair, you
21 mentioned earlier that there are fewer collection
22 boxes. I think most of our experience would be that
23 there is also fewer collection times, and there is
24 very little publicly available information that, and I
25 would encourage the Commission to maybe look into that

1 as well. Defeat Autism Now

2 CHAIRMAN BLAIR: Thank you.

3 MR. MCLAUGHLIN: Tom McLaughlin, again.

4 You have heard David Straus and David Todd
5 have a disagreement about whether loosening the
6 monopoly will have an impact, and I think I only come
7 out in between because I don't know what the impact
8 would be. It might be that the diversion that we've
9 seen and continuing in the future is not the hard
10 copy, it's electronic. But what I do know is that
11 American enterprise is very enterprising, and if you
12 loosen the monopoly, a lot of folks will look at ways
13 to try to do it.

14 You won't be able to quantify what the
15 damage would be of loosening the monopoly because it's
16 just a pure crystal ball question. To me, I think the
17 bigger question is if you're going to consider
18 loosening the monopoly and it may have a negative
19 impact on Postal Service volumes, and thereby its
20 ability to meet the other universal service
21 obligations, a quid pro quo. What does the Postal
22 Service get to offset those possible losses? Is
23 Congress going to eliminate some of the statutory
24 burdens that currently hinder the Postal Service?

25 If you read the FTC report, it identified a

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1 number of areas where the Postal Service is at a cost
2 disadvantage. The Postal Service can't realign
3 because politics becomes involved. So if you are
4 going to be loosening the monopoly, there has to be
5 some give on the other side so that the Postal Service
6 will be able to maintain its universal service.

7 MR. GOULD: George Gould, again.

8 If I may, as you know, Mr. Blair and others,
9 the Postal Service on its own has adjusted the
10 monopoly. When FedEx came into place, they were
11 concerned that they would not be able to do their
12 business unless the monopoly was adjusted, and in fact
13 they had legislation on their behalf introduced to
14 change the monopoly, and the committees of
15 jurisdiction at that time opposed changing the
16 monopoly, the members of Congress on those committees,
17 and the Postal Service itself changed the monopoly to
18 allow FedEx to basically do its business.

19 The Postal Service management decided that
20 they didn't really need to do that business, that it
21 really wasn't going to make any money, which, of
22 course, obviously was a mistake.

23 So, my point being again I think we need the
24 Postal Service to help everyone, the Congress, the
25 Commission, the users and those employed by the

1 system, to tell us what they think their flexibility
2 is, what their resources are, what they can
3 accomplish, what they can entertain. They complain
4 often when legislation moves that it's going to be
5 harmful, but, frankly, over the years they have done
6 little to explain ahead of time what's good and what's
7 bad for them. So, I think it's important on some of
8 these issues, and I'm sure you were going to do this,
9 but just to make it public, the part of the process --
10 not just talking to themselves, but talking to all of
11 us as to what their flexibility is.

12 Since the last time we entertained this
13 legislation, there is certain technology that's
14 available both in processing the mail, delivery
15 systems, people mentioned mailbox, there is new
16 technology involved in dealing with the mailbox
17 system. So, some of this has to be entertained and
18 looked at, and I think we need the Postal Service to
19 help us do it.

20 CHAIRMAN BLAIR: Okay.

21 MS. MUTH: Kate Muth with the Association
22 for Postal Commerce, but speaking as myself for the
23 moment.

24 I do think there would be a consumer
25 backlash if you opened up the mailbox, the monopoly.

1 Some people don't even want what they get in their
2 mailbox now, and so that's why you have "do not mail"
3 efforts moving through the states. I think you open
4 that up really widely if the mailbox is opened.

5 I'm going to stand here and argue with
6 myself a little because I agree with what David Straus
7 had said about things have changed and they continue
8 to change around going to cluster boxes and fewer
9 collection boxes, and we adjust, and I've used this
10 analogy before where we used to get our newspaper
11 delivered at the doorstep. I used to be a papergirl,
12 I used to do that. Now it comes flying out the window
13 and if it's near your house, you consider that pretty
14 good service.

15 (Laughter.)

16 We've adjusted. I mean, it's not ideal.
17 The difference is there is another way you can get
18 your paper if you would like to. You can get it
19 online. You can walk to the corner store or you just
20 don't have to get it. If you open up the mailbox, I
21 think, okay, now we have competition. If I don't like
22 the way the mail is being delivered, I can seek
23 perhaps an alternate delivery, but then again that's
24 probably the sender who is going to decide whether
25 they use alternate delivery.

1 So, I just really think that opening up the
2 mailbox does probably open up this idea around "do not
3 mail" push even more, and then we get back to the idea
4 of how are we going to pay to support the current
5 system if there is going to be a limit on what kind of
6 mail can be put into the system.

7 CHAIRMAN BLAIR: Hello, Art.

8 MR. SACKLER: Hi, Mr. Chairman, members of
9 the Commission, Art Sackler for National Postal Policy
10 Council.

11 I find myself somewhat in the same position
12 as we're still working through the issues and trying
13 to figure out exactly where we stand on so many of the
14 questions that you've thoughtfully raised. But I can
15 say a couple of things.

16 First of all, in general, we agree with what
17 Joel Thomas has been telling you, that the monopoly is
18 to a significant extent illusory. There are new
19 alternatives for our members that are primarily
20 focused on first-class mail that there haven't been
21 before. You know that very well. And it is showing
22 to some degree in volume.

23 So, that leads me to one thing I think I can
24 say with confidence for our group, and that is about
25 the mailbox monopoly. I think the biggest single

1 thing that would influence all of our members to
2 consider taking much more volume out of the system and
3 doing whatever it could electronically is to open up
4 the mailbox. They are vitally concerned about the
5 security of the mailbox, the security of their
6 remittances, you know, theft of checks, identity
7 theft, you name it, and to open up the mailbox in that
8 way would, I think, imperil some of the ways that they
9 have been doing business, and again would encourage
10 them to go electronic as much as they could.

11 I think there is a secondary aspect to the
12 concept of security here too. If you do open up the
13 mailbox, even if you license and bond people who put
14 stuff in the mailbox who weren't working for the
15 Postal Service, you may have people, especially those
16 with mail slots, mailboxes, who get concerned about
17 all these folks they don't know showing up at their
18 doorstep dropping stuff off. It's not like your
19 letter carrier or your rural letter carrier and you
20 know, whom you trust. These are a bunch of people you
21 have never seen before dropping all sorts of stuff
22 off, and I don't know whether that's a real concern.
23 It's something to look at.

24 I wouldn't be surprised though if some
25 people would be a little bit concerned about all that.

1 But anyway, I would encourage you, at least on our
2 behalf, not to recommend the mailbox be opened.

3 CHAIRMAN BLAIR: You mentioned a really good
4 point earlier and the other commenters have as well,
5 is that things are changing in our system. It's not a
6 static system and it's a rather dynamic system, and
7 one of the changes taking place now is the changing
8 mix of mail.

9 Does that impact on the USO and the nature
10 of the post monopolies at all? And if it does, how
11 so?

12 MR. SACKLER: I'm not sure. I mean, that
13 actually is a good point in and of itself that we
14 would have to evaluate. Does mail mix have an impact
15 on that, and how is it changing? You know, which way
16 is it going to go?

17 CHAIRMAN BLAIR: We received first-class
18 mail by what used to be either flagship volume at the
19 Postal Service has declined in volume. Standard-class
20 mail now eclipses that. If it becomes a primary
21 conduit for standard-class mail, does that impact on
22 USO? Why? Why not?

23 MR. SACKLER: Well, we don't yet have a
24 position on that, but speaking for myself, why
25 intrinsically shouldn't commercial mail like that

1 promotional mail not be entitled to a universal
2 service obligation. You know, to some degree it's a
3 matter of free speech, commercial speech, but also
4 recipients often are interested in the catalogues they
5 get, some offers that come to them that they wouldn't
6 have thought of before. That category of mail should
7 be no less entitled to universal service than first-
8 class.

9 CHAIRMAN BLAIR: Thank you. Anyone else
10 with some comments or thoughts on that? Bob?

11 MR. BRINKMANN: Robert Brinkmann with
12 National League of Postmasters.

13 You know, one other thought when you brought
14 up the question of products and universal service, and
15 I would urge you to stay away from products and
16 relating products to the universal service. If there
17 is a universal delivery network going to every spot,
18 everywhere with regularity that covers the entire
19 country, then the market can work out the products
20 idea. I think that's an important thing.

21 I brought out the commercial speech aspects
22 of advertising now being very important to the
23 economy, and it strikes me you really don't want to be
24 looking at one product versus another. That's not
25 important for universal service. It's having a

1 delivery network out there that is, I think.

2 COMMISSIONER ACTON: Bob, how about the
3 question of categories, monopoly versus competitive?

4 MR. BRINKMANN: I would stay away from those
5 also in terms of products. I think the market can
6 deal with products. You know, you have got the
7 distinction between competitive market down. It is
8 simply whether there is market power or not, and
9 that's a test in the law that's a reasonable test.
10 Once you get beyond that, I think you have to let the
11 market take over.

12 CHAIRMAN BLAIR: Thank you. David?

13 MR. STRAUS: David Straus, American Business
14 Media.

15 You asked about the changing mix of products
16 and the impact of that change on the need for the
17 monopoly. I think it enhances the need. To the
18 extent that the first-class mail is being diverted
19 now, I think it's all the more important to protect
20 what remains in the system that will not or cannot be
21 diverted. There is an awful lot of people who still
22 refuse to pay their bills online.

23 The other thing to think about is that with
24 the "do not mail" initiatives in the states, which
25 probably won't go anywhere, the industry is policing

1 itself, and Gene and others can speak better for that,
2 but in terms of getting people off mailing lists who
3 don't want to be on mailing lists, in terms of people
4 getting a catalogue list.

5 Keep in mind that the postal monopoly
6 doesn't apply just to first-class letters. It applies
7 to selectively delivered advertising, and if
8 saturation advertising becomes selectively delivered
9 advertising because of interest in the industry not to
10 deliver to people who don't want it, that makes an
11 awful lot more mail subject to diversion of the
12 monopoly is eliminated.

13 Right now alternate delivery cannot deliver
14 selectively delivered advertising, and as I was
15 saying, if saturation advertising becomes selectively
16 delivered, the postal monopoly will apply, and if you
17 eliminate that monopoly, those alternate delivery
18 resources will set up selective delivery routes and
19 take over an awful lot of that advertising that
20 remains in the postal system.

21 CHAIRMAN BLAIR: You bring up a good point.
22 How does the "do not mail" impact on the USO? How
23 does it relate to it?

24 MR. STRAUS: I think there's so little
25 chance that anyone will successfully pass a "do not

1 mail" law that can sustain constitutional challenge,
2 and I don't think it really needs to be a
3 consideration other than, as I suggested, that the
4 response of the industry to it to try to do a better
5 job of paring from their mailing list both for cost
6 reasons and for political reasons, those people who
7 really object the most to getting that mail.

8 I think it was PostCom that commissioned a
9 legal study, I guess, by -- Ian Volner wrote a paper
10 about the unconstitutionality of "do not mail"
11 legislation that's pretty convincing.

12 CHAIRMAN BLAIR: Thank you. Any other
13 comments? Gene?

14 MR. DEL POLITO: Yes. Several years ago, I
15 guess -- Gene Del Polito, the Association for Postal
16 Commerce.

17 CHAIRMAN BLAIR: Thank you.

18 MR. DEL POLITO: Several years ago we were
19 one of the more forthright advocates for change to the
20 letter mail monopoly particularly as it pertained to
21 business mail. What I would caution you to keep in
22 mind, however, is that it is one thing to talk about
23 introducing the idea of radical change in a time when
24 you have a sufficiently robust economy, and a
25 sufficiently robust business of delivering mail to be

1 able to absorb the impact of whatever those changes
2 are likely to bring about as opposed to a purely --
3 something when the resources of the system are
4 extremely limited and the economy in which it exists
5 is also undergoing big stress and strains.

6 To me, 1986 was the time to think about
7 changing the letter mail monopoly. 2008, at this
8 particular point in time is not.

9 CHAIRMAN BLAIR: Well, that brings about the
10 question, and we are close to wrapping up here today,
11 one of the purposes behind this study was to kind of
12 help provide a vision for the postal system of the
13 future, what our system is going to look like in the
14 next three, five, seven, 10, 15 years. It's, again, a
15 dynamic system and it's not a static system.

16 But does anyone have any thoughts on what
17 the Commission should be thinking about in terms of
18 making any findings or recommendations to Congress?
19 David.

20 MR. STOVER: David Stover, Greeting Card
21 Association.

22 I'm going to respond to Chairman Blair's
23 question by asking him and his colleagues a question.
24 As the statute provides besides this study for a five-
25 year-long study by the General Accounting Office, one

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1 major focus of which at least is what the Postal
2 Service business model should be, if it should be
3 changed.

4 My question is, does the Commission have a
5 view at this point as to the boundary between this
6 universal service study and what GAO will be doing in
7 looking at the Postal Service business model over the
8 remaining span of their study period?

9 CHAIRMAN BLAIR: I think that our study
10 would probably be of benefit to GAO's work in the
11 future, and that's about as far as I could -- it's
12 part of a continuum. Congress is going to be
13 continually looking at this system as it evolves over
14 the next decade.

15 We have this study. There is a five-year
16 study. There is the 10-year review that we do on the
17 price cap, and so there are some very fixed date out
18 into the future, but I think this is all part of a
19 continuum of looking and seeing if there are
20 improvements we can make in the system.

21 COMMISSIONER ACTON: I think it's worth
22 adding to, Mr. Chairman, that GAO and the PRC have a
23 long history of working closely together on these
24 issues. Teresa Anderson is here today from the
25 Accountability Office, and we worked with them in a

1 number of matters in the past successfully, and I
2 think we will continue to do so on this one.

3 COMMISSIONER GOLDWAY: I have a more
4 specific question that may -- I would like an answer
5 to it but I don't want to drag the conversation all
6 the way back to the beginning.

7 Initially the discussion focused on could we
8 eliminate particular day of service, and then some
9 mailers brought up the additional processing and
10 presorting requirements that the Postal Service is
11 putting on mail so that it is more efficient within
12 the system, and that it's done by mail producers
13 because they can do it more efficiently than the
14 Postal Service.

15 But I guess my question is, is there a
16 tradeoff for mailers between a reduction in service in
17 terms of the numbers of days of delivery versus not
18 investing in a more technologically or advanced-
19 prepared mail piece?

20 The issue is not just if you push the Postal
21 Service's efforts in one way, where does it hurt the
22 Postal Service, but if you push the Postal Service to
23 reduce its mail delivery system to six days, does that
24 mean that your mail is less effective? You're going
25 to lose some day in terms of turn-around for the

1 checks you get. You're going to have fewer days in
2 which people can send in their mail, or fewer days in
3 which they are going to look at it.

4 So is it worthwhile then to invest with the
5 Postal Service in things like INV or other ways to get
6 the mail moving so that the service is more efficient
7 and the cost reductions occur in places other than in
8 reducing the six-day-a-week service?

9 I don't know that you need to answer that
10 question now, but it might be something that you would
11 consider in writing. You know, we are focusing on
12 what the Postal Service should do, and we don't want
13 mailers to pay more. You say that. But what other
14 things, the tradeoffs between the two of you in
15 assuring that there is efficient service at the level
16 of service that you want?

17 COMMISSIONER ACTON: Ruth, I'm glad you
18 raised that question. It's an issue that I think Ms.
19 McCormack spoke to a bit, and I'm trying to understand
20 better what her point was with the connection between
21 the sort of improvements in technology that the
22 mailers are bringing aboard to meet the technology
23 mandate for IMB and other initiatives at the Postal
24 Service and how that relates to the question of
25 universal service or the monopoly.

1 I don't know if you have any thoughts about
2 that?

3 COMMISSIONER GOLDWAY: Do you want to answer
4 that?

5 MS. MCCORMACK: Yes. My point is that --

6 CHAIRMAN BLAIR: I just want to make sure
7 that our website --

8 MS. MCCORMACK: Mary McCormack.

9 My point is that more and more of the work
10 share is being placed on the mailers, and while we are
11 in support of the IMB for the Postal Service trying to
12 make them more efficient, we just want to make sure
13 that the costs are not prohibitive to mailers to
14 engage in this, and that even though it is helping the
15 post office be more efficient, we don't want to see
16 unnecessary cost structures on the first-class
17 mailers.

18 Does that answer the question?

19 COMMISSIONER GOLDWAY: Yes, but if this new
20 technology that you're working on together, it doesn't
21 impose some costs on you, but if it does create some
22 real cost savings for the Postal Service in the future
23 to assure that you then will have six-day-a-week
24 delivery because the cost savings are coming from
25 other things than cutting back service, is that worth

1 it to you?

2 Is the investment of your time and money to
3 make this mail more efficient so that the Postal
4 Service doesn't have to cut back delivery from six
5 days to five days, is that worth the cost to you?

6 MS. MCCORMACK: Yes and no. And the reason
7 why I say that is because for the first-class mailers
8 that I represent, mailing is not our core business.
9 It's because we need to send out the bills so that we
10 can get the money to come back, or send out the
11 statements for the banks and things like that.

12 So as far as we're concerned, and also on
13 the reply mail, okay, our checks are coming back, but
14 even that, we can adapt to that if it's going to
15 benefit us. I can't remember which person had said
16 that, but you know, we can adapt to the remittance
17 process --

18 COMMISSIONER GOLDWAY: So you could adapt to
19 six-day-a-week delivery?

20 MS. MCCORMACK: Yes, we could.

21 COMMISSIONER GOLDWAY: Thanks.

22 MS. COHEN: I had a separate comment because
23 you asked about the future of the Postal Service.

24 Rita Cohen, Magazine Publishers of America.

25 One of the things that we are also pretty

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1 involved in its environment and I'm on the Greening of
2 the Mail Task Force, and just an idea looking forward
3 might be that the Postal Service could also be a way
4 for material to get back from consumers. So a carrier
5 could collect paper products to take to recycling or a
6 postal facility could be a drop off recycling place.
7 So it's just an idea that something could change in
8 the future which would really allow the Postal Service
9 to serve an additional function.

10 CHAIRMAN BLAIR: Sir?

11 MR. MCLAUGHLIN: Tom McLaughlin.

12 Commissioner Goldway, I think you raised one
13 of the key points, which is really that tradeoff
14 between service and affordability, and there again the
15 problem is that, yes, there is a tradeoff. Most
16 mailers want good six-day-a-week service at low rates.
17 That's what everybody wants. That's what households
18 want, the ability to get mail six days a week.

19 Yes, there is indeed a tradeoff. The trick
20 is that the tradeoff is different for each mailer. A
21 mailer who is in a very highly competitive market that
22 competes with non-postal alternatives, there is both a
23 service and a price component there, and they may be
24 much more sensitive to changes in either one.

25 For others, it may be they could live with

1 three-day-a-week service, but price is critical, and
2 for others, they may be somewhat insensitive to either
3 one.

4 The problem you've got, I think, is that
5 short of doing some massive study, which would be of
6 the nature of asking people what would you do "if",
7 which of course gives you very awkward answers
8 sometimes, I don't think there is any way of knowing
9 except that there is indeed a tradeoff, but that
10 itself is important to know, that affordability and
11 the USO are inextricably interrelated as is financial
12 liability for the Postal Service.

13 CHAIRMAN BLAIR: Bob?

14 MR. BRINKMANN: Robert Brinkmann, actually
15 representing Discovery Financial Services at this
16 point, a very large --

17 CHAIRMAN BLAIR: You're wearing a different
18 hat.

19 MR. BRINKMANN: A pretty large first-class
20 mailer because Mr. McLaughlin's point is there is a
21 tradeoff but at the end of the tradeoff is the
22 electronics, and you can't push people too far where
23 they will push them right out of the mail, and it's
24 not a question of really mailer's choice, it's simply
25 a question of market forces.

1 I mean, mailers are just -- you know, at
2 some point if it gets cheaper to do something
3 electronically, they are going to do it, and it's a
4 balance there. If it's not only the cost of doing it,
5 but it's the quality of service of doing it and the
6 security of doing it. I mean, that's a very
7 complicated balance since there is a market force at
8 work. Mr. Todd is right. Everything has intense
9 competition, and the dynamic of all those competing
10 elements to get to Commissioner Goldway's point that
11 the tradeoff, it can't be pushed too much though or it
12 pushes it into electronics.

13 CHAIRMAN BLAIR: How many in this room pay
14 their bills electronically? And presumably we're very
15 postal friendly.

16 Why don't we go ahead and start wrapping
17 this up. Is there anyone who feels that we completely
18 missed a subject and would like to be heard from?
19 Yes, sir.

20 MR. MEREWITZ: Leonard Merewitz.

21 I would like to mention a technique from
22 economics that is only mildly controversial.
23 Everything in economics is controversial. It's called
24 contingent valuation, and it's been used in law cases
25 such as the Exxon Valdez oil spill in Alaska, and it

1 is basically something like asking people their
2 willingness to pay. What is your willingness to pay
3 for the sixth day of service?

4 But it has been improved from that naive
5 start so that it's put in a budgetary context so that
6 it can be -- ask people, and I have prepared some
7 written comments which I hope you will allow me to
8 submit -- what are you willing to pay for the sixth
9 day of service, and what would you -- would you pay
10 that or would you pay money for increasing support for
11 nonprofit mailers?

12 So it can be put in a credible context of
13 choice, not simply -- and there is literature, quite
14 an extensive literature because it was an adversary
15 case, and both sides were well represented.

16 CHAIRMAN BLAIR: Thank you, sir.

17 Anyone else? David.

18 MR. STOVER: David Stover, Greeting Card
19 Association, once more.

20 We have talked a good bit about the
21 substitution of Internet transactions and
22 communications for mail as though we were looking at
23 two big blobs, mail and Internet. We wanted to leave
24 you with the thought that there are about 30 million
25 households and 114 million in this country that have

1 no Internet connections, and it may be -- we have not
2 studied this yet -- but it may be that they are the
3 ones who are, Internet or no Internet, most dependent
4 on the mail, people who are remotely located, people
5 for whom travel any distance it may be convenient.

6 So that is a little bit of sectoring of the
7 population might be in order before we decide about
8 substitutability.

9 CHAIRMAN BLAIR: Thank you. There is
10 someone in the back that had --

11 MR. WOODHEIM: Bob Woodheim with the Mailers
12 Council, and somebody who can remember twice a day
13 residential mail delivered, by the way.

14 There has been a lot of talk about
15 affordability, what can the Postal Service afford in
16 terms of universal delivery. Keeping mail affordable
17 means keeping it accessible, and for a lot of
18 Americans, unlike most people in this room, getting to
19 a post office from nine to five on Monday to Friday is
20 occupationally and geographically impossible, so
21 please keep that in mind.

22 But more importantly, when it comes to
23 affordability, and here is where it may sound as if
24 I'm in the GAO study territory, to make mail
25 affordable means to allow the Postal Service more

1 latitude, and the Commission can help encourage
2 Congress in this area by reminding Congress that mail
3 is changing dramatically. The makeup, the volume,
4 where the mail comes from, who it's going to is
5 changing dramatically, and the system that is under
6 the Postal Service today is 40 years old and
7 dramatically out of date.

8 When the Postal Service tries to downsize,
9 tries to move facilities to where they are more
10 favorable locations in terms of transportation
11 options, or where it tries to close facilities, in
12 particular, mail processing facilities because of
13 declining mail volume are no longer needed or in some
14 ways duplicitous, they get a lot of pushback from the
15 Hill.

16 We have got to give the Postal Service
17 greater latitude to realign its network if mail is
18 going to be affordable, if universal service on any
19 level is going to be affordable. A lot of this is
20 going to become a very interesting intellectual
21 exercise if the Postal Service is not allowed to do
22 what it needs to do to adapt to the needs of Americans
23 today and the needs of businesses that use the Postal
24 Service today. I hope you will weigh in on that.

25 MR. STRAUS: David Straus, American Business

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1 Media.

2 One point that wasn't mentioned and when I'm
3 through I'll probably have to duck the salmonella-
4 laced tomatoes from some in the audience. But page 7
5 of the memorandum attached to the notice lists as one
6 of the categories -- that's not the right word -- as
7 part of its definition of universal services, No. 5
8 says, "Universal service charges prices that are fair,
9 reasonable, nondiscriminatory and based on a fair and
10 equitable apportionment of costs."

11 You probably know that American Business
12 Media has some disagree with the Postal Regulatory
13 Commission's focus on costs in the last rate case for
14 periodicals. It's our position, and we will be
15 explaining this in greater detail, of course, in
16 writing, that the notion of fair and equitable
17 apportionment of cost might be important in rate-
18 making but is not important in studying universal
19 service.

20 In fact, the allocation of rates, or the
21 design of rates in accordance with costs may be the
22 enemy of universal service if costs for a particular
23 type of mail are higher than the rates that people are
24 willing to pay for that kind of mail. I don't know
25 how this crept into the document, frankly, because the

1 concept of designing rates based on appropriate cost
2 allocations to me at least doesn't seem to be a notion
3 that is very much relevant to universal service. Fair
4 rates might be. Reasonable rates certainly is a
5 necessary consideration. But to get into cost
6 allocation in the study of universal service appears
7 to us to be going beyond the boundaries of where the
8 study should be going.

9 CHAIRMAN BLAIR: Thank you.

10 I didn't see anything hurled at you.

11 Well, any other final thoughts. If not, I
12 think we have covered quite a few topics today. I was
13 just jotting them down. We have gone from
14 affordability, we segued to access, we've talked about
15 monopolies, you talked about the USO and the covered
16 products, the changing mix of mail. We kind of did a
17 little cul-de-sac into "do not mail" and ended up with
18 vision for the future.

19 So on that note, unless anyone feels
20 compelled, I appreciate and on behalf of the
21 commissioners, greatly appreciate your participation
22 today. It is through your participation that we can
23 make it a better study. So thank you very much.

24 Appreciate it.

25 //

1 (Whereupon, at 11:54 a.m., the workshop in
2 the above-entitled matter was concluded.)
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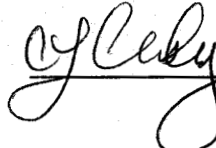
CASE TITLE: Universal Service obligation Workshop

HEARING DATE: 6/12/08

LOCATION: Washington, DC

I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before the Postal Regulatory Commission.

Date: 6/12/08



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