APPEARANCES:

PANEL:

Dan G. Blair, Chairman, Postal Regulatory Commission
Dawn A. Tisdale, Vice Chairman, Postal Regulatory Commission
Ruth Y. Goldway, Commissioner, Postal Regulatory Commission
Mark D. Acton, Commissioner, Postal Regulatory Commission
Tony Hammond, Commissioner, Postal Regulatory Commission

WITNESSES:

Ken McBride, President and CEO, Stamps.com
David Hiller, Publisher and CEO, Los Angeles Times
James E. West, Director, Postal and Government Affairs, Williams-Sonoma, Inc.
John Carper, Director of Mail and Receiving Services, Pepperdine University
INDEX

WITNESSES:

Ken McBride .................. 10
David Hiller .................. 15
James E. West .............. 22
John Carper .................. 36
CHAIRMAN BLAIR: The hearing will come to order.

I'm Dan Blair, Chairman of the Postal Regulatory Commission, and I'm pleased to be able to open this hearing in Los Angeles this morning. Today's hearing is the second of three field hearings that the Commission is holding on the development of a modern system of rate regulation for market-dominant postal products.

Before I start this morning, I'd also like to introduce my fellow commissioners: Vice Chairman Dawn Tisdale, Commissioner Mark Acton, Commissioner Ruth Goldway and Commissioner Tony Hammond.

For the record, this hearing has been formally noticed and is open to attendance by the general public. My fellow Commissioners and I hope that citizens who are attending today will find that this hearing provides an interesting and informative window on postal policymaking. The format precludes accepting unsolicited testimony, comments or questions from the public in this setting; however, anyone who wishes to submit comments or suggestions may do so. The preferred method is by way of the Commission's on-line filing.
system, and we can provide that web address at the close of my remarks.

The Postal Accountability and Enhancement Act alters the postal ratemaking process. The Act gave the Postal Regulatory Commission 18 months from the date of enactment to issue regulations for a new system to replace the lengthy and overly litigious one that has been used since 1970. The Commission's goals are to have the new regulatory framework in place by this fall, despite the need to complete work on the last rate case.

We're actively soliciting input on how that new rate system should look, and this morning's hearing -- along with the ones we held last week in Kansas City and the next one in two weeks in Wilmington, Delaware -- are a critical part of this rulemaking process. Holding hearings outside of Washington, DC, are important if we are to learn what postal stakeholders and mailers expect from a new ratemaking system. We're working with other federal agencies, including Congress, and we've sought public comments through two Advance Notices of Rulemaking and co-hosted a ratemaking forum with the Postal Service that attracted over 200 attendees.

Transparency has guided the PRC throughout its 37-year history. As an independent agency exercising regulatory oversight over the Postal Service, the
1 Commission, prior to the passage of the Reform Act,
2 conducted public, on-the-record hearings regarding rate,
3 mail classification, and major service changes. Our job
4 was to recommend cost-of-service rates.

5 All of this has changed with the passage of the
6 new Act. Congress wants the Postal Service to operate
7 in a more business-like manner. The Postal Service now
8 has the flexibility to raise rates under a price cap
9 system, as well as earn and retain profits. However,
10 with this added flexibility comes the need for greater
11 transparency and accountability, which is why Congress
12 significantly strengthened the Commission's regulatory
13 authority. In addition, the PRC is charged with issuing
14 annual rate compliance reports, financial accounting
15 reports, and acting on complaints, among its many new
16 responsibilities.

17 That is why we believe these field hearings are
18 important and will add value to this process. We are
19 pleased to have with us today four distinguished
20 witnesses representing the diversity within the mailing
21 community. We appreciate your willingness to share with
22 us your expectations for a new system and your views on
23 delivery service standards, which the Postal Service
24 must establish in consultation with the Commission.
25

At this time I would like to introduce our

KARYN ABBOTT & ASSOCIATES
Page 6 of 83
panelists. We have David Hiller, the Publisher and
Chief Executive Officer of the Los Angeles Times; Ken
McBride, President and Chief Executive Officer of
Stamps.com; John Carper, Director of Mail and Receiving
Services of Pepperdine University; and James West,
Director of Postal and Government Affairs,
Williams-Sonoma.
We look forward to hearing from each of you and
learning how the Commission can best exercise and
fulfill its responsibilities under the Act. While this
is a formal hearing, its purpose is to really engage you
in a conversation in exploring ideas to help us as we
implement the reforms envisioned by the Act.
In the interest of time, we ask that you limit
your oral testimony to five minutes, and both your oral
and written statements will be made a part of the
official record.
Today's testimony, along with the other written
comments related to the new ratemaking system, may be
viewed on the PRC's website at www.prc.gov.
Before I call on our witnesses, I wish to thank
Council Member Bernard Parks -- at the request of Mayor
Antonio Villaraigosa -- and Council Member Parks's
legislative deputy, Gymeka Williams, for facilitating
today's hearing in City Hall.
At this time I'd like to yield to my fellow Commissioners for any opening statements that you may have.

Vice Chairman Tisdale?

VICE CHAIRMAN TISDALE: I didn't really prepare any opening statement, but I would like to welcome all four of the witnesses here and let you know that we look forward to hearing from you.

CHAIRMAN BLAIR: Commissioner Acton?

COMMISSIONER ACTON: I just want to add it's great to be back on the West Coast. I echo the Chairman's remarks and I'm very appreciative of the fact that the panel could join us today to share their insights and experience, and I look forward to your testimony.

CHAIRMAN BLAIR: Commissioner Goldway?

COMMISSIONER GOLDWAY: We had field hearings last week in Kansas City, and two of my fellow Commissioners were able to give us special welcomes because they're native Missourians. Well, I can offer my fellow Commissioners a special welcome because I'm a Californian. If not quite native, certainly I've earned my stripes, once the former mayor of Santa Monica, and I'm especially pleased that we took the opportunity to come to Los Angeles and to come to California, which has such a vibrant mailing community and has experiences and
needs that are very different from those in the center
of the country or on the East Coast.

The fact that the country developed so much
later here, that we have the Continental Divide between
us, the distances that have to be traveled to deliver
mail, all make the kind of issues that Californians deal
with in the mail somewhat different from what we hear in
Washington. So it's important that we're here listening
to people who represent the experiences in the
California area. Thank you.

Thank you as well to the panelists for coming
here today and presenting your particular point of view.

CHAIRMAN BLAIR: Thank you.

Commissioner Hammond?

COMMISSIONER HAMMOND: I want to thank the Chairman
for scheduling these hearings throughout the country so
that we can get a fresh perspective and different ideas
as we work on the organization of a new Postal
Regulatory Commission. Our first meeting in Kansas City
was quite productive, and being also a former Orange
Countian, south of here, I knew there were a good many
mailing stakeholders in this area, so I'm especially
glad that we were able to come to Los Angeles.

And thanks to Commissioner Goldway for being
able to provide commentary on all the sites as we've
gone around since she lives out here.

And I appreciate all of our panelists taking
time to be with us today. I know you've put a good deal
of effort into your comments, and I look forward to
hearing from you.

CHAIRMAN BLAIR: Thank you.

At this time I'd like to recognize that we have
several members in the audience from the Postal Service.

We have Anthony DuComb from the legal department. He's
the managing counsel for the Pacific area. We also have
Eduardo Ruiz. He's the marketing manager for the
Pacific area. We also have the postmaster of Palos
Verdes, Ms. Lee. So welcome. We appreciate
your attendance as well.

So at this time I'd like to welcome the
witnesses, and we'll start with Mr. McBride.

Thank you for coming, and we appreciate your
testimony and the effort you put forth today.

MR. MCBRIDE: Thank you very much. Good morning.

We're honored to be invited to testify here today in
front of the Postal Regulatory Commission. We're also
honored that the Commission chose Los Angeles as one of
its three public hearing locations.

As you may already know, Los Angeles is the
home of Stamps.com corporate headquarters since 1996,
when the company was founded. You may not also know
that the Southern California region has a higher
concentration of small and medium-size businesses than
anywhere else in the country. So we think it's a very
appropriate location for us to spend some time talking
about the mailing needs of a small business and the
importance of considering their needs in areas such as
Intelligent Mail. I plan to make that the focus of my
testimony today.

I'd like to just briefly introduce our company
and our industry to you, for those of you who aren't
familiar. Today, Stamps.com is the leading provider of
PC Postage in the U.S. We currently serve over 400,000
registered customers. The majority of our customers are
small businesses, but we also have home-based
businesses, home offices and individuals as users of our
service.

Stamps.com is itself a small business. We're
located here in Los Angeles. We have 175 employees, all
in one location.

In 1999 Stamps.com became the first company to
offer a software-only PC Postage solution, enabling
customers for the first time to print U.S. postage from
any internet-connected PC and ordinary printer.

Stamps.com's fundamental technology breakthroughs in the
late nineties are the cornerstone of all U.S. Postal
Service postage printed online or via website today.

Last year Americans printed over a billion dollars in
U.S. postage directly from a computer.

The PC Postage industry provides a range of
benefits to the U.S. Postal Service, which includes
things such as -- first, PC Postage provides a secure,
sender-identifiable mail piece, which reduces the amount
of anonymous mail in the mailstream. Second, PC Postage
software has always been CASS certified and includes
numerous address quality features that reduce the cost
to the U.S. Postal Service.

PC Postage is run from a centralized location,
so it provides real-time information, valuable real-time
data, to the U.S. Postal Service on customers' mailing
and shipping behavior. Fourth, mail produced with PC
Postage software uses Intelligent Mail barcodes
optimized to work with current and future USPS mail
processing systems. And there are other many benefits
too numerous to mention.

In addition, as IBI barcodes, or
information-based indicia barcodes, begin to get scanned
in mail processing centers in the near future, PC
Postage will become even more valuable to the U.S.
Postal Service in improving revenue protection,
enhancing mail security, deterring terrorism and in
providing valuable real-time information on customer
mailing and shipping behavior.

Stamps.com's business goals are closely aligned
with our regulator and most important business partner,
the U.S. Postal Service. We think it is very important
for the Commission to consider the needs of small
business as it develops a new modern system of rates.

As you know, small businesses are critical to our
nation's economy and strength. According to the U.S.
Small Business Administration, small businesses have
generated more than 60 percent of new U.S. jobs in the
past decade. They've also generated more than
50 percent of nonfarm private GDP.

Small businesses have historically been
underrepresented and less successful in postal rate
proceedings compared to large mailers. Because of the
complexity of the postal rate process and their diffuse
nature, small businesses have not gotten the
consideration they deserve. For example, extensive
worksharing discounts are available to large mailers,
but small businesses' practical opportunities to
participate in worksharing are limited.
To date, small businesses have no access to
worksharing discounts and they have no incentive to
1 adopt Intelligent Mail technologies. In fact, today
2 small mailers have to pay more to use PC Postage and
3 print a clean address with an Intelligent Mail barcode
4 than to handwrite the address and use a traditional
5 stamp.

6 The postal reform legislation's clear goal of
7 promoting Intelligent Mail presents an opportunity for
8 the PRC and the U.S. Postal Service to provide a
9 justifiable worksharing discount to small business
10 mailers. A new mail classification could be created for
11 low volume or single piece Intelligent Mail. Under such
12 a new classification, low volume or single piece letter
13 mail with address cleansed using CASS certified software
14 and with the corresponding Intelligent Mail barcode
15 could be made eligible for a discount. The discount
16 would be justifiable because of the address quality, the
17 barcode and the Intelligent Mail characteristics. These
18 make the mail less likely to be returned to sender for
19 improper address, they improve USPS processing
20 efficiency, which lowers USPS costs, and they provide an
21 information-rich mail piece upon which value-added
22 services and performance measures could be built.
23 Such a discount would encourage the adoption of
24 Intelligent Mail barcodes in the portion of the
25 mailstream that is now least likely and is not
incentivized to use barcodes and address cleansing. We encourage the Postal Service and the PRC to establish and improve a mail classification that provides small businesses the opportunities and incentive to participate in the benefits of postal automation and Intelligent Mail.

In addition, Stamps.com believes the PRC should establish a process that explicitly considers the impact of decisions on small businesses whenever the effects of rates on business mailers are considered.

In conclusion, thank you again for the opportunity to provide our thoughts here today. The intensive process you are engaged in is very important and will affect millions of people and businesses for many years to come. We urge you to keep the needs of small business at the forefront as you work through this process. They are the heartbeat of our economy and of our future.

Thank you.

CHAIRMAN BLAIR: Thank you, Mr. McBride. I appreciate that.

Mr. Hiller, welcome.

MR. HILLER: Good morning. Thank you, Mr. Chairman.

We appreciate the opportunity to be before the Commission today to present our views regarding the
implementation of the new postal reform law, and we're also very, very happy to welcome you and thank you for coming to Los Angeles.

The Los Angeles Times is the nation's largest daily metropolitan newspaper measured by circulation. We just celebrated our 125th birthday, and we've been very fortunate to have played a role in the growth of Los Angeles and Southern California during that time.

Newspapers these days are dealing with a lot of fundamental changes in our business, like most industries and institutions, including the Postal Service. Technology, especially the internet, has given rise to an explosion of new information sources and channels. In responding to our consumers' and advertisers' demand for choice, we now create and distribute an array of products and services serving the needs of the vast and diverse market that is Southern California, and the U.S. Postal Service is an important part of how we reach our customers.

Our largest use of the mail is the delivery of our total market coverage, or TMC, products. Through our TMC products we're able to help our advertising customers reach the complete market area by delivering advertising inserts in the paper and also mailing the same inserts to nonsubscribers. Here in the Los Angeles
area, that is some 5 million households covering an area of about 35,000 square miles, or nearly the size of Ohio.

In addition to our shared mail products, the Los Angeles Times has a growing solo mail operation as well. So all this amounts to a very large investment with the Postal Service. In L.A. we spend about $40 million annually. Across all of The Tribune Company, my parent company, including ten other newspapers, the amount is nearly $150 million. So we appreciate the importance of what the Commission is undertaking in fashioning a new regulatory regime that rationally and fairly addresses the new marketplace realities we all face, but is also faithful to the Postal Service's public service obligations.

Specifically I'd like to comment on three areas for your consideration:

First is the treatment of so-called negotiated service agreements. We think in short it's very important that NSAs continue to be reviewed by the Commission before they take effect. Congress referred to the NSAs in the new postal law and essentially codified your existing rules regarding NSAs, really acknowledging that the Commission got this right. In particular, Congress said that a requirement for NSAs is
they don't cause any unreasonable harm in the marketplace.

Taking an example of particular concern to us, special treatment for our saturation direct mail competitors could cause real harm on the marketplace. It is a very big market, tens of millions of dollars in Southern California, and it is a complicated business, and it's quite easy to imagine that even a small change in the arrangements for any given competitor could cause a very significant competitive shift in where the advertising inserts are sent and used by our customers, and could dramatically impact the competitive position of ourselves and our competitors, but, worst case, not only with no real benefit for consumers of the Postal Service but it could cause real harm as inserts, advertising money moves around, somebody loses it, maybe pricing changes, customers lose choices, competitors lose money, and the Postal Service would lose revenue.

Now, here in Southern California it is especially complicated, as we are both competitors and joint venture partners with our largest competitor ADVO, and the arrangements that were constructed for that joint venture were negotiated over a long period of time and very, very dependent on both the existing marketplace realities, but also the regulatory
we were dealing with.

And it is not an exaggeration to say that any significant change in the relative terms under which we compete could have a really dramatic impact on the marketplace and on our customers, and as well as on the Postal Service. So that being the case, we urge, knowing that one of the objectives in the reform is also to streamline the processes and speed things up, even in that scheme we would really strongly urge the Commission to continue its practice of reviewing the NSAs prior to the time they would go into effect.

The second area I'd like to talk about is costing methodologies, and we urge you to look hard at how the Postal Service allocates its costs. I was very surprised to learn that the Postal Service does not attribute nearly a half or so of its total costs to particular products. That leaves you obviously with a very considerable amount of overhead or fixed costs that, as it's spread across the product categories and reflected in pricing, can have very dramatic impacts on those of us who use the different categories of mail service.

The postal reform law gives you all the authority to prescribe the costing methodologies to
assess whether postal rates cover their costs. And we
urge you as a matter of promoting good business
practices for the Postal Service to use this authority
aggressively. It will help the Postal Service do a
better job; it will help customers; it will help the
public understand with some visibility and insight
transparency into how the costs are allocated and rates
are set. Particularly important, as once the costing
methodologies are done, it will help streamline and
shorten the amount of time that you need to be taking in
the review of general rate changes.

The third area I'd like to comment on is the
Postal Service proposed so-called flats sequencing
system or FSS, which could pose very serious service and
cost problems for newspapers and customers and we think
ultimately the Postal Service.

Now, currently the Los Angeles Times, like most
daily papers, prepares our -- let's call it high density
and saturation TMC mailings together, and delivers them
to the same destination entry units at the same time.
And one of the things we're very proud of, we've got
really great working relations with the Postal Service,
including at the local distribution center level, and we
do it in ways and on days that work in terms of the
volumes that are coming into the local distribution
services. We think we've got a system and a set of
relationships that work well for the Postal Service,
including the carriers, works well for our customers and
the newspapers.

Now, unfortunately we understand that the
current thinking might be about FSS that we would have
to separate the high density mailings, which would be
the ones that go to less than 90 percent of the
households, from the saturation or 90 percent and above,
and that the high density ones would have to go
separately to the sectional center facilities for
separate handling and distribution and sorting on the
new FSS equipment that's being invested in.

And our saturation mailings then would still be
going to the local delivery units, which means that we'd
be sending the same product going to the same --
virtually the same -- sets of houses and neighborhoods
through two separate mailstreams. Not only would that
bifurcated system raise our costs and jeopardize our
ability to meet the delivery time demands of our
advertisers, but it could, worst case, also give our
competitors an undue service and price advantage, as
their saturation products would continue to enter the
mailstream at the lower rates and in the local
facilities.
Now, more than that, it's our understanding this also won't work as well for the Postal Service.

May not indeed work in the new machines, given the nature of the inserts that are being mailed. Would in fact, our understanding again, unnecessarily add volume and work at the sectional service center level, and do all this and also add transportation costs and back out to the field, and frankly make all those changes, add those costs at a time when we've got a system which we think works perfectly well, and our understanding from the Postal Service is that it works well also.

So these are the three areas we'd invite your attention to. We are again very grateful to you for coming to Los Angeles to hear our views, and we'd be happy to answer any questions as well that you might have.

Thank you.

CHAIRMAN BLAIR: Thank you, Mr. Hiller.

Mr. West.

MR. WEST: Thank you, Mr. Chairman. It's indeed a pleasure to be here with you, and I'd like to thank the Postal Regulatory Commission for the opportunity to present testimony on the development and implementation of the modern system of rate regulations required by the PAEA. We also commend the Commission in accelerating
the process of enactment of the law and its new
requirements. We think it's very valuable.

Williams-Sonoma views PAEA as providing much
needed simplification and regularity in establishment
and adjustment of postage rates and the structure of the
postal operations, and will overall be of great benefit
to the mailers, business mailers, the general public, as
well as the United States Postal Service.

Additionally we place great value in its goal
of positioning the USPS as a valuable enterprise that's
capable of change and adaptation to meet the needs of
the changing business environment.

To underscore the importance of the USPS to
Williams-Sonoma, I'd like to tell you that since we
first introduced our "Catalog for Cooks" in 1972, we
have grown to be a nationally recognized brand with
approximately $4 billion in annual sales, somewhere
around 585 stores in 43 states. This growth has been
driven and supported exclusively by our catalogs. Even
with the growth of internet marketing, we still have
annually over 95 percent of our annual budget is spent
on catalog production and mailing. And the United
States Postal Service at about $140 million a year is
our largest single vendor.

We couldn't have done it without the Postal
Service. We wouldn't have gotten where we are today.

We depend on the Postal Service exclusively as one of our very key strategic partners.

There are several points that I would like to address about PAEA and its implementation. And first, with regard to the annual rates, in our opinion one of the most important benefits of PAEA will be the established timing and frequency of rate adjustments.

There's a lot of implications about this and a lot of specific various things to address, but I really want to encourage the Commission to do what they can to adopt a midyear date for adjustment that covers all classes of the market dominant products.

When I specify "all classes" I know there's been discussion about we'll address one class right now and possibly another subclass at a later time. We feel that to do varying adjustments of rates during different times of the year would be very cumbersome and difficult for the industry to work with. An annual midyear date, such as July 15, preceded by the appropriate advance notification, occurs at a time that's favorable to the fiscal planning cycle of many companies, including Williams-Sonoma. Such timing would minimize a variable that can undermine any successful business plan.

I think this was demonstrated recently by the
last rate case, when unexpected adjustments came down at a time when most companies had completed fiscal planning, and the surprise changes became very difficult to deal with. Further, following the implementation of the new rates in May of this year, any additional increase in postage is an untenable proposition that would be further devastating to catalogs and other standard class mail that are already reeling from the unprecedented and unanticipated increases.

We believe it's essential for the USPS to begin modern ratemaking as prescribed by PAEA and thus eliminate the need for the omnibus rate case under the old regulations and protect standard class mailers from another substantial increase.

With respect to the annual schedule of rate changes, we strongly support the position that a key element should be the recognition of the benefits that would accrue to both mailers and the USPS of accommodating short-term, intra-year variations in the schedule that would reflect marketplace considerations and internal USPS workload capacity. Variations such as seasonal rates and day-of-the-week delivery rates would be an attractive and welcome benefit to catalog mailers as well as others. I cannot overemphasize this point, and encourage due consideration and encouragement on the
part of USPS, especially given the burden placed on most
catalog mailers as a result of the last rate case.

With regard to the Notice of Intent to Change
Rates, here again there's been a lot of discussion about
how far in advance notification needs to be issued.
Direct marketing program and campaign planning,
particularly catalog production schedules, typically
require commitments for paper and other production
elements far in advance of actual mailing -- often well
in excess of 120 days. The programming and software
requirements of our vendors and suppliers can easily
exceed that 120 days for development and testing, and
the consideration and programming for any mail
preparation and entry changes adds even more complexity
and planning.

In recognition of this, we believe a similar
commitment to a formal advance notification on the part
of the USPS is very appropriate. Additionally, I feel
that this notification schedule should not preclude the
consideration of advance communications and discussion
of proposed rate considerations with key industry
mailers and industry organizations. This early
discussion, which of course would come with firm
commitment, would position the USPS as a partner with
its business customers, much in the manner of other
vendors and suppliers in corporate business. A goal of PAEA is the establishment of the USPS as a customer-centric organization, and we feel this would be a first big step.

Basically I'm addressing here just that we need to have more discussion up front and more on a one-to-one basis with the USPS. The rate regulation and the rate establishment programs that we've had in the past required a lot of litigation, but as an individual mailer I very rarely, if ever, had any direct communication with the USPS with regards to a rate increase. We feel the time now is for a change. The new regulations provide that. And I really encourage working towards that goal.

The complaint process -- in that area I would suggest caution that the process that's going to establish complaints would be done in such a manner that the process does not evolve back into the often contentious and litigious rate case system we are trying to leave behind. The rules must be defined such that the basis for complaints and their resolution is clear and quickly resolved.

The exigency circumstances is another area of a lot of discussion right now, and we support the position that it would not be prudent to try and define the
circumstances beyond "extraordinary and exceptional." I think the USPS's position with new regulations in such a way that it can manage their rates and keep revenues at a substantial level and meet their needs, and "extraordinary and exceptional" need to be just that. But we firmly believe that there must be rules that dictate timely evaluation for the continued need of any adjustment that's based on an extraordinary circumstance and any such adjustments be not considered as part of any rate baseline consideration and rate adjustment. The CPI, which is another big part of the rate establishment process, needs to be defined in a very concise manner, clearly defined, as an annual CPI and not a proposed single month or single point of reference for CPI as proposed by the Post Office. The annual average is that which most people expect, and I think anybody in the commercial mailers would see any variation to the annual CPI as a means of trying to circumvent the rate processes as established. Shifting cost burdens, as we heard, is another area of concern, and I cannot overstate the fact that it is a great concern of many of my peers in the business from the threat of shifting cost burdens to mailers as a consequence of the USPS and postal changes. There are considerable changes imminent to both entry and

KARYN ABBOTT & ASSOCIATES
Page 28 of 83
preparation qualifications, mostly as a result of the
network redesign and FSS, and we need to be assured that
these resulting costs will not become hidden rate
increases or reasons for failure to meet established
service standards. Those of us in the industry fully
support and encourage the proposed changes, but we have
to participate in the planning and share in the savings
that are going to be realized.

I also want to mention the NSAs, or negotiated
service agreements. I have been evaluating this
opportunity for Williams-Sonoma for over a year and I
find that it continues to appear to offer a benefit to
us, but despite the outstanding work and dedication of
the internal USPS staff, it's a long and expensive
process. I would ask that guidelines be established to
expedite the process as soon as possible and make this
truly a workable proposition. It should be simple in
the evaluation of benefit, be given the adequate USPS
staff resources for guidance and approval, and it must
be faster and less costly. An NSA has a promise of
making the USPS a more competitive organization in
today's marketplace, and this is a goal that must be
achieved. I for one would like to make it work, but in
its current structure it's difficult. Mr. Hill

references and I fully support his position of overview

KARYN ABBOTT & ASSOCIATES
Page 29 of 83
on the part of the regulatory Commission in the NSA approval process, but I'm looking for an easier way to make it work.

Service standards and measurement is another very key area. Service standards and measurement as they affect standard mail are of key importance to Williams-Sonoma and all of the direct market industry.

As I noted when I began, Williams-Sonoma depends on the USPS as a key partner in achieving its business goals, and their goal is the timely and accurate delivery of literally 390 million catalogs annually over 65 different mailings.

At our business peak, our sales planning and work scheduling of nearly 45,000 associates among the stores, call centers and distribution facilities depends on delivery accuracy of our catalogs to our customers, on the date our strategic marketing plan dictates. I would note that strategic market planning means getting our catalogs to our customers when they are most likely to respond, not when we have merchandise at the stores or when we're prepared to answer their call and process orders. Our customers are driving the business.

Our print partners do an exceptional job of planning for delivery through the USPS network, but ultimate success relies on the USPS meeting its

KARYN ABBOTT & ASSOCIATES
Page 30 of 83
standards. We can adjust our process planning, but that
guidance from the USPS must be accurate.
I have currently had the privilege of participating on an
MTAC work group that is addressing this issue, and I feel the
standards that are currently being considered are
adequate. But these recommendations must not require
any guesswork on the part of mailers, and the proposed
guidelines must define how to plan or implement the
standards when delivery periods span a window that
includes weekdays and/or holidays. And due to the
effect on anticipated processing and delivery time,
different guidance for peak high volume workload periods
must be considered. These standards must be subject to
regulatory re-evaluation and amendable to reflect
improvements in USPS operational capabilities.
Further, standards are almost meaningless
without measurement, and I encourage the establishment
of measurements as soon as possible. Until such time as
new USPS tools are in place, I would ask that
consideration be given to outside services to provide at
least basic documentation. An example of this would be
the partnership of USPS and PricewaterhouseCoopers that
was in place about ten years ago, similar to the current
EXFC. That program ten years ago, which was titled
EX3C, it was accurate, timely and precise in its

KARYN ABBOTT & ASSOCIATES
Page 31 of 83
identification of delivery problem areas and overall
performance. It actually offered us an opportunity to
adjust staffing levels in reaction to actual catalog
delivery.

I would conclude on this point that the
standards and reporting should have a goal of providing
advance notification and guidance, as well as after the
fact measurement. Our mailing planning is much more
accurate when we have advance notice of problems and
problem areas that are the exceptions to standards, and
we would like to hear from the USPS as a source rather
than our usual anecdotal information. The standards and
measurements should evolve into a system that provides
guidance and information that allows us to enter our
mail into the USPS in a manner that ensures that they
will be able to meet the established delivery standards.

For a considerable number of years,
Williams-Sonoma has had the privilege of being assigned
a National Account Manager. While I find this to be a
benefit, it does not come without a certain level of
frustration. As a part of the USPS sales organization,
the role of the National Account Manager focuses on the
sales of USPS products, but in my opinion the USPS, if
the USPS is to become a customer-focused organization
and function as a truly competitive business, this

KARYN ABBOTT & ASSOCIATES
Page 32 of 83
National Account Manager must be the lead representative of the entire USPS organization and be fully equipped and knowledgeable to work with its customers and speak to the entire range of products, services and changes within USPS.

In the new organization I would ask that my account managers have the ability to advise and work with me on postal issues that concern me the most. This is the way that we've worked with all other suppliers, and the USPS should be no different. This individual should be the first to come to me with anticipated rate increases before it is generally announced. Likewise, they should be able to guide us in managing the new requirements for mail design and network evolution, as well as mail preparation and processing for new systems such as FSS. We have and will continue to work with our print and mail preparation partners, but I feel that the time has come that we should be able to receive firsthand knowledge of the USPS changes directly from the USPS.

Near the conclusion of the last rate case I heard that PMG Potter wanted to hear directly from the mailers. I believe he did hear directly and in great numbers, but regretfully the ultimate outcome was not more favorable to standard mailers. But we do applaud
this attitude and encourage it to continue. Direct communication must flow both ways. It is the only way to promote true partnership and remove the secrecy and surprise that has been inherent in the postal system in the past. Once again, I encourage a new definition of the USPS client and account managers that represent the entire organization and its operation.

I would conclude my remarks by saying that the implementation of the new regulations must position the USPS to become a competitive and customer service organization. This includes the way the organization manages their larger accounts and the way that they manage relations with all standard mailers. Standard mail is now the mainstay of the USPS business, and the standard mailers want to move forward in a relationship of more openness and partnership.

We believe that our catalogs bring true value to the mailstream. Many customers request our catalogs, and we are told that they look forward to receiving them. Williams-Sonoma catalogs can even be found for sale on eBay. I also have to emphasize that catalogs are unique and a large part of the standard class mail, and that all catalogers feel that we provide increasingly greater value to the daily mail delivery and the mail moment in the U.S. household. Ever since
the introduction of catalogs by Montgomery Ward, Sears
and their predecessors, catalogs have been a part of the
American way of life and will continue to do so. I'm
proud to be able to tell you that when The New York
Times prepared their Millennium capsule in the year
2000, which will be opened in the year 3000, they
included not a book or a piece of literature, but rather
a Williams-Sonoma catalog to represent today's culture.
To me, that is a very powerful testimony to the iconic
position of the catalog in today's world.

Catalogs are a major part of advertising in the
U.S., and as we can testify, at Williams-Sonoma catalogs
drive the world of e-commerce. Multichannel marketing
is the successful strategy in modern communications and
retailing today, and catalogs are the cornerstone.
Therefore the USPS must embrace every opportunity to
courage and foster their growth. The effects of the
last rate case will be devastating to the industry, but
implementation of the new ratemaking regulations and
PAEA in general offers the opportunity to negate that in
the near future. We encourage you to adopt rules that
work in favor and the best interests of both commercial
mailers as well as the USPS.

Thank you.

CHAIRMAN BLAIR: Thank you, Mr. West.
Mr. Carper, welcome, and we appreciate your testimony. Please proceed.

MR. CARPER: Thank you, Mr. Chairman. I appreciate the opportunity to testify before this Commission in this case.

Pepperdine University is an independent medium-sized university enrolling approximately 8,300 students in five colleges and schools on the university's 830-acre campus overlooking the Pacific Ocean in Malibu, California. Courses are taught in Malibu, six graduate campuses in Southern California and at international campuses in Germany, England, Italy and Argentina.

Pepperdine is a Christian university committed to the highest standards of academic excellence and Christian values, where students are strengthened for lives of purpose, service and leadership. In my position at Pepperdine University, I have oversight of all mailing operations for the university, including incoming mail, outgoing mail, on-campus student mailboxes, approximately 4,000, and the receipt of all incoming and outgoing freight shipments for the university.

The mail sent by Pepperdine consists primarily of First Class, Standard Mail and parcel services. In
the last complete fiscal year we sent over 672,000
pieces of First Class mail and parcel services, with a
total postage cost of about $422,000, and more than
1,621,000 pieces of Standard Mail, with a postage cost
of $270,000.

The university is deeply concerned with both
the size and the predictability of postal rate
increases. Postal rate increases drain money from our
educational mission. We were hard hit by the large
increase in nonprofit rates in the most recent rate
case, especially for flat-size mail.

The timing of rate increases is also an issue.
Our fiscal year begins on August 1 of each year.
Because the postal rate increases typically occur in the
middle of our fiscal year, the unpredictable size of
recent postal rate cases make annual budgeting
difficult.

I understand that the new postal legislation
will tie postal rates more closely to changes in the
consumer price index rather than to the Postal Service's
own revenue requirements. This is an encouraging step
because of its potential for making postal rate changes
more predictable. But the Commission needs to take
several steps to make sure that the CPI-based adjustment
mechanism works as designed by Congress.

KARYN ABBOTT & ASSOCIATES
Page 37 of 83
In particular, the Commission needs to make sure that the rate adjustment is not circumvented by uncompensated changes in the quality of mail service or the work that the Postal Service requires mailers to do. Compliance with the index is likely to understate the true cost of postal service, for example, if the quality of postal service is allowed to degrade.

The CPI-based rate cap could also be circumvented by Postal Service unfunded mandates that force mailers to do more work without offsetting rate discounts. The university is particularly sensitive to this issue. We, like many other universities, already perform the final delivery of most of our incoming mail to the department offices and dormitory mailboxes throughout our campuses. The Postal Service merely drops off the mail at a centralized mail room. We receive no rate discounts, however, for performing this costly work. Likewise, we perform much of the initial collection of mail generated on our campuses -- again, without compensation from the Postal Service.

The Alliance of Nonprofit Mailers has discussed the technical aspects of this issue in greater detail in their comments. I respectfully urge the Commission to put into effect adequate safeguards against abuse in this area.
Another important area involves worksharing, particularly presorting, barcoding and related activities. The university, like most of its peers, spends a great deal of resources to submit mail that is economical for the Postal Service to handle. We do so in part as an act of public citizenship and in part because we believe that the university or private vendors often can perform barcoding and mail sorting more economically than the Postal Service can.

Worksharing is, among other things, a way to protect ourselves, at least in part, from postal rate increases. But this activity can flourish fully only if the discounts offered by the Postal Service for worksharing fully reflect the costs that the Postal Service saves. We urge the Commission to adopt standards to ensure that our cost-saving efforts are fully recognized in the rates.

Service standards are also an important issue for the university. We are very concerned in particular with the timeliness of mail delivery, particularly of Standard Mail. Standard Mail service has become increasingly -- and unpredictably -- slow within the past three years. This has been especially true with the closing of the Marina processing center in the Los Angeles district. Some mailings have been delayed as
little as a day and some as much as a month. This is
not just a local problem, but we have experienced mail
being sent to addresses throughout the United States.
On average our mail takes ten days to be delivered in
the Los Angeles area. Unreliability of mail service
makes the efficient and effective planning of mailings
for events almost impossible.

For these reasons we urge the Commission to
adopt a measurement system that provides objective,
detailed and timely information on mail service
performance to each three-digit zip code prefix.

Finally, we greatly appreciate the effort being
made by the Commission to establish the new ratemaking
system as quickly as possible. While the law allows the
Commission until June 2008 to establish the new system,
the Commission has taken an aggressive approach to make
it ready for use this fall. By doing so, the Commission
will allow the Postal Service to next adjust rates under
the new system, rather than filing yet another omnibus
rate case. We strongly endorse the use of the new
system for the next rate adjustment and strongly oppose
another omnibus rate case.

Thank you for your time and attention to these
important matters, and I'd be pleased to answer any
questions. Thank you.
CHAIRMAN BLAIR: Mr. Carper, thank you.

At last week's hearing in Kansas City I think that we found the most value, rather than engaging in traditional question-and-answer sessions with each of the witnesses, is that we kind of turn this into a conversation. I think that's the best way of eliciting the best views from you and to get the questions that you might need and get questions from you in order for us to stimulate our thinking in this area.

So I would urge you to -- I know that this can sometimes be an intimidating scenario, testifying and answering like this, but I would just urge you to kind of relax a little bit and think about the big picture and where we are going to go in this.

So I'll ask some questions and I urge my fellow commissioners to also engage in this conversation with us. And we'll go back and forth, and I think we can get the best bang for the buck that way.

One of the ideas that I've heard bandied about today is our role in the establishment of new modern service standards. The Commission's role is one of consultation, and the Postal Service is the one who has the power of the pen. But we think that our role should be -- and it has been thus far -- recognized, and we intend to engage in vigorous consultation, and we look
forward to that over the course of the next few months.

But as we move into that realm, what are your ideas on what you think the establishment of these new modern -- I think the statute calls them "modern service standards" -- what do you think they should look like?

From your point of view, what do you think we should be most concerned about in carrying forward a message from key stakeholders like yourselves?

MR. HILLER: Mr. Chairman, I might begin, if I could. One thought I would have on it is that we gather a lot of insight and input from the people who are closest to the marketplace and closest to the customers.

And I'm put in mind of the effect of how a lot of people in my company who are out in the field have established really great market-based, highly efficient collaborative solutions for our mutual customers, working with the people in the local distribution centers.

And I know one of the things is -- we're a reasonably large company, and one of the things that we struggle with is sometimes trying to make too many global decisions that are too far away from the people who really know what's going on in the business, know what customers really want, know how things work -- the postal carriers and the people who run the local
operations. And we've seen in reference to that service issue we talked about, about the high density and type of mail distribution, that there's a lot of magic and creativity close to the customer and way down in your organization where people know how the business works.

The one thing I'd set out there is let's take advantage of the people in all of our institutions who really know what's going on and how to make things great.

CHAIRMAN BLAIR: Any other witnesses want to comment?

MR. WEST: Yes, if I could, I'd like to speak to some of the things that Mr. Hiller just brought up.

As I said in my testimony, I've been a part of an MTAC work group that is addressing the establishment of these modern delivery standards. I think so far we're delivering a good product, but to reflect what Mr. Hiller said, I think the Commission should recommend that the Post Office be sure that the recommendations they're issuing are achievable, going out -- you can take the approach that, okay, the Post Office says we should be able, if you enter your mail, this kind of classification of mail, at this spot, we should be able to deliver it in "X" number of days.

Before it's finally committed to and becomes
the formal standards, I would encourage you to ask them
to go out into the field and work with the people that
are actually delivering the mail and make sure that
these standards are some standards that they can support
and achieve, as well as the postal management feels it's
something that they should be able to do.

So I think they need to go out and validate the
standards in the field, make sure the field can support
the standards and make sure that they're achievable.

CHAIRMAN BLAIR: One idea has been that they should
be reporting on these standards, not just one nationwide
composite number, but on a regional or local basis or
some kind of breakdown. What do you think about that?

Do you like the idea of one composite number reflecting
achievement of the standards nationally, or do you think
it should be broken down more regionally or -- and also
time wise, how about quarterly, monthly, or is once a
year sufficient for you?

MR. HILLER: I'd quote the old Speaker of the House,
Speaker O'Neill, who said, "All politics is local." I
think in a lot of ways we find all service is local.

You can get lost in the national average, and we see
this every morning in terms of we sit and we talk about
how did we do in terms of getting our paper out to
people's doorsteps at 5:00, 5:30 or 6:00 in the morning.
And some of us say, well, you can look at that and say, well, we average 5:45. Well, if a bunch of people got them on time and several hundred people didn't get them until noon, you lose a lot of data and a lot of customer experience and emotion in the average.

And so I think that national standards and performance measures would be a really good thing, but in terms of again knowing how it's actually impacting real people with real lives out in the community, I think you've got to take it to the local level.

MR. WEST: I would agree. You can't react unless you have more localized information. If there's a problem due to some situation in a given area, say, Southern California, the Pacific Northwest, unless you know that ahead of time, you can't plan for it. In the industry, we're going to be ready. If you tell us how much time you need to get there, we'll react and we'll get it to you in time to get there. But we really need to know accurately how much time the Postal Service needs to deliver it.

CHAIRMAN BLAIR: Commissioner Goldway.

COMMISSIONER GOLDWAY: I wanted to follow up and ask some specific questions on this. We have various ways in which we, once the service standards are established, can begin to measure them. The Postal Service has to
agree to report what they are to begin with, but then

you suggested that we might actually have an outside

agency measure the actual performance. Mr. West did.

And Mr. Hiller pointed out that even if you deliver

90 percent of the time, if there's 10 percent that

doesn't get delivered, that's a problem. And that in

the Postal Service, that 10 percent could be -- as you

suggested, it could be an hour late or it could be six

hours late; in the Postal Service it could be a day late

or it could be ten days late.

So I think we need to hear from you about

service standards that the Postal Service adopts that

include not just averages and maybe not just local

reporting areas, but also some measurement of the tail

of mail, the measurement of what doesn't get delivered

at the time it should. For people who, like the large

mailers we have in the middle of our panel, you can work

with the Postal Service and get big deliveries to the

various units and know what your delivery system is

likely to be. For the small business mailer or the

nonprofit university that's got a mix of mail, there are

concerns about accepting the mail, critical entry time,

delivery of mail as well. And those things need to be

added to the service definitions and measurement

standards.
So -- sorry to take this long to talk -- but my question is really to Mr. Carper and Mr. McBride: What do you think about service standards that include critical entry time when the mail has to be at the Postal Service, critical delivery time when it gets to the small business, for instance, who wants to get his checks so he can deliver them, get them deposited in the bank, and to what extent the tail of the mail is important to the small user as opposed to the bigmailer?

MR. CARPER: If I may, as a small mailer that does national mailing and regional mailings, the predictability of delivery, of knowing a window of when the mail is actually going to be able to be delivered -- if you're planning an event, you are going to have a certain event for the university, the alumni department or something of that nature, you start planning in advance for that and you need to know from the Postal Service, when is that mail going to hit the home of your alumni? When are they going to receive that piece? Because if you plan and it hits the next day, you may be a month in advance and you may be too far in advance. If it hits after the event takes place, it's wasted. We've had experience on both sides.

If we have a predictability of when it's going
to be delivered, give us a window -- two, three days,
whatever -- but the Postal Service, set a standard that
ty they know, as Mr. West has said, when they're going to
be able to deliver this mail to the recipient. Let us
know what those standards are. We can then adjust our
schedules and go to our customers and tell them, this is
what you need to plan, how far in advance you've got to
make your mailing.
Entry for me in particular is not difficult
because I only have one point of entry, and I have a
time frame there when I have to have it to Malibu in
order to go out and be sent to the plant that day.
Larger mailers, they have the ability to drop ship and
go other places, but small mailers like myself, we work
pretty much closely with the local post office, good
rapport there, and we know when we have to have it
there.
COMMISSIONER GOLDWAY: But you're not getting the
information at the local post office level as to where
it is accurately being delivered throughout the nation.
MR. CARPER: No, and that's what we need, is what
are the standards of when we can expect it to be
delivered to the household, either in New York City or
in downtown Los Angeles, wherever they live. Let us
know when it's going to be delivered so we can plan for
our mailings. What's the time frame? How are you going
to handle this?

I've been told in the past -- they've been
doing better lately, and I appreciate that, but I've
been told that it should take in Los Angeles a certain
amount of time, and I'm not hitting that. My time is
double what they're telling me. They say six days on
average. I'm well beyond that, on average.

COMMISSIONER GOLDWAY: Is this for Standard Mail?

MR. CARPER: Standard Mail. Automation, 11-digit
barcoded, as clean as I can give. And I seed it, so I
know. I receive every piece of Standard Mail the
University sends out, so I know when it hits my home and
so I can tell. I know when I deposit it and when I
receive it. If I have a predictability, a window, two
or three days of when I know and the Post Office
guarantees that that's what's going to happen, then I
have information I know. But getting information back,
if the Commission can encourage the Postal Service to
give us as mailers back the details, when did it
actually hit, so we know what is happening, what are the
actual facts, so that we can plan our mailings and
deposit in time so that we know that it's going to get
where we need to get it on a timely manner.

MR. MCBRIDE: I agree with everything that's been
said. For small businesses, ourselves being one, predictability is very important. We send out a lot of direct mail ourselves, about 15 million pieces a year. And being able to understand the delivery times helps us to be able to staff our call center, helps us to be able to understand the response curves for the direct mail pieces. I think aggregate information broken down by as many possible buckets as possible for that would be helpful.

We also do a lot of packages and flats that we send out as part of our fulfillment operation. For that, I think the information really needs to be more real-time, the primary goal being the ability to help a customer who's wondering where their order may be, being able to pull up real-time information to be able to understand it.

So we have talked a lot about Intelligent Mail. We think that there's potentially a wealth of information as you begin to get more and more mail that's barcoded. And as the Postal Service begins to really scan that information in the processing centers, you could potentially, we think you could provide anywhere from a nationwide aggregate performance measure all the way down to a single region or single post office, all the way down to really real-time information.
Our small businesses, with First Class Mail as well as other classes of mail, it's one of the most requested features is they'd like to be able to track the mail piece through the mailstream. We think it's a tremendous value add for small businesses, if that's possible and when that's possible. We think that same data and information could be easily accessed and be able to generate reports and information about performance standards for the Postal Service.

COMMISSIONER GOLDWAY: Can I have one more question on service standards and then I'll cede the floor? Several people in the Kansas City hearing as well have mentioned the issue of the Postal Service imposing mandates for preparation of the mail that cost the mailers money. This is the first time I've heard it in the context of as a service standard issue, because basically what you're saying is if they're going to keep at the cap and maintain a certain service standard without costing them money, they're going to make you pay for the service standard.

So I'm wondering whether, in establishing service standards, we need to assume that there's a sort of existing baseline as to what mailers currently do to prepare their mail? But that seems rather rigid to me. So how do we protect you from impositions of mandated
costs but not create a rigid structure that limits the
ability of both you and the service to implement new
ideas that may cost or save money on either side?

Mr. Hiller: Commissioner, one thing I'd offer
is that -- and you see it in the nature of the question
that you asked -- it's because it's partly about our
business practices as mailers and it's partly about the
business practices of the Postal Service. And it really
is something you need to look at on a combined basis.
And technology is changing so many things, it
changes a lot in our business and certainly at the
Postal Service too. And I think we have to view it --
and I get the sense, which is very positive from the
Commission, it's how you view it -- that this is
essentially a real business partnership. And that in
the service standards and how they get articulated and
how they might change over time, that ought to be a
good, positive, collaborative experience.

And obviously you can't do that with everybody
every single day, but on major types of changes that can
be done on the way we do business and you do business,
we ought to find a good way to bring the best of the
best on both sides together and reflect those both in
the expectations about how we present ourselves and
present the mail to the Postal Service and then in terms

Karyn Abbott & Associates
Page 52 of 83
of what we could expect, service-standard-wise, from the

Service.

MR. CARPER: One other thing is in thinking of --

the Postal Service is bringing forth the intelligent

barcode that they say is going to give them all the

information they need to track mail. I think it

behooves the mailers to be able to do their best to take

advantage of that technology and that intelligence

that's there, but give us a break when we do invest in

time and equipment and process to do that work, give us

a break in what we're doing, because we're preparing

this for the Postal Service so that they can capture the

data. Let us be able to capture the data too, and give

us a break on what we're for paying for it. Help us to

take advantage of this. We have to invest in equipment,

manpower and resources to do this, so give us a break.

We're doing the work for you. Give us a break and help

us in that point of what we pay to do that work.

VICE CHAIRMAN TISDALE: You have just brought up a

very interesting point about the Intelligent Mail

barcode. I'd like to ask you and Mr. McBride, who

mentioned it earlier, that it was very expensive to put

that Intelligent Mail barcode on the mail now. I think

what you said was, it was more expensive to do that than

to handset the addresses. Can you address that a
MR. MCBRIDE: Yes, I was really referring to our
customers. Our technology we built allows you to print
postage directly on an envelope. We always
automatically cleanse the address using CASS certified
software and add the barcodes, including the IBI as well
as the POSTNET. We also add CONFIRM to some mail
pieces. So we pre-barcode all the information.

When I referred to that being more expensive
than the alternative of handwriting your address and
putting a stamp on, it's that Stamps.com as a company,
in order to make a profit, we have to charge a service
fee to use our service. So that costs the customer more
than visiting a USPS retail location, because they pay
41 cents. Through us they pay 41 cents to buy a stamp,
and then on top of that they have to pay a service fee
to us.

So the small businesses as well as large
businesses and medium-size businesses all have to have
some form of investment in either technology --
hardware, software -- in order to be able to provide
this barcoded information and do the address cleansing,
and small businesses are no different.

So that's why we really think that there is
value to the Postal Service of doing that work. The
value is there, we believe, all the way down to the
single piece, and we think that that value should be
recognized through a discount or an eligible discount
for these types of businesses.

COMMISSIONER GOLDWAY: And a discount is also what
you were talking about?

MR. CARPER: I think so, because the University has
invested in new ink jet technology so that we can --
I've been told that we have the ability to print the
intelligent barcode. We're investing in new software to
meet the requirements for the Postal Service to help
them control costs. And I think with that investment,
as a small mailer, encourages us to take advantage of
that technology and stuff in the fact that we get some
rate breaks. It costs us less to mail the material once
we're doing the work. Give us an advantage of that.
And I encourage the Commission to work with the Postal
Service to encourage that in service standards and what
we're doing for the Postal Service.

CHAIRMAN BLAIR: I think you can see that service
standards are on our minds as well as your minds, so I
appreciate the comments that you've given us. That will
help us as we move into that consultation later on this
summer.

Commissioner Tisdale.
VICE CHAIRMAN TISDALE: Yes, I did have another area
that I wanted to address, and I think Mr. Hiller
addressed it. And it was concerning the difference in
the handling of mails between the saturation and high
density, and I was wondering if you might have any
suggestions as to, once FSS is in place, what would be
your suggestion as an alternative to running high
density mail through the FSS system?

MR. HILLER: Well, it seems to me that at least the
type of high density mail that I'm familiar with, and in
the package, in the way that it's prepared, the best way
that it would continue to be handled would be directly
to the local distribution center.

I understand there's going to be some testing
of the equipment, but -- and I'm not an expert in this, and
I know the systems are new. But my understanding is
there's a significant question, first of all, whether
the high density type of the inserts that we're talking
about can even effectively be run through the new
machinery, as distinguished, say, from magazines or
other more sort of singular pieces of publications.

These are very thin. They contain a number of
other slip sheets in them. And the idea of millions of
these things being run through the machine at the
central office, I think, raises a significant
1 operational question I can't directly address, but I
2 understand there's a major question about whether that's
3 even practical from an operational standpoint to do it
4 that way.
5 On the other side too, it seems to me there's
6 so little difference, if you just look at them
7 practically, between the package that we got that are
8 the saturation ones that are 90 percent or more, and
9 you'd have some that are 88 percent, and they're going
10 in different directions, well, just from an operational
11 standpoint, it would seem there's not that much
12 difference in the bundles.
13 Now, I get that the classifications always take
14 some line drawing and you are going to have some things
15 on one side and some things on the other. But given the
16 enormity of the volumes of the flows, I have trouble
17 believing that from an operational standpoint, it's
18 going to make a lot of sense to do one package one way
19 and one almost identical package another way.
20 Third observation being, which I think I
21 touched on earlier, my sense is that down on the ground
22 level where the local distribution center is and with
23 the carriers, it's just -- and we've got, you know, the
24 200 or 300 or whatever the number of these things all
25 printed, they're all in exact walk sequence -- that the
easiest thing operationally for the carriers and for the Postal Service is to do them both the same way and to take the packages out in the truck, and as you're going by the houses, just do them. And, again, no sense, seems to me, in taking one package because it's got three more houses in it and one package because it's got three less houses in it and send them to different parts of the state so they can find their way back to the same carrier a couple days later. I just don't get that.

VICE CHAIRMAN TISDALE: So it sounds like you're saying that dropping those high densities at the DDU is still the best option?

MR. HILLER: I think so. Based on everything we know, we're certainly, you know, in the spirit I talked about --

VICE CHAIRMAN TISDALE: At least in your particular case.

MR. HILLER: Yes, given the nature of those packages, absolutely.

VICE CHAIRMAN TISDALE: What about you, Mr. West? Have you had any experience with the high density rather than just Standard Mail?

MR. WEST: I don't have any experience with saturation. Approximately 87 percent of our catalogs,
total volume, goes out at the HDCR rate, and our
anticipation or expectations out of FSS are -- you know,
I appreciate Mr. Hiller's concern that putting
saturation and high density together is a real issue,
but I can't really speak totally to that. I have other
cconcerns about FSS and its deployment and how it's going
to affect us.

COMMISSIONER GOLDWAY: Yours were more around
seasonal issues.

MR. WEST: Well, I do have seasonal concerns about
the program in total because this represents a huge
investment on the part of the Post Office, and myself
and everybody I know in the industry fully supports the
decision and moving in this direction because it's one
of the biggest cost-saving initiatives the Post Office
has seen in 30 years.

But I have concerns about the program, and like
at the seasonal level, FSS is going to require a lot of
capabilities at the peak volume periods to handle
standard flat mail. They're promising one-day
turnaround. You deliver it to the machine, and it's out
there, the carriers have it the following day. That may
be fine in the months of May and June when volume is
low, but is there going to be the machinery to handle
that volume in the months of October, November and
December? The difference in volume is very dramatic.

So I'm concerned that you may even have a lot

of unused equipment at one time of year just to satisfy

two months of the year or three months of the year at a

later period. So I have concerns about that.

Plus the fact that FSS is not going to be

deployed -- ultimately not deployed to all the zip codes

in the United States. So there's always going to be a

difference in handling. As I understand, its ultimate

goal is to serve approximately 85 percent of standard

flat mail on the machines, so there's still 15 percent

out there getting a different kind of handling.

VICE CHAIRMAN TISDALE: Let's just add one last area

that I really wanted to address, and I appreciate your

comments.

You talked about NSAs and possible ways of

expediting those as opposed to the present system. Can

you address that a little bit more or give us some idea

of what you might have in mind?

MR. WEST: I guess probably the best example is

there's very little guidance. I've been looking at this

for over a year, but there's no regulations and no rules

about what I'm to be doing with this or how I'm to

approach it. There's not been a lot of staff at the

headquarters level that's been dedicated to it. So
there's kind of little guidance. It's kind of left up to come to us with something and we'll give you our ideas, but I don't know how to consider and plan for the economic considerations of this.

So in many ways it's kind of like, I know the benefit is there, but I feel like I'm looking into a black box and I don't know exactly what's going to have to be considered in total.

VICE CHAIRMAN TISDALE: Now, you also indicated that you thought the account managers should be able to address a full range of products from the Postal Service. Would that include the possibility of being able to discuss an NSA with you?

MR. WEST: I think they should -- not to the detail that an NSA ultimately is going to have to go, but I think an account manager should have a better acquaintance with the NSA process and what it's all about, provide guidance.

But, here again, they need guidance in order to do that job, and that guidance or that documentation simply isn't there at this point. I have not seen a form or anything to tell me what exactly are the steps I'm going to have to go through. It all comes from, at this point, someone outside of the Postal Service.

VICE CHAIRMAN TISDALE: Thank you.
CHAIRMAN BLAIR: Thank you.

Commissioner Acton.

COMMISSIONER ACTON: I have a couple of questions and may be a comment or two. I'm particularly interested in Mr. McBride's discussion about the small business aspects of this consideration.

By the way, I'm a big fan of your business plan. My friends and family use your customized PhotoStamps for wedding invitations and event planning, and it's just a great, great facility.

MR. MCBRIDE: Thank you.

COMMISSIONER ACTON: You mentioned the importance of encouraging market tests of experimental products. I'm wondering if there are any particular products or services that you believe the Postal Service should be working on testing in that regard now.

MR. MCBRIDE: We see market tests as a really important part of the Postal Service in the future development of new revenue. Of course, people are familiar with our product PhotoStamps. It started and is continuing to be a part of a market test, and to date that product has brought in we think close to $20 million to the Postal Service, which we estimate as much as 50 percent of that is brand new revenue. So we just would like to urge the Commissioners to try to put...
new regulations in place for market tests by November of this year so that any market tests may proceed starting in January of next year.

We certainly would like to talk to the Postal Service and approach them on various ideas we have around doing some market tests for forms of Intelligent Mail and other things like that. But primarily we just want to make sure that the future revenue sources which come from today's market test products are focused on as well in this process.

COMMISSIONER ACTON: Mr. Carper, you, I believe, talked about the need for an annual rate adjustment and the notice that the Postal Service may provide a typical mailer of that coming change.

Is there a particular time of year that you think would be more helpful to have notice of that?

MR. CARPER: I'm not sure of the rest of the gentlemen sitting here, but since our fiscal year actually starts in the middle of the year, having notice of that in advance so that we know that, let's say, a rate increase is going to take place in June, knowing that early enough so that I can plan that to tell my people when they're planning their budgets for mailing that the postage is going to increase at this particular time, and so they will need to make sure that they plan
that for the upcoming fiscal year.

The law stipulates about a 45-day review period. I think that's awfully short. And I'm very concerned about a review period and then implementation of the time frame of that because of making budget adjustments and also getting vendors able to produce software so that we can continue to take advantage of discounted rates are of concern.

But I would like to see the Postal Service have an annual increase and perhaps propose that in January with an implementation, like they did this year, around May or June. So that gives us opportunity to plan and prepare for the coming fiscal year. Because a May or June implementation of rates is not going to affect us greatly for that fiscal year, but the coming fiscal year it will. And we need to have time to get that into the planning process, because our fiscal year is set about in January/February, where we plan for the next fiscal year and set our budgets in place. So having that information upfront in that time frame where we know that we're going to face a CPI increase, roughly, then we can plan that for the upcoming fiscal year.

COMMISSIONER ACTON: Mr. West is proposing a four-month notice, 120 days or something like that.
Would that fit your schedule?

MR. CARPER: That would be helpful, yes, to have that time frame.

COMMISSIONER ACTON: My last comment -- it's not a question -- Mr. Hiller, goes to your views about negotiated service agreements and the need for some sort of prior review by the Regulatory Commission of those service agreements before they are enacted, which is a bit of a different approach and philosophy from the way, for instance, the flexibility of the rates is being proposed now. Congress has empowered the Postal Service to be able to set their own rates and then have us do a post hoc review.

So I'm wondering, when we get to that consideration, we're going to have to try to rectify that sort of conflict in thinking that may exist in some folks' minds. I'm wondering if you could talk to that.

MR. HILLER: Sure. I think that's a really fair question. I think the answer may lie in the difference between general rates of, if not universal applicability, at least common and fairly broad applicability, and what you have on the other hand, where somebody is coming in and asking for a special deal.

By its nature the -- of the general rates that
are going to be sort of same rules for everybody, I think you get less risk of competitive mischief, less risk of harm to the marketplace and consumers than when somebody is basically coming in and saying well, the general rate is the general rate, but here's the deal I want and this is why it's good. And they wouldn't be doing it if it weren't different and more advantageous to them than the general rate.

And so I think not everybody's, you know, free to come in and pitch their ideas for how best to be regulated, but I think both rationally and in fairness, when somebody is asking to come in and cut something that's different from the general rule that applies to everybody else, the risk of harm is that much greater and the nature of the scrutiny to the specifics of the unique deal that's being pitched is something that deserves the scrutiny and, in our view and suggestion, the review prior to it going into effect by the full Commission.

COMMISSIONER ACTON: Thank you, gentlemen.

Thank you, Mr. Chairman.

CHAIRMAN BLAIR: Thank you.

Commissioner Goldway?

COMMISSIONER GOLDWAY: Tony, did you have a question?
COMMISSIONER HAMMOND: Go ahead.

COMMISSIONER GOLDWAY: I wanted to follow up on a couple of the issues with implementation. I think there's some confusion in the legislation about the 45-day review and the 45-day announcement of rates. I think it's not clear to me whether, if we were to review them and say they weren't good, and then would the rates get delayed. And then you were proposing, Mr. West, that there be some sort of more public consultation about potentially what the rates would be that the Postal Service would engage in before they announce the rates, as well as a 120-day notice. So where does the 45-day review come in, in your proposal? Where does the start date for notice of the actual rate and its implementation begin? What kind of consultation should the Postal Service provide to either the Commission or to the mailers in advance of when it announces its rates? I know we don't want to have the same cumbersome system we've had in the past, but it does appear that the law condenses the process to such a degree that some areas are unclear and some areas are perhaps ignored. So I wonder whether you have any thoughts now about that or, if not, whether you might go back to your
own drafting tables, your own calendars, and give us
some additional ideas on what you think works best in
terms of consultation, notice, review.

MR. WEST: I guess maybe I could clarify. I'm
looking to 45 days as just the minimum for the time
process. I'm asking to consider the 45-day notice out
further, to about 120 days.

COMMISSIONER GOLDWAY: So it wouldn't be 120 plus
45?

MR. WEST: No. No. It would be, instead of 45, I'm
asking that you consider something more like 120 days.
I say 120 days. I know the postal management considers
that considerably lengthy. So there has to be room for
compromise. But I'm just saying 120 days is not an
unreasonable time period in the way we do our business.

But that would be 120 as opposed to the 45.

And somewhere, the requirement of formal
notification of the law may be unclear. So I think we
need some guideline around that. But I'm just looking
for more than 45 days to know about a pending increase
and, once we get the firm notice what that will be, when
it would be implemented.

COMMISSIONER GOLDWAY: So then the other question
is, if we have a CPI, you say you want an annual. Would
that be, let's say, at January of every year, but the
rates would go into effect in May as you want, so you
would know for five months at least what the band was;
you wouldn't necessarily know what the actual --

MR. WEST: Yes, that's correct.

COMMISSIONER GOLDWAY: Is that sort of what you were proposing?

MR. WEST: Yes, that's what I'm proposing. Perhaps a January to January annual CPI. If that's 3.5 percent,
then that would be the cap on what we'd be expecting for
the increase later in the year.

COMMISSIONER GOLDWAY: All of you know that within your class, even if the band is 3.5, some people may get
more and some people may get less. So it's not just the CPI. You're all aware of that.

CHAIRMAN BLAIR: And there also --

MR. WEST: We're aware of that. I hope my peers are as well aware of that as I am.

CHAIRMAN BLAIR: The timing of these increases is the timing of the CPI. When you measure the CPI from
what point to what point and how that's done are all a subject matter of the additional comments that we requested. And I believe our reply comments are due on July 3.

But it shows you the complexity with which we're addressing this problem of timing, and also when
the rate increases go into effect, we have an annual
compliance report. So you want to make sure that what
isn't picked up in the 45-day review process is picked
up in terms of the annual compliance report.

These are all things that we're going to be
sorting out over the short time frame over the next few
months, but that gives you kind of the flavor of what
we're looking at right now.

COMMISSIONER ACTON: It sounds to me that with
respect to the issue of the annual consideration of CPI
that you guys, when you have an opinion, it is that the
average is a better approach than the point to point.

MR. CARPER: I would prefer an annual increase, an
annual average.

MR. HILLER: I would defer to the experts on that
subject.

CHAIRMAN BLAIR: Commissioner Hammond?

COMMISSIONER HAMMOND: We've covered quite a bit
here, but I have one broad concept question, if any of
you or all of you would like to comment on it, on how
any potential change in what we at least believe we
currently have in the postal system today, and that's
the whole concept of universal service for all
Americans. And because of the reform legislation, the
Postal Service and us as a Commission, and possibly
ultimately our elected representatives, are going to be looking at this issue down the road. But would any of you like to discuss what kind of effect it could have on your particular operation if someday universal service was no longer a given? I mean, you all ultimately depend on a customer for success. Would anyone like to talk about what kind of difference it might make if that were to change someday? MR. HILLER: Well, certainly in our case where, in serving the readers and users and advertisers we have in our community, we're pretty much about universal service, reach. We've got to get, for all intents and purposes, to everybody in the community. We do 5 million households in the Southern California area. Currently 4 million plus of that is through our partnership with the Postal Service. We do about between 800,000 and a million in paper, between ourselves and we work also with some of the other newspapers in Southern California. So in terms of getting the word out, the news of the day as well as the advertising messages, we're all about universal service and currently very dependent upon you all as our partners in executing on that vision. So if you stop doing that, either people aren't getting some of the news and the advertising or we've
got to find alternative distribution, means alternative delivery, private delivery, call it what you will. But as things stand in the way that things are currently working, our devout wish is that the Postal Service continues to be a great partner and available to us in reaching all the people that we need to reach in Southern California.

MR. CARPER: As an educational institution, I think it's vital for us to have a universal service because we don't just recruit in the large metropolitan areas. We recruit in the small rural areas across the country, and whether it's standard mail we're sending to them or first class mail we're sending to them, we rely on the Postal Service to get the message to them and to present our opportunities for an educational lifestyle to individuals that are in rural areas. And we depend on that. It's part of our lifeblood in doing our recruiting for first-year students. And our university mission is to touch everyone that has the opportunity to attend and receive a higher education. And who knows? That individual that may live in some rural area of the country may be the next great statesman or scientist or something of that nature, and if we don't have that service, we're going to be missing
1 great opportunities.
2
3 MR. MCBRIDE: From our point of view as a small business and as representing the small businesses in our customer base, universal service means a couple of things. If a mail carrier visits for delivery every day, it also means he's coming as a potential pickup, and a lot of our customers, a vast majority of our customers, either utilize the mail carrier or blue collection box as a way to induct mail into the mailstream.

4 So they're using our service to prepare their mail and then handing it to the mail carrier as he visits each day as an important part of a home-based business or a small business, and if that were to be cut off, certainly that would impact these individuals who expect to be able to do that at least every business day.

5 Of course Saturdays are maybe not quite as critical for a small business, but I think it's important to try to preserve that as much as possible.

6 MR. WEST: I would just offer to consider the global position of the Post Office in the United States economy and the culture today. The Postal Service has served the U.S. public six days a week probably since its inception, and right now the Postal Service is trying to
position itself to move into the future and really
become a more viable business concern and maintain the
level of service and the universal service it's got
right now.

If that were to start to be altered, my fear,
as a mailer I could have concerns about, say, if we lost
one day a week. If service was cut from six days down
to five, that's going to have some operational issues we
would have to learn to deal with.

But on the broader basis, the broader
consideration of the American public, I would just be
concerned as a general consumer user of the Postal
Service that you're coming along, saying now we're going
to raise your rates every year on a fixed date or some
sort of fixed scheduled, but at the same time, I'm
sorry, but we're going to make you walk half a block to
your Post Office. And by the way, we're not going to
come and deliver your mail anymore on Saturdays. I
think that could cause some concern about the reputation
and the service levels of the Postal Service when
they're trying to move forward.

CHAIRMAN BLAIR: The Commission, in addition to
having to establish a new ratemaking system, also has a
number of reports that it's required to undertake and
give to Congress over the next five years. One of those
reports that's due in probably about a year now is a report on the monopoly and the universal service obligation.

So I think your comments along the line, especially on the five-day versus six-day a week delivery, are important for us because my question is, in looking at things like that, what would you want us to look at? If you were in our position, what would you recommend that we be looking at in terms of reviewing the universal service obligation, and even the monopoly?

MR. WEST: I would go to the public and ask them how they would react. Ask my mother and father how they would react. If the Post Office is going to cut their service, what would they think of the level of service, and does the USPS, should they still maintain the monopoly if they're not going to do that any longer? Go out to the public they serve.

MR. HILLER: I think that's a great point. Once again, going back to the ultimate users, the citizens of America who have been so long and well served, and see what they think.

And my sense is people also know that some things change. These days a lot of things change. And ways we do things in the newspaper business -- we created great consternation when we ended universal
service for the television listing book recently that
had been in the paper -- not quite since Ben Franklin
invented the Post Office, but for a long, long time,
and, you know, it's an issue for people. All change is
an issue for people.

But I think what we've got to do is have a
conversation with the users and with the public about
these days, the way people live, the way people get
their mail and products and other things distributed,
what are their expectations, what are their real needs,
and what things might be changed, while still serving
those real core needs people have.

COMMISSIONER GOLDWAY: Your comment, Mr. West, about
FSS, for instance, which is that it's only going to be
provided for 85 percent of the zip codes or 85 percent
of the volume, means that everybody might get their
mail, but some people will have it at a lower delivery
standard than others. Because that's part of the issue
too. To what extent do we allow for variations in time
for delivery to different places? What do we
acknowledge that's the fact already? Like going to
Hawaii just takes longer than the three-day first class
service that the Postal Service announces. And what
variations are possible?

One of the definitions of First Class service
1 is that a First Class letter gets anywhere in the
2 country at the same price, and you gentlemen are asking
3 about discounts for worksharing at First Class Mail.
4 That's going to differentiate First Class Mail even
5 further.
6 So the question of universal service really
7 goes to a whole range of different issues: Five-day
8 service, pickup service, how far we go to everybody's
9 home, and the level of service that's provided at what
10 rate.
11 It's all going to be very interesting for us.
12 I think we're all hoping that the new law will show that
13 the Postal Service can do the things it's done even
14 better, that the discipline of the CPI will make them
15 more efficient, that their flexibility in setting rates
16 will get the marketplace to use them more, and we'll
17 find ways that provide service to everybody at a better
18 level.
19 But it could well be the opposite, so we're
20 going to be monitoring it.
21 CHAIRMAN BLAIR: There's also the discipline of the
22 regulator, and that's one of the reasons that we're out
23 here.
24 COMMISSIONER GOLDWAY: Yes.
25 CHAIRMAN BLAIR: I think one of the key aspects of
the new law is the compliance report that the Commission will be required to put forth every year. And my question to the panel is, what would you like to see in that compliance report? We're required to give this report to Congress on an annual basis, and the President, and if you were in our shoes, what would you be looking at or what recommendations would you have for us?

Mr. Hiller: Well, I think good measurement, good metrics, assuming that there's been a robust conversation about service standards and service expectations. I think having it in a usable way, very good data that then the public and the customers and the partners can use to sort of assess how that performance level translates into their own service would be one thought.

Mr. Carper: I would agree that give us the information that has been agreed upon as what the Postal Service is going to do. And let us as business mailers know how they're doing, the transparency. Let us know what is happening, what is being accomplished, so that we can make adjustments in what we do and how we mail. If the Postal Service is not meeting a standard, I will assume that you would hold their feet to the fire on that aspect in the report to Congress.
But we as mailers then can make adjustments to what we do to try to help the Postal Service meet their requirements and also get our mail delivered when we want it delivered, knowing that there may be an issue in some places that they're working on. Let us see that clearly in the report.

MR. WEST: I would agree with both of those. And you mentioned the reporting in terms of compliance. But I would offer that the compliance should really extend to reporting on innovation and support some of the things that Mr. McBride talked about. Put forth to the Congress and the President, present them with what the Post Office is doing and are being proactive about in terms of moving themselves ahead and forward.

I think the idea of a lot of things that Mr. McBride talks about and what his company does are very exciting for the Post Office, and they're going to help make that mail moment in the household more exciting and really keep the American public interested in receiving their mail. And I think it's important that you would report to Congress and the President that the Post Office is doing that.

MR. MCBRIDE: Thank you for your compliments.

MR. WEST: I'm not just trying to give you a plug, but I think it's vital that we set forth that the Post

KARIN ABBOTT & ASSOCIATES
Page 79 of 83
CHAIRMAN BLAIR: You just brought up an interesting concept that we talked about last week, which is how to bring value to the mail and what we could do to enhance that mail moment. We heard some interesting ideas from the panelists last week.

If you want to share anything on that, because you have such a -- there are movements out there now to limit what you receive in the mail. The do-not-mail list, do-not-mail initiatives that you've seen from state to state and the impact that it might have on the Postal Service, not to mention upon the mailers themselves.

What can be done and what can the regulator do to bring more value to that mail moment?

MR. WEST: First I'd like to make a comment in terms of the regulator's role with regards to do-not-mail, and I hope that you're watching this issue very closely and working with the Post Office and the postal management to be sure that this is properly addressed and dealt with. It is a serious consideration for my industry and all of us here, and I hope that you're actively monitoring the situation to make sure that it's -- I don't want to say dealt with in the right manner, but that it gets the attention that it warrants.
MR. MCBRIDE: I would echo that. Of course we've talked a lot about Intelligent Mail, and the value of that is I think that provides a lot of value added to a small business or an individual home office in terms of increasing the visibility of a particular mail piece, a very important mail piece. I think that that increases the value that customers find in the mailstream.

I think in terms of the compliance report, I agree that we see and we focus all of our energy and time on technology and technology innovation that we think has brought a lot to the Postal Service, and we think we have many ideas we'd like to continue to try to push forward in terms of technology being able to increase the adoption of Intelligent Mail, being able to improve ultimately the service that people that use Stamps.com and other PC Postage and other forms of on-line mail. And that can be a critical part of being able to advance the future of the Postal Service.

MR. WEST: Another thing that the Postal Service needs to consider with regards to value is the value of the Postal Service in terms of more timely delivery. I think it's no secret that, for example, parcel post is viewed as kind of like snail mail. It's one advantage that UPS and others competitors have over the Postal Service is monitoring and tracking. It's not a value
add, but that image and perception as part of mail
delivery is a deterrent, and addressing that will
enhance the value proposition of mail.

CHAIRMAN BLAIR: Any other questions or comments from the Commissioners?

COMMISSIONER GOLDWAY: I think we have a lot of homework.

CHAIRMAN BLAIR: We do.

On behalf of the five of us, I just want to say thank you all very much. I think you understand the gravity of the work that we have ahead of us. And your participation in this hearing today and your continued participation in this process has proven valuable. I want to thank you for coming in and allowing yourselves to be subjected to this kind of form of public cruelty, as it might seem. But I really do mean this sincerely, that what you've done and your thoughts that you've offered today will help guide us as we go down this path of establishing a new system of ratemaking. The last one lasted for 37 years, and I hope that this one has a good shot as well. So thank you all very much.

The hearing is adjourned.

(At the hour of 11:52 a.m., the proceedings were concluded.)

-000-

KARYN ABBOTT & ASSOCIATES
Page 82 of 83
1 STATE OF CALIFORNIA   
2   )   SS. 
3 COUNTY OF LOS ANGELES   )  
4  
5  
6 I, Christianne Lee Fong, CSR 7559, a Certified 
7 Shorthand Reporter in and for the County of Los Angeles, 
8 State of California, do hereby certify; 
9 That on Thursday, June 28, 2007, I did report 
10 in stenograph writing all of the testimony and 
11 proceedings in the foregoing hearing before the Postal 
12 Regulatory Commission; 
13 I further certify that the foregoing is a full, 
14 true and correct transcript of said testimony and 
15 proceedings; 
16 I further certify that I am neither counsel for 
17 nor related to any party to said action, nor in anywise 
18 interested in the outcome thereof. 
19 In witness whereof, I have hereunto subscribed 
20 my name and affixed my seal of office this 9th day of 
22  
23  
24 CERTIFIED SHORTHAND REPORTER IN AND 
25 FOR THE COUNTY OF LOS ANGELES 
26 STATE OF CALIFORNIA 
27  
28 KARYN ABBOTT & ASSOCIATES 
Page 83 of 83