



School of Public Policy

Study on Universal Postal Service and the Postal Monopoly

Appendix G

Section 4

**Assessment of Public Needs and Expectations:
Nonpostal, Governmental, and Community Services**

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1 Introduction

This section briefly discusses several programs and activities of the USPS that were not considered as elements in the calculation of the cost of the USO and the valuation of the monopolies, because they fall outside the definitions laid out in Appendix B and C. Nonpostal services arguably support basic mail delivery. Government and community services represent some of the many *public* service contributions of the Postal Service and its employees, but are not specifically related to the provision of universal *postal* service. However, this appendix presents an assessment of public needs and expectations regarding universal service, and parts of the public might consider these programs as costs or benefits associated with the current levels of universal service obligations and monopolies.

2 Nonpostal Services

As the operator of a large logistics and retail network with 37,000 offices, the USPS has the ability to offer services in addition to the collection, processing, and delivery of mail.¹ A 2006 statement by the USPS defines these 13 nonpostal services as services that either support the basic mail delivery function or utilizes assets developed for providing mail services:²

<i>Supporting use of the mail:</i>	<i>Utilizing mail service assets</i>
<ol style="list-style-type: none"> 1. Photocopy Service 2. ReadyPost 3. Imagitas / MoverSource 4. Hybrid Mailing 	<ol style="list-style-type: none"> 1. Officially Licensed Retail Products (OLRP) 2. Dinero Seguro / Sure Money 3. FedEx Dropboxes 4. Meter Manufacturers Marketing Program 5. Affiliates 6. Phone Cards 7. Collaborative Logistics 8. Electronic Postmark (EPM) 9. Licensing Programs

¹ The extent to which the USPS is permitted to use this ability, within or without the scope of authority of the PRC, is not being discussed here. For arguments concerning this point, see the filings under PRC Docket No. RM2004 -1.

² Response of the United States Postal Service to Order No. 1449, Docekt No. RM2004-1, June 1, 2006.

A more recent statement identifies the following services, along with revenues generated:³

1. Passport Photos

As a comparatively high-priced convenience for applicants, USPS offers passport photo services. Revenue in FY07 for passport photos was \$64.8 million.

2. Photocopy

Coin-operated photocopiers are operated under local contracts with commercial firms. Revenue share in FY07 was \$1,766,894.

3. Notary Public

A very small number of post offices in states that allow postal employees to be notaries public provide this service. Since employees may not receive compensation for notarial services for any person during the hours of the employee's services to the government according to 39 C.F.R. §222.6(e), no revenues are generated.

4. Stored Value Cards

USPS began offering phone cards, gift cards, and prepaid cards in 1996, continuing until October 2006, and plans to offer them again in the future. Revenue estimates are not available.

5. Official Licensed Retail Products (OLRP)

Revenue in FY07 for OLRP sales was \$30.7 million.

3 Government Services

As an independent establishment of the executive branch of the United States government, the USPS may be mandated or expected to perform certain services that arguably go beyond postal services. According to the 2006 statement, the scope of these

³ Statement of Tina M. Lance on Behalf of United States Postal Service, Docket No.MC2008-1, March 19, 2008.

government services is rather limited. There are three “Inter-Agency Agreement Programs:”⁴

1. Sale of semipostal stamps to fund causes as mandated by Congress

In FY 2007, USPS sold one type of such fundraising stamps, the 55 cent Breast Cancer Research stamp. Since 1998, this program has raised \$57 million, which is disbursed to NIH and DOD. (Other temporary stamps have raised smaller amounts.) USPS is not reimbursed for selling these particular stamps; however, additional costs to the USPS should be negligible.

2. Processing of U.S. passport applications

In FY 2007, USPS processed 65% of all passport applications in the country. USPS receives fees for this service that amounts to revenues of \$359 million (\$295million application fees plus \$65 million for passport photos.)⁵ The application service and fee is governed by a Memorandum of Understanding with the U.S. State Department. It should be noted that FY 2007 saw a 64% increase in applications due to changed passport requirements. Thus, revenues are lower in a typical year.

3. Registration for the Selective Service System

In FY 2007, USPS processed 4.9% or 124,000 of all selective service registrations, which are obligatory for men from the ages of 18 to 25. It is unclear whether the USPS currently receives a reimbursement for these registrations, however, costs should be negligible. In FY 2000/2001, when USPS processed about 12% of all registrations, it received \$175,000 from the SSS.

4. Other Services

In 2008, the USPS has cooperated with the U.S. Department of Health and Human Services (HHS) under the Cities Readiness Initiative to test the ability of letter carriers to quickly deliver large quantities of antibiotics from the strategic national stockpile to residential addresses in case of an anthrax attack. The carriers who volunteer for the pilot

⁴ Ibid.

⁵ USPS. "2007 Comprehensive Statement on Postal Operations." Washington, DC: USPS, 2007. p.16.

program are not paid or given any other incentives.⁶ It is unclear whether USPS would be reimbursed if a large-scale deployment of this program ever took place, and whether USPS employees would continue as volunteers or be mandated to perform this duty.

This preparedness and response function is tied into USPS being a major part of the postal and shipping sector, which has been designated by the Department of Homeland Security (DHS) as one of now 18 critical infrastructures.⁷ Like the other owners and operators in those sectors, most of them private companies, USPS is part of a voluntary planning framework, the National Infrastructure Protection Program that coordinates risk management in public-private partnerships. The costs of these measures to all stakeholders are significant, and not directly reimbursable.

There may be other services of a governmental kind that the USPS provides to federal, state, local or tribal agencies, with or without reimbursement. If those are mandated, the Unfunded Mandates Reform Act of 1995 [P.L. 104-4, March 22, 1995] may apply. It defines a federal intergovernmental mandate as “any provision in legislation, statute, or regulation that would impose an enforceable duty upon State, local, or tribal governments, except a condition of Federal assistance; or a duty arising from participation in a voluntary Federal program.”

The threshold established in UMRA for requiring Congressional consideration of intergovernmental mandates is if the net cost of complying with the mandate is likely to exceed \$68 million annually (for 2008.). It appears that most mandates do not meet this threshold. For example, a May 2008 bill to make cigarettes and certain other tobacco products nonmailable (H.R. 5912) could impose an unfunded mandate to the USPS.

⁶ "H.H.S. Announces New Steps in Anthrax Preparedness." HHS Press Office, <http://www.hhs.gov/news/press/2008pres/10/20081001a.htm>

⁷ Critical infrastructures are those assets, systems, and networks, whether physical or virtual, so vital to the United States that their incapacitation or destruction would have a debilitating effect on security, national economic security, public health or safety, or any combination thereof. See Bush, G.W. Critical Infrastructure Identification, Prioritization and Protection (HSPD-7). Washington, DC: The White House, 2003.

However, the Congressional Budget Office (CBO) as the agency charged with making such estimates, found the following:⁸

“First, the bill would prohibit the mailing of tobacco products in the United States through the Postal Service. Information from industry experts indicates that most companies that ship tobacco products, including two tribal governments, rarely use the Postal Service to distribute their products. Therefore, CBO estimates that the cost of the mandate would be small. Second, the bill would expand the authority of the Postmaster General to issue subpoenas... CBO expects that the Postmaster General would use that authority sparingly and that the costs to private and public entities to comply with such subpoenas would be small.”

Notably, CBO further contends that based on information from USPS, its current efforts relating to illegal tobacco sales would enforce the bill’s provisions as part of those ongoing activities, and thus H.R. 5912 would not significantly affect Postal Service spending on such activities.

4 Community Services

With a workforce of 785,000 career and noncareer employees in 37,000 post offices, the USPS is an omnipresent nationwide institution. USPS employees are involved in a great number of activities that contribute to their communities and the society at large. Given the voluntary and often local and ad-hoc nature of these activities, it impossible to list, let alone calculate the value of, these services. However, some examples can be highlighted:

Since 1992, postal employees participating in an annual Postal Service/National Association of Letter Carriers “Stamp Out Hunger” Food Drive collect tens of million pounds of food to be distributed to needy families, making it the largest one-day effort of its kind.⁹

⁸ CBO. "Cost Estimate on H.R. 5912 - a Bill to Amend Title 39, United States Code, to Make Cigarettes and Certain Other Tobacco Products Nonmailable, and for Other Purposes. As Ordered Reported by the House Committee on Oversight and Government Reform on May 1, 2008." Washington, DC: CBO, 2008.

⁹ USPS. "United States Postal Service Annual Report 2005." Washington, DC: USPS, 2005. p.2.

Since 1985, USPS has cooperated with the National Center for Missing & Exploited Children in the “Have You Seen Me?” program through mailing campaigns that feature cards and circulars with photos of missing children, resulting in the recovery of 146 missing children since its inception.¹⁰

The provision of these volunteer services is tied to the presence of the USPS in communities around the country. As such, they are an indirect effect of a USPS operating under letter and mailbox monopolies and universal service obligations. A more complete and accurate determination of the cost and benefit of the governmental and community function of a universal service provider to the society at large is beyond the Congressional mandate for this study, but deserves further attention.

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¹⁰ USPS. “2007 Comprehensive Statement on Postal Operations.” Washington, DC: USPS, 2007. p.31.