

smallest to the very largest post offices—rural postmasters are a sizable portion of our membership. The League speaks for thousands of retired postmasters as well.

My testimony today will address three issues: 1) the question of universal service and the monopoly, including the definition of the letter monopoly, 2) the lessons to be learned from Europe, and 3) the vital economic, social, political, and cultural role that small post offices play in rural America, and the relatively minuscule amount of money that it costs the Postal Service to operate such post offices.

In connection with the third point, I have submitted for the record as part of my testimony a very special short documentary video call *Post Roads*. I would ask the Commissioners and each of its staff to take a few minutes to watch it. That video, which uses Steve LeNoir's post office as a focal point, accurately discusses the nature of small rural post offices and documents the role small post offices play in rural America. Moreover, It does so with an eloquence that I could not match.

I assure you that what that video says about symbiotic relationship of small rural post offices and their communities in South Carolina is equally as true of small post offices and their communities in California, as it is for small post offices and their communities throughout the country. It is a symbiotic relationship that is critical to the health of rural America, and it is a relationship that goes far beyond the provision of postal services. It has a value that cannot be matched by a rural postmaster selling stamps from his car.

I. Universal Service, The Letter Monopoly And The Mailbox Monopoly.

As academia¹ and previous Comments² have pointed out, the Postal Service has played a crucial role in the development of American Civilization and Culture, as our country developed from a frontier-oriented backwater into a more sophisticated and ultimately powerful country. The Post Office, as Justice Story said long ago in his *Commentaries on the Constitution*, was “one of the most beneficent, and useful establishments under the national government,” and is one that “circulates intelligence of a commercial, political, intellectual, and private nature.”³ Among other things, it “enables political rights and duties to be performed with more uniformity and sound judgment.”⁴

It is for these reasons—to encapsulate a broad set of public policies into one statement for the sake of simplicity—that the Congress has chosen through the private express statutes to protect the postal system by ensuring sufficient funds to support universal postal service and the postal system.⁵ If this role is still sound today, the

¹ See for example, Richard R. John, *Spreading the News, The American Postal System from Franklin to Morse*. 88-89 (Harvard University Press 1995) (“*Spreading the News*”); David M Henkin, *The Postal Age, The Emergence of Modern Communications in Nineteenth Century America* (University of Chicago Press 2006) (“Postal Age”). Professors John and Henkin are history professors at, respectively, the University of Illinois at Chicago and the University of California at Berkeley.

² See for example, Comments of Discover Financial Services LLC in Docket PI 2008-3 (June 30, 2008).

³ Joseph Story, *Commentaries on the Constitution of the United States, a Preliminary Review of the Constitutional History of the Colonies and States, before the Adoption of the Constitution*. Chapter 3:§1120 (Boston: Hilliard, Gray and Company. Cambridge: Brown, Shattuck, and Co. 1833), found at http://www.constitution.org/js/js_000.htm. See also http://press-pubs.uchicago.edu/founders/documents/a1_8_7s7.html

⁴ Id.

⁵ As professor John has documented:

For Maryland Congressman William D. Merrick, it was the circulatory system that transmitted the “knowledge” that was necessary to keep “pure republicanism” alive. And for South Carolina Congressman John C. Calhoun, it was the nervous system of the “body politic” that, in conjunction with the press, transmitted sensory impressions from the extremities to the brain: “By them, the slightest impression made on the most remote parts is communicate to the whole system.”

Spreading the News at 10 (citations omitted).

continuation of universal mail service, the monopoly, and small post offices are absolutely necessary for the health of our economy and our society.

As postmasters, we submit that even today—in the electronic era of the 21st century—the Postal Service is still critical to the well-being of our country. We will leave it up to the mailing community to explain in greater detail why universal service and the monopoly are so important, in as much as they are the logical apologist for this task. We will address rural post offices in as much as they are critical to the health of rural America, about which the League cares very much, as the video Appendix to my testimony so thoroughly demonstrates.

The League will also address the issue of the definition of universal service. Before we do, however, we would like to caution the Commission on three fronts.

First, the Commission may well hear various individuals predict the demise of the postal system, as new communications technology offer new alternatives to the mail. The Commission should be aware that such predictions have been around since the late 1800s⁶ and we have yet to abandon the postal system. In fact, each time mail volumes were challenged by electronic diversion of one sort or another—starting with the telegraph—*exactly the same* dynamic has developed. When each new communications technology came along, each one did indeed take away some mail volume. However, in doing so, each of the new technologies changed American society in some fundamental way, and each of those changes created new and different uses for the mail. Eventually, the new volume replaced the old.

There is no reason to think that this time it will be any different this time. For instance, as Lenard Merewitz points out, increasing fuel costs mean that transportation and delivery costs are inevitably moving upward at a sharp rate. The significance of this fact of life is not that the costs of the Postal Service are increasing, but rather that it's dominance of the "last mile" of transportation to the home is going to become increasingly valuable. Perhaps, in the future, many household trips for shopping could be satisfied by use of the internet and mail.⁷ As the Comments of the Greeting Card Association point out, the "complementary" nature of postal and internet is something that is not yet fully understood or developed.⁸ It should not be counted out, and cannot be ignored.

Second, the Commission will no doubt see a certain degree of postal system "bashing" as this proceeding develops. The Commission should remember that, as one editorialist said in 1823, "Nothing is more easy to abuse than the post office, and nothing is more common."⁹ Indeed, it would be fair to said the postal system "bashing"—as opposed to intelligent, constructive criticism—has been an intramural sport of American commentators, editorialists, and op-ed writers since the early 1800s. As such, some of the more extreme comments one might see in this docket should be taken with a grain of salt, as they have been for over two hundred years.

⁶ See *Spreading the News* at 89.

⁷ See Testimony of Leonard Merewitz in Docket PI-2008-3 at 4.

⁸ Statement of George White, President and COO, Up with Paper LLC, on behalf of the Greeting card Association In Docket PI 2008-3, June 5, 2008 at Appendix I, 4 (discussing the complementarity relationship between postal and Internet).

⁹ *Spreading the News* at 89, citing the May 14, 1823 issue of the *National Intelligencer*. The *National Intelligencer* was the dominant newspaper in Washington D.C. at the time, and the prime source of news for Capitol Hill.

Finally, the League would not be surprised to see some argue that economic theory suggests that the needs of the marketplace would be met by the private sector if the postal market were thrown wide open. That argument, however, misses the point that the private express statutes *exist for equitable reasons, not economic ones*. While it may or may not be true that the marketplace could or would meet most of the postal needs, of most of the people most of the time, the private express statutes are there to *ensure* that all of the postal needs of all of the people are met all of the time, or the federal government will be held directly accountable. It is this equitable assurance, coupled with the transparency and accountability that the private express statutes assign to the federal government and the Postal Service that is the heart of the notion (and of the politics) of universal service and the private express statutes.

A. A Definition of Universal Service.

In terms of the definition of Universal Service, the League would think that a good definition of Universal Postal Service would be the following:

Universal Postal Service means providing *dependable* mail service to *every* American resident, *every* day, *everywhere*, at *reasonably affordable* rates, as well as providing sufficient access to the postal system. For rural residents, this means having a post office *readily available* in their community.

Among other things, adopting this definition would mean that there should be no picking and choosing among residents—i.e., who gets mail service and who does not. Adopting this definition would also mean that there should be no picking and choosing among locations in the United States, with some getting mail service and some not. The definition would also embrace the notion that one should not pick and choose among time frames for delivery, with mail service only on some days of the

week and not on others. Nor would such a definition permit any combination of the above—i.e., some getting some service in some locations, only some of the time.

Moreover mail service would have to be dependable and affordable. While there should be a significant amount of flex in that definition, surely \$1 for a half ounce First Class letter would not be affordable and having mail successfully arrive only half the time would not be reasonable. Having rural post office available in villages is also a critical point, given the role rural post offices play in rural American society, as discussed part III below.

The League does not have a strong view about including different services and different products under the universal service mandate, so long as one service goes to everyone, everywhere, at the same price. Indeed, once one mail service is established on a nondiscriminatory basis to everyone, everywhere, the League believes that the market should handle the different postal needs of different people and different communities for different products. Different services, going at different speeds, serve different needs of mailers and communities, and that is just fine as far as the League of Postmasters is concerned.

Finally, we would caution the Commission not to attempt to define universal service too closely. The League believes that the definition set forth above contains the proper level of detail, and providing any further detail would be counterproductive. Too much detail means too much rigidity. Too much rigidity takes away from flexibility and hurts, not helps, an institution such as the Postal Service as it evolves over the long term. This is shown by the fact that notions of universal service have changed over the years as the needs of the country have changed. Two of the biggest shifts were the

advent of Free city Delivery in 1863¹⁰ and Rural Free Delivery, which developed in the 1890s.¹¹

B. The Mailbox Monopoly.

As has been developed in the Comments of Discover Financial Services and others, there are two different rationales supporting the mailbox monopoly. One deals with security and one deals with cost. Opening up the Mailbox Monopoly would make the mail less secure and more costly. Neither of those are desirable consequences.

The League strongly supports the continuation of the Mailbox Monopoly.

C. Six Day a Week Delivery.

As the comments of a variety of parties indicate, there is not reason to consider reducing postal delivery from six days a week to five. Doing so could have very complicated and very negative consequences for the efficiency of the system and it is not clear that doing so would save a great deal of money.

The Commission should recommend continuation of six day delivery.

II. The European Model

When the debate on postal reform first started in the mid 1990s, some suggested that the Europeans posts were far ahead of the American Postal Service. However, when one looked at the facts, one realized that the United States Postal Service was far more advanced than its European counterparts.

For example, in 1999, if one compared the United States Postal Service to the next nine posts (Great Britain, France, Italy, Australia, Japan, Mexico, Germany, Switzerland, and Canada) one found that the US Postal Service moved 72% more

¹⁰ United States Postal Service Publication 100, The United States Postal Service, An American History 1775-2006 (2006) at 20.

pieces with 25% fewer people, and did so at generally lower rates.¹² When facts such as this became known, the notion of the European posts as being ahead of the USPS generally faded away into the background of the postal reform debate.

Curious about what has happened between 1999 and today, given that Europe has seen some opening of the monopoly, the League's legislative counsel updated those numbers. The results are significant and show that the lead between the United States Postal Service and the next nine posts is *widening*, not *narrowing*.

In 2006, when one compares the same nine posts to the United States Postal Service, one finds that the US Postal Service moved 93% more mail than the nine put together, with 42% fewer people, again at generally lower rates.¹³

We find that difference significant, particularly since the United States is larger territorially than eight of the nine other nations.¹⁴

Thus, while looking at developments in Europe is certainly an appropriate and sensible thing to do, it should be done with the recognition that our system is by far the most efficient system in the world. While we certainly can learn much from the European posts, in as much as the creativity of Europe is well recognized and appreciated, that examination must start with a realization that to assume that they are more efficient would be an error.

¹¹ Id. at 22-24.

¹² United States Postal Service 1999 Annual Report at 29 (citing UPU figures).

¹³ UPU Postal Statistics 2006 found at www.upu.int.

¹⁴ Canada is slightly larger than the U.S.

III. Small Rural Post Offices.

A. The Cost of Small Rural Post Offices.

As the staff of this Commission's predecessor has pointed out, the cost of keeping rural post offices open is *de minimus*. The cost of the 10,000 smallest post offices—more than one-third of all post offices in the United States—was about seven tenths of one percent (0.7%) of the total budget of the Postal Service in 1999.¹⁵ Looking at 1982 figures, the cost of the smallest 7,000 post offices (70% of the total post offices at the time) was about six tenths of one percent (0.6%).¹⁶ *Id.*

Given this very small price tag, it is no wonder that no one knowledgeable about rural America has ever seriously suggested closing down small rural post offices. Given the social, cultural, political, and economic role that they play in American society, see below, less-than-one-percent of the USPS budget is a very small price to pay for the stability that America has for so long enjoyed in rural America.¹⁷

¹⁵ See Testimony of Robert H. Cohen, Director of Rates, Analysis and Planning of the Postal Regulatory Commission, Testimony before the President's Commission on the Postal Service (February 20, 2003) at 2, 9-10.

¹⁶ *Id.* at 10.

¹⁷ There are some that say that post offices that operate at a loss or do not pay their way should be closed. The question of post offices operating at a loss or paying their own way is not an easy question to address. This is because the system the Postal Services uses to determine whether a post office is "making a profit" keys on the amount of revenue accepted at that post office, *regardless of where the deliveries are to be completed*. Thus, the postage for a hypothetical mailing of 15,000 is all credited to the post office *where the mailing is entered* and none of the revenue to the post offices *where the actual pieces are delivered*.

That situation creates an enormous disconnect for most of the costs of delivering those 15,000 pieces are borne by the post offices of delivery (to which no revenue is credited) and not the post office of origin (to which all the revenue is credited). Thus, the system inherently skews the relationship of revenue and costs among the nation's post offices and should call into question the very notion of a post office "operating" at a loss.

B. The Role of Small Rural Post Offices in America.

Section 101(b) of the Postal Accountability and Enhancement Act states that “The Postal Service shall provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining.”¹⁸ That same section also specifically states that “No small post office shall be closed solely for operating at a deficit, it being the specific intent of the Congress that the effective postal services be insured to residents of both urban and rural communities.”¹⁹

Section 404(d) of that same law provides a formal procedure which the Postal Service must follow before it is allowed to close any small post office. Among the matters it must consider are the views of the local community that would be affected by the closure of the small post office. Appeals of such decision may be taken straight to this Commission pursuant to Section 404(d)(5).

The reasons that these provisions are in law is that small rural post offices do far more for their rural communities than just deliver the mail. Small rural post offices are the lifeblood of American rural life.²⁰ They provide the essence of social cohesion in rural areas, and that is what creates “community” in these areas. Healthy rural post

¹⁸ 39 U.S.C. §101(b).

¹⁹ *Id.*

²⁰ My comments today are limited to rural American society because that is what the League know and that is where the League’s expertise lies. It appears, however, that these same factors appear in rural societies around the world, or at least in English-speaking countries. See for example, the following shorts from Utube concerning rural British Post Offices. These shorts feature several Members of the British Parliament (MPs), newscasters, and prominent rural British residents discussing the insensitivity of the Royal Post to England’s small rural post offices and the role they play in the social fabric of rural England. <http://www.youtube.com/watch?v=9Rl8Ht6cFFM&feature=related> http://www.youtube.com/watch?v=9P3Jl_tI3ZY&feature=related http://www.youtube.com/watch?v=VYDXQ-r_7il&feature=related ; <http://www.youtube.com/watch?v=2r3hl32AUiU&feature=related>. This following short contains a bit of typically British “humor” on the subject: <http://www.youtube.com/watch?v=yB64XtfPRIQ&feature=related>.

offices are absolutely critical to keep rural American healthy, and that in turn is vital for the political, economic, and social well-being of America as a whole.

The glue that binds rural America together is our postal system and the local post offices. Rural America has not gone out of style. Nor is it about to. Communication by paper has not disappeared from our system. Nor is it about to. If we want to keep rural America strong, and by extension to keep America strong, we need to keep our rural postal system strong.

The rural post office is an institution that literally binds rural America together, culturally, socially, politically, and economically. It, along with the rural newspaper, set the framework within which rural communities operate. To interfere with either is to interfere with the fundamental dynamics of rural communities and to risk the destruction of them.

It is in the rural post offices where community members encounter one another each and every day, greet each other every morning, and daily reinforce their ties of community. Rural Post Offices serve as gathering places where social news is exchanged and political issues are discussed, often with some heat. It is in the rural post offices that political questions are addressed, sides argued, and opinions formed. It is where friendships are made and maintained, and scout and scoutmasters recruited. It is the forum where municipal and county leaders are formed, the forum where their criteria for office discussed and debated, and the forum where the decisions that will be carried out at the ballot box are made. It is the one place where local leaders can go and take the pulse of their community, and see each other every day. It is there that politicians find out just what are the burning issues of the day. Local post offices also

provide space for community bulletin boards and post federal notices. They are a shelter where children can wait for the school bus. None of these functions are functions that can be filled by having rural letter carriers sell stamps from their cars.

Rural postmasters play a very important social role that has nothing to do with the postal system or postal revenues. These are roles whose value cannot really be measured in dollars, and it is in part for these roles that the Universal Service mandate exists and the private express statutes remain. For instance, many rural Postmasters help customers with low literacy levels in a variety of ways, providing assistance in writing checks and money orders to pay bills. Many rural Postmasters address envelopes for their patrons, as well as read and explain mail to them. As such, they perform a valuable social function and have done so not merely for decades, but now for centuries. Indeed, the rural postmaster is the eyes and ears of his or her community. He or she is the first to notice and respond to something “just not right.” Whether that be flood or fire, or illness or death, the postmaster is always on the watch. If Mrs. Jones, contrary to her usual habits, doesn’t stop by to pick up her mail, the postmaster wonders if something is wrong with her, and after a day or so will stop by her house to check.

Without rural postmasters, this social need would not be met. The Rural Post Office is an icon of rural America, and neither Congress nor the Postal Service should tamper with it. This is because, as the Committee knows well, once a rural town’s post office disappears, the town often shrivels up and dies.

The film that the League has filed as part of this testimony illustrates these points in a real life setting. It shows how Steve LeNoir, former President of the League of

Postmasters actually serves his community, and interviews local residents, letting them explain in their own words how the post office keeps them together, and makes them neighbors in the true communal sense of the word.

Thank you for considering our views, and I would be pleased to answer any questions that you might have.