



School of Public Policy

STUDY ON UNIVERSAL POSTAL SERVICE AND THE POSTAL MONOPOLY

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Appendix A

Preface

1 Background

The following appendices have been prepared by a team of subject-matter experts at the School of Public Policy at George Mason University (GMU) under a contract with the Postal Regulatory Commission (PRC).

Section 702 of the Postal Enhancement and Accountability Act (PAEA) required the Postal Regulatory Commission (PRC) to submit a report to the President and Congress by late 2008 on universal postal service and the postal monopoly in the United States. GMU responded to a Request for Proposals published by the PRC on November 29, 2007 (PRC-07-01) with a proposal submitted on December 21, 2007. The contract to perform the work was issued February 11, 2008. The final deliverables were submitted to the PRC in November 2008.

2 Approach

The study consists of analyses of legal rules and statutes, historical trajectories, international experiences, economic and econometric models, public needs and expectations, and policy options regarding the postal universal service, universal service obligations, and letter and mailbox monopolies. The appendices reflect this scope:

- A. Preface
- B. Universal Service Obligation: A Review of the History and Development of the Laws Relating to the Provision of Universal Postal Service
- C. Postal Monopoly Laws: The History and Development of the Monopoly on the Delivery of Mail and the Monopoly on Access to Mailboxes
- D. History of Universal Service and the Postal Monopoly
- E. Universal Service and Postal Monopoly in Other Countries
- F. The Economics of the Universal Service Obligation and the Postal Monopoly
- G. Public Needs and Expectations
- H. Evaluation of Policy Options

The lead authors of each appendix are identified on the respective title page. However, substantial comments and contributions to each have been made by all team members. The different parts are building on a shared understanding of core elements of postal

policy in the U.S., differences in opinion on some issues notwithstanding. Thus, we consider this a joint study rather than a collection of separate analyses.

3 Acknowledgments

Our work has benefitted greatly from guidance and support by Chairman Dan Blair and Commissioners Marc Acton, Ruth Goldway, Tony Hammond, and Nanci Langley of the Postal Regulatory Commission; generous technical assistance by the Commission's staff, and numerous comments from other experts from within and outside the postal studies community.

We would like to acknowledge especially the following individuals: Larry Fenster, Ann Fisher, Malin Moench, Richard Oliver, Michael Ravnitzky, Charles Robinson, Matthew Robinson, Steven Sharfman, John Waller, and Spyros Xenakis at the PRC; Greg Whiteman and Eric Koetting at the USPS; Emily Zimmerman at the GMU Center for Social Science Research; and last but not least our graduate research assistants Emilia Istrate, Rama Yanamandra, Elizabeth Bahr, and Townsend Bourne.

Without these contributions it would not have been possible to complete the study in less than ten months, which is extraordinarily short for an academic study of this scope. All errors remain ours, and we encourage further study to complement our findings.

4 Contributors

James I. Campbell

Mr. Campbell a senior consultant in private practice in Washington, D.C. He was a partner at Brown Rudnick, LLP in Washington, D.C. in 2007, and counsel at Sidley Austin, LLP., in Washington, D.C. in 2006. Between 1985 and 2005, his independent legal and consulting practice included clients such as the European Commission, European Express Organisation, Federal Express, the Government of Jordan, IBM Consulting, International Express Carriers Conference, TNT Worldwide Express, United Parcel Service, the U.S. Postal Rate Commission, and the (U.S.) President's Commission on the U.S. Postal Service. He was previously employed as an attorney at DHL, Cook Purcel Henderson & Zorack in Washington, D.C., and the United States Senate

Subcommittee on Administrative Practice and Procedure. Mr. Campbell is the author of numerous articles on law and policy relating to postal and express services. He holds a J.D. from Georgetown University Law Center and a B.A. from Princeton University.

Robert H. Cohen

Mr. Cohen has spent more than 35 years involved in quantitative analyses of the U.S. and foreign post offices. He served as the Director of the Office of Rates, Analysis and Planning at the Postal Rate Commission from 1978 to 2005, and was the General Manager of the Mail Classification Research Division at the U.S. Postal Service from 1974 to 1978. Prior to that, he was the Program Director for Postal Studies at the Institute for Defense Analysis from 1966 to 1974. While at the U.S. Postal Service, he directed two surveys of the USPS mailstream including the only study of the nonhousehold mailstream and the first survey of the household mailstream. While at the Postal Rate Commission, he was responsible for and directed two surveys of the nonprofit mailstream for reports to the Congress. He has also been a coauthor (with Commission staff) of several papers involving policy and quantitative analyses relevant to the cost of the USO. Mr. Cohen holds an M.A. in Philosophy and Logic from the City University of New York, and a B.A. in Philosophy and Mathematics from the University of Michigan.

Alex Kalevi Dieke

Mr. Dieke directs the postal research and consulting practice of WIK, a leading consultancy for regulatory economics in Europe, located in Germany. WIK (Wissenschaftliches Institut für Infrastruktur und Kommunikationsdienste) was founded in 1982, originally as a unit of the German postal administration (Deutsche Bundespost), and is now an independent research institute and consultancy. WIK provides contract research in regulated industries, primarily for public sector clients. Before joining WIK in March 2001, Alex studied economics at the University of Bonn, Germany, where he focused on Public Finance, Industrial and Regulatory Economics. He has been involved in more than 20 postal sector studies as a project manager and senior economist, including major studies for the European Commission, the World Bank, and national regulators in Australia (ACCC), Germany (Bundesnetzagentur), and Romania (ANRCTI), Switzerland (PostReg), and the UK (Postcomm).

A. Lee Fritschler

Dr. Fritschler is Professor of Public Policy at George Mason University. Prior to joining GMU, Dr. Fritschler served as the Chairman of the U.S. Postal Rate Commission from 1979-1981, and as Assistant Secretary for Postsecondary Education in the Department of Education from 1999-2001. Dr. Fritschler was Vice President of the Brookings Institution from 1981-1987 and from 2000-2001, and President of Dickinson College in Carlisle, Pennsylvania, from 1987 until June 1999. He was Dean and Professor at the College of Public and International Affairs at the American University, Washington, D.C. from July 1977 to July 1979. He holds a Ph.D. in Political Science from Syracuse University.

Richard R. John

Dr. John is a Professor in the Department of History, University of Illinois at Chicago. His interests include U.S. cultural and institutional history, American political development, and the history of business, technology, and communication. Dr. John is the author of numerous articles on the history of the postal service. His book, *Spreading the News: The American Postal System from Franklin to Morse* (Harvard University Press, 1995) won the Allan Nevins Prize of the Society of American Historians. Dr. John is the recipient of numerous awards and honors, including a grant from the National Endowment of the Humanities. Dr. John holds a Ph.D. in History of American Civilization, an M.A. in History, and B.A. in Social Studies from Harvard University.

Charles McBride

Dr. McBride is currently an independent postal consultant. He has worked in developing and implementing quantitative models of postal operations for more than 30 years. At the Postal Rate Commission from 1980-1990, he coordinated the development of volume, cost, and revenue forecasting models for several major rate cases, and he implemented new analytical procedures for modeling carrier street time, workers' compensation costs, and postal productivity. At the Postal Service from 1990-2001, he led a Service-wide effort to reform the then one-hundred-year-old mail classification schedule and served as main policy witness for the project during hearings at the Postal Rate Commission. More recently as a consultant, he developed a new Excel spreadsheet-based cost forecasting model for use by the PRC and the parties in major rate cases. Dr. McBride holds

Bachelors and Masters Degrees in Electrical Engineering and Operations Research, respectively, from the Massachusetts Institute of Technology and a Ph.D. in Mathematical Statistics from the George Washington University.

Antonia Niederprüm

Antonia Niederprüm is a Senior Economist in the department for Postal Services and Logistics at WIK, a leading consultancy for regulatory economics in Europe, located in Germany. She studied economics at the University of Essen, Germany. While she was working at the department of economics at University of Essen as a researcher and lecturer, she focused on topics in the field of industrial economics, competition theory, institutional economics and econometrics. Antonia has contributed to more than 20 research projects in the postal sector. She is a specialist in universal service policies for the postal sector, and has worked extensively on methodologies for determining the cost of universal service obligations.

John C. Panzar

Dr. Panzar is Professor of Economics at the University of Auckland (New Zealand), and Louis W. Menk Professor Emeritus at Northwestern University, where he taught from 1983 to 2008. He was the Head of the Economic Analysis Research Department at Bell Telephone Laboratories from 1980 to 1983, and a staff member there from 1974 to 1983. Dr. Panzar served as economic consultant to the United States Postal Service, the Federal Aviation Administration, the World Bank, the U.S. Federal Trade Commission, the U.S. Postal Rate Commission, the New Zealand Commerce Commission, Deutsche Telecom, Deutsche Post, Royal Mail, and the Senate of the Commonwealth of Puerto Rico. His published research includes two books and numerous articles on pricing and costing issues facing multi-product network industries such as telecommunications, electric power, railroads, and postal services. Dr. Panzar holds a Ph.D. and an A.M. in Economics from Stanford University, and a B.A. in Economics from Carleton College.

Christine Pommerening

Dr. Pommerening is a Research Assistant Professor at George Mason University's School of Public Policy. Her research includes organizational and institutional theory and the role of information and communications technology, and she teaches graduate courses in public administration and public policy. From 2004 to 2008, she was a Senior Research Associate at the Critical Infrastructure Protection Program at George Mason University School of Law, focusing on public and private sector approaches to infrastructure security, and institutional responses to low-probability/high-consequence events such as natural disasters and terrorist attacks. She was a Research Associate at the Technische Universität Kaiserslautern, Germany from 1997 to 1999, and at the Ruhr-Universität Bochum, Germany from 1996 to 1997. Dr. Pommerening holds a Ph.D. in Public Policy from George Mason University, and an M.A. in Sociology from Ruhr-Universität Bochum, Germany.

Frank A. Wolak

Dr. Wolak is a Professor in the Department of Economics at Stanford University. His fields of specialization are regulatory economics, environmental economics, industrial organization and econometric theory. His recent work studies methods for introducing competition into infrastructure industries—telecommunications, electricity, water delivery, and postal delivery services—and on assessing the impacts of these competition policies on consumer and producer welfare. He has served as Chairman of the Market Surveillance Committee of the California Electricity Industry Independent System Operators since 1998, and is a Research Associate at the National Bureau of Economic Research. Dr. Wolak holds a Ph.D. in Economics and S.M. in Applied Mathematics from Harvard University, an M.A. in Economics from the University of New Mexico, and a B.A. from Rice University.