

Separate Views of Chairman Goldway

The Postal Accountability and Enhancement Act (PAEA) established a complex balance of responsibilities between the monopoly postal operator and the independent government regulator. This Advisory Opinion meets our obligations and recommends to the Postal Service how it should address its obligations.

Under the PAEA, the Commission and the Postal Service each must ensure an efficient and financially sound universal mail service. The Commission is required to ensure that the Postal Service's operations are transparent and accountable, but the Postal Service has flexibility with regard to modifying its operations. The law requires the Commission to publish the Postal Service's service performance results for Market Dominant products. In addition, the Commission consults with the Postal Service when it establishes service standards. The Commission determines that price increases meet legal price cap limits but the Postal Service has discretion in setting prices for products.

The Postal Service's monopoly power is balanced with regulatory oversight. The process must provide adequate due consideration for the needs of its customers. Both the Postal Service and the Commission are responsible for ensuring an expedited delivery system, one that protects rural America and one that is fair overall to the nation.

Some see the PAEA as focusing primarily on postal rates. However, the law recognizes service quality concerns. The law gives the Commission the responsibility to monitor the Postal Service's internal service measurement system, to consult with the Postal Service on service standards for Market Dominant products, to provide advisory opinions where there are significant changes in national service and to hear complaints.

The MPNR proposes a major change in service standards for First-Class Mail. Eighty percent of all First-Class Mail, for example, will be delayed by at least one day. Much of 2-day mail will become 3-day mail. Rural and remote communities that already receive slower delivery may be impacted even further when weekend and holiday delays are factored in. If the Postal Service eliminates Saturday delivery, actual days to delivery would increase even more.

I appreciate that the Commission has given careful consideration to preserving current service standards, something fully consistent with our obligations under law.

In this docket, certain other issues related to service standards were identified. First, reducing service quality may have price cap implications. Two expert witnesses (sponsored by NALC and the Commission's Public Representative) presented persuasive testimony that a relationship exists between price and quality, and that lowering quality is equivalent to raising the price. Second, the proposal has fairness implications. First-Class Mail contributes three times as much on a per-piece basis to the Postal Service's bottom line as does Standard Mail, yet in this proposal, First-Class Mail suffers service reductions while Standard Mail is largely unaffected. Finally, the disclosure of the results of the Postal Service's All Causes Survey suggests that multiple changes in service standards have a compounding impact that severely threatens mail volume.

The PAEA does not provide the Commission explicit guidance to link the price cap directly to service quality. We did not address the matter in this opinion. However, I do believe that we should continue to encourage the Postal Service to maintain service quality.

I am concerned that the complex issues addressed in this docket, including the several iterations of the Postal Service's proposal, took almost 10 months to resolve. The Commission is committed to adopting new rules that should facilitate advisory opinion procedures while protecting due process.

I strongly believe that the information the Commission has developed is so persuasive that once it is carefully studied by the Postal Service and the mailing community, the Postal Service will utilize it, implementing a rationalization plan that saves costs while preserving service.

Ruth Y. Goldway, Chairman