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**BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON DC 20268-0001**

REGULATIONS ESTABLISHING
SYSTEM OF RATEMAKING

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Docket No. RM2007-1

**STATEMENT OF
SR. GEORGETTE LEHMUTH, OSF
ON BEHALF OF
NATIONAL CATHOLIC DEVELOPMENT CONFERENCE**

July 9, 2007

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My name is Georgette Lehmut. I am President and CEO of The National Catholic Development Conference ("NCDC"), 86 Front Street, Hempstead, New York 11550-3667.

I. DESCRIPTION AND MISSION OF NCDC

Founded in 1968, NCDC, an association of almost 400 charitable organizations, is the largest association of religious philanthropies in the United States. The mission of NCDC is to lead the Catholic development community toward excellence in the ministry of ethical and competent fundraising, through a variety of educational programs, services, resources, networking and advocacy. We promote mission-focused and donor-centered fundraising in the context of love of God and love of neighbor.

The hallmark of NCDC is the promotion of the integrity of its member organizations to donors, the media and the general public. To this end, all members are required to fully disclose financial information to donors, in accord with the ethical guidelines outlined in NCDC's

Precepts of Stewardship and the U.S. Bishops' Guidelines for Fund-Raising in the United States.

Our member organizations consist of dioceses and parishes, schools, healthcare facilities, social service agencies, orders of women and men religious, missionaries, shrines, and other charities. As a whole, our membership serves the needs of hundreds of thousands women, men and children, both in the United States and beyond our borders.

II. PERSONAL BACKGROUND AND RESPONSIBILITIES

My primary responsibility as President and CEO of NCDC is to promote and advance the mission of our organization and serve as the spokesperson for NCDC to its various publics. I am accountable to the NCDC Board of Directors for all services, programs, management and finances of the association and report to the Board on a quarterly basis. This includes supervision of a staff of seven at our national office in Hempstead, New York. I became President and CEO of NCDC in 2001.

Before assuming my current position, I served in administration for the Franciscan Sisters of Our Lady of Perpetual Help as a member of the executive committee and as Director of Development. I have also served on a number of governance boards, including serving as a director for NCDC. I was in educational administration and I am a trained facilitator.

III. MAIL CLASSES USED BY NCDC MEMBERS

For decades, NCDC's member organizations have relied primarily on the United States Postal Service to promote their missions and solicit funds for their causes. It is often through the mail that a donor first meets a charity. It is through First-Class Mail that the donor replies by sending a gift to help those in need. Our members use Standard Mail in large volumes to acquire new supporters and friends, and First-Class Mail to thank and stay in contact with existing benefactors.

At a minimum estimate, our members send out approximately 300 million pieces of Standard Mail each year, along with several million pieces of single-piece and presort First-Class Mail. A rough estimate of our members' total annual postage expense is \$50,000,000.

This information will change dramatically this year because of the change in rates and classifications for flats. The goal of all our members is to meet Standard Mail rates on as much mail as possible.

IV. OUR MEMBERS' GREATEST CONCERNS ABOUT THE FUTURE OF THE POSTAL SERVICE

Because NCDC represents a large constituency of charitable mailers, it is from that context that we address our postal concerns. The three issues that concern us most about the future of the Postal Service are: (1) the extent to which the Postal Service will be able to control its costs; (2) the predictability of future postal rate increases; and (3) the reliability of USPS service performance. I discuss each issue briefly in turn.

A. Control Of USPS Costs

The organizations NCDC represents are charities that serve the unmet needs of the poor. In recent years, both federal and state budgets have been cut, reducing the amount of assistance available to meet these needs. Thus, charities are required to raise more money to make up the deficit in other funding. In addition, charities are under constant scrutiny in terms of how much of every donor dollar is actually used in direct service to those in need. Therefore, our members are compelled to raise money as cost-effectively as possible.

The Postal Service's ability to control its costs is of great concern to our members, because postage is a large part of their budgets. Although religious charities do adjust their budgets to anticipate some postal cost increases, multiple or large increases are hard to absorb. Our members' budgets are very tight. A postage increase of just a few cents per piece can translate to hundreds of thousands of dollars of funds earmarked for charitable projects but used instead to pay fundraising costs.

The fundraiser then must decide to either reduce the number of pieces mailed to stay within budget or to mail the same volume and take a loss. Smaller volume will net smaller responses. No matter how one decides, the end result is less money available for the mission. The cost of raising a dollar goes up. The donor loses confidence in the charity. In the end, those who suffer are the most in need.

For these reasons, we ask the Commission to make sure that that Consumer Price Index cap on rate increases is binding and effective. And we also request that the Commission enforce pricing rules that enable our members to buy services like presorting and transportation from private vendors—or perform these functions themselves—when these alternatives cost less than the Postal Service's costs of providing these functions.

B. Predictability Of Rate Changes

Our members are very strategic about how they use the USPS, and budgets for both fundraising and program activities are planned well in advance. Therefore, predictability is essential. For charities, programs and resources are totally dependent on how much money the fundraiser has estimated will be available in any given year. The money that is raised through direct mail is not gravy. It is money that is already earmarked for use. When fundraising costs go up unexpectedly, the resulting loss in revenue means programs, staff and resources are cut. The results include fewer counselors to attend to victims of rape and incest; fewer food pantries in operation; fewer hours at neighborhood clinics; fewer parenting programs and fewer nurseries for poor working mothers. An unpredicted postage increase of only five percent can translate into these cuts and more.

The recent increase in rates of flat-shaped Standard Mail illustrate this phenomenon. We understand that postal rates should reflect the costs of the choices that mailers make. But large and unexpected rate increases can cause major hardship. The recent rate

increases on flats have impacted many of our members, especially those who use premiums (e.g., rosaries, religious medallions, or prayer memorial cards) for fundraising. These charities are working hard with their vendors to find new solutions to meet Standard Mail requirements. However, the loss has been great.

The Commission's attempt to give our members a two-cent reduction in flat rate costs, if even temporary, at least was an acknowledgement of problems and financial difficulties we were facing. There is still much confusion and uncertainty within the USPS regarding implementation. In the end, most of our membership have decided to move away from flats as much as possible.

To avoid these problems in the future, we urge the Commission to adopt standards that make future rate increases as predictable as possible.

C. Reliability of Service Performance

Service performance is also a concern for our members. Many of our mailings are time-sensitive because they are tied to local events or seasonal holidays. Major and growing problems with the predictability of mail delivery, however, have caused many of our members to become concerned that entire mail campaigns are in jeopardy. For example, time sensitive mailings, such as for Christmas and Easter, that traditionally were highly successful and budgeted for high returns, have seen their yields fall dramatically. Lower fundraising yields add to the cost of raising a dollar. We believe that this phenomenon is due in large

part to the increasingly erratic time-to-delivery of both First-Class and Standard Mail.

We urge the Commission to make USPS service performance much more transparent. To this end, we believe that the Commission should establish service measurement systems that provide accurate, independent, and frequent (perhaps monthly) reports on how long mail service takes for each major class of mail. Because service can vary widely from one region and district to another, we believe that the service reports should provide information broken down by 3-digit ZIP Code prefix.

We also believe that the Postal Service's service performance should be tied to the rate adjustment index, so to prevent the Postal Service from managing costs by letting service quality deteriorate. When our member charities buy food and other supplies from third-party vendors, we do not expect our vendors to come in under budget by providing supplies that are stale, spoiled, short-weighted, or defective in other ways. Allowing that would betray our duties to our donors and the poor people they have asked us to serve. We ask no less of the Postal Service.

V. CONCLUSION

In speaking to my constituents, I know that our desire is to continue to use the United States Postal Service as the primary resource in promoting our missions and the many causes we serve. We see the USPS as a partner. We work hard to meet all the regulations

regarding the appropriate preparation of Standard Mail in order to maximize our postage savings. What we need is predictable and reasonable postal increases as well as more consistency in standards. This will help us to work better with the USPS and most importantly, to best serve the needs of those less fortunate.

Thank you for your time and interest. I would be happy to answer any questions the Commission may have.