

5/12/2010

Postal Regulatory Commission
Submitted 5/25/2010 1:40:50 PM
Filing ID: 68195
Accepted 5/25/2010

REPORTER'S TRANSCRIPT OF
POSTAL REGULATORY COMMISSION
SACRAMENTO FIELD HEARING
DOCKET # N2010-1
USPS SIX-DAY TO FIVE-DAY DELIVERY PROPOSAL

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Wednesday, May 12, 2010

Sacramento City Hall

Council Chambers

915 I Street

Sacramento, California

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Ref No. 1-8053

REPORTED BY: PATRICIA R. CHAPIN, CSR No. 13493

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A P P E A R A N C E S

FOR THE UNITED STATES POSTAL REGULATORY COMMISSION:

TONY HAMMOND
Vice Chairman

MARK ACTON
Commissioner

BRIAN CORCORAN
Deputy General Counsel

PAMELA THOMPSON
Analyst, Office of Accountability and Compliance

ANN C. FISHER
Director, Public Affairs and Government Relations

PAUL HARRINGTON
Special Assistant to Commissioner Acton

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SACRAMENTO, CALIFORNIA

May 12, 2010

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BE IT REMEMBERED that set on Wednesday, the 12th day of May, 2010, commencing at the hour of 9:00 a.m. thereof, at the Sacramento City Council Chamber, 915 I Street, Sacramento California, before me, Patricia R. Chapin, CSR No. 13493, a Certified Shorthand Reporter of the State of California, the following proceedings were had.

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P R O C E E D I N G S

VICE CHAIRMAN HAMMOND: I see it's slightly after nine o'clock, so I guess we should go ahead and get started if we don't plan on staying too long today.

My name is Tony Hammond. Good morning, everyone. I'm Vice Chairman of the Postal Regulatory Commission, and I'm joined by my fellow commissioner, Mark Acton; as well as Brian Corcoran, the Deputy General Counsel for the Postal Regulatory Commission; and Pam Thompson who is from the PRC's Office of Accountability and Compliance. The other PRC personnel here, too, I want to recognize so you know. Ann Fisher is our Director of Public Affairs and Government Relations and who's most responsible for organizing this. And in the back is Paul Harrington who is the Special Assistant to Commissioner Acton.

1 It's a pleasure to be here in Sacramento for this
2 hearing into the Postal Service proposal to end Saturday
3 mail delivery nationwide. I would like to thank the City
4 Council and City Hall staff for their support in allowing
5 the Commission to use the council chambers for today's
6 hearing. And I also wanted to recognize Ms. Jones who's
7 the Director of Labor Services for the City of Sacramento,
8 and she helped spread the word about today's hearing, and
9 so we appreciate that very, very much too.

10 Some of you may not be familiar with us. The
11 Postal Regulatory Commission is the statutory regulator of
12 the U.S. Postal Service. We have the responsibility to
13 oversee the Postal Service with regard to rate setting,
14 universal service, and service-standard performance, as
15 well as the overall transparency and accountability of the
16 service. The day-to-day operational management of the
17 Postal Service is the responsibility of the Postmaster
18 General and his management team.

19 This hearing is part of a national public review
20 that was begun by the Commission on March 30th of this
21 year. We're examining the United States Postal Service's
22 proposal to eliminate Saturday mail delivery service
23 nationwide. The Postal Service is required to ask the
24 Commission for an advisory opinion on changes in
25 nationwide service that it proposes. This is one of the

1 most significant changes that the Postal Service has ever
2 presented to our Commission. The Postal Service has told
3 it's Commission that, due to falling mail volumes and
4 revenues, it is considering eliminating Saturday mail
5 collection and delivery service except for Express Mail
6 and Post Office box service.

7 The Commission procedures provide for public,
8 on-the-record hearings to analyze and cross-examine the
9 Postal Service's proposal and the supporting evidence.
10 During the process, mail users and interested members of
11 the public may offer supporting or opposing views both
12 informally and as part of a more technical presentation.
13 In view of the broad impact this proposal will have, the
14 Commission is holding seven field hearings in addition to
15 our proceedings in Washington D.C. so that we can hear
16 from customers, from employees, and organizations that
17 will be directly affected.

18 Our chairman, Ruth Goldway, who is a Californian,
19 Commissioner Dan Blair, and Commissioner Nanci Langley are
20 participating in these hearings across the country also.
21 Commissioner Acton and I were fortunate enough to work out
22 our schedules to get to come to Sacramento.

23 The elimination of one mail delivery day is
24 actually not a new concept. It's been proposed many times
25 and was the subject of extensive congressional review both

1 in 1977 and 1980. It was in 1983 that the Congress
2 adopted specific language that requires the Postal Service
3 to maintain six-day delivery. The Postal Service has
4 asked Congress to rescind this language and the
5 Commission's advisory opinion. And what we learn here
6 today will be considered by Congress as it reviews the
7 Postal Service's request to change the law. So we
8 sincerely appreciate the witnesses' willingness to be here
9 today and add to the Commission's record on this important
10 issue.

11 Before I discuss briefly the procedures, I would
12 like to recognize Commissioner Mark Acton for any comments
13 that he might add.

14 COMMISSIONER ACTON: Thank you, Vice Chairman.
15 And thank you, Sacramento, California, for your fine
16 hospitality. It's wonderful to be back in California.

17 Whether you are a witness today on the panel or
18 whether you are here to share your own observations, or if
19 you're simply curious about the process and the question
20 before us, this hearing is designed to help the Commission
21 gain a more informed and therefore better insight
22 regarding this important proposal for the United States
23 Postal Service to eliminate Saturday delivery.

24 The Postal Regulatory Commission will be
25 providing an advisory opinion to the Postal Service as

1 well as to Congress and the President regarding the wisdom
2 of this proposal. While our opinion is not binding -- and
3 this is an important distinction, our opinion is not
4 binding -- we offer an advisory view to the Postal Service
5 and the Congress. Our views shall advise decision makers
6 and the Service on how and if the proposal may comply with
7 Title 39 of the United States Code. The law instructs the
8 Commission to provide users of the mail as well as the
9 general public the opportunity to be heard for the record,
10 which is why we are here today and why we are embarking on
11 this national tour in half a dozen cities across the U.S.
12 Your participation will assist us in offering guidance on
13 a significant aspect of a very fundamental service that
14 has been provided to our nation since its very inception.

15 How important is this matter? It's important
16 enough that our nation's founding framers provided
17 Congress the power to establish and to provide postal
18 service in the very first article of the United States
19 Constitution.

20 The question before us today is: Can the Postal
21 Service maintain adequate service to the American people
22 if; first of all, the delivery of mail to street addresses
23 on Saturday were discontinued; and secondly, the
24 collection of mail from standard collection boxes and
25 other and pick-up services were discontinued on Saturday.

1 And I should note that the first condition is for Saturday
2 discontinuance, of course. And lastly, if, except for
3 Express Mail and a variety of bulk mailings, initial
4 handling of out-going mail were discontinued on Saturday.

5 The Postal Service has indicated that their dire
6 financial condition requires immediate action. On
7 request, my colleagues and I are committed to arriving at
8 a thoughtful and well-reasoned determination as quickly as
9 we can. We also need to take into account the time that's
10 required to solicit and to process your views and be sure
11 that we are offering a fully-informed opinion to Congress
12 and to the President. Swiftiness can be good, but we are
13 obliged, first and foremost, to get it right rather than
14 simply doing it quickly.

15 I want to thank everyone for their time today and
16 their testimony. We look forward to hearing from you.

17 Thank you, Mr. Vice Chairman.

18 VICE CHAIRMAN HAMMOND: Thank you.

19 Let me briefly describe the process. We intend
20 to hear from two panels of witnesses. I will introduce
21 each panel in turn. I'll swear them in and allow them to
22 provide oral statements for the record. Then there will
23 be an opportunity for the commissioners to question each
24 panel. These hearings are being transcribed, and the
25 witnesses' testimony and responses to any questions from

1 the Commission will become part of the evidentiary record
2 of this case. Other participants will have the
3 opportunity to review the transcripts of this hearing and
4 offer comments if they so choose during the rebuttal phase
5 of this case.

6 And I'll now introduce our first panel.
7 Sharif Sleiman, who is Director of Global Procurement for
8 eBay, Incorporated. Next to him is Grady Hesters, the CEO
9 of Audio Editions. And the third member of this panel is
10 Joe Ridout, Consumer Services Manager for Consumer Action.
11 Thank you all for being here. I would like to now swear
12 you in, if you would please rise.

13 (Whereupon, the witnesses were placed under
14 oath.)

15 VICE CHAIRMAN HAMMOND: Please be seated. And
16 let the record show that all witnesses answered in the
17 affirmative.

18 I'd like to ask Mr. Sleiman to lead off our first
19 panel. Your entire statement will be included in the
20 record, but if you want to summarize, that would be fine.
21 And if, for the opening statement, you could come to the
22 podium there to make your remarks, please.

23 MR. SLEIMAN: Members of the Commission, good
24 morning. Thank you for having me here today.

25 EBay really appreciates the invitation and the

1 opportunity to share with you. Thank you.

2 My name is Sharif Sleiman. I am Director of
3 Global Procurement at eBay with responsibilities for
4 worldwide procurement, shipping, and sustainability
5 operations.

6 eBay and the Postal Service have enjoyed a strong
7 formal partnership since August of 2003. The Postal
8 Service has approximately 80 percent of the eBay package
9 volume, and eBay is the Postal Service's single largest
10 customer. Shipping on eBay now accounts for approximately
11 one quarter of all packages shipped by the Postal Service.
12 eBay currently operates a label-printing platform for the
13 Postal Service. The number of Postal Service labels
14 generated online on eBay has grown every year of the
15 partnership. The associated revenue has also grown every
16 year of the partnership. eBay accounts for approximately
17 13 percent and 9 percent of media mail and Priority
18 Express Mail respectively. The total Postal Service
19 revenue generated by eBay shipments is approximately \$1.7
20 billion. As eBay grows, the Postal Service grows. It's
21 been a healthy relationship.

22 eBay spent upwards of \$7 million to market and
23 promote the Postal Service on eBay through numerous
24 marketing channels. We continue to collaborate with the
25 Postal Service across many fronts. We are currently

1 exploring the co-development of mobile shipping solutions,
2 fighting fraud together, investigating sustainable
3 shipping services, and negotiating an extension to our
4 agreement. Our CEO, John Donahoe, is scheduled to be a
5 guest of Postmater General Potter at the International
6 Postal Corporation conference later this month.

7 The eBay and Postal Service partnership has
8 strong synergies. Each has a unique reach on their
9 customer base. A strong differentiator for eBay has been
10 the Postal Service's affordable shipping and six-day
11 delivery schedule. If the Postal Service chooses to move
12 to five-day delivery and raise rates, we lose a big part
13 of the differentiated experience.

14 We recognize and empathize with the financial
15 state the Postal Service is in now. However, eBay feels
16 that the Postal Service should thoroughly exhaust all
17 other means before pursuing five-day delivery and an
18 exigent price increase. Reducing health care payments,
19 closing or moving post office locations, renegotiating
20 labor contracts, and introducing new products should all
21 be aggressively pursued by the Postal Service to ensure
22 their costs are covered.

23 A move to five-day delivery and an exigent price
24 increase negatively affects a growth business --
25 packages -- for the Postal Service. Mail volume is

1 declining and will continue to decline with the spread of
2 electronic media. Pursuing programs to save mail only
3 delays the inevitable. The Postal Service should focus on
4 growing their package business even further. Moving to
5 five-day delivery hurts the package business segment
6 because the service is now on par with Federal Express and
7 the United Parcel Service. An exigent price increase also
8 negatively affects the package business. The last
9 significant price increase by the Postal Service was in
10 the spring of 2007. Within two weeks of the price change,
11 eBay experienced an 18 percent drop in daily bids for
12 items shipped by the Postal Service.

13 Over seven million eBay sellers currently depend
14 on the Postal Service for six-day delivery. The Postal
15 Service's unique network connects small- and medium-sized
16 sellers and sellers located in rural areas with buyers
17 across the nation. One less day of delivery for these
18 already disadvantaged sellers only makes it more difficult
19 for them to compete and be successful. Offering an
20 affordable Saturday delivery has significant value.
21 Without Saturday delivery from the Postal Service, sellers
22 will be forced to pay a significant premium through UPS or
23 FedEx. Our buyers will suffer as these costs will be
24 passed on to them. Higher costs means less volume traded
25 on eBay and, in turn, less volume for the Postal Service.

1 The January report released by the Postal
2 Inspector General indicated the Postal Service was
3 overcharged by \$75 billion for postal pension costs. The
4 Postal Service should take the necessary steps with
5 Congress to immediately correct any errors and prevent the
6 option of five-day delivery.

7 If forced to choose between an exigent rate
8 increase or five-day delivery, eBay would choose five-day
9 delivery. An exigent price increase will have a greater
10 and more measurable impact to eBay's business. However,
11 eBay's position is both five-day delivery and an exigent
12 price increase will negatively affect eBay and the Postal
13 Service's growing package business. We encourage the
14 Postal Service to first exhaust all other options.

15 Thank you for hearing our views. I'm happy to
16 answer any questions the Commission may have.

17 VICE CHAIRMAN HAMMOND: Thank you, Mr. Sleiman.

18 We will hear the other opening comments first,
19 and then we will go into questioning after that. Thank
20 you.

21 MR. SLEIMAN: Thank you.

22 VICE CHAIRMAN HAMMOND: And next is
23 Grady Hesters.

24 MR. HESTERS: Good morning. I would also like to
25 take the opportunity to welcome you to Sacramento and

1 thank you for coming here. It makes it much easier for us
2 to participate.

3 I can only be mind-blown by the difference
4 between the organizations represented by the previous
5 speaker and the one represented by me. This is the range
6 of companies that we need to consider. I'm the Chief
7 Executive Officer of a company that's called Audio
8 Partners Incorporated. We publish print catalogs that are
9 mailed 15 times a year. We use standard mail flats. We
10 use tabs, we use standard mail letter rate. And of
11 course, we do all the other shipping and mailing that any
12 company needs to do. We're located in Auburn California.
13 We have 26 people working for us. You didn't name numbers
14 of people, but I'm sure that would be an interesting
15 comparison.

16 And our position is that -- the point of very
17 common agreement we have is that the rate increase in 2007
18 was, I would call, a body-blow to our company. We are
19 still trying to recover from it. As a result of that
20 experience -- I'll get to the bottom line on this -- we
21 don't want to eliminate the six-day service. It is a
22 helpful factor to us. But if changing from six- to
23 five-day delivery frequency will delay implementation of
24 rate increases and facilitate in cost saving to our
25 nation, that's equally critical, especially for standard

1 mail flats. We would support the proposed change.

2 We do not do this lightly. We use the Postal
3 Service in every aspect of our operation. The proposed
4 reduction of a delivery day each week will impact the
5 timeliness of our catalog requests, order fulfillment, as
6 well as the efficiencies of our order workflow. However,
7 further increases in postage costs, especially anything on
8 the order of what we experienced in 2007, will threaten
9 the viability of our catalog and our business.

10 I want to devote -- I have material which I will
11 be submitting to you in writing. I apologize for the fact
12 it's not here today. I was only encouraged to be here for
13 this on late Friday, and I haven't had time to pull that
14 together. But we will deliver it immediately after.

15 We have been in business for 25 years, and I
16 think we make a pretty good example of the small- to
17 medium-size catalog. We have won national awards for
18 various things. But it's probably correct to call us
19 still a mom-and-pop company. My wife and I have run this
20 for all of the last 25 years. And we have a large market
21 of what I would almost consider mom-and-pop customers.
22 And I think while eBay and other companies who have
23 exploited and made wonderful use of the internet are great
24 examples of internet possibilities, the fact of the matter
25 is that our customer group has only approximately

1 50 percent of the consumer customers who either have or
2 are interested in making use of a computer. They prefer a
3 print catalog, and they prefer personal service over the
4 phone or in writing at times to transact business with us.

5 I just -- a personal example of why that matters
6 to people and why providing rates that allow companies
7 like ours to continue to provide the service we provide
8 was illustrated to me just the other day when I was
9 walking through our call center and I overheard one of our
10 customer service representatives helping a woman find a
11 package that we had sent to them in her house. And I
12 turned to the supervisor, and I said what's happening
13 here? And the supervisor said, oh, that's Mrs. Kay.
14 She's been doing business with us for many years, and
15 she's having a few problems now, and we have to help her
16 quite a bit. So that is the kind of service, the level of
17 service that we can provide and other companies of our
18 size.

19 The other critical points that I want to make is
20 that the catalog is just the beginning of our mail spend.
21 We spend 20 percent of our net operating income on
22 postage. For every one dollar that we spend on flats,
23 this size, we spent \$5.12 on other mail classes. So one
24 of the things that is really critical in controlling costs
25 and making it possible for companies of this ilk to

1 survive is that we really can generate mail, but it
2 requires us to have a rate structure that allows us to
3 prospect in print because we will not reach that 50
4 percent of people who do not use computers with computer
5 marketing or computer promotion. We have to be able to
6 promote in this form to get the customers to begin with,
7 and then build on that service.

8 I just want to skip through to the most critical
9 points here. And by the way, we're doing a current survey
10 of new customers. And although the sample size is too
11 small to project on at this point, it's interesting to me
12 that as of yesterday, looking at all the new customer
13 surveys we have, half of them said they didn't have a
14 computer. So this is not just something that's
15 historically true; it's true at this moment. And in spite
16 of credit cards and all the other conveniences that people
17 have, we still get 20 percent of the revenues -- I'm
18 sorry. We get 60 percent of the revenues we receive by
19 check sent by mail. So the world has not completely
20 converted to downloading from the internet. And I think
21 it's going to be a long, long time before that's true.

22 I think the rest of what I have to say will be
23 summarized probably more effectively in writing. I just
24 hope that there is a way to preserve all the services. I
25 couldn't echo the recommendations of the previous speaker

1 more than, you know, that all the things that can being
2 done to save money should be done. But again, we would
3 opt for five-day delivery if it's a choice between that
4 and major cost price increases.

5 VICE CHAIRMAN HAMMOND: Thank you, Mr. Hesters.

6 And now from Consumer Action, Mr. Ridout. I know
7 that when we were the old Postal Rate Commission, I
8 believe Consumer Action intervened occasionally before us,
9 and it's good to finally see somebody in person.

10 MR. RIDOUT: Well, it's great to be here. Thank
11 you very much, Vice Chairman, and other members of the
12 Commission.

13 Consumer Action is a nationwide non-profit
14 organization that has worked to advance consumer rights
15 for almost four decades. We serve low- and
16 moderate-income consumers through our free multilingual
17 publications, free advice and referral hotline, and our
18 educational network of more than 8,000 community-based
19 organizations. Consumer Action appreciates the
20 opportunity to comment on the proposal to eliminate
21 Saturday mail collection and delivery because we have
22 serious concerns about how consumers in general, and
23 low-income consumers particularly, may suffer should the
24 mail service be reduced to five days.

25 The mail is commonly used not only as a safe,

1 secure way to pay bills and communicate with companies,
2 but also to provide safety notices, recall advisories and
3 product warranties, conduct the Census, submit voter
4 registrations and distribute absentee ballots, deliver
5 communications from medical providers, and to send
6 prescription drugs. Many programs designed to assist
7 low-income consumers actually require use of the Postal
8 Service in order to connect with their beneficiaries. For
9 instance, during the 2009 DTV transition, low-income
10 Americans who applied for federal coupons to subsidize
11 their digital converter box could only receive them via
12 regular mail. Likewise, in states like California,
13 low-income consumers who wish to qualify for subsidized
14 telephone service centers under the state's Lifeline
15 program must use the Postal Service in order to qualify
16 for the benefit.

17 Among our concerns is that consumers would be
18 harmed by an increase in penalty late fees if the service
19 reduction were approved. Statements from phone companies,
20 utilities, and credit card banks for many consumers could
21 arrive later than anticipated, resulting in financial harm
22 to those accustomed to the old six-day system. Not only
23 that, but payments mailed by consumers that would have
24 been received on Saturday wouldn't arrive until the
25 following Monday. Online bill payment, while very

1 convenient for many people, is no panacea for this
2 problem. We should stress that many payments
3 characterized as online bill payments merely are initiated
4 online by the consumer, and then subsequently require the
5 bank to issue a paper check sent through regular mail.
6 For this reason, greater use of electronic bill payment
7 will not eliminate the harm to consumers through late
8 payments and penalties.

9 Although it has been suggested sometimes that an
10 increasingly wired and online world makes the Postal
11 Service an anachronism, we believe that this online versus
12 snail mail distinction is a false dichotomy. It is worth
13 noting that in many cases, online commerce directly
14 depends upon a strong universal Postal Service. Netflix,
15 eBay, and other entrepreneurial success stories of the
16 internet age would not have experienced the growth and
17 success they enjoyed without a robust USPS and six-day
18 service.

19 The United States Postal Service is the oldest of
20 America's public services, and has long been one of the
21 institutions that actually binds together this nation.
22 The first incarnation of the Postal Service was
23 established by Benjamin Franklin, under order from the
24 Second Continental Congress, and later enumerated in
25 Article I of the U.S. Constitution. In addition to its

1 role as a vital civic institution, the Postal Service also
2 provides some of the infrastructure that citizens use to
3 participate in our democracy. In addition to the use of
4 absentee ballots, most counties in Washington state and
5 the entire state of Oregon require citizens to vote by
6 mail. Reducing the service could reduce the level of
7 participatory democracy, not only by weakening a
8 time-honored community institution, but also by making it
9 more difficult for some to participate in the process
10 itself.

11 Consumer Action believes that the Postal Service
12 is an indispensable public service, particularly for the
13 low- and moderate-income consumers we serve. These
14 consumers cannot afford to use the more expensive options
15 provided by UPS and Federal Express.

16 Although many public services are under attack
17 from corners calling for budget cuts or privatization, we
18 believe that universal postal service is superior to what
19 private companies could or would ever offer, and as such,
20 is worthy of a direct appropriation from Congress.

21 The country can't maintain a robust postal
22 service by continually cutting back on branches, drop
23 boxes, or days of service. Such steps merely reduce its
24 utility, not just for consumers, but for businesses as
25 well. The USPS needs financial support from the federal

1 government, not further cutbacks in the vital services it
2 provides.

3 Thank you for the opportunity to present our
4 views.

5 VICE CHAIRMAN HAMMOND: Thank you very much, Mr.
6 Ridout.

7 Now, we would like to open up the discussion for
8 questions and some follow-up comments. And I will begin.

9 I wanted to ask Mr. Hesters -- you mentioned -- I
10 think you said that right now for your payment, 60 percent
11 of -- you receive 60 percent of your revenue by check in
12 return mail. Is that what you said?

13 MR. HESTERS: I should clarify. A portion of
14 that is received with the order, so it is not by return
15 mail. And just to clarify, a group of our customers are
16 public libraries, and that's the main way of paying, so
17 that yes, it is true, but it's not a consumer issue.

18 VICE CHAIRMAN HAMMOND: Uh-huh.

19 MR. HESTERS: It's about 25 percent of consumers
20 that pay by check.

21 VICE CHAIRMAN HAMMOND: Uh-huh. So if you -- if
22 there were no six-day delivery, if it were down to
23 five-day delivery, would you have to spend a lot of time
24 and effort and money possibly trying to get people to
25 shift from paying by check, by mail, into alternative

1 forms? Or what do you think that you might do if it went
2 six to five? Would you just say, well, we'll process it
3 when they come in? Or what would you need to do?

4 MR. HESTERS: We are small enough that that kind
5 of a change would probably not cause any immediate
6 effects. We would be able to absorb it in the workload
7 with the staff we have.

8 VICE CHAIRMAN HAMMOND: Uh-huh.

9 MR. HESTERS: It would make Monday a more
10 difficult day.

11 VICE CHAIRMAN HAMMOND: Uh-huh. You would not
12 work real hard to try to get people to alternative payment
13 forms for the immediate time being?

14 MR. HESTERS: No, we would not. No. Especially
15 credit cards where we have to pay a percentage to the
16 process.

17 VICE CHAIRMAN HAMMOND: Uh-huh. So the mailer
18 still is very important in your life?

19 MR. HESTERS: Mail is our lifeline. At the
20 moment we have an internet website, of course. And we
21 take orders that way, and we try to serve people that way.
22 But 50 to 80 percent of the activity on our website -- and
23 you'll find this is true for a lot of catalogers -- we can
24 match back to a print catalog.

25 VICE CHAIRMAN HAMMOND: I see. Okay.

1 I wanted to ask Mr. Sleiman, and I really do
2 appreciate your testimony. It was very well thought out.
3 You talked about the Postal Service really needs to
4 concentrate on growing the package business. Could you
5 expand on what you think about that or things that they
6 might do? What do they need to be doing? If you could
7 discuss that some.

8 MR. SLEIMAN: I recently attended the National
9 Postal Forum, and in the opening statements the Postmaster
10 General talked about the different programs that were
11 going to be rolled out in 2010. And five of the six
12 programs were focused on the mail. So there were specific
13 promotions around summer sales, around different discount
14 levels, and other types of incentives and special boxes
15 that were particular to mail and not focused on packages.
16 So we feel that those types of programs that are now being
17 focused on mail, we should have similar types of programs
18 for the package business as well. Whether it's discounts
19 or creating special programs or working with your existing
20 package customers to explore new areas of opportunity to
21 provide business.

22 We find it challenging for the Postal Service in
23 the past. They have wanted to work with us and utilize
24 the business, but due to the constraints placed on it by
25 Congress, they're unable to explore those opportunities

1 further.

2 VICE CHAIRMAN HAMMOND: Uh-huh. Like you say,
3 the Postal Service has concentrated, since the reform
4 legislation, on trying to be innovative in certain areas.
5 But you think they need to work a little more on growing
6 the package business as much as they have on some of the
7 other things that they've tried to do?

8 MR. SLEIMAN: That's correct, sir.

9 VICE CHAIRMAN HAMMOND: Okay.

10 I'll let Commissioner Acton -- do you have any
11 questions?

12 COMMISSIONER ACTON: Thank you, Mr. Vice
13 Chairman.

14 I would just like to start by reminding everyone
15 that the Postal Service is not proposing the elimination
16 of mail delivery; we're proposing reducing some services
17 as far as Saturday delivery. When I'm addressing this
18 issue, I like to try to keep the focus on what the
19 consequence is of losing that issue today, not really for
20 losing mail delivery all together, which I know all of you
21 understand, but I think it's important to be mindful of
22 that when we talk about the effects and consequences of
23 this proposal.

24 I had a question for Mr. Hesters. I think you
25 implied in your testimony that given the choice between a

1 couple of options of raising rates or the proposal to
2 eliminate Saturday service, you would choose the latter
3 rather than the former. Is that the case?

4 MR. HESTERS: I guess I would.

5 COMMISSIONER ACTON: You would rather -- I mean,
6 it's a bad choice to have to make. I appreciate that.
7 But you would rather lose your Saturday service than have
8 higher rates?

9 MR. HESTERS: That's correct. I mean, especially
10 substantial rate increases of the kind we've seen
11 recently. We understand that rates will change over time,
12 but we're not -- we just need to smooth it out and see if
13 we can make it move with the economy.

14 COMMISSIONER ACTON: How would you characterize
15 substantial? What range would be --

16 MR. HESTERS: Our flat mail costs increased
17 40 percent in the last postal rate increase. The rule
18 changes on letter -- standard mail letter rate forced us
19 to, in order to get a rate that would be usable, forced us
20 to put tabs on our catalogs, which in AB testing, we
21 learned and knew finally cost us ten percent of our
22 response on prospect mailing. And our customers -- they
23 were a little more tolerant of it. But prospect mailing,
24 which is the starting point for all this mail activity in
25 our business, was reduced -- the effectiveness of it was

1 reduced. We also had to use heavier paper, which was an
2 additional cost. And there was some additional NCOA
3 processing for address correction required, which was
4 probably a good idea.

5 COMMISSIONER ACTON: So to ameliorate the effect
6 of the last rate increase, you changed your mail format
7 to something that generated a poorer response than
8 previous formats?

9 MR. HESTERS: That's correct. Well, yes. We had
10 to put tabs on it, yes.

11 COMMISSIONER ACTON: Slim Jims?

12 MR. HESTERS: It was a digest size.

13 COMMISSIONER ACTON: You mentioned that
14 20 percent of your expenses are for postage.

15 MR. HESTERS: Yes. Well, postage -- package,
16 parcel shipping. We ship all of different classes.

17 COMMISSIONER ACTON: When you are preparing your
18 business plan for the coming fiscal year, do you do
19 projections on what you anticipate those costs to be and
20 how much they may rise?

21 MR. HESTERS: We do anticipate them. I think it
22 would be -- well, trying to project anything in the last
23 two years has been an interesting exercise. We're almost
24 discouraged on that, not because of the Post Office in
25 this case. But we do try to project it, and we have to

1 because it's -- we're razor thin on margin.

2 COMMISSIONER ACTON: Well, projections are a
3 tricky endeavor, and the Postal Service will be the first
4 to admit that. But I'm wondering if when you assign these
5 numbers, you do have a forecast. Or I'm trying to get
6 some information, if you're able to share it, on whether
7 or not you are in the range of 5 percent or 10 percent or
8 20 percent or if you have any particular number in mind
9 that you're able to reveal.

10 MR. HESTERS: I would say in terms of
11 anticipating, we look more at two to three percent.

12 COMMISSIONER ACTON: Okay.

13 MR. HESTERS: But that's, I mean, we watch all
14 the shipping companies including the Post Office to see
15 where they're going.

16 COMMISSIONER ACTON: That's fair. Is your
17 enterprise a member of any organization that represents
18 your interest in Washington, any association?

19 MR. HESTERS: Yeah. The Association of Catalog
20 Mailers.

21 COMMISSIONER ACTON: Hamilton Davis?

22 MR. HESTERS: Hamilton Davis.

23 COMMISSIONER ACTON: Thank you.

24 I have a couple of questions for Mr. Sleiman.

25 MR. SLEIMAN: Sleiman.

1 COMMISSIONER ACTON: Sleiman. First of all, it's
2 great to have you here. eBay is a wonderful, progressive
3 company. And the cooperative endeavors and other
4 initiatives are really remarkable examples of the sort of
5 private and public sector enterprise that the service is
6 looking to accommodate. I think it's been a success for
7 both organizations. Is that a fair characterization?

8 MR. SLEIMAN: That is. It's mutually beneficial.

9 COMMISSIONER ACTON: You obviously are not in
10 favor of Saturday delivery being eliminated. We've had
11 some informal testimony from other like-minded
12 organizations, say Amazon and others regarded as more of
13 the future of this type of thing rather than the past.
14 They aren't looking for Saturday delivery to be
15 eliminated. In fact, my impression is they are striving
16 for a more seamless delivery experience, which would mean
17 that they would like to have Sunday delivery added. Is
18 that something that your organization has thought about?

19 MR. SLEIMAN: We haven't given it deep thought.
20 No, sir. What we are thinking, though, is to have a more
21 streamlined experience and taking more of an active role
22 in the shipping on behalf of our customers. So today our
23 sellers have the relationships with the individual
24 shippers on eBay, and we are exploring seriously in
25 mediating that, really the same way Amazon does today,

1 that eBay would take on a similar role, shipping
2 experience, offer more options to our sellers, to our
3 buyers so they would have a more successful experience on
4 the site.

5 COMMISSIONER ACTON: Have you thought about what
6 you'll do if the Saturday delivery from the Postal Service
7 is unavailable?

8 MR. SLEIMAN: We have. And we're already
9 exploring those options. We're talking today with FedEx
10 and UPS in detail around what a relationship would look
11 like with them to accommodate Saturday delivery.

12 COMMISSIONER ACTON: Would you include the Postal
13 Service among that, their Express Mail option?

14 MR. SLEIMAN: Up to know we are in the midst of
15 negotiations with the Postal Service to extend our
16 agreement and it is something that we're talking about.

17 COMMISSIONER ACTON: When you talk about the
18 level of premium that you may pay for alternate Saturday
19 delivery, do you have a cost in mind? A range?

20 MR. SLEIMAN: We don't have a range at this
21 point, but we feel that if we intervene in the experience,
22 we can actually smooth out the increase. Today our
23 individual sellers are treated not as eBay companies but
24 as individual sellers, and we feel that eBay could
25 alleviate that experience and could smooth out any cost

1 increase they would see.

2 COMMISSIONER ACTON: Okay. I think you outlined
3 in your remarks that you, too, have sort of weighed the
4 relative costs, would you say, of losing Saturday delivery
5 versus higher postal rates. And I believe you indicated
6 that you echo Mr. Hesters' view that one may be better
7 than the other?

8 MR. SLEIMAN: That's correct, sir.

9 COMMISSIONER ACTON: And that would be?

10 MR. SLEIMAN: We would lose Saturday delivery
11 first versus an exigent price increase.

12 COMMISSIONER ACTON: When you make that
13 assessment, what are the key elements?

14 MR. SLEIMAN: It's a more measurable loss.

15 COMMISSIONER ACTON: I see. More quantitative?

16 MR. SLEIMAN: More quantitative. We actually see
17 the impact on the business. The other is more
18 qualitative.

19 COMMISSIONER ACTON: Does your operation run
20 models that compare those two consequences?

21 MR. SLEIMAN: We do run models. And again, it's
22 more measurable, more accurate in terms of just the risk
23 associated with those models. We feel that we would
24 actually lose more with an exigent price increase.

25 COMMISSIONER ACTON: That's -- well, the

1 Commission appreciates the difficulty with that
2 assessment. We're wrestling with that ourselves.

3 I have a question, too, for Mr. Ridout, please.
4 This goes to -- you mentioned that one option would be for
5 the federal government to step forth with some subsidies
6 or other source of appropriated funding to assist in
7 closing the budget differential if Saturday delivery is
8 not eliminated; is that right?

9 MR. RIDOUT: That is correct.

10 COMMISSIONER ACTON: Could you elaborate on that
11 a bit and talk about what you had in mind?

12 MR. RIDOUT: We, as a nonprofit organization, are
13 not in a position to determine how the budget would be
14 parsed out, but it's a way that the service has been run
15 in the past. And it's certainly -- I think as the federal
16 government anticipates more and more in financial
17 institutions through it's TARP program --

18 COMMISSIONER ACTON: Yes.

19 MR. RIDOUT: Propping up mortgages, the value of
20 the Postal Service not only in providing mail in helping
21 bills be paid and delivering services, but also as a core
22 community institution should be considered, and as such,
23 is as worthy as anything of a federal appropriation.

24 COMMISSIONER ACTON: You seem to perceive it as a
25 fundamental public service that most of America would be

1 willing to contribute toward continuing.

2 MR. RIDOUT: I don't think that option should be
3 left off the table. It seems that that's not being
4 seriously considered, and we would put in a good word for
5 considering it. I think that the USPS has great value,
6 not only for delivering mail, but also representing the
7 United States as a community-building institution.

8 COMMISSIONER ACTON: All right.

9 Thank you all for your answers. I just want to
10 mention here, there's been some discussions about this
11 reallocation, re-amortization, and refinancing of these
12 outstanding Postal Service costs with respect to health
13 care benefits and pension funding. And I hesitate to
14 characterize the popular view of the panel, but I believe
15 the Commission is reasonably on record with our feelings
16 that we concur with all of you that Congress should be
17 looking first toward reassessing what we think is a very
18 unique and what many believe as being overly ambitious
19 payment schedule, one that is really driving a lot of some
20 other unpleasant options like the elimination of Saturday
21 delivery and the possibility of an exigent rate increase.
22 So just for the sake of the record, it's important to know
23 that the Commission has a view on that and that we share
24 it.

25 So thank you all for your participation.

1 Mr. Vice Chairman, back to you.

2 VICE CHAIRMAN HAMMOND: Thank you.

3 And yes, in regards to the possibility to spread
4 out the prepayment of retirees who carry benefits, the
5 Commission did have the Chairman during her testimony to
6 Congress, advise them that the Commission, I believe,
7 unanimously did endorse. And we don't usually take
8 positions on everything that comes up, but that is one of
9 the items that we did. As the Chairman discussed during
10 her congressional testimony and with regard to potential
11 over-payment into retirement funds, we are currently
12 undergoing study as requested. Yes, we have retained an
13 actuary to do that, and they are in the process of that as
14 we speak, and hope to be able to have that within a
15 relatively short time, as I recall. We did put a deadline
16 on it, and so we should have further information on that
17 in the very near future which can be used for
18 consideration.

19 I wanted to ask Mr. Ridout -- in looking at your
20 comments and testimony where you specifically talked about
21 penalties for late fees, like, for a lot of things whether
22 they might be utilities, credit cards, banks, things like,
23 if Saturday delivery were done away with for in both
24 receiving and sending back or whatever. I understand what
25 you're talking about, but as a typical customer, consumer

1 veteran and still paying by mail -- I'm not asking this in
2 a mean way -- don't I have an obligation to make sure and
3 isn't it my responsibility that if there is if there is
4 not going to be Saturday delivery, then I have to be
5 responsibility for making sure that -- because I'm
6 forgetful, which is what my late payments usually involve,
7 forgetting to get them paid. But could you expand on
8 that? If people simply have no alternative to wait until
9 the very last day?

10 MR. RIDOUT: I think, sir, we're not here to
11 encourage financial irresponsibility or procrastination.
12 Sure. We're just pointing out that if the USPS were to
13 move from six- to five-day service, there would be some
14 consumers who would, still accustomed to the six-day
15 service, make a mistake and would wind up paying a
16 financial penalty. Most consumers would adjust, and most
17 would responsibly pay their bills on time a day or two
18 early. But there would be some who would, due to their
19 habits of using six-day service, inevitably fall through
20 the cracks and wind up paying bills late. The average
21 late fee among the largest banks right now is \$39 for
22 credit card late payment. There are plenty of people who
23 would, although we would not encourage them to do so,
24 through force of habit, would wind up paying late. And
25 our concern is not to encourage irresponsibility but

1 rather to bring our concerns for low income consumers to
2 this discussion.

3 VICE CHAIRMAN HAMMOND: Uh-huh. Thank you for
4 that explanation.

5 Did you have another follow-up?

6 COMMISSIONER ACTON: I just want to follow up on
7 that. You had a number there on average costs, I think,
8 of late fees. Do you have any information about an
9 estimate on the current percentage of customers who are
10 impacted by the paying of those late fees and what that
11 number might change to if Saturday delivery was
12 eliminated?

13 MR. RIDOUT: I don't have an aggregate number.
14 It would be different credit card company by credit card
15 company. But there have been estimates that -- from RK
16 Hammer that, I believe, put the aggregate number of
17 penalty fees between \$10 and \$20 billion for credit card
18 banks in a recent year. So certainly, the amount to be
19 attributed to those paying late due to a reduction in
20 Saturday service would be relatively small, but it would
21 not be absent; there would be some.

22 COMMISSIONER ACTON: Thank you.

23 VICE CHAIRMAN HAMMOND: In order to stay on
24 schedule, I'll try to wrap up here a little bit. But I
25 appreciate all of you also discussing potential

1 alternatives that you might see in your testimony, whether
2 it be direct appropriation by Congress or there has been
3 discussion of exigent rate increase, which of course, we,
4 the Commission, cannot engage in details of at this point
5 in time because we will or will not have such a case
6 before us at some point in time. It has been publicly
7 stated that we may receive that. But things like that are
8 discussed.

9 I wanted to see whether any of you or all of
10 you -- this is a general question while you have this
11 opportunity -- that if it is a fact that the Postal
12 Service is losing billions of dollars and as they can only
13 go on so long before they do reach statutory limits on
14 things. Six to five days, of course, is what they have
15 asked us for an opinion on. And people have come up --
16 when that discussion comes up -- of the alternative they
17 think would be the answer rather than having to go to six
18 to five.

19 Beyond your general discussion of potential other
20 things, do any of you want to comment on anything
21 particular which you believe from your perspective might
22 be a better alternative to the Postal Service rather than
23 having to cut six to five? If any of you want to make a
24 comment about that.

25 Mr. Sleiman, is there anything further? I know

1 you put potential options out there, but is there anything
2 else you would like to say about that?

3 MR. SLEIMAN: I would, sir. And I would like to
4 just expand on urging the Commission to try to work with
5 the Postal Service to explore other lines of business. I
6 think wire payments have been one of them that we have
7 been aggressive with the Postal Service on. If it's
8 unable to move forward on, we do believe that there are
9 other high-margin businesses that are available to the
10 Postal Service to work with other companies, including
11 eBay on. And to the extent that they're allowed to do
12 so -- because the feedback that we've been getting in many
13 cases is it's against the law for them to explore those
14 options -- we feel that eBay can bring to the table some
15 high-margin businesses for the Postal Service to try to
16 make up for some of the losses they're seeing today.

17 VICE CHAIRMAN HAMMOND: Okay. Thank you.

18 Mr. Hesters, is there anything else that you want
19 to comment like that?

20 MR. HESTERS: One of the core truths about direct
21 marketing is that people are very habitual in their
22 behavior. And if you can get people started on direct
23 mail marketing, there are a lot of good consequences for
24 the mail stream.

25 I know that the Post Office has tried some

1 promotional programs which tend to benefit rather large
2 mailers. I think possibly a program which had the
3 intention of making it more affordable to do prospect
4 mailing on a very clear and controlled basis would allow
5 companies to acquire more customers that would further
6 generate mail might be a possibility for us. So some
7 marketing program or a product program.

8 VICE CHAIRMAN HAMMOND: I see. Okay. Thank you.

9 Mr. Ridout, is there anything else that you might
10 recommend?

11 MR. RIDOUT: Well, as stated in our testimony, we
12 believe a direct appropriation of Congress is appropriate.
13 The United States Postal Service is in a unique position
14 in that it faces -- it basically has all the disadvantages
15 of strong federal oversight, but it has none of the
16 advantages that come from federal funding. And we think
17 that is likely contributing to the budgetary difficulties
18 it's experiencing right now, especially if you look at the
19 pre-funding of the pensions. You know, to have all the
20 disadvantaging that come with such strong federal
21 oversight and none of the advantages that come with
22 federal appropriation, it is putting the USPS in a unique
23 position that we think could be harmonized by providing
24 federal funding.

25 VICE CHAIRMAN HAMMOND: Okay. Well, thank you

1 for that.

2 Do you have any other questions, Commissioner?

3 COMMISSIONER ACTON: Thank you, Mr. Vice
4 Chairman. I have one final question.

5 First of all, I want to thank you all for your
6 time and your insight. It's very helpful to have you here
7 and speaking with us. Your willingness to be part of the
8 record is so important, and without it we couldn't do this
9 job responsibly.

10 I'm asking all the panelists who appear before us
11 on the course of this national tour a question which goes
12 to some of the preparations the Postal Service has made to
13 the proposal of the elimination of Saturday delivery.
14 They did some polling and survey work in anticipation of
15 the proposal as far as choosing which day they thought
16 would be best suited to lose of the six days. And
17 Saturday was the answer they came up with. There were
18 other days on the table; Wednesday was often mentioned.
19 And different mailers, of course, have different views
20 about whether or not one day would be less destructive
21 than another. And I'm wondering if any of the three of
22 you have any insights on that in terms of how you feel, if
23 there's another day that might have less of a sort of
24 negative impact that you're outlining.

25 MR. HESTERS: No is my answer. Saturday is the

1 best.

2 MR. SLEIMAN: We honestly haven't given that
3 level of thought, so I can't answer intelligently.

4 COMMISSIONER ACTON: That's fair. Thanks.

5 VICE CHAIRMAN HAMMOND: Thank you.

6 And with that, we will concluded our first panel.
7 I certainly do want to thank all of you very much for
8 coming -- I know some of you had long drives this
9 morning -- and for sharing your input with the Commission.
10 It's been beneficial. You have performed a valuable
11 public service, and it is greatly appreciated. So thank
12 you very much.

13 And we will now just go on into our second panel
14 in order to stay on time.

15 (Panel change.)

16 VICE CHAIRMAN HAMMOND: All right. We'll go
17 ahead and get started again. It's my pleasure to convene
18 our second panel.

19 And leading off will be Bill Hodson, who is the
20 Sacramento District Manager for the U.S. Postal Service.
21 And we are also pleased to have Jill LaVine -- I assume I
22 say that correctly -- who is the Registrar of Voters for
23 the County of Sacramento. And the third member of the
24 panel is John Beaumont, who is the California State
25 President of the National Association of Letter Carriers.

1 And thank you all for being here. And I would now like to
2 swear you in, if you would please rise.

3 (Whereupon, the witnesses were placed under
4 oath.)

5 VICE CHAIRMAN HAMMOND: Please be seated. And
6 let the record show that all of the witnesses answered in
7 the affirmative.

8 I would like to start with Mr. Hodson. If you
9 could come up to the podium to give us your statement,
10 please.

11 MR. HODSON: Vice Chairman Hammond, Commissioner
12 Acton, good morning. My name is William Hodson. I'm the
13 Manager of the Sacramento District for the United States
14 Postal Service. On behalf of the nearly 8700 postal
15 employees in our district who are dedicated to providing
16 outstanding customer service, I welcome you and your staff
17 to Sacramento, capital of the Golden State.

18 I'd also like to take a moment to acknowledge our
19 customers and employees who are here today who took time
20 out of their schedule. It is truly heartfelt to hear the
21 relationship that the Postal Service has built with our
22 customers. It is truly an industry of diversity with our
23 customer base, their business models, and their needs.

24 I'd like to start out by telling you a little bit
25 about myself and our district. Before appointed as

1 District Manager, I served as Senior Plant Manager for the
2 Sacramento District where I was responsible for all
3 mail-processing operations. Before that I served as
4 Senior Plant Manager for the Southeast New England
5 District and Maine District. I began serving postal
6 customers in 1977 when I started my career as a clerk in
7 Southern California.

8 The Sacramento District is comprised of nearly
9 39,000 square miles from central California to the
10 northern border. Our service area includes the following
11 three-digit zip codes: 936 through 938, 942, 952 and 953,
12 956 through 960. We serve approximate six million
13 residents. We operate five mail processing plants and
14 serve as transportation centers to coordinate mail flow to
15 and from northern California. One of the largest federal
16 Internal Revenue Service processing centers in the nation
17 is located in our district along with the State Franchise
18 Tax Board. The State government generates considerable
19 mail volume from Sacramento to citizens throughout the
20 state.

21 Our district is home to some of the largest
22 commercial first-class senders in the country. We provide
23 retail service at more than 350 Post Offices and more than
24 40 subordinate stations and branches. There are also
25 nearly 90 contract postal units in the district. We serve

1 over 2.1 million street deliveries and more than 400,000
2 Post Office boxes. Customers in the district can drop
3 mail at nearly 2000 collection boxes within the district.

4 I'm aware that the Commission is reviewing a
5 Postal Service plan that, except for Express Mail, would
6 eliminate Saturday delivery to street addresses. The plan
7 would also eliminate collection of mail from those
8 delivery points and from regular collection boxes on
9 Saturdays as well as out-going processing. Processing of
10 incoming mail will not change, nor will delivery to Post
11 Office boxes, which will continue Monday through Saturday.
12 Postal retail units will also continue to provide window
13 service on Saturdays. The Postal Service intends to
14 implement these service changes during calendar 2011 on a
15 date yet to be determined.

16 Justification for these service changes is being
17 presented in testimony by senior postal executives and
18 expert witnesses scheduled to appear before the Commission
19 in Washington D.C. in July. I assume the Commission
20 intends to explore these options and service changes as
21 related with those witnesses. I trust the Commission will
22 find the hearings in July enlightening and productive.

23 Meanwhile, I'm here today to provide some local
24 postal data relevant to the broader operational and
25 financial changes that have led to the pursuit of the

1 service changes you are reviewing. I know that the
2 Commission regularly reviews national postal operations
3 and financial data and that you're familiar with some of
4 the very dire volume costs and revenue trends. The sharp
5 change in mailing behavior and in the economy that have
6 affected national postal volume and revenue are reflected
7 in the experiences of the Sacramento District. For
8 example, quarter one of fiscal year 2005 to the same
9 quarter in 2010, Sacramento District saw a volume decrease
10 of about 17 percent. At the same time, our delivery
11 points have grown by 8 percent. As a result, volume for
12 delivery points has declined by 23 percent. Although our
13 district has experienced a very modest 3 percent
14 cumulative increase in total operating revenue over the
15 five-year period, our operating revenue per deliver point
16 at the same time has declined by 4 percent.

17 I have regular contact with my postal customers,
18 and I monitor our service performance daily. Customers
19 are encouraged by our high level of service, but they also
20 remind me that the internet provides attractive levels of
21 convenience and efficiency that changes the way many of
22 them conduct personal and commercial transactions. I'm
23 not aware of any forecast of how much first class mail
24 volume we have currently lost here in the Sacramento
25 District, nor do I have any projections of when or if it

1 will ever return. In light of the negative volumes and
2 revenue trends, I'm not surprised in seeing the postal
3 managers have decided that the long-term financial
4 stability of the Postal Service requires immediate
5 significant and operative service changes as soon as
6 possible.

7 The five-day plan will entail adjustments for
8 many customers. I am a firm believer that consistent and
9 ongoing commitment to continuous, affordable improvement
10 and service will attract customers to the Postal Service.
11 Household and business customers seem to understand that
12 the Postal Service faces difficult choices today and that
13 no easy solution is at hand. They emphasize to me that
14 they want advanced notice of any change so that they can
15 adequately plan to adjust. As you know, the Postal
16 Service intends to give six months advance notice of any
17 calendar year 2011 implementation date selected for the
18 five-day plan.

19 Under direction from headquarters of the Pacific
20 Area, I will be responsible to ensure the Sacramento
21 District communicates to our customers about the changes
22 that will happen, when they occur, and the adjustments
23 that customers can make to maximize their use of the
24 postal system.

25 The Postal Service has already established a

1 user-friendly website at www.usps.com/five-daydelivery.
2 That website provides planning guides and frequently asked
3 questions with answers tailored for household and
4 commercial customers. The website helps inform customers
5 now and will support our communication efforts later on.
6 When the time comes, local mailings to residential
7 business customers will explain service changes and
8 customer options. Informative signage will appear in
9 retail lobbies, and new labels on collection boxes will
10 reflect the elimination of Saturday collection. The
11 Sacramento District will also coordinate with the Pacific
12 Area and Headquarters to inform local broadcast and print
13 news media to supplement our direct customer
14 communications.

15 I want to thank you for the opportunity to appear
16 today. I will try to answer all your questions. If I'm
17 not the right person to provide an answer, I will work
18 with the Postal Service counsel to ensure that the
19 Commission gets a response and answers any questions.
20 Thank you.

21 VICE CHAIRMAN HAMMOND: All right. Thank you,
22 Mr. Hodson.

23 As we did with the first panel, we will hold our
24 questions until everyone has given their presentation.
25 And I would like to ask Ms. LaVine to come up at this

1 time.

2 MS. LAVINE: Thank you and good morning,
3 Commissioners. My name is Jill LaVine, and I am the
4 Registrar of Voters for Sacramento County, which means I
5 do all elections in Sacramento County: For the City, for
6 local elections, for national elections, state-wide
7 elections. That's my job.

8 We have approximately 660,000 registered voters,
9 and 43 percent of that number are signed up to receive
10 their ballots by mail. So we have a large group, and I do
11 depend on the mail.

12 I'm also Chair of the Postal Task Force for the
13 Election Center. This is a national organization that
14 represents election officials. We hold monthly conference
15 calls with election officials representing their
16 jurisdictions throughout the United States and with Post
17 Office representatives in Washington D.C., and we discuss
18 the challenges and how we can improve the processing of
19 election mail. We have been on this committee for about
20 four years now, so we've seen a lot of changes happening.

21 Our local postal representatives have been very
22 good to us in keeping us informed, and the postal
23 representatives from Washington D.C. have been good to us
24 with this new change or the proposed change from six days
25 to five days, this delivery plan. Anyway, our

1 representatives have been on the phone with us and in
2 person at our annual meeting. They've encouraged our
3 participation at webinars and asked for comments on how
4 this proposed change will affect election mail.

5 I asked my committee for comments about how this
6 would affect their office processes. And the comments
7 from the committee that I'm giving today represent those
8 election officials from small states, big states, all mail
9 ballot states, and some states where they still prefer
10 going to the polls. Of those who commented, they all
11 agree that if you're going to eliminate one day, then
12 Saturday is the best day to eliminate the address
13 delivery. It will have the least impact on election
14 offices. All agree that being able to drop off or pick up
15 mail at local Post Offices was a good idea to keep the
16 mail flowing.

17 Election officials have two areas of concern. Of
18 course, the first is the mail or the ballots the election
19 office is sending out. And of course, the second is the
20 mail the voter is returning.

21 So first, out-going mail or ballots. Comments
22 indicated that there was a concern that if a voter
23 requests a ballot close to Election Day and a concern
24 about the time it takes to get that ballot to the voter.
25 Most election officials agree that these deadlines will

1 need to be moved up a day or two. Some states will
2 require a legislation change; others, it's just a policy
3 or procedure change from their office.

4 If voters wait until very close to Election Day
5 and there's not enough time to send a ballot, a few
6 jurisdictions are concerned that it will increase their
7 lobby traffic during an already busy time. While local
8 voters will have the opportunity to go to a polling place
9 or to their local election office, those voters that are
10 out of town will run into problems.

11 Other mail that goes out close to the election
12 date could be a polling place notification change. These
13 notifications are not always known in time to send out
14 earlier, so we do not have procedures where we can post a
15 change at the old polling place. This may again require a
16 change from our election policies in the future.

17 The second area of concern is voters mailing
18 their ballots back to our office. It has to be on time,
19 and so that becomes their concern. This will take
20 outreach to voters to remind them that they need to mail
21 their ballots earlier. One of the comments received was
22 the lack of a standard delivery could, of course, keep
23 persons from voting or having their votes counted which
24 could impact who wins office and could cost tax payers
25 thousands of dollars in recounts in close election races

1 that perhaps might otherwise have been less close if all
2 ballots arrived on time.

3 Another comment was that the voter will need to
4 take responsibility for the returning of their ballot.
5 From Arizona: We depend heavily on the Post Office, the
6 Postal System to ensure timely and accountable delivery of
7 the ballots. Even with the current Saturday delivery, our
8 office has literally hundreds of cases of delayed ballot
9 delivery and returns to our office during the most recent
10 general election. In most cases, our office was able to
11 work with the voters to expedite delivery, but oftentimes
12 this resulted in a return to courier service such as UPS
13 and FedEx. Our office incurred an \$8,000 bill just in
14 ballot delivery expedition alone due to situations in
15 which voters did not receive their ballots in a timely
16 manner.

17 Some states allow for the postmark to count on
18 returned ballots, so this will not effect them in the same
19 way.

20 Also a concern was voter registration
21 application. It must be received timely in order to be
22 registered to vote. Current changes and legislation
23 proposals in many states are doing away with the need for
24 the Post Office's services by going to online registration
25 or Election Day registration.

1 It was suggested from our committee as a way to
2 expedite election mail that there may be a special Facing
3 Identification mark, FIM, used just for ballots. This
4 suggestion was considered but not accepted. The Post
5 Office feels that a PO box address will have the best
6 results and using the IMB, Intelligent Mail Barcode.

7 Another suggestion was to get legislation similar
8 to the MOVE Act, the Military and Overseas Voter
9 Empowerment Act, that would allow for election offices to
10 send the ballots out electronically. While that only
11 helps send out, we do not have legislation to allow the
12 return of the ballot electronically. But it can't be far
13 away now.

14 As more and more voters choose to vote by mail,
15 it will take education to make sure all voters understand
16 if the Post Office changes to a five-day delivery plan
17 what responsibilities they have.

18 Thank you for this opportunity to talk.

19 VICE CHAIRMAN HAMMOND: Thank you, Ms. LaVine.

20 And our final witness is Mr. Beaumont, please.

21 MR. BEAUMONT: Good morning Commissioner Acton
22 and Vice Chairman Hammond. Thank you for inviting me to
23 testify. My name is John Beaumont, and I'm the President
24 of the California State Association of Letter Carriers
25 which is comprised of 40,000 city letter carriers.

1 I carried the mail in Los Angeles, Clovis, and
2 San Francisco, California, for almost 20 years before
3 being elected to my current position. As State President,
4 my role is to represent letter carriers in policy-making
5 debates affecting their jobs and the United States Postal
6 Service. But I also consider it my responsibility to
7 defend the interests of the Postal Service's customers.
8 On both grounds, the proposal to eliminate Saturday
9 services would be disastrous.

10 Cutting collection and delivery service by
11 one-sixth or 17 percent for a small and uncertain level of
12 savings makes no sense. Worse yet, we think it would be
13 counterproductive. Slower service will simply drive
14 customers away to new businesses that offer Saturday
15 services. Slower, less frequent collections and
16 deliveries are also likely to accelerate the shift of
17 electronic invoicing and electronic bill paying.
18 Specifically, consumers are likely to find their late fees
19 going up and their credit ratings going down as a result
20 of these changes. The speed and efficiency that many
21 consumers now take for granted would be undermined.
22 Indeed, most Americans consider a bill paid when they drop
23 it in the mail box. But if you pay your bills on Friday
24 night or Saturday morning, this assumption would be tested
25 and bill payers would be given one more reason to leave

1 the mail for electronic alternatives.

2 The Postal Service is essential to all
3 Californians, but six-day delivery and collection service
4 is especially important to our seniors, small and
5 home-based businesses, and rural communities that rely on
6 the Postal Service as a crucial public service. Please
7 don't let the Postal Service fool you. This proposal will
8 result in slower service. Letters mailed on Friday nights
9 and during the day on Saturdays will not be picked up
10 until Monday morning. Rural communities would be
11 particularly affected as those same letters might not be
12 picked up and begin their journey until at least Monday
13 afternoon.

14 This creates underserved communities and
15 multi-tiers of service depending on where you live in this
16 country. Delivering mail out in the communities of Clovis
17 and Kingsburg like I have is probably similar to rural
18 Kentucky and southern Missouri. The nearest post office
19 might be several miles away. The opportunity to walk to
20 the corner post office is not a luxury for consumers in
21 these areas. Elderly and disabled residents in these
22 areas rely on the Postal Service to deliver their mail,
23 parcels, and even prescription drugs out to them because
24 it is difficult for them to travel out to their nearest
25 Post Office. This is unacceptable and not consistent with

1 the Postal Service's mission of equitable universal
2 service.

3 By downgrading service, we risk losing the types
4 of mail that are actually growing, even during the current
5 recession. Booming businesses like home-based eBay
6 merchants would face much higher costs from private
7 couriers. Small scale and specialty merchants targeted by
8 the NALC-USPS Customer Connect program has generated
9 nearly a billion dollars a year in new postage revenues,
10 would see the six-day advantage offered by the Postal
11 Service disappear. Even larger competitors like UPS and
12 FedEx have tapped the Postal Service's unmatched last
13 mile network in residential areas through the Postal
14 Select program might reconsider their partnership with the
15 Postal Services if the Saturday delivery option were to be
16 eliminated. In fact, we think some customers are already
17 beginning to make the change to alternative delivery just
18 simply based on the Postal Service's plans to eliminate
19 Saturday delivery. We hold the Postal Service responsible
20 for this. We think it has used its website and PR
21 operations to mislead the mailing public into thinking
22 that the change is inevitable while barely mentioning the
23 decisive roles of this Commission and the United States
24 Congress in this matter.

25 In addition to cost savings, which are modest at

1 best, it is important to consider the broader implications
2 of the USPS proposal. For example, the United States
3 Postal Service is one of the largest employers of veterans
4 in the nation. It's second only to the Department of
5 Defense. Currently more than 25 percent of our workforce
6 is made up of veterans, and over 9 percent are disabled
7 veterans. At a time when our nation has deployed hundreds
8 of thousands of troops in the Middle East, who is going to
9 provide decent jobs and benefits to these brave servicemen
10 and women when they return home to their country if the
11 Postal Service reduces its workforce by eliminating a day
12 of delivery?

13 Letter carriers understand the heavy toll the
14 current recession has had on both the Postal Service and
15 the State of California. We have seen it in the number of
16 letter carrier jobs eliminated by a special labor
17 management process to aggressively adjust routes in
18 response to falling mail volume. We have seen it in the
19 struggles of our small business customers who are just
20 trying to survive. And most recently, we have seen it in
21 the gratitude of the food bank workers who helped us
22 unload the food donations we collected in the NALC-Postal
23 Service national food drive just this past weekend. But
24 we also know that this unfair policy adopted in recent
25 years to force the USPS to overpay for retiree health

1 benefits and pensions are the main cause of the Postal
2 Service's recent deficits. It would be a shame to destroy
3 more good jobs to overcome a recession that was made on
4 Wall Street and policy mistakes made in Washington and
5 leave the Postal Service worse off in the end by ending
6 Saturday collections and delivery. Simply put, cutting
7 back service is more likely to cost the USPS millions of
8 customers than provide a long-term solution to the Postal
9 Service's financial problems.

10 We therefore respectfully urge this Commission to
11 reject the Postal Service's proposal. And in the
12 meantime, we sincerely hope Congress will take action on
13 the severely flawed policy to require the USPS to
14 massively pre-fund the retiree health benefits adopted
15 back in 2006. That action alone would save the Postal
16 Service two or three times more per year than even the
17 most optimistic estimates of the savings that might result
18 from a change to weekday delivery.

19 I am thankful for the opportunity to appear
20 before this very important hearing today, and I am happy
21 to answer any questions at your convenience. Thank you.

22 VICE CHAIRMAN HAMMOND: Thank you, Mr. Beaumont.

23 I'd like to ask a couple of questions.

24 First of all, Mr. Hodson. I saw in your
25 testimony when you spoke and you talked about one of the

1 largest federal -- well, the IRS processing centers in the
2 nation was in your district as well as a good number of
3 State government -- of course with Sacramento being one of
4 the busiest state governments that there is, since
5 California is the biggest state. And all the state
6 agencies generate a considerable amount of mail. I wonder
7 have you been responsible for specific considerations with
8 federal agencies and state agencies and their mail and how
9 it would affect them and what alterations might be made if
10 this, indeed, happens? Have you had discussions with them
11 and all? Has that been part of your responsibility as
12 management?

13 MR. HODSON: Operationally with the IRS and
14 Franchise Tax, we're actually processing their mail during
15 a peak period seven days a week, providing transportation,
16 working with them to load levels as they need to as the
17 volume comes in. In Fresno for Franchise Tax -- or Fresno
18 for IRS and Sacramento for Franchise Tax, yes, we work
19 with our customers.

20 VICE CHAIRMAN HAMMOND: Uh-huh. I was also
21 looking at -- you talked about where you said five-day
22 delivery would entail adjustments for many customers, some
23 minor and some substantial. Now, have you looked
24 specifically at or projected loss of volume, loss of
25 revenue, if indeed this does happen? Has that been one of

1 the things that you've had to look at also?

2 MR. HODSON: No, sir. It is not.

3 VICE CHAIRMAN HAMMOND: So you haven't had --
4 down to your level -- to come up with figures as to how
5 much volume might leave if it leaves?

6 MR. HODSON: No. And the reality of today's
7 world with the larger mailers, they have the ability to
8 transfer mailings between their different facilities
9 throughout the country. They're truly in an electronic
10 age. So we try to have that communication projection of
11 what they're doing now, but they can quickly move mailings
12 between their different facilities. So those are pretty
13 much our conversations, what's the impact and what can we
14 do to provide that service to them.

15 VICE CHAIRMAN HAMMOND: Uh-huh. Okay. I see. I
16 see.

17 Ms. LaVine, and especially from looking at your
18 testimony on the position you hold, but it looks like you
19 talk to folks all over the country in similar situations.
20 And I know -- I used to be involved in elections at times.
21 Actually, right after I got out of college, one of my very
22 first jobs was being a deputy county clerk in Missouri and
23 working with the county clerk on elections. But that was
24 back when we had just left paper ballots and the answer to
25 everything -- the punch card -- was coming into effect.

1 So that has been a while, but anyway. One of the things
2 that I happen to think about -- and I don't know whether
3 you had discussed with some of the others around the
4 court -- elections are run locally. You have your own
5 responsibilities. Elections may be run entirely
6 differently in other parts of the nation. And I happen to
7 wonder, did you run into people who -- we always think of
8 elections being on Tuesday, but I know of states that I
9 used to work in which actually had Saturday elections for
10 statewide office all the way down the lower level. I know
11 Louisiana did, and Texas used to have some elections -- I
12 don't know if they still do -- on Saturdays and other
13 states. And I know some municipalities also hold mayoral
14 elections and council elections and stuff like that on
15 Saturdays. And so if there is no Saturday delivery, did
16 any of them talk about the effect or the changes that they
17 might have to make? Or did that come up?

18 MS. LAVINE: Well, while there's no Saturday home
19 delivery, there is the availability to pick up at the Post
20 Office because most election officials do use the PO box
21 to get their mail in and out because our volume changes
22 from almost nothing to trays and trays of mail. So and
23 yes, there are some Saturday elections. In fact, I was
24 talking to my counterpart in Dallas who had an election
25 last Saturday. And he will be testifying in Dallas when

1 you go there. So you can ask him some of those questions
2 because. It doesn't mean -- you know, we can still pick
3 up from the PO box on that day.

4 VICE CHAIRMAN HAMMOND: Uh-huh. Okay. So you
5 think that could very well be handled since most of what
6 you do have pick-up by postal box rather than just
7 counting on ballots being brought into the courthouse or
8 wherever your offices are?

9 MS. LAVINE: Yes.

10 VICE CHAIRMAN HAMMOND: Uh-huh. I got the
11 impression that your colleagues, it sounds like, may not
12 welcome six-to-five-day delivery or the possibility of
13 elimination of Saturday delivery because of many
14 difficulties that have been talked about. But that it
15 sounded liked they were already at least thinking about
16 possible solutions to that problem if, indeed, it did
17 happen. That's the general impression I got. Is that
18 correct?

19 MS. LAVINE: That is correct. We are looking at
20 the possibility, and like I say, with the PO delivery,
21 we'd still be picking up and dropping off. We'd have to
22 be more conscientious of the time lines and inform the
23 voters of our mailings. And when we drop off on Friday
24 night, make sure it does get dropped off on Friday night.
25 There are deadlines that we can meet to help expedite the

1 mail.

2 VICE CHAIRMAN HAMMOND: Uh-huh. I saw that
3 43 percent was the figure that you mentioned which now do
4 vote by mail.

5 MS. LAVINE: That's correct, in our county.

6 VICE CHAIRMAN HAMMOND: Uh-huh. And the Postal
7 Service has been recently working with others to try to
8 work on the issue of vote by mail. And I know you all
9 have had discussions back and forth and have made efforts
10 to get it done. For you, is this recent -- was there
11 change in law for California which made it easier for you
12 to get up to like 43 percent of -- that's sending out and
13 return of ballots. 43 percent of the votes which are
14 cast, you now get by mail rather than people who stand in
15 line at the polling place and on Election Day, right?

16 MS. LAVINE: Well, actually, a couple questions
17 there. First of all, there was a change in our law back
18 in 2000 that we went from -- I had 9000 what we call
19 permanent vote-my-mail people at that point. But when
20 they changed the law and allowed anyone to come and be a
21 vote-by-mail voter, then it just sky-rocketed, as you can
22 see, close to 300,000. But also, the second question.

23 VICE CHAIRMAN HAMMOND: I don't remember the
24 second question either. I thought I had asked one
25 question, but apparently it was two. But it was a result

1 of a change in the law in California that brought the
2 opportunity to get up to a very high percentage of voters
3 who are now permanently voting by absentee or voting by
4 mail?

5 MS. LAVINE: I remember now. Question was
6 43 percent return. Actually, 43 percent left, but the
7 volume that comes back really shows that almost
8 50 percent, if not more, choose to return their ballots by
9 mail. So those that request by mail have a higher return
10 rate than those that, you know, go to the polls. A bigger
11 percentage choose to vote by mail in the end.

12 VICE CHAIRMAN HAMMOND: Uh-huh. I see. Okay.
13 Thank you. Thank you.

14 I've lost my question for you, Mr. Beaumont.
15 While I try to find it, I'll let Mr. Acton go ahead.

16 COMMISSIONER ACTON: Thank you, Mr. Vice
17 Chairman. I'd like to begin by recognizing our colleagues
18 and friends at the Postal Service, Mr. Beaumont and
19 Mr. Hodson, for your distinguished service to America.
20 The two of you represent really our great strengths of
21 service of the workforce and management. So thank you
22 both for making time to be here.

23 Mr. Beaumont, I think that you mentioned in your
24 testimony that there was some belief on your part that the
25 delivery service will be compromised if the Saturday

1 delivery is eliminated. Could you elaborate a little bit
2 on how you perceive that occurring and what sort of
3 problems unfold?

4 MR. BEAUMONT: Well, first of all, the number one
5 day that our patrons receive their packages, fruits,
6 vegetables, and other services is on Saturday. A lot of
7 patrons that are working two jobs during the week, they
8 actually ask for their mail to be redelivered. They can
9 ask for us to come out again. They can ask for the
10 parcels to be delivered on Saturday. If they're not there
11 on Saturday, that's going to be an endless cycle, over and
12 over again, when they can make time to make it to the
13 Postal Service which actually has increased their hours in
14 a lot of the different stations as to when our customers
15 can actually go and pick up their parcels and packages.
16 You are in the State of California. It's one of the
17 largest producers of fruits and vegetables in the United
18 States. Harry and David, which is a large company, uses a
19 lot of fruits and vegetables and transports them around
20 the State of California as well as around the rest of the
21 country. They target a lot of their fruits and vegetables
22 to go out and be delivered on the weekends when people are
23 home to received them.

24 If you think about it, if there's a Monday
25 holiday and we're shut down on Saturday, that means that

1 our patrons do not get the delivery until Tuesday. There
2 are 12 or 13 Monday holidays. There's quite a few of them
3 out there in conjunction with the Saturday delivery. That
4 was not brought up in the prior testimony of anybody how
5 the Saturday would effect. The Saturday would definitely
6 effect us because you have the Saturday and you have the
7 Monday, going back and forth. The rural areas -- I mean,
8 we're out there delivering to people who are disabled,
9 that are seniors. A lot of our medicines are targeted.
10 They go out on the weekends. We're going to ask people if
11 there's a holiday on Monday to wait for their medicine
12 that goes out on Friday that's targeted for Saturday and
13 not to have it until Tuesday. I mean, our patrons really
14 rely on that.

15 We're in Sacramento. We could pretty much take
16 care of most of the area here. But as the District
17 Manager knows, he has a lot of rural areas around
18 Sacramento he's responsible for. Those areas would be
19 underserved by not having Saturday delivery. Problems out
20 there in Marysville, Chico, Redding, Andersonville,
21 Anderson, all those areas out there. They would have
22 problems, as well as in your home states as well. If you
23 think about how your patrons, how your families, how your
24 friends depend on the Postal Service being out there to
25 deliver. So that would impact our consumers and our

1 patrons dramatically.

2 COMMISSIONER ACTON: Okay. I can appreciate that
3 regardless of how you feel about this question on
4 elimination of Saturday delivery, you have done a very
5 good job of identifying some real problems that can't be
6 resolved in a fair, affordable fashion without having the
7 sort of service that you're talking about. So I
8 appreciate you making time to outline that today.

9 And Mr. Hodson, I have a couple questions for
10 you, please. You mentioned the new Postal Service website
11 where I believe that -- is that site up and running?

12 MR. HODSON: Yes, sir. I believe so.

13 COMMISSIONER ACTON: And do you know about how
14 many customers may be taking advantage of that site on a
15 regular basis?

16 MR. HODSON: That, I do not know the answer to.

17 COMMISSIONER ACTON: Do you know if the Postal
18 Service has promoted its existence, advertised its
19 presence?

20 MR. HODSON: I would have to get that information
21 from counsel and provide it to you.

22 COMMISSIONER ACTON: Okay. In developing this
23 proposal that we're discussing today, has Headquarters
24 been in touch with you about -- for providing this
25 testimony today -- about how they might go about

1 presenting this proposal and what some of the implications
2 would be? Was there some sort of outrage from the
3 Headquarters in Washington to its districts?

4 MR. HODSON: There has been a message into the
5 executives of the Postal Service of the financial
6 situation, the different options that we are looking at to
7 offset the decline in volume of the economic downturn or
8 the recession and the e-trade. As far as specific
9 modeling, my understanding is that testimony would be in
10 that documentation to be presented.

11 COMMISSIONER ACTON: Okay. You heard some of the
12 concerns that Mr. Beaumont has about this. Do you have
13 any thoughts about what he has to say?

14 MR. HODSON: My perspective, and I think your
15 words were the ones that went out in May. Focus on the
16 days loss of one day delivery, Saturday. We're not here
17 to talk about the total loss of the Postal Service
18 delivery. That's my perception of what today's about.
19 And I appreciate your time, understanding, and going
20 through these issues, seeking out the input to make that
21 recommendation serious for us. This is very serious that
22 a 200-plus-year institution has been the foundation of a
23 \$900 billion industry. There's passion about what we
24 speak. There's passion from my employees. There's
25 passion with every employee that's ever worked at the

1 Postal Service, and this is a tough decision for all of
2 us.

3 COMMISSIONER ACTON: All right. That's well
4 said. You mentioned you had some experience in Maine
5 there?

6 MR. HODSON: Yes, sir. I worked there for
7 three years.

8 COMMISSIONER ACTON: Senator Collins is a very
9 involved legislator on this front, I'm sure you know.

10 MR. HODSON: Yes. I'm very aware of her
11 political views.

12 COMMISSIONER ACTON: As are we.

13 Ms. LaVine, you have a very important job, big
14 task which I guess you have to manage on a daily basis.
15 But I noticed you mentioned your use of the Intelligent
16 Bar Code.

17 MS. LAVINE: Right.

18 COMMISSIONER ACTON: This is not part of what
19 we're studying today, but it's an issue of interest to the
20 Commission. How's that working for you?

21 MS. LAVINE: We are just beginning to use that
22 and to get all the benefits from it. A lot of my
23 colleagues use it extensively and have done reports on
24 tracking with it. And it's been very impressive, so we're
25 working our way into it.

1 COMMISSIONER ACTON: That's an important new
2 piece of technology that the Postal Service is
3 implementing for a number of good reasons. Part of it is
4 to help the Commission to be better enlightened on the
5 service performance which is, as you know, a core mission
6 of the Commission and the Service. Do you have any
7 numbers on how many states may be currently utilizing
8 online registration?

9 MS. LAVINE: I think maybe five at this time.
10 And legislation proposal for several more.

11 COMMISSIONER ACTON: Okay. And my expectation is
12 that if Saturday delivery is eliminated, there will
13 probably be -- that will act as a driver for even more of
14 that activity.

15 MS. LAVINE: What we find is online registration
16 is extremely popular with the younger group. They don't
17 like filling out any type of forms unless they can send it
18 in.

19 COMMISSIONER ACTON: Generation?

20 MS. LAVINE: Yes.

21 COMMISSIONER ACTON: Okay. And I'm going to try
22 to characterize from what I perceive from what you had to
23 say today, and please correct me if I'm in error. It
24 seems to me like a large part of the challenge that this
25 proposal presents for your particular job is an

1 administrative challenge, which would mean that you would
2 have to perhaps have some changes in your processes and
3 procedures that probably would be in some states and
4 jurisdictions a requirement that the law be changed. But
5 that it could be accommodated if plans are properly
6 implemented.

7 MS. LAVINE: That's correct. We just need to
8 make sure that we change our policies and procedures to
9 match. And I would encourage heavy voter outreach to
10 remind them that the last day to make sure your ballot is
11 still valid and that kind of thing. And we're doing that
12 now with the six-day delivery, so we'll just change the
13 dates.

14 COMMISSIONER ACTON: I see. Thank you.

15 Mr. Vice Chairman.

16 VICE CHAIRMAN HAMMOND: I did find my question.
17 It was right here. I do want to say that the Postal
18 Service employees -- you should be, and I know you are
19 very proud of being able to work for the U.S. Postal
20 Service. My father was a 30-year employee of the U.S.
21 Postal Service. So I grew up in a postal family, so I
22 understand somewhat of where you're coming from.

23 But I did want to, in looking at your testimony,
24 Mr. Beaumont, and I think you discussed this a little bit
25 in response. But you talked about how you think some

1 customers are already beginning to make changes to
2 alternative delivery methods based upon the plans. That's
3 just an impression that you have right now? You haven't,
4 like, done a lot of study and have a bunch of -- I'm not
5 challenging you, but it's more impression than what you
6 have actually seen so far in other words? Or is it?

7 MR. BEAUMONT: It's an impression that we're
8 getting from our customers out there. We are out there on
9 the service. We have thousands of routes here in the
10 State of California. And a lot of my membership is
11 telling me that their customers out there are asking them,
12 I guess we're going to a five-day delivery, when does it
13 start. And we're hearing that on a regular basis around
14 here. In other words, they have actually been told the
15 fact that we're moving to five-day delivery, and they're
16 starting to think of how to adjust to it. Perceptions on
17 the businesses, I have not actually had a chance to talk
18 to any of the businesses. I wanted to talk to some of the
19 mailers prior to this hearing, and I didn't have a chance
20 to, that I work with, actually, on a common goal with the
21 Postal Service on some do not mail issues. So I wanted to
22 talk to them about are they making plans, what are their
23 perceptions. I just didn't have a chance prior to this
24 hearing. But that's what we're getting as far as our
25 patrons talking to our members who are out there

1 delivering door-to-door, and that's the gist of that
2 statement.

3 VICE CHAIRMAN HAMMOND: Uh-huh. Okay. Thank you
4 very much.

5 We are now getting close to time.

6 Do you have any other questions that you want to
7 ask, Commissioner? Okay.

8 We could go on. This has been very well -- the
9 first panel and then especially this has been an excellent
10 discussion. But with that, I should conclude our second
11 panel. And we certainly do appreciate your taking time to
12 come here. It is a contribution to public service, and we
13 do appreciate it. So thank you very much. And with that,
14 I shall kindly dismiss you. Thank you.

15 (Panel dismissed.)

16 VICE CHAIRMAN HAMMOND: We are holding this field
17 hearing to bring transparency to the Postal Service's
18 proposed changes in service and to provide public input
19 into the process also. So at this point in time while we
20 still do have a few moments before we have to adjourn, we
21 would like to provide the opportunity for interested
22 parties in the audience to speak if they so desire. All
23 comments will be on the record and made part of the
24 docket, so you -- we ask that you first identify yourself
25 because of the comments being on the record.

1 Our time is limited, so we would ask that remarks
2 be kept within two minutes or so if possible, and that
3 they focus on the topic of this hearing. And Paul, I
4 believe, has the microphone. If you would simply raise
5 your hand, he will get around to you, and like I say, if
6 you would simply identify yourself and please, let us know
7 what's on your mind today.

8 MS. LANDI: Thank you for letting me talk to you.
9 I am the President of the State of California for the
10 Rural Letter carriers. I thank John Beaumont for all that
11 he said today. I know that you'll be talking to other
12 people in DP. I want to let you know that I oversee more
13 than 2800 rural routes. I know Missouri has rural routes.

14 VICE CHAIRMAN HAMMOND: Uh-huh. Well, daddy's
15 route was 129 miles long, the second biggest route in
16 Missouri, and and 99 of it was gravel route.

17 MS. LANDI: Well, I want to let you know that I
18 work out the Dixon, which is off the 80 corridor. I have
19 a 125-mile route. I deliver to 336 families. And without
20 me, some of the little old ladies would not get their
21 newspapers to the door, because on rural route, we're
22 evaluated; we're not paid by the hour. So we do go the
23 extra mile for the Postal Service. We sell stamps. We
24 take packages to the Post Office. We weigh them. We do
25 what they do not want to do or cannot do to come into the

1 Post Office.

2 I want to let you know that if you go to five-day
3 delivery, which would be very sad, we will lose 1600
4 employees, because those are our subs that will no longer
5 be working for the Postal Service. Right now, they're
6 guaranteed a Saturday, a Monday, Tuesday, Wednesday, but
7 most of them work on Saturday. So we will lose employees.
8 This is a very sad, sad time for everyone. We do see the
9 volume dropping, but we have the volume there for us to
10 work, and we're asking you not to go to six-day delivery.

11 VICE CHAIRMAN HAMMOND: Thank you.

12 MS. WILLIAMS: Good morning. My name is
13 Betty Williams. I'm president of the Sacramento branch of
14 the NAACP, and I am opposed to Saturday-less workday.
15 Many individuals -- I heard people talk about the lack of
16 planning their moneys in order for it to make it to a bill
17 collector or whatever. Some individuals do not have a
18 choice. They don't have 401ks or savings accounts or
19 checking accounts. Due to the recent economy, we actually
20 have working poor including the poor. So Saturday
21 delivery of a check could be detrimental to our families
22 with children. It could be the difference between them
23 not having a meal during the weekend if the check is not
24 delivered on time or at least by Saturday. It also could
25 be detrimental if they were relying on the check to come

1 on the 1st and the 15, and the 1st or the 15th lands on a
2 Saturday and it doesn't make it there in time, it will
3 increase their rent as far as the late fees. It will
4 increase whatever late fees that are equated to that. And
5 they build their world around how their checks are coming
6 to them. Not because they want to; it's because in this
7 economy today, they have to.

8 We're not looking at the possibilities of our
9 seniors not having the ability to go during the week, and
10 Saturday is their only day. I used to work for a health
11 insurance company as a manager, and what saddened me is
12 when they didn't get their mail or prescriptions on that
13 particular day. But we have to look at not only the
14 physical piece, but actually families and individuals not
15 having food or the pharmaceuticals they need during that
16 time. Thank you.

17 VICE CHAIRMAN HAMMOND: Thank you.

18 MR. METZER: Good morning. My name is John
19 Metzger, and I spend close to \$200,000 a year in postage.
20 What makes my situation unique is that 85 percent of my
21 product can only be shipped through the Post Office. I
22 cannot use FedEx or UPS for delivery. I sell one-day-old
23 baby goslings and ducklings. I'm part of the mail-order
24 poultry industry and a member of Bird Shippers of America.
25 For those of you not familiar with the industry, mail

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1 order hatcheries supply day-old chickens, ducks, geese,
2 and other poultry anywhere and everywhere throughout the
3 United States. They go to commercial growers, feed
4 stores, they go to individuals. They're raised as pets.
5 They're raised for eggs and meat. They're shown at fairs
6 or just as a hobby.

7 First of all, I want to complement you on your
8 excellent service. We've mailed birds every Monday, and
9 over 99 percent arrive on time to our customers. So let
10 me be the first one today to say thank you very much.
11 Please note, however, that the excellent service to my
12 hatchery is due to the contract you have with FedEx to fly
13 our birds throughout the United States. Prior to the
14 involvement of FedEx, the service was not reliable, but
15 now I can ship anywhere at any time. As of this past
16 Monday, May 10th, the United States Postal Service shipped
17 over 1.8 million pounds of day-old poultry over the past
18 12 months. I'm sure the postage is well over \$10 million.
19 It's a drop in the bucket. But what should make it
20 exciting for you is that we're growing. And not just
21 because of fees going up, but our volume is going up about
22 12 percent a year.

23 I'm not here to discourage you from closing on
24 Saturdays, as my birds travel Monday through Thursday. I
25 am here, however, to discourage from ever considering a

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1 midweek closure, as you asked, Commissioner Acton. This
2 would be disastrous as three consecutive days are required
3 to mail and receive poultry; one day to mail, one day of
4 travel, and arrival the third day. In fact, right now
5 those birds we mailed on Wednesday are all over the United
6 States, and people are walking home with their baby ducks
7 and geese, or driving home. My preference would be that
8 your recommendation be very specific for Saturday closure
9 if that is your decision. Do not merely recommend five
10 days of service, as someone in the future may decide to
11 close midweek and reopen on Saturday.

12 As a side comment, I would suggest that maybe you
13 contact other countries that don't have Saturday delivery
14 and see what's going on.

15 But in summary; number one, I would like to thank
16 you for your excellent service for our industry; and
17 number two, if you have to close a day, make it Saturday.

18 Thank you for your time. If your other customers
19 were growing as fast as the mail-order hatchery business,
20 you wouldn't have to be here right now. Thank you.

21 VICE CHAIRMAN HAMMOND: Thank you.

22 MR. RACKLEY: My name is Dan Rackley. I'm a U.S.
23 mail contractor here in California. We employ around 60
24 employees in California. I'm also the President of the
25 National Star Route Association for California. We

1 definitely have concerns. This will effect CDS mail
2 contractors who deliver mail to rural California or rural
3 United States. We're very similar to the rural route
4 carriers. The difference is we have a contract with the
5 Post Office, and we have a lot of fixed costs within that
6 contract. And those costs would not change regardless if
7 it went to a five-day or stayed a six-day. So our worries
8 is whether or not the Post Office will negotiate with us
9 if they do change to the five-day. CDS contractors are
10 already working on a minimal -- my mind just went blank --
11 minimal income. So it could devastate a lot of the 7500
12 CDS contracts in the United States. It could devastate to
13 the point that they could go out of business.

14 Also CDS contractors, most of the contracts are
15 four-year contracts, and if they get to a point that they
16 cannot continue to run the contracts, they have no way of
17 getting out of the contracts without paying the Post
18 Office for that. So it would be devastating to them.

19 Also just from what I've heard here today,
20 there's a lot of variables to the Post Office that are
21 unknown. A lot of what CDS and rural route carriers do is
22 there's a lot of mom-and-pop businesses that work out of
23 their homes that rely on the Postal Service for their
24 packages to be delivered and picked up. And with eBay
25 saying that they're looking at other places to take their

1 business, I'd say that there may be a lot of businesses
2 that would be looking to do that if they didn't have that
3 six-day option.

4 But thank you for listening to our concerns. And
5 we hope that the Post Office makes the right decision
6 because there's a lot of us that this is our livelihoods,
7 and we are rooting for the Post Office to succeed. And it
8 doesn't look like there's a lot of encouragement in going
9 backwards for the Post Office. And we would hope that
10 they would try to move forward as a business would. Thank
11 you.

12 VICE CHAIRMAN HAMMOND: Thank you.

13 MS. MACCAFEORI: Hi. My name is Nikola
14 Maccafeori, and I'm a member of the public. Is it on?
15 Hello? Hi. My name is Nikola Maccafeori, and I'm a
16 customer. Those are my notes. I was jotting down notes.
17 Okay. All right. Hi. I've been hearing about this
18 eliminating Saturday delivered for a while, and it's
19 almost like waiting for the other shoe to drop, which is
20 very, very, unpleasant as you can imagine. But I'm -- I
21 don't -- I stopped writing personal letters in 1973. It
22 had nothing to do with the internet. People who blame the
23 internet, I believe, are mistaken. But in any case, I'm a
24 big fan of Priority Mail. I'm a big fan of
25 Click-and-Ship. And I believe that the Post Office does

1 an outstanding job with deliveries by and large. There's
2 no question. And one of -- apart from being a historical
3 institution, it's as important as public utility and the
4 highways. And hemorrhaging of money is going to continue
5 and continue and continue, which would certainly cause me
6 to say that it's time for Congress to start making
7 appropriations again. The Postal Service has the duty to
8 not be wasteful, to review leases and contracts, and to
9 monitor them, to reinstitute cat walks if that's
10 necessary, to minimize theft. But it's a very, very
11 important service. And the Postal Service's Saturday
12 delivery is unique. It stands out from any other service.
13 I recently got a new debit card in the mail, and it
14 occurred to me if the Postal Service wasn't here to
15 deliver that debit card, who would? You can imagine what
16 UPS or FedEx would charge to make that delivery. Because
17 there's a lot of stuff which is not virtual; it's
18 substantial, it's substantiative that the Post Office
19 handles very, very well.

20 And these are my thoughts on cut backs, as I
21 mentioned, reviewing leases -- has anybody ever considered
22 reviewing leases on property that's rented? The Post
23 Office is a huge customer. They can probably almost
24 dictate what they're willing to pay in rent. Also the
25 sundries that are sold in the stations -- review those

1 contracts. Because government contracts, at least
2 according to the news, it almost seems like it's sometimes
3 a license to steal by the vendors. And another thing is
4 improve publicity, because the Post Office has suffered
5 from a lot of -- has gotten a bad rap. There's no
6 question. In the 1970s it deserved a bad rap, but it does
7 not anymore. And terms like "snail mail" and "going
8 postal" certainly don't help. But I think the services
9 are not being well marketed, and I think there are a lot
10 of things that the public just isn't aware of. I wish
11 Click-and-Ship including parcel post, I might add. I'll
12 put in a plug for that.

13 And you know, there's another thing. As somebody
14 who spent 35 years in the great American workplace, I will
15 add one other thing. I don't know if this is still the
16 case; I assume it is. But something that I think needs to
17 be changed is the bonus system for supervisors and
18 managers only. I've worked for organizations that paid no
19 bonuses, organizations that paid bonuses to everybody, and
20 organizations that paid bonuses only to managers. And I
21 promise you that it's very demoralizing knowing that the
22 reward, the fruit of your extra efforts as a member of the
23 rank and file goes to your boss and not to you. So that's
24 certainly an opportunity to save some money too. Because
25 the existing -- the status quo just aggravates what could

1 be an adversarial relationship.

2 So I really hope you don't eliminate Saturday
3 service. I hope you don't eliminate six-day service. I'm
4 sure that there are other opportunities to save money if
5 everybody pulls together and works at it. But contrary to
6 this gentleman over here, I would say that it would make
7 more sense to eliminate Saturday -- rather than eliminate
8 Saturday service to eliminate service one day during the
9 week. Because that way, there's only two days -- a
10 maximum of two days to wait for the next delivery day
11 instead of having to wait three or four. So thank you.

12 VICE CHAIRMAN HAMMOND: Thank you. Anyone else?

13 MR. BLACKWELL: Yes. I'm Roger Blackwell, 8181
14 Morgan Hill Way, Sacramento. And the biggest problem with
15 the Post Office has been going on for 30 years, and it's a
16 downhill slide. We have letter carriers delivering
17 newspapers, \$40 an hour. And then you have direct mail
18 advertising. They only pay ten cents less than what I
19 have to pay. But when I get ready to mail my mortgage
20 payment -- here, you can have this. When I get ready to
21 mail my mortgage payment that has the bar code on it, it
22 still costs me 44 cents. So if you get rid of the junk
23 mail -- because here's the real problem. When you get
24 unsolicited mail like catalogs, where did they come from?
25 Where do they end up? It costs me another \$60 a month to

1 have them dumped in a landfill someplace. Now, I can go
2 on and on and on. Does this generate 44 cents for the
3 Post Office? I strongly doubt it. 25 tons of first class
4 mail will generate \$350,000 for 25 tons because that's
5 what you can put in a truck. Now, how many truckloads?
6 Would these letter carriers get paid less for delivering
7 this or delivering this? Which one we want? First class
8 mail -- standardize postage rates. Get rid of all this
9 garbage that winds up in our landfills, that we have to
10 pay \$60 a month to get it hauled off. And the Post Office
11 is one of the biggest producers of garbage there is.
12 Standardize non-solicited mail to 44 cents a pop. Then
13 you can consolidate routes.

14 What is the biggest cost of a business? People.
15 They're the biggest cost. Yeah, I been out of work for a
16 year. I drive a Class A truck, but I do know one thing.
17 All trucks cost about the same amount of money to operate.
18 It doesn't matter what's plastered on the side. It has to
19 be standardization. It costs me \$1.70 to send this letter
20 to Smith in Illinois. And what does it cost for these
21 people to send out this crap? I doubt if it was \$1.70. I
22 finish. Thank you for having me here. But standardize
23 the rates.

24 VICE CHAIRMAN HAMMOND: Thank you. We have time
25 for a couple more.

1 MR. WILKERSON: My name is Gilbert Wilkerson. I
2 represent the Rancho Cordova Local letter carriers. And
3 in my area are a large number of retiring people. And
4 they constantly, constantly ask us what's going to happen
5 to their medication on Saturday if the Postal Service
6 doesn't deliver on Saturday. I hear this every day. Some
7 of the routes out there are, like, 80 percent retirees.
8 And on some of the days you have -- you guys know what
9 full coverage is? We have full-coverage prescription
10 medication. And those people out there are frightened
11 that they're not going to get their mail on Saturday. Or
12 if a holiday comes up, they're not going to get it on
13 Saturday, Sunday, or Monday. And I just wish you guys
14 would take that into consideration.

15 Thank you for being here.

16 VICE CHAIRMAN HAMMOND: Thank you.

17 MR. HOWELL: Thank you for having us. My name is
18 John Howell. I'm the President of the local National
19 Association of Letter Carrier's Union. I represent 1600
20 active letter carriers and approximately 600 retirees. I
21 started my career with the federal government after
22 serving in the military for 20 years. I then got out of
23 that and have been serving the United States Postal
24 Service since 1990, another 20 years. We service -- my
25 particular branch -- services everything from about 50

1 miles south of here to approximately 180 miles north of
2 here, the entire City of Sacramento to include all of
3 northern -- a lot of northern smaller cities, rural areas,
4 and so on and so forth.

5 What really bothers me about the testimony that
6 we've been told is the lack of consideration on the Postal
7 Service's part in their invalid 238 billion-dollar
8 assumption that they're going to lose in ten years.
9 They've already convinced the public that this is what's
10 going to happen. I think it's extremely backwards of them
11 to go to the public and tell them they're going to lose
12 \$238 billion if something isn't done, if we don't lose
13 Saturday delivery.

14 We do a heck of a lot more than delivering mail.
15 We got letter carriers out there delivering to all these
16 people, every person in this country, both rural carriers,
17 city carriers, contract delivery customers, and everything
18 else. What we do for the customers is more than deliver
19 mail. We walk the streets of this nation every single
20 day, six days a week. We see the environment out there.
21 We watch our customers, and we protect our customers.
22 There's many times that you will read where a postal
23 employee has went in, pulled out somebody out of -- an
24 older person, an elderly person -- pulled them out of a
25 fire or something like that. Those happen continuously

1 throughout this country. The Postal Service is an
2 organization that we've grown to appreciate over the
3 years. Another thing that is really concerning is the
4 Postal Service's lack of understanding that if you take
5 service out of a company, you will reduce the customers
6 that we have. No forethought, in my opinion, has been
7 given to the fact that revenue will be reduced. Period.
8 I don't know how you can do it any other way. You reduce
9 a day of delivery, and our customers lose confidence in
10 us, and they go to other companies. It's as simple as
11 that. Thank you, sir.

12 VICE CHAIRMAN HAMMOND: Thank you.

13 MR. JONES: Good day, everyone. First of all, my
14 name is Ron Jones. I'd like to thank the Commission for
15 having these public forums across the country. It's very
16 important.

17 As a letter carrier in the City of Oakland, I
18 would say that the U.S. Postal Service is taking the wrong
19 course of action by eliminating or the proposed
20 elimination of the Saturday delivery. It's a misguided
21 attempt to fix the Postal Service's financial problems.
22 As letter carriers, we love bringing service to our
23 customers six days a week. There are other ways that the
24 Post Office can take care of their financial problems, and
25 eliminate the six-day delivery isn't one of them. Just to

1 give you guys a letter carrier's view, let's say this
2 Saturday coming up here -- customers on my route, they
3 maybe work five or six days a week. I'm going to bring
4 out all their parcels, their medications, their papers,
5 unemployment checks. It's very critical that I'm there to
6 deliver the mail on Saturday. This past Saturday, we had
7 the largest food drive in the country here, the letter
8 carrier's food drive. We fill up all the food banks, soup
9 kitchens here. I'm a Postal Connect coordinator here.
10 We're trying to grow the business. This is a team effort
11 that we have with the Postal Service here. I'm out every
12 day getting small businesses to use our services, use our
13 parcel service here. And we love the Postal Service. We
14 think it's a shame that the Postal Service has been
15 somewhat deceptive in telling the public that we're moving
16 to five days.

17 So I wish this panel will take everything under
18 consideration and reject the proposal to move to five-day
19 delivery. Thank you very much for your time.

20 VICE CHAIRMAN HAMMOND: Okay. Thank you. We're
21 starting to -- we are way past our time to leave. But we
22 have time for two more before they probably tell us to to
23 go. So please, go ahead.

24 MR. CHESTER: Good morning. My name is
25 Jeff Chester, and I'm a retired city letter carrier, and a

1 member of Rank 133 National Association of Letter Carriers
2 here in Sacramento.

3 Over 25 years ago, thanks to the Veterans
4 Preference Act, having served in the war conflict, I was
5 hired by the U.S. Postal Service in San Antonio, Texas,
6 after retiring with 26 years in the air force. I'm here
7 today to speak on behalf of our military veterans. When I
8 returned from Viet Nam, I knew I was going to make the
9 Service a career. However, two of my friends who were
10 discharged with me couldn't find work. They both ended up
11 in the Postal Service in different parts of the country.
12 The Veterans Preference Act helped them gain employment.
13 Will the same ring true for our military veterans
14 returning from Iraq and Afghanistan? If the Postal
15 Service is permitted to eliminate Saturday delivery,
16 approximately 50,000 jobs will be lost immediately, 80 or
17 so right here in the City of Sacramento. Although the
18 Postal Service is required to find these employees a new
19 job, it could involve the disruption of the employee's
20 family in moving to where there is an opening anywhere in
21 the United States. How many of these employees are
22 military veterans? Is this the way they should be
23 treated? After all, to be militarily deployed is one
24 thing. To have your family and you uprooted and sent to a
25 possible far-away place is something entirely different.

1 Our military veterans returning from Iraq and
2 Afghanistan deserve our gratitude for their service to
3 this country. It is incumbent on us to ensure that these
4 50,000 jobs do not disappear. Concurrently, our present
5 military veterans postal employees should not have to
6 suffer a monumental life-changing event when a financial
7 insurer like Congress would eliminate the talk of
8 cancelling Saturday delivery. Thank you.

9 VICE CHAIRMAN HAMMOND: Thank you.

10 MR. MARTINEZ: Hello. My name is
11 Robert Martinez. I'm a proud retired postal employee,
12 letter carrier here in Sacramento for many years and also
13 a representative for letter carriers here in this area.
14 But I was always proud when I could walk the streets and
15 provide universal service six days a week to the customers
16 we have out there. And think about Saturdays. That's the
17 day when you could really get to know your customers out
18 there on the street. You got to watch families grow.
19 Sometimes you became like a member of the family. And I
20 hope that the Commission realizes that it's called the
21 U.S. Postal Service. We're there to provide a service,
22 which I was proud to do for many, many, many years.

23 And I'm here today because I'm concerned about
24 the direction the Postal Service is going. We have
25 customers out there that needs us. The economy is like it

1 is today; we have many problems. Like some of the people
2 who testified talked about mail sitting two or three days
3 in a box. Sure, there are a lot of people that have money
4 in the bank that can write a check ahead of time. But the
5 way the economy is today, we have people that are living
6 day-to-day and can't pay their bills. And we talked about
7 late charges. There's a lot of areas that could be
8 affected by getting rid of one day of delivery, and that's
9 Saturday. We are all going to be seniors some day. I'm
10 fortunate to have my parents still. And they rely on the
11 Postal Service. They love going to the mailbox. They
12 also get prescriptions in the mail. I do also, and I'm
13 concerned about that area.

14 So please, please give a lot of thought. Like I
15 say, I'm a proud postal retiree. Thank you.

16 VICE CHAIRMAN HAMMOND: Thank you. And this is
17 going to have to be the very last one.

18 MR. BUTLER: Thank you for coming to California
19 today. Two issues for veterans that are really important
20 to people like myself from Viet Nam. The vote-by-mail
21 issue in the 2006 campaign was bad. They couldn't get
22 their ballots back from overseas. It would eliminate a
23 day of delivery and it would make it that much harder for
24 them to participate in electing the President who is their
25 Commander in Chief.

1 The other thing is the VA ships medications to
2 the veterans, which nobody has mentioned the disabled
3 veterans that are out there, and more that are returning
4 every day from Iraq. They depend on those medications
5 being there on time. That prescription goes in and
6 arrives at the Post Office Friday afternoon, and they're
7 not going to get it until Monday, and they may need it
8 just to get through the weekend because of their BTSD.

9 Thank you for being here.

10 VICE CHAIRMAN HAMMOND: Thank you. And go ahead
11 very quickly.

12 MR. LOCKE: My name is Chuck Locke, and I'm
13 President of the American Postal Workers' Union here in
14 Sacramento. I'd like to thank the Commission for coming
15 to Sacramento.

16 I was very glad to hear that the Commission is
17 looking at the over-payment of the \$75 million that was
18 made and the pre-funding of health benefits to postal
19 service employees prior to eliminating six-day service. Of
20 the revenues service prior to eliminating six-day service.
21 I think those are two very important issues. And I think
22 that, as Postmaster General Potter testified, if we got
23 credit for that \$75 million, you wouldn't even be looking
24 at the six-day delivery. I think that's what we're here
25 for. We're here to provide a service. Those issues need

1 to be looked at first.

2 I'd like to thank the Commission for being here.
3 And also one gentleman was talking about different rates
4 for postal things that are mailed. Major mailers do get
5 discounts for cost savings, which I think is another issue
6 that should be looked at by the Postal Rate Commission.
7 Major mailers are getting major discounts and paying ten
8 or eleven cents to mail a letter, and we're paying 44.
9 Postal employees -- my members -- can put that bar code on
10 there for pennies a piece, and they're given ten-cent
11 discounts to put them on ahead of time. So that's another
12 issue that should be looked at.

13 Thank you very much for your time.

14 VICE CHAIRMAN HAMMOND: Thank you. All right.

15 Well, I certainly do appreciate, again, all of
16 your attendance. This has been very beneficial for us,
17 and we appreciate it.

18 And with that, we shall close our hearing, and
19 you all have a good day. Thank you.

20 (Whereupon, the hearing concluded at 12:10 p.m.)
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I, Patricia R. Chapin, a Certified Shorthand Reporter of the State of California, duly authorized to administer oaths, do hereby certify:

That I am a disinterested person herein;

That the hearing was reported in shorthand by me, Patricia R. Chapin, a Certified Shorthand Reporter of the State of California, and thereafter transcribed into typewriting.

Patricia R. Chapin, CSR No. 13493