

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268

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Rate Adjustments Due to Extraordinary  
or Exceptional Circumstances

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Docket No. R2010-4

Comments submitted by Mark Jamison

Commissioners,

The case before you although substantively complex would appear to be a relatively straightforward matter. Under the terms of the PAEA and other governing legislation you are charged with, first, determining if the submission of the request by the USPS meets the criteria under the law for consideration, i.e. do exigent circumstances exist which would justify this request? If you determine that the current economic, political, cultural and social conditions exist that would justify a special rate increase then you are charged with deciding whether the substance of the request, with all its technical minutiae, is justified and if not what might be appropriate?

A good deal of information has been submitted to you, discussing in great detail both the merits of the request itself and whether the amounts indicated are justified under the law. A great deal of effort has been expended by the USPS in preparing the case and on behalf of the various stakeholders, as they are often called, in either refuting or supporting the Postal Service's position. You have heard in great detail from both individual mailing companies and groups representing the interests of the mailing industry as well as other commercial entities that use the mails. You have heard also from the various organizations that represent the employees of the USPS. And, I suspect you have received a good bit of communication from individual Americans distributed throughout the social, demographic, political and economic spectrum.

I will not attempt to reargue the either the merits of the case itself or the

particulars of the amounts requested. Rather, I would argue that this case and the Five Day Delivery case you are also currently hearing represent an attempt to have a fundamental conversation about the current status of the USPS or what its future may be. More importantly these cases and the discussions they have engendered represent an opportunity to have a broad conversation about the importance of the post, how that mission ought to be carried out and ultimately who and what is served by the Postal Service.

The Commission has previously called for a national conversation on the future of the Postal Service. I would suggest that this a conversation that is long overdue. I would suggest, as well, that this case and the Five Day case are fundamentally about that conversation and that without considering these cases in the broadest context we will continue down the blind alley we have followed since the Postal Reorganization Act.

With that in mind I would ask you to stop for a moment and consider the broader context of the current discussion. I know that you are limited by the specifics of the legislation that guides you but you are also charged as an institution with serving the American public in totality with respect to the Postal Service. Narrowly confining yourselves and your thinking in this case may serve your legislative charge but it will not serve the PRC's greater mission.

I am postmaster in the small town of Webster in the mountains of western North Carolina. I also serve on the town's board of commissioners and I lease the building that serves as our post office to the Postal Service.

I am a veteran of more than twenty-five years with the Postal Service, having served in a variety of settings from large offices to plants to the small office I have served for the past twelve years. I am also a journalist who has written for local newspapers and in this avocation I have won both state and national awards.

I therefore approach this conversation from many different perspectives. As a product of a small rural area, I see every day the tremendous impact the Postal Service and its representatives have on the lives of folks who live in small communities. Some of my fondest memories in growing up are trips to the post office to retrieve mail. My partner's father was a rural postmaster in the 1940's and on and her memories are much like mine, of postal workers as more than

mere deliverers of the mail. Many become community institutions, integral to the social and cultural health of the communities they serve. And, I have found, that this is not a situation unique to rural areas. In urban communities across the country mail carriers provide a constant and reassuring presence.

As a local elected official I know the importance of our local facility in terms of providing a community center and helping to maintain a community identity. As a person who leases a facility to the Postal Service, at an amount that is far below market rates, I live that commitment to community because I understand the value of the presence of the Postal Service to my community.

As a journalist and devoted believer in the importance of a free press I am also aware of the role a postal service plays in facilitating the distribution and dissemination of information throughout communities and the country as a whole. Even in this day of advanced electronic communication there is still room for the local newspaper, the small journal, magazines catering to all manner of interests and political, social and cultural persuasions. There is and there will continue to be a need for print for several generations. Newspaper, magazines and print journalism in general face tremendous economic challenges in our current environment but any solution or answer to those challenges will include a vibrant and sustainable postal service.

As an employee of the Postal Service I have earned a good middle-class living. This has allowed me to participate in the local economy and given me the opportunity to support various charities in my community. Even with the jobs the Postal Service has shed in the last several years one should not forget that is still the second largest civilian employer. The salaries and benefits enjoyed by postal workers allow them to support local economies. One should also not forget that those salaries and benefits come not from taxpayers but from customers of the Postal Service - they are paid for in total. The fact is that one of the current sources of the financial challenges facing the Postal Service arises from overpayments made to the US Treasury for both retirement and health benefits.

There have been calls, even in these filings, to simply reduce the wages and benefits of postal employees; the idea being that all the current problems would be solved by reducing the work force and their wages. That may be the current fashion but we should remember that employment with the Postal Service has allowed several generations of people from diverse backgrounds to advance into

the middle class. How many children received college educations because of a parent employed by the Postal Service? How many folks took their first step up the economic ladder through employment with the Postal Service.

Yes, aspects of employee compensation should be part of the discussion. As an EAS employee I would argue that the pay for performance program is both poorly conceived and creates the wrong kinds of incentives, it is an unaffordable excess. Those covered by union contracts probably also must concede that certain work rules must be adjusted to provide greater flexibility. Surely too there must be a discussion of the equity of reduced FEHB premiums for postal employees.

But those groups and organizations who have entered into this discussion by bludgeoning the employees of the Postal Service would do well to remember that the American worker is also the American customer and consumer and surely no business can survive without a reasonably compensated base of middle-class consumers.

The Postal Reorganization Act of 1970 and subsequent legislative adjustments culminating with the Postal Accountability and Enhancement Act of 2006 sought to reconstitute the post office as some sort of business hybrid. The PRA envisioned a new role for the Postal Service and over the next thirty years it became conventional wisdom that the post office ought to more resemble the characteristics of a business entity than a government service provider. While it may have made some sense to utilize business techniques and approaches to delivering postal services this vision was and continues to be fundamentally flawed.

The Founders saw the post office as an institution integral to both the furtherance of democracy and commerce. They wisely chose to place a mandate for postal services in the Constitution. While the composition and need for physical mail has changed and will continue to change over time, the underlying value and importance of a vibrant postal service is no less important today than it was two hundred years ago. The PRC recently commissioned a study of the social value of the postal service and the postal network. I think the results of that study clearly demonstrate the ongoing value of a postal service.

The Universal Service Mandate is the heart of the rationale for a government postal service. The concept of equal delivery across this country regardless of

size or type of community captures the essence of the Founders' concern for binding the nation together. The USM has allowed for the distribution and dissemination of information in a manner that sustained the strength of our democratic ideals and institutions. Along with corollary ideas such as reduced rates for non-profits and essentially preferential rates for newspapers and second-class materials, the USM has realized and reinforced the original vision of postal services.

It has also furthered commerce in a unique and interesting way. A Universal Service Mandate has allowed businesses in the mailing industry to develop and prosper based on the idea that their services would be delivered broadly across both distance and demography. A stable and distributed rate base accompanied by a far reaching network has given the business community the opportunity to develop successful strategies for reaching customers. The direct mail and marketing industries have flourished because of, not in spite of the USM.

Certain ideological dispositions find it inherently easy to demean the idea of a government monopoly. The claim is that without the constraints of the Universal Service Mandate and the attending privileges of the private express statutes and the mailbox monopoly business might find better, cheaper and faster ways to deliver their products. This is an argument that is often offered as a justification for reducing the breadth of the postal retail network or for undermining the salaries and benefits paid to postal workers. If left to its own devices, some argue, American business would provide better service at cheaper rates.

The argument is ideological, rhetorically attractive and yet unsustainable. The simple fact is that the mailing industry has benefited from the creation of a complex arcane rate system that primarily caters to its needs. Postal management has invested billions of dollars in automation equipment, primarily for the purpose of reducing costs to the business mailing community and the marketing industries that rely on the mails.

The private express statutes provide no competitive advantage to the Postal Service. Fed Ex and other providers of express delivery have carved out very profitable markets from the exceptions to the private express statutes. The mail box monopoly may offer some advantage to the Postal Service but for years newspaper delivery services have simply put up adjoining boxes for other commercial deliveries. Successful private mailbox service businesses have been

created; it is clear that with a little ingenuity an alternative mail box system would quickly be created if profits were to be realized.

The Universal Service Mandate is essential to realizing the vision of the Founders and at the same time it offers an essentially hopeless business plan. Could we carve up and privatize postal delivery in the United States? Certainly, but in doing so huge swaths of the country would be left underserved or not served at all. Those areas would not simply be remote rural areas or areas with minimal population density.

The Universal Service Mandate was not simply about equity, it stands as the fundamental rationale for the creation of a broad network of retail and delivery establishments. That network provides socially valuable services that bind the nation together but it also, just as importantly has provided the motivation and method for commercial innovation and profit. The Postal Service provides preferential rates for non-profits, it can provide preferential rates for print media which may sustain journalism through its transition to an electronic age. Yet it also provides access to direct mailers and marketers and currently the package delivery industry has begun to realize the potential of the network as a provider of last mile delivery - a service that increases both their reach and profits.

The Postal Service is a needed institution. It is integral to the cultural, social and economic health of the United States. It's network is an important part of our national infrastructure that sustains our democratic and commercial viability. It is essential but it is not and cannot be seen as nothing more than a business. The keys to the future success of the USPS are contained in the opportunities to be realized from the potential created by the Universal Service Mandate. Success, as we are seeing more clearly each day, does not lie within a misguided and unsustainable business model.

The current conversation we are having about the challenges facing the Postal Service and its future is, I believe, the wrong conversation. It is embodied in this exigent rate case and in the five-day delivery case. The current conversation suffers from a lack of vision and is less about sustaining the Postal Service than dismantling it.

There are elements of the conversation that we obviously must have. Certainly we must come to an accommodation with respect to the transfer payments to the

Treasury for both retirement obligations and retiree health benefits. Surely we can arrive at a set of formulas that rely on generally accepted accounting procedures to ensure that the Postal Service meets its retiree pension and health commitments and obligations in a sensible and responsible manner. One would hope that Congress could come up with a protocol and regimen that would periodically examine those commitments and ensure that the amounts transferred to the Treasury reflect an accurate accounting of the obligations.

We must also look at a management and institutional culture that is clearly broken. Yes, the Board of Governors and senior management have executed strategies that seem to have been dictated by the legislation governing the USPS but I would argue there has been a dearth of vision and a fundamental inability to grasp the economic, political and social challenges that confront the Postal Service.

It has been clear for years that electronic diversion, in all its forms, would ultimately cause erosion in volumes yet the business strategies of the Postal Service, at least prior to the current crisis, have been predicated on ever increasing volumes. Billions have been spent on automation programs that relied on volumes to make them cost-effective. We continue to move ahead with the expensive FSS program when internal audits show serious problems and when it is questionable if volumes will ever recover to levels that would justify such a program.

Over the last twenty years the Postal Service has created and fostered an ever more complex and arcane rate system that is increasingly expensive and difficult to monitor. There seems to be legitimate arguments on whether some of the discounts are economically justifiable. More importantly, it would seem that the Postal Service has at times lost sight of its overall mission while catering to a narrow set of "stakeholders". I enclose that term in quotations because I think it has come to be greatly misused over the years.

The United States Postal Service is the property of the American people, in their entirety. It's mission, wisely conceived by the Founders, is to serve and benefit the nation as a whole. The consequence of fulfilling that mission ought to, by definition, benefit segments of the whole, some more directly than others but always with the understanding that is the American people we are serving.

As I read some of the filings in this case and in other cases before the PRC I am concerned that too often the operation of the Postal Service seems to have devolved into the satisfaction of narrow competing special interests. The USPS is an institution devoted to serving a public good and both those who benefit from the services it provides and those who work for it ought to remember that.

In the more than twenty-five years I have been employed by the Postal Service I have seen tremendous changes in the nature of the business and the entity. What has changed very little is a management and institutional culture that is autocratic, short-sighted and poorly incentivized. I suppose that you at the PRC are accustomed to hearing that from both the representatives of the unions and some of the management organizations. I suppose too that it is a criticism that is easy to dismiss, perhaps as merely coming from a disgruntled employee or one with limited perspective. Surely the reams of customer surveys and data from performance measurement systems support the idea that we are an efficiently run organization.

The truth is that until the PRC, the Board of Governors or Congress are willing to truly look at how those measurements are constructed, reported and managed they will never know the true state of the Postal Service. In the Five Day case you were given customer survey data that reflected a certain resignation on the part of the public to a set of equally poor choices. In that case some of the surveys asked which, given a choice of rate increases or reduction in delivery or perhaps closure of a local facility, a customer might find preferable. The results that were publicized clearly showed a preference for reduction in delivery days.

But was that really the choice? You have before you this exigent rate case in addition to the reduction case. The strategic plan currently publicized by headquarters includes several parts that are portrayed as essential in total. Those parts include reduction in delivery, rate increases and rationalization of the network

In recent years the Voice of the Employee surveys have been used to portray the mind and sentiment of the work force. Yet when those surveys are administered managers are told to instruct employees to provide either positive or negative responses and to avoid neutral responses. Survey behavior and administration is a well studied field. Encouraging or discouraging particular choices by an authority figure administering a survey has certainly been shown to influence and



perhaps limit the effectiveness of the results.

The EXFC measurement system is designed to measure the effectiveness of the delivery network. All over the country postmasters, supervisors and management personnel have been detailed to make second trips and extra trips to deliver missent or misdirected mail. I have personally, at the direction of my manager, driven less than a foot of mail to an office thirty miles away at a cost of over \$100 to avoid the possibility of an EXFC failure. I have gone on missions of even greater futility, once driving an empty mail tub on a ninety mile round trip in the middle of the night to satisfy a nonsensical protocol. These are not isolated experiences, they occur every day all over the country. Under these circumstances EXFC may become less a measurement of network efficiency than a demonstration that we can develop extraordinary and wasteful protocols in search of satisfactory numbers.

What these examples show is that the old aphorism that one measures to manage can easily become a culture of managing to the measure. I do not cite these examples to claim corruption or even incompetence. I do think they demonstrate a management culture that has become a prisoner of a deleterious institutional groupthink.

If the Postal Service is to successfully face the challenges ahead then it must be willing to re-evaluate its culture.

Even if the Postal Service is able to resolve the issues surrounding its payments to Treasury, even if the Postal Service is able to repair and reinvigorate its management culture and if even if the Postal Service is able to capitalize on some of its more promising revenue opportunities like providing last mile delivery, it will still be saddled with a business model that is essentially unsustainable.

Following the current direction will not solve the challenges that confront the Postal Service. The current recipes for recovery or sustainability still rely on a bad fit between the promise of the Universal Service Mandate and a business model that relies on downsizing. It has been argued that perhaps the Postal Service could enter into some other businesses, that it could find additional or alternative revenue streams.

In today's polarized political environment there is virtually no business solution

that will offer the Postal Service sufficient additional revenues to meet future challenges. Some countries, like Japan, assign basic savings bank capabilities to the post office. At one time we did too but that isn't feasible today. Neither would it be realistic to think we could offer the Postal Service some opportunity to compete with the private sector in some areas. We already have a rate and regulatory structure that is far too cumbersome. The reality is that the Postal Service has done best when it complements rather than competes with the private sector as the example of recent successes with providing last mile delivery for UPS and Fed Ex.

It is unlikely that we can downsize the Postal Service and still meet our goals of universal service without ultimately being placed in a situation of requiring increasing subsidies or rates. Mail is still an important part of the American economy, especially for those at the lower end of the economic spectrum and those in rural areas. Mail will continue to be important but volumes both of first class and advertising mail will continue to decrease. Bill presentment and payment will increasingly move to electronic alternatives and direct mailers and marketers are in the business of selling. Their loyalty is to what works at the cheapest prices. As data mining allows them to be more selective and mail less for better response and as electronic and alternate media forms develop, their businesses strategies and models will shift - one should also not discount the possibility of do not mail initiatives returning if advertising volumes actually did increase substantially.

Mail will continue to be important for at least another generation or two but any model based on volume is bound to fail and if we raise rates and cut service as is proposed we may accelerate the decline of the Postal Service without providing for those who will need its services for years to come.

I would argue that rather than look to our present models for answers that we must re-envision the Postal Service. In order to do that we must understand what its assets are, what its social as well as economic value is and where it can find new revenues to support its operations.

First of all we must understand that the postal network is a tremendous asset and an integral part of our national infrastructure. The Universal Service Mandate has given us the opportunity to create a broad ranging network with tremendous physical, intellectual, economic and technical reach. In the current discussions

about the future of the Postal Service aspects of our network have been portrayed as a costly burden rather than as an asset. I would argue that our presence in virtually every community in the United States and our ability to go to every address six days a week is in fact a great asset that could not be easily duplicated or replaced if permitted to deteriorate.

The forecasts may vary but it is evident that electronic diversion will eat into first class mail volumes steadily over the next few years. It is also clear that while advertising mail will continue to be an important part of the marketing mix for businesses that its future growth potential is limited by the development of alternative avenues. It is also clear that hard copy publishing in the form of newspapers and magazines is also under assault although I think there are some very important social reasons why hard copy formats must be supported for many years to come. The ability to distribute and disseminate the variety of information available through newspaper, magazine and journal publishing is essential to the health of our society, our culture and our political and economic forums. The need for this format will certainly diminish but it would be a mistake to let it atrophy before its time; large segments of the American public would suffer tremendously if this capability were allowed to deteriorate precipitously.

Clearly the current political and social environment would not look favorably on large subsidies to sustain the postal system. I think it is also clear that it would be a rather heavy lift to carve out new marketing opportunities under the current model that would sustain the Postal Service. Obviously excessive rate increases would only accelerate the demise of the postal system.

Still, I think there are reasons to be optimistic about the future of the Postal Service. As an institution it has great social value, as an employer it has provided an entry into the middle-class for a broad diversity of people, as a user and developer of technology it has provided a unique proving ground, especially for green technologies. The challenge is to find a mix of businesses that will sustain and support the asset that is the postal network.

Even with diminishing mail volumes there will be a core business of mail delivery for at least another generation. While the Postal Service may not be competitive with package delivery provided by the private sector it has begun to develop the kinds of cooperative efforts with private industry that utilize its unique network for last mile delivery to both public and private benefit. These relationships should be

explored and expanded.

I believe that we can find a model for the future sustainability of the Postal Service if we look at the potential of the network in delivering government services of all kinds. The breadth and reach of the postal network could allow Federal, state and local agencies significant efficiencies in delivering information and services. The postal retail network provides a physical presence in a great variety of communities across the country that is unmatched. Opening up these facilities for the delivery of state and local services may offer savings to strapped state and local governments. Likewise the delivery network can provide opportunities that are limited only by our imaginations. Recent papers and presentations by PRC staff members have alluded to some of those possibilities. Most important, the depth, reach and capabilities of the postal data networks have a huge untapped potential to assist in the missions of all kinds of government entities.

Had the Postal Service had a greater and more combined role in designing and delivering the census millions if not billions of dollars of efficiencies could have been realized. Many venues have experimented with voting by mail but there is an opportunity for coordination with local entities that could use both the delivery and data networks to provide secure voting at much cheaper costs than we currently incur. The postal delivery fleet offers a ready experimental model in the testing and implementing of alternative vehicles and the underlying infrastructure that will be needed to support transition to new technology. From homeland security to immigration to mundane tasks like delivering hunting and fishing licenses a role could be envisioned for the utilization of the capabilities developed by the postal network that would result in lower costs to taxpayers at many levels.

The capabilities available through the existing postal infrastructure are already available. The greatest challenge and it is a challenge I do not minimize would be in redefining the mission, culture and managerial mindset of the current Postal Service in a way that would allow it to begin offering the kinds of cooperation needed to bring greater efficiencies to the delivery of government services. President Obama has rightly said that our greatest challenge with respect to government is less a debate about size than it is about effectiveness. There are

some things that are rightly best left to the private sector but there are also areas where government is clearly both the more effective and more apropos provider of a particular policy or service.

There are critical roles that only government can fulfill well. Delivery of mail is not simply a task of transferring physical goods; it is, as the Founders understood an essential public good that has wide ranging impacts on the health of our society, culture and body politic. Over the past forty years the USPS, as a result of both decisions by Congress and decisions by its own management, has developed a vision that is essentially unsustainable. The fact that our vision or the model we have created has failed should not lead us to the conclusion that the role or need for a healthy postal system has diminished. Rather we should be motivated to understand both the essential role of the Postal Service and the value and tremendous possibilities of the asset we have created. Our challenge is not in downsizing or rightsizing or succumbing to the temptation of casting this special and needed entity into a role or model for which it is not suited. Our challenge is realizing the tremendous potential we have created and re-envisioning and redirecting a cherished institution in a way that recognizes its essential public value and derives the greatest benefit from the investment in our national infrastructure.

I do not know how this speaks specifically to the case before you. Obviously I believe that raising rates at this time would be a serious mistake, if for no other reason than it sustains the wrong conversation and limits our abilities to re-envision a sustainable postal entity.

I would hope that you would give consideration to the thoughts and ideas I have expressed here and find a way to incorporate them as you decide this case and move forward generally.

Thank you for your time, forbearance and consideration.

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