

and/or days, are likely to erode the Postal Service's current competitive advantages and will lead customers to seek alternatives to the Postal Service. This inevitably will lead to reductions in the Postal Service's future mail volumes and revenues, and this result would be precisely contrary to the long-term interests of the Postal Service and everyone who relies on its services. As Dr. Michael J. Riley, former Postal Service CFO, testified before the Commission, a service business simply cannot succeed if it cuts service because of a single-minded focus on cost. Tr. 8/2309-11. Numerous witnesses have testified about the possibility that customers will seek alternatives to the Postal Service if one day of street delivery – representing approximately 15% of service – is eliminated.

The NPMHU also believes that a change to 5-day delivery will have a profound, detrimental effect on the Postal Service's ability to process and deliver time-sensitive materials, such as medicines, newspapers, magazines, and certain advertising. Such a change would unfairly impact vulnerable populations, such as the homebound, the elderly, and millions of small businesses that depend more heavily on Saturday street deliveries. As Alaska Senator Lisa Murkowski noted when she discussed the special needs of Alaska residents, “[t]he U.S. Postal Service is literally a lifeline for the many . . . Alaskans who do not have access to a pharmacy in their community.” Tr. 10/2818. As a matter of public policy, the NPMHU objects to such cuts in service, especially while the nation is recovering from a severe economic downturn that also has had a harsher impact on these individuals and businesses.

The NPMHU also notes that there are a number of questions regarding the Postal Service's proposal that remain unanswered. For example, the financial impact of

the proposed change to 5-day delivery is still unclear. The Postal Service has projected savings of \$3 billion per year, but other participants in these proceedings have raised significant questions about the methodology that the Postal Service employed to reach this figure. See, e.g., Tr. 4/940-50 (Bradley). In short, it still is not clear how much savings, if any, actually will result from a change to 5-day delivery.

There are also open questions regarding the impact that this cut in service will have on the Postal Service's revenues in the short-term. Participants in these proceedings have raised questions about the methodology that the Postal Service employed to measure the likely impact of this service change on consumer behavior (for example, participants in focus groups who voiced support for the service change may have done so only because they believed the only alternative would be a severe price increase). See, e.g., Tr. 5/1104-06; 1147-51 (Elmore-Yalch).

There also continue to be open questions regarding the long-term effect of this service change on Postal Service revenues – even if it is assumed that the Postal Service were able to realize short-term cost savings, a move to 5-day delivery may lead to far greater financial losses over the long term if the change results in customers embracing, and/or competitors creating, alternatives to the Postal Service. The NPMHU believes that a change to 5-day delivery will lead customers to use the services of the Postal Service's competitors, and to increase their use of alternate methods of communication such as on-line bill payments and on-line banking. This in turn will lead to a decline in the volume of different types of mail, particularly package delivery and first class letters.

Finally, the NPMHU notes that the proposed reduction in service – which may not lead to a reduction in costs, which probably will harm the Postal Service's competitive position, and which undoubtedly will have an adverse impact on many customers – is entirely unnecessary. If the Postal Service were not subject to the financial obligations imposed by the congressionally-required annual payments to the Retiree Health Benefits Fund ("RHBF"), the dramatic change in service contemplated by the USPS proposal would not be necessary. Likewise, if Congress and/or the Obama Administration were to conclude (consistent with prior studies issued by the USPS Office of Inspector General and the Commission) that the Postal Service overpaid between \$55 and \$75 billion into the Civil Service Retirement System ("CSRS"), and the Postal Service were credited with this amount, the dramatic reduction in service contained in the Postal Service's proposal would be "unnecessary for the foreseeable future." See Response of USPS Witness Corbett to NALC Interrogatory NALC/USPS-T2-9, June 8, 2010; see also Designation by NALC of Written Cross-Examination of USPS Witness Corbett, July 10, 2010; Tr. 3/559. Congress has the power to address both the RHBF and the CSRS issues, and should do so in order to secure the financial viability of the Postal Service before the drastic cut in service represented by no Saturday deliveries is implemented.

In sum, the NPMHU believes that the continuation of Saturday delivery service is essential to the Postal Service. Millions of customers depend on the Postal Service's ability to process and delivery their mail in an efficient, timely fashion, including on Saturdays. The Postal Service's proposal will harm these customers and, ultimately, harm the Postal Service itself.

Respectfully submitted,

/s/

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