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POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268–0001

EXIGENT REQUEST, 2010	Docket No. R2010–4

STATEMENT OF JOSEPH CORBETT

ON BEHALF OF THE

UNITED STATES POSTAL SERVICE

TABLE OF CONTENTS

I. Biographical Sketch

I am Joseph Corbett, Executive Vice President and Chief Financial Officer (CFO) of the United States Postal Service. I am responsible for managing Postal Service finances and for reporting to and advising senior postal management and the Board of Governors on the Postal Service's financial condition and options. I direct the organization's Finance, Accounting, Treasury and Supply Management functions and serve as a member of the Executive Committee. I joined the Postal Service in this position in February of 2009. I provided testimony to the Commission regarding the Postal Service's current financial condition in Docket No. N2010-1, in which the Postal Service is seeking an advisory opinion on 5-day delivery.

My professional background encompasses more than 25 years of finance, treasury and accounting experience. A certified public accountant, I have extensive experience in strategy, financial planning and analysis, accounting, financial reporting, and banking and capital market transactions. At the outset of my business career, I worked for over a decade with KPMG, a major accounting firm, becoming a senior member of their Commercial Practice Group, which served publicly- and privately-held companies primarily in the manufacturing, professional services and transportation industries.

During the 15 years prior to joining the Postal Service, I served in various senior management roles at three large commercial companies: controller, chief accounting officer, executive vice president, and CFO at Intelsat, Ltd; Chief Accounting Officer and CFO at Bearing Point, Inc; and Manager Internal Audit at

NVR, Inc. In these positions, I led multiple efforts related to all aspects of accounting, financial planning and reporting, and treasury transactions, including an initial and numerous other SEC-filed capital market transactions. I have also served in the past as a director of two private companies.

I hold a Bachelor of Business Administration degree from George Washington University and am a member of the American Institute of Certified Public Accountants and the Greater Washington Society of CPAs,

II. Overview and Purpose of Testimony

The purpose of my testimony is to provide the financial context for the Postal Service's request for an exigent price increase. In doing so, I will provide the Commission with details of the Postal Service's recent financial history and its current financial condition. I will discuss the financial realities the Postal Service faces for the near-term future, and how the 5.6 percent exigent price increase is just one aspect of a multi-faceted approach to ensuring a viable Postal Service for the future.

The Postal Service today stands on the brink of financial insolvency. The bulk of its costs are fixed by laws, contract or regulations and its operating flexibility is severely limited. It is a network industry whose network expands by approximately 1 million delivery points each year. And it is subject to legal requirements that limit its ability to reduce service commensurate with the reduction in demand for that service.

Perhaps none of this would matter if the business model that sustained the Postal Service for almost four decades were still viable today. That model was grounded in an ever-rising tide of mail volume generating sufficient revenue to meet rising costs. Flexibility is most needed, and the lack of it most noticed, when the economic environment changes, especially when that change is rapid.

The mail volume tide has receded over the past few years, and done so at a rate not experienced since the Great Depression. Over the period FY 2007 -- FY 2009, mail volume fell a total of 17 percent. Most alarmingly, volume fell an extraordinary 26 billion pieces in FY 2009, representing nearly three-quarters of that 17 percent, and dwarfing the impact of the 2001 recession, 9/11, and anthrax attacks combined. We lost a record 36 billion pieces of mail, worth billions of dollars in revenue, over the FY2007 – FY 2009 period. The volume decline, moreover, continues into 2010.

It is against this backdrop that the Postal Service, reluctantly, initiates the present request. Given the constraints under which the Postal Service must operate, an exigent rate filing is the one avenue it can pursue under current law that stands the greatest chance of yielding sufficient revenues to help address the existing financial crisis. We cannot close Post Offices for economic reasons, cannot pursue new non-postal sources of revenue, cannot moderate frequency of delivery, and cannot alter our prepayment of health benefit schedules – all steps a business entity in our circumstance would do to stay in the black. Nor can the Postal Service count on future changes in the law (or in contracts, by law subject to binding arbitration) to generate revenues, cut unnecessary costs, or create reasonable payment plans for legacy costs. We have to act within the current law to raise necessary revenue, balancing the short-term need for cash against the long-term health of both the mailing industry and the Postal Service.

The Postal Service is fully aware that an exigent case by itself is not a solution. Rather, it can only be one part of a coordinated strategy involving both short-term and long-term actions to resolve severe shortcomings in its business model. Accordingly, the rate proposals in this filing are modest compared to the pressing need.

III. Current Financial Position

The Postal Service depends upon revenues from its products and services to sustain operations and meet its universal service obligation to the American public. For decades, the continuous growth in mail volumes provided revenues that kept pace with increasing costs. Price increases were generally in line with inflation. That continuous volume growth stalled in FY 2007, and then plummeted. In FY 2009, total mail volume fell to 177 billion pieces, an unprecedented 26 billion pieces (or 12.7 percent) fewer than the previous year. This represents the largest percentage annual mail volume decline experienced since the 1930s.

The precipitous and historic declines in mail volumes and revenues, combined with the growing costs of the Postal Service's expanding delivery network, and the new costs imposed by postal legislation, have resulted in a grave and unsustainable financial imbalance. Despite prudent management of its business and aggressive cost cutting, the Postal Service has reported a net loss in each of the last three fiscal years and expects to do so again this year.

In FY 2009, despite reductions in full-time-equivalent employees of 65,000, cost reductions of $6.1 billion, and a one-time $4 billion reduction in the required 2009 payment of $5.4 billion to the Postal Service Retiree Health Benefits Fund (PSRHBF), the volume decline contributed to a net loss of $3.8 billion. This loss followed net losses of $2.8 billion in 2008, and $5.1 billion in 2007, for a cumulative net loss of $11.7 billion in the last three fiscal years. The Statement of Stephen J. Masse provides substantial discussion and supporting analyses for 2010 and 2011 financial expectations.

Without fundamental changes, the Postal Service expects significant losses in FY 2010 and for each year into the near future. For FY 2010 alone, our most recent forecasts are for a net loss of $6.5 billion.[1] These projections assume there will be no changes this year in the current retiree health benefits pre-funding schedule.

The critical fiscal condition of the Postal Service can largely be attributed to a lack of operating flexibility and these factors: the diversion of mail to electronic alternatives; the initial and follow-on effects of the economic recession; and the statutory obligation to pre-fund retiree health benefits at an accelerated pace.

[1] Of course, projections that rely on many inputs will change as more recent information is incorporated into those projections. Certainly, as updates occur, the magnitude of the loss may change, but that does not change the need for the multi-faceted approach outlined in this statement.

To address the financial crisis facing the Postal Service, we must continue ongoing efforts at cost reduction, and use every other available tool. Over the period from 2000 to 2007, the Postal Service improved productivity with aggressive cost reductions from which it realized over $1 billion on average in annual savings. As volumes began to consistently fall in 2008, the Postal Service recorded cost reductions of approximately $2 billion. Next, to meet accelerating declines, the Postal Service reduced workhours in 2009 by 115 million, or, as mentioned before, the full-time equivalent of 65,000 employees. To accomplish these results, we pursued the following strategies:

- Continued to invest in automation, energy-saving technologies, plant consolidation and other significant cost-reduction initiatives.
- Continued efficiency programs including continuous roll-out of lean six sigma programs.
- Substantially reduced the career postal workforce by 175,000 from 2000 to 2009, while improving customer satisfaction and service performance.
- Paid down debt when possible, and reduced interest expense.
- Captured savings of 379 million workhours from 2000-2009 and realized eight straight years of productivity gains.

However, even as these cost reductions were underway, the Postal Accountability and Enhancement Act of 2006 (PAEA) imposed new costs, unique new requirements, and important structural changes on the Postal Service. The PAEA:

- Established CPI-based price caps for each Market Dominant mail class, which collectively provide 88 percent of Postal Service revenue.
- Allowed greater pricing flexibility in Competitive mail classes, although that latitude extends to only about 12 percent of Postal Service business.
- Restricted the Postal Service's ability to create new products and seek new sources of revenue.
- Maintained the prohibition on closing individual Post Offices solely for economic reasons.
- Required unique pre-funding of Retiree Health Benefits (RHB), averaging approximately $5.5 billion per year.

In comparison with the previous statutory scheme, which required prices to generate revenue adequate to cover Postal Service costs, the PAEA imposed a system in which rate changes are constrained by the price cap, without reference to trends in either mail volumes or postal costs.

For FY 2010, our plan is to cut approximately $3.5 billion of costs, including the elimination of over 80 million more workhours—the equivalent of about 45,000 full-time employees.

IV. Cash Flows and Debt

We experienced negative cash flow in two of the past three years. In 2009, we were able to fund obligations through increased debt and a last-minute one-time $4 billion deferral of payment to the Postal Service Retiree Health

Benefit Fund (PSRHBF) payment. Debt on September 30, 2009, was $10.2 billion.

For the second year in a row, the Postal Service is now confronting the threat of a liquidity crisis with conditions nearly identical to those of 2009. Although we believe that there are sufficient cash flows for ongoing 2010 operations, there is some limited uncertainty as to whether these cash flows, together with maximum available borrowings of $3 billion, will provide sufficient cash to fund the $5.5 billion PSRHBF payment required by the PAEA on September 30, 2010. More likely, given current trends, the severely low cash and legal borrowing capacity we would carry into 2011 will result in an inability to pay all 2011 obligations. It is clear that a liquidity problem is looming and must be addressed.

V. Moving Forward

The forgoing discussion demonstrates that financial pressures have been building and that management has been taking aggressive actions to offset losses through massive reductions in workhours and employees. But these internal measures will not completely solve the problem. On March 2, 2010, the Postal Service communicated its financial projections for the next decade, along with its action plan. These projections show a long and steady decline in mail volumes and declines in revenue (in 2009 dollars). Declining revenues, coupled with growing expenses, would result in cumulative losses of $238 billion by 2020 unless management continues its existing aggressive cost reduction and revenue enhancement programs, and implements correspondingly aggressive new actions. In our March 2 action plan, postal management restated its commitment to continue to relentlessly grow revenues and reduce costs, and thus cut those cumulative losses by approximately one-half within the current legal operating framework. Fundamental changes in laws, contracts, and regulations are necessary to make closing the rest of the gap possible. This situation is so dire that no single action by the Postal Service or concession by stakeholders can fill the void. Rather, we must take a balanced approach which includes efforts to:

- Elevate the role of demand factors in pricing, and, in the short term, implement a modest exigent price increase
- Restructure retiree health benefit prefunding, including possible shifts of CSRS overfunding to RHB funding.
- Adjust delivery frequency from 6 days a week to 5 days.
- Modernize retail access
- Establish a more flexible workforce
- Expand the scope of product and service offerings
- Seek to streamline oversight and regulatory processes

These are not alternatives from which to choose; they represent a balanced approach to return to financial stability and begin to repay the $15 billion in debt that will likely be outstanding by the end of FY 2011. The exigent price change is but one part of the plan. While other parts of the plan are longer-term and require legislative action, the exigent price change is not only an option available under current law, but will also have a more immediate impact. It is this very fact that has us so focused on the exigent price increase. It is one of the few tools available by law, now, to help meet this fiscal crisis. To ignore this remedy, in hopes of the passage of future legislation which cumulatively might provide the almost $120 billion needed improvement in operating results over the next decade, would be irresponsible. The exigent price increase is necessary.[2]

VI. The Exigent Price Change

As described above, the moderate price change embodied in this use of the "exigent" provisions is just one part of the action plan for the next decade. It is also just one part of the larger "Pricing" area described in the plan. Nevertheless, the focus of this proceeding is to implement price increases that exceed the general rate of inflation (as measured by the price cap) due to "extraordinary or exceptional circumstances." 39 U.S.C. § 3622(d)(1)(E). At this time, the 12-month moving average for cap calculation shown on the Commission website's CPI (PDF) tab stands at 0.757 percent. This is simply the current 12-month average, however, not the actual available pricing adjustment authority based on the changes in the CPI-U index over the entire period since the last Market Dominant price adjustment in May 2009. That figure, as derived in Attachment B to the Request in this proceeding, is 0.578 percent, which is extremely low relative to the first two changes enabled by the cap (2.9 percent and 3.8 percent in FY 2008 and FY 2009 respectively), and not nearly large enough to overcome

[2] Many of the topics covered in this Statement regarding the Postal Service's current financial situation were also addressed in my testimony (USPS-T-2) filed on March 30, 2010 in the 5-day proceeding (Docket No. N2010-1). The Commission may wish to refer to that testimony for greater details on those topics.

the effects of the extraordinary and exceptional circumstances that have led to our strained financial situation. Even the modest amount sought in this proceeding is not intended to single-handedly “fix” the financial situation, hence the multi-faceted plan described above. The current circumstances are anything but ordinary, and the price increases are warranted.

A. Extraordinary and Exceptional Circumstances

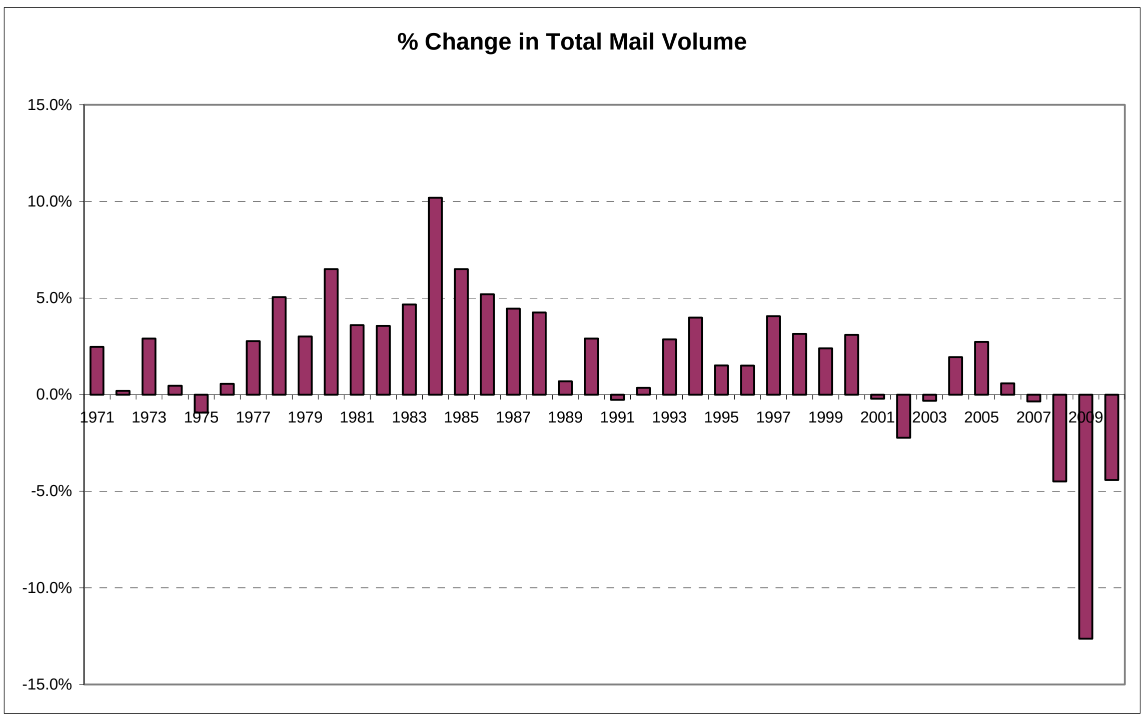
As stated earlier, the Postal Service is in the throes of the worst contraction in mail volume in modern American postal history caused, in large part by the worst economic crisis since the Great Depression. On an annual basis, total mail volume declined in five of the years from 1970 through 2006. The worst prior decline was FY 2002, when volume fell 2.2 percent due to a recession, as well as the effects of the 9/11 and anthrax attacks. The total decline in those five years *combined* was 3.9 percent. By comparison, the percentage decline from the first quarter of FY 2007 through the second quarter of FY 2010 is 20.1 percent, and further declines in our most profitable class, First-Class Mail, are all but certain. For the three and one-quarter year period of Q1 2007 - Q2 2010, the average annual decline was in excess of 6 percent, which is greater than the cumulative decline in those five years with volume declines from 1970 through 2006.

Not only is the overall volume loss extraordinary and record-breaking, when isolating recessionary periods, the current recession is unlike any other in terms of comparable volume loss. The recent volume decline has exceeded the volume declines of all mail recessions in the previous 35 years put together. The following table gives percentage volume declines for periods of economic recession since the creation of the United States Postal Service in 1971. (The dates indicated for these “recessions” relate to the period of mail declines, which coincide with, but do not match exactly, the consensus periods of recession in the broader economy.) As illustrated below, until the current recession, the Postal Service has weathered economic hard times with relatively little-to-no significant difficulty in terms of volume loss.

Recessions	**Total Decline in Volume**
1974 Q2 – 1976 Q2	-2.4%
1980 Q1 – 1983 Q1	Volume did not fall
1991 Q2 – 1992 Q2	-2.8%
2001 PQ4 – 2003 PQ4	-3.3%
2007Q1 - 2010Q2	-20.1%

The volume decline of each of the previous four mail recessions was never more than 3.3 percent. And although the time periods are not of the same duration, the current volume decline is six times worse in percentage terms than the decline experienced during the previous recession, following 9/11 and the anthrax attacks, and 8.5 times greater than the volume decline experienced during the recession in the mid-1970s.

Some additional historical perspective is useful in understanding the magnitude of recent mail volume trends. The largest annual contraction of mail volume in the Great Depression was 18.3 percent in 1933, after which annual volumes grew unabated until 1946. More recently, the decline in the three years following 2006 exceeds the gain that occurred in the 12 years prior to 2006, because 2009 total volume was less than 1994 total volume. In contrast, in none of the four previous recessions discussed above did the volume loss push the Postal Service back to a volume level experienced even two years before the volume decline began. Focusing on the years since postal reorganization in 1971, the chart below illustrates how the last three years represent a major departure from the pattern up until 2007.



This recession has been cited by numerous sources as the worst economic downturn since the Great Depression. Previous recessions, although serious, were not as severe in terms of job losses, financial sector turmoil, and general uncertainty in the markets both here and in economies around the world. According to the Department of Labor, the number of jobs shed through 2009 was an alarming 8.3 million. The following chart shows how this recession stacks up against previous recessions.

Recessionary Period	GDP	Private Employment	Real Investment Spending
2008-2009	-3.9%	-7.3%	-35.7%
2001	0.3%	-3.1%	-14.2%
1990	-1.4%	-1.9%	-14.8%
1982	-2.9%	-2.6%	-22.5%
1974-1975	-2.6%	-4.2%	-29.6%

Many other measures show the impact of the downturn. For instance, the FDIC closed 140 banks in 2009, making a total of 228 since January 2008.[3] In order to alleviate panic, the FDIC insurance limit was increased from $100,000 to $250,000 on May 20, 2009; it had been 28 years since the insurance had last been increased (from $40,000 to $100,000).[4] According to a Pew Research study released at the end of June, 2010, 55 percent of Americans in the last 30 months have faced unemployment, experienced a cut in pay or a reduction in hours, or have become involuntary part-time workers; and six in 10 Americans say they have cut back on their spending.[5] And, of course, the seeming abundance of government bailouts indicates that this is not a typical downturn. Underscoring the extraordinary circumstance of the recession which led to our volume declines are the Government bailouts of Fannie Mae and Freddie Mac,

[3] http://stimulus.org/financialresponse/fdic-bank-takeovers and http://www.rttnews.com/ArticleView.aspx?Id=1195524

[4] http://www.mortgagenewsdaily.com/10012008_fdic_increase.asp; http://www.fdic.gov/news/news/financial/2009/fil09022.html

[5] http://abcnews.go.com/Politics/recession-economic-downturn-continues-impact-americans-pew-study/story?id=11053821

two of the largest financial institutions in the world, neither of which had ever previously failed since their creation.

Aside from the general recession, there were specific circumstances that affected our business, such as the burst of the housing bubble, the credit crisis, and a decline in advertising. These factors affected our customers and their mail volumes. The downturn in the housing market and the accompanying impact on the mortgage industry had direct effects on realtors, mortgage brokers, banks and other lenders, insurance companies, and commercial real estate firms, as well as their use of the mail. The tightening of the credit market was a major factor in the dramatic drop in credit card solicitations. Cost concerns led to accelerated efforts to convert billing and payment processes to electronic alternatives. The effects on the advertising industry can be seen directly in the reduction of advertising pages in Periodicals; this did not only affect Postal Service revenue for existing magazines, it was also a death knell for others. It is clear that the extraordinary and exceptional circumstances that contributed to the Postal Service’s financial situation went well beyond the Postal Service.

B. The circumstances were unforeseen

It is an historical fact that the depth and severity of the financial crisis that precipitated the current recession were unforeseen. The Chairman of the Federal Reserve Bank, despite the vast resources of that institution, failed to foresee the severity of the financial calamity. The minutes from the Federal Open Market Committee meeting in October 2007 included this passage: “Looking further ahead, participants noted that economic growth should increase gradually to around its trend rate by 2009 as weakness in the housing sector abated and stresses in financial markets subsided."[6] The minutes also include a table projecting GDP growth and unemployment rates that, unfortunately, were considerably off the mark.[7] While the effect of electronic diversion has been widely acknowledged over the last decade, the sudden and dramatic shift in the totality of factors affecting mail volume beginning in 2007 were unforeseen and unforeseeable. The bottom line effects on the Postal Service's finances of these volume declines clearly constitute "extraordinary or exceptional circumstances" as those terms are used in the statute.

Simply because the circumstances were unforeseen, however, does not mean that the Postal Service neglected to take steps over the past decade to improve its financial situation. As described above in section III, the Postal Service took many steps consistent with "best practices of honest, efficient and economical management" to improve its position. Unfortunately, the circumstances that gave rise to the need for this price increase overwhelmed those efforts.[8] But if those steps had not been taken, the current situation would be far worse.

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[6] http://www.federalreserve.gov/monetarypolicy/files/fomcminutes20071031.pdf, page 5.

[7] Ibid, page 10. For example, the projected percentage growth for GDP in 2009 was 2.3 to 2.7. In actuality, the change in GDP was -2.4 percent. See http://bea.gov/newsreleases/national/gdp/2010/pdf/gdp1q10_3rd.pdf, page 6.

[8] For example, on a unit basis, the Postal Service was able to maintain a relatively stable relationship between per-piece attributable costs and per-piece revenues between 2006 and 2009. In fact, per-piece contribution rose over that time period. But the sharp decline in volume meant that *total* contribution took a substantial hit. Applying the FY 2009 per-piece contribution of 14.1 cents to the 35.6 billion pieces of mail lost between 2006 and 2009 suggests that, if the pieces lost would on average have yielded that amount of unit contribution, the net impact would have been $5 billion. It would seem highly improbable to suggest that any feasible management actions could have prevailed against the devastating effects of the rapid volume decline on total contribution.

C. The increases are modest and related to the circumstances

Unlike the price-setting procedures under the old Postal Reorganization Act (PRA), the current proceeding (i.e., the request for an exigent price increase) is not, by itself—from the Postal Service's perspective--designed to achieve "break-even" in any particular future time period. This underscores the notion that there is not one single solution to the financial situation; there is an expectation (but no certainty) that other parts of the plan will also be achieved so that the long-term financial viability of the Postal Service is assured. Attempting to return to profitability through price increases alone would likely have long-term negative impacts on mail volumes, and on the Postal Service itself. The moderate level of increase proposed is consistent with the result of the circumstances that have given rise to the exigent situation: the volume loss. In fact, the Postal Service's decision not to seek an increase in FY 2010 was based in part on concern about the volume loss that occurs with price increases. In the end, though, a modest price increase, despite the accompanying volume loss, will improve the financial situation.

Related to the need for a price increase is the fact that some products do not cover their costs. The Postal Service and the Postal Regulatory Commission share the concern that revenues from some products are below costs. The Commission, in its 2009 Annual Compliance Determination, directed the Postal Service to address the below-cost products in its next general price change. As described in Dr. Kiefer's statement, the levels of the price increases reflect this cost coverage concern. In keeping with the moderate nature of this price change, the problem of cost coverage is not solved in totality by price, much less in just one pricing step. Nevertheless, it is important to start taking these steps; aside from addressing the overall financial need, the exigent filing is an opportunity to begin resolving the cost coverage issues with dispatch. In fact, as described in Dr. Kiefer's statement, only four domestic Market Dominant products would remain below 100 percent cost coverage after implementation of the proposed exigent price adjustments.

D. The increases are necessary

As described in the Postal Service's March 2 plan, a combination of actions is necessary to avoid potential insolvency. Only a solvent Postal Service can "maintain and continue the development of postal services of the kind and quality adapted to the needs of the United States." The exigent price increase is part of that plan and will provide needed short-term help. The price increase in no way relieves the Postal Service of its responsibility to aggressively pursue best practices to ensure "honest, efficient and economical management." In fact, the other elements of the plan require it.

Based on the most recent values of CPI-U, my understanding of what the Postal Service could obtain from a routine price cap filing is that it would be less than 0.6 percent. Given the interval of nearly two years between the time we plan to implement our proposed rates next January and the time of the last increase in prices for Market Dominant products in May 2009, an increase of barely one-half of one percent would not likely be adequate under *any* circumstances, much less against the backdrop of the calamitous volume drop experienced over the same time period. Such a small price increase would be expected only to generate roughly several hundred million dollars in net revenue annually. While that is a large amount of money, in the face of an expected shortfall for FY 2011 at current Market Dominant rates of approximately $7 billion (as presented in Stephen Masse's Statement), an increase of that magnitude simply does not begin to close the gap. In contrast, as shown in Dr. Kiefer's Statement, the Postal Service's proposed prices represent an aggregate increase of approximately 5.6 percent.[9] The net increase in annual contribution expected from the proposed exigent prices -- $3 billion -- is basically tenfold higher than what could be obtained from a CPI-U filing. It will not by itself eliminate the gap between revenue and expenses in FY 2011, but it will make progress towards that objective. I consider an increase of this magnitude to be the appropriate amount necessary to address the challenging circumstances the Postal Service faces, in which we must plan to not only match current costs and revenues, but also eventually cover accumulated debt.

E. Possibility of rescinding the increases

Given the dire financial situation, and the moderate level of the proposed increases, the Postal Service does not anticipate the ability to "rescind" the increases anytime soon. Again, to ensure financial viability, the plan includes many facets, none of which can be ignored, or passed over. The Postal Service will likely reach its borrowing limit, and prudent management would require at

[9] When one considers, however, that this 5.6 percent increase will be the first since May of 2009 and will not be implemented until January of 2011, it represents an annualized price increase over that 20-month period of only 3.3 percent.

least the consideration of paying down that debt before taking any steps to rescind any increases. Nevertheless, to the extent that circumstances change enough to allow for any rescission, the most reasonable mechanism would be to pursue below-CPI increases in the future.

VII. Conclusion

The circumstances that cause the Postal Service to invoke the provision of the Postal Act of 2006 regarding price increases beyond the cap are certainly extraordinary and exceptional. As described above, the severe and abrupt volume loss is anything but ordinary when compared to the long history of the U.S. Postal Service and, before that, the Post Office Department. The circumstances that created the need for this request were unforeseen, and the results could not have been avoided. Nevertheless, if not for the aggressive actions taken by Postal Service management over the last decade, the results would be worse. Given the precarious nature of its finances, the Postal Service believes this price adjustment is reasonable[10] and necessary to enable it, under the best practices of honest, efficient, and economical management, to maintain and continue the development of postal services of the kind and quality adapted to the needs of the United States.

[10] As described by Dr. Kiefer, it is equitable, also.