

Testimony Before

The President's Commission on the Postal Service

By

The Mail and Parcel Industry

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Introduction

The mail and parcel industry (MPI) represents the interests of over 10,000 small businesses located in all 50 States and 435 Congressional districts. These stores are independently owned by individual franchisees of national franchisees companies or by individual entrepreneurs which are unaffiliated with a franchise company. The members of the industry include:

Mail Boxes Etc.	(San Diego, CA)
Parcel Plus	(Cypress, TX)
PAK MAIL	(Englewood, CO)
PostNet	(Henderson, NV)
Postal Annex+	(San Diego, CA)
Associated Mail and Parcel Centers	(Napa, CA)

The mail and parcel industry was founded by individual entrepreneurs in the late 1970's. These small businessmen established a business specifically related to providing mail delivery services to private postal customers. Even though the Postal Service had been contracting with private parties to serve as contract post offices for decades, this new business model created a private retail store designed to create a one stop opportunity for customers to accomplish all their postal needs.

The business model was also driven by a reality of the marketplace. The US Postal Service then as now could not adequately meet the demand for rental postal boxes at its facilities. These savvy entrepreneurs filled this need by creating the mail and parcel industry. The first stores provided only mail and package receiving. However, soon it became clear that the business model could be expanded to include a variety of support services for postal needs, and to provide convenient retail customer access to Postal Service shipping and private shippers including United Parcel Service and Federal Express, DHL Express, Airborne Express, and many others.

Structure of the Industry

By the middle of the 1980's the MPI included hundreds of stores and provided the following services in most locations:

1. Rental of Private Mailboxes
2. Service as a Commercial Mail Receiving Agent (CMRA) for Postal Customers

3. Sale of United States Postal Service Products (stamps, Express Mail, Priority Mail)
4. Sale of Packaging Services including Shipping
5. Photocopying including color and large quantities
6. Sale of Office Products
7. Sale of Packaging Products
8. Notary Services

The MPI has provided numerous opportunities for its shipping partners, both the Postal Service and private shippers. It is hard to imagine how these companies would have delivered their services to millions of customers without MPI stores.

By the 1990's, the MPI had grown to over 4,000 stores and now is estimated to encompass over 10,000 stores. While fueled by the franchise organizations, the industry is unique with few exceptions, the stores are independently owned by locally based entrepreneurs. For the most part, these stores are not only owned but also operated on a daily basis by these owners.

This local, onsite ownership insures a high level of service not obtainable in a large corporate or governmental organization. This high level of service has fostered the growth of the industry and insured that its ownership remains at the local level.

Working with the Postal Service Now and in the Future

The Postal Service does an excellent job of performing its primary mission: delivering monopoly first class mail from one point to another in the United States. It has been performing this task for nearly two hundred years. The industry strongly supports a viable Postal Service and urges the Commission to affirm the necessity of the USPS.

To continue to thrive and to return itself to financial viability, the Postal Service must adapt to the changing times of the modern age and look to partner with private entrepreneurs such as those in the mail and parcel industry. The Postal Service has not sufficiently sought ways to use the skills and location of the 10,000 stores in our industry to improve its service and save itself money.

This savings has not been lost on the Postal Service's private sector competitors. Each of the private shipping companies has worked closely with our industry to establish an incentive based working relationship to insure that its shipping product is prominently offered to our customers. The Postal Service has not offered such an incentive based program to the mail and parcel industry.

The Postal Service has never offered an incentive on an industry wide basis to sell its products. Every other private shipper competes constantly for the shipping business, which enters our stores every day. These shippers negotiate specific contracts to provide incentives for their shipping service to be used. The Postal Service does not do this. It offers only its standard rate and has attempted to offer its products in our stores by establishing a strong relationship with our storeowners.

It has been successful in this endeavor, but the Postal Service could be even more successful if it concentrated on efforts to make its products more attractive to our customers. We can help accomplish this by working with the Postal Service to institute a service model for our stores that incorporates the following:

1. Incentives to encourage purchase of their products
2. Reliable tracking of Postal Service products
3. Refunds or payment credits for failure to meet performance standards

Even more important could be the use of our stores as a bulk delivery mechanism. We now accept bulk mail delivery for over 2 million customers 6 days a week. By doing this, we save the Postal Service millions of dollars in sorting and delivery costs. We estimate that we receive, sort and deliver over 720 million pieces of mail a year for the Postal Service. (300 pieces of mail delivered daily x 8000 stores x 300 annual delivery days)

While the Postal Service must deliver this mail to our facility, the sorting and delivery of this mail piece by piece to the 75-100 different addresses which our CMRA stores represent as one address is a substantial costs savings in sorting and deliver times.

However, the MPI believes that it can increase savings to the Postal Service by increasing its sorting and delivery mechanisms for the Postal Service. We have done this for the private shippers, but the Postal Service has never viewed our stores as a potential part of its network. The private shippers have included our stores in their service networks.

Our stores offer an outstanding retail opportunity for our customers. We are located in most major neighborhoods and always are conveniently located. If the Postal Service were to incentivize its relationship with our stores, we could generate substantial savings for the Postal Service in delivering its products, particularly stamps, priority mail, and express mail through our stores.

Unfair and Inappropriate Competition with the Private Sector

This MPI first became active in postal policy in the face of a very aggressive campaign by the Postal Service to compete directly with our businesses. In the mid-1990's the Postal Service engaged in money losing ventures aimed at developing new products. These ventures were described in a 1998 General Accounting report entitled "US Postal Service—Development and Inventory of New Products."—GAO/GGD Report Number 99-15. This report found that the Postal Service lost \$84.7 million in Fiscal Years 1995, 1996, and 1997. A copy of this report is attached to our comments for the Commission's reference.

Among the products which the Postal Service tried and failed during this ill fated experiment were:

1. Phone Cards—Sale of prepaid telephone cards
2. Remitco—bill paying service
3. Retail Merchandise—tshirts, cups, mugs, drawing paper, computer mousepads
4. Check Cashing service—Fee charged to cash checks
5. Packaging Service—Charging for actual packaging of items to be shipped

All of these services lost millions of dollars and all have since been discontinued. All these services are adequately provided by the private sector. There is no need for the Postal Service to engage in these money-losing ventures, which provide no advantage to the Postal Service or its customers.

A current review of the USPS Website indicates that the Postal Service is offering very few of these nontraditional services. For the moment, the Postal Service seems to have learned two key lessons:

- A) New products cost money and management time to develop and implement.
- B) No new product or group of products in the nonpostal sector can make a dent in the multi-billion dollar world of postal product services.

The best way for the Postal Service to solve its financial problems is to concentrate on its core business and to get its costs down so it can improve its financial situation. Postmaster Potter appeared to recognize this as he emphasized that only products which provided many millions of dollars in net revenue could assist finances of the Postal Service. This statement was made in answer to a question regarding the need to develop products during PMG Potter's testimony before the Commission on January 8.

Recommendations to the Commission

The Coalition recommends two items for the Commission to consider:

- 1. Recommend that the Postal Service fully explore costs savings by partnering with private sector small businesses in this Coalition to increase sale, receipt and delivery of postal products.**
- 2. Recommend that the Postal Service concentrate on its core business and not be distracted from this core business by experimenting with services which the private sector already provides.**