



March 10, 2011

Submitted Electronically

The Honorable Ruth Goldway
Chairman
United States Postal Regulatory Commission
901 New York Avenue, NW
Washington, DC 20268

Re: Market Test of Experimental Product: Gift Cards (Docket No. MT2011-2)

Dear Chairman Goldway:

The Food Marketing Institute (FMI) appreciates the opportunity to comment on Order No. 647, which solicits public input on the Postal Service's proposal to conduct a market test for a new experimental product: gift cards. FMI believes that the United States Postal Service should not compete in commercial markets unrelated to its core postal functions.

FMI is the national trade association that conducts programs in public affairs, food safety, research, education and industry relations on behalf of its 1,500 member companies – food retailers and wholesalers – in the United States and around the world. FMI's members in the United States operate approximately 26,000 retail food stores and 14,000 pharmacies. Their combined annual sales volume of \$680 billion represents three-quarters of all retail food store sales in the United States. FMI's retail membership is composed of large multi-store chains, regional firms, and independent supermarkets. Our international membership includes 200 companies from more than 50 countries. FMI's associate members include the supplier partners of its retail and wholesale members.

In 2006 Congress passed the Postal Accountability and Enhancement Act (PAEA). As part of PAEA, Congress repealed the Postal Service's authority to offer new "nonpostal services" and mandated that the Postal Service could only continue to offer nonpostal services that it had offered as of January 1, 2006, if the Commission approved such services upon a showing that the nonpostal service meets a "public need" that the private sector cannot satisfy.

FMI members sell gift cards and they are an important part of their business. In FMI's most recent consumer survey, two-thirds of shoppers stated that their primary retail food store offers gift cards.¹

¹ Food Marketing Institute, 2010 U.S. Grocery Shopper Trends.

Competition in the retail food industry is fierce, and many retailers consider gift cards to be a key convenience item that they provide consumers. The private sector is clearly meeting the public need for gift cards. The Postal Service's filing acknowledges this fact.²

FMI believes that this government-sponsored competition is unnecessary and exceeds the Postal Service's authority pursuant to the PAEA. Indeed the Postal Regulatory Commission previously determined the sale of stored value cards is a nonpostal service prohibited by the Act.³ Market share acquired by the Postal Service will be at the expense of our members. Gift card sales and ancillary consumer purchases at food retailers will be reduced.

Forms of government competition like this not only hurt private enterprise, but local communities as well. FMI members pay billions in federal, state and local taxes each year and collect sales taxes as well. The Postal Service does not. Our members also contribute to their communities in a multitude of other ways, from raising money for local charities and schools to sponsoring local sports teams and providing food to those in need.

The Postal Service is seeking to offer a new nonpostal service in commercial markets unrelated to its core postal business. The Commission should order the Postal Service to cancel the market test. Gift cards are available in more outlets than ever. Competition is thriving in the private gift card marketplace, and allowing the Postal Service to sell gift cards would only serve to diminish it.

Sincerely,



Erik R. Lieberman
Regulatory Counsel

² "Gift cards are available at a wide variety of retail locations." Notice of the U.S. Postal Service of Market Test of Experimental Product – Gift Cards, January 5, 2011.

³ Order No. 154, Docket No. MC2008-1.