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Prepared for
Hearings before the Postal Regulatory Commission
May 21, 2008
Flagstaff, AZ

Greeting

Mr. Chairman, Commissioners, thank you for inviting Earth Class Mail to speak about the future of the U.S. Postal Service. In my testimony today I will highlight the single most transformative path the Postal Service's evolution can and should take. I will not be proposing fanciful notions, but forms of evolution already taking place – albeit without the revenue participation of the Postal Service. I use the term “evolution” willfully, so as to distinguish a dynamic, market-responsive, competitive form of change from one in which top-down solutions are imposed upon the market.

What I discuss here are utterly new technologies and business models that can transform the Postal Service by reducing its costs; increasing its options to provide universal service; creating new revenue opportunities for value-added services, at far higher margins; and totally and finally aligning the Postal Service with the digital economy and today's natural environment. While the transformative model I will discuss is applicable to all recipients of mail, I will focus here on services that empower people who don't live near post offices or can't easily or regularly get to them. Indeed, such mail recipients can move from experiencing some of the worst postal service to some of the best. Finally, what I propose does not replace or threaten the USPS in any way. It's an empowering, transitional technology that will in fact guarantee the Postal Service's survival.

Introduction

The U.S. Postal Service is in crisis. Why? For the same reason many market entities get in trouble: because the customers in its existing and potential target markets are deeply dissatisfied. Why are mail recipients so unhappy, and why are more and more advertisers voting with their wallets in other media? Because the Postal Service is failing to supply services responsive to customer communication demands in the 21st century.

When executives at many postal services hear the word “customer,” they usually picture a large corporate mailer. This is both telling and unfortunate. Because posts haven't figured out ways to make money from mail *recipients*, they fail to innovate for or cater to the unique needs of a market that comprises one-half of every mailing transaction and is therefore the single largest source of untapped revenue any postal service could ever hope to discover. To neglect half of all participants to mail transactions is like having a continent of gold beneath your feet and being unwilling to look for a shovel.

I am here to describe that shovel and how to start wielding it just in time. Our Postal Service must not make the mistake of those who twenty years ago predicted the worldwide cell phone market would comprise a mere 100,000 subscribers. The wireless industry has proven that consumers are willing to pay a trillion dollars a year¹ to receive communications exactly as they wish to get them – from anywhere, at any time.

I will begin by setting out those problems of the Postal Service that can be readily addressed by technologies and business models we have already taken the liberty of proving in the marketplace. Then I will discuss how these new digital and Internet-based technologies and business models can resolve much of the USPS' pain, today, and I will give concrete examples of the many real benefits that would arise from the Postal Service adopting them.



I. The Problems with Mail for the USPS and for Consumers

A. The Pain

First, the Postal Service's costs are going up, and show every sign of continuing to rise unsustainably. This is partly due to the number of delivery points going up by "up to 2 million"² per year, and fuel prices skyrocketing. Delivery costs account for 43% of all USPS expenses.³ Counting differently, 79% of the USPS' costs are in labor, which would not on its face be a problem if new technologies were not making many of the Postal Service's current job descriptions obsolete. We are not advocating a reduction of positions at the USPS; rather, we believe many of its job descriptions can and must be changed to reflect the market's demand for services today. Delivery, labor – these costs are so dominant because it is exceedingly laborious to deliver communications not by satellite or fiber optic cable but via dense material objects.

Candidly put, the Postal Service employs personnel to perform tasks on which mail recipients are increasingly placing less value, such as sorting paper at a cost of \$25 million per hour, and yet it has no labor providing the services that 21st-century mail recipients do and would highly value, such as digital check deposit, remotely-accessible mail communications, mail scanning, and optical character recognition of scanned mail that permits it to be quickly and cheaply searched for when it's needed.

Second, net income is declining; the Postal Service in the last quarter of 2007 reached an historic plateau in revenue, net income, and mail volume and has been headed downward since.⁴ The Postal Service blames the economy. But references to "the economy" only beg the questions of *which* economy; of when the Postal Service will introduce bold, transformative measures for the economy we currently live in, which is a *digital economy*; and why its sales and revenue are declining while other communications media in the same economy are seeing at worst a slowing of hyper-growth rates.

Most disturbingly, the USPS is losing the most critical war of all, the war of public perception. Comments like the following are all too typical, and we have found them to resonate with virtually everyone outside the mailing industry itself:

The sad fact is that this historic enterprise [the USPS] has become a true anachronism; marginalized by new technologies and competitors to the point that its net impact on our nation is now a negative one. The USPS has devolved into a subsidized deliverer of nuisance mail for corporate customers at the expense of taxpayers, consumers and the environment. . . .

It continues because the Postal Service is a monopoly protected by law and a jobs program protected by its union and Congress.⁵

We need not look far for reasons why the Postal Service must diversify its activities and bolster its relevance. In personal communications, mail has been all but abandoned. In business communications it is dying.⁶ In business to personal advertising communications, unsolicited mail has achieved the status of an epithet. And among the one group of customers it cannot afford to lose, advertisers, mail is fast diminishing in attractiveness and popularity relative to digital media. The Postal Service's business model is almost entirely supported by advertising, and yet the USPS is unsustainably hemorrhaging advertising dollars from direct mail into online and digital media. Whereas online advertising is growing at a rate of over 20% per year, the growth rate of advertising mail had been just above flat even before the recent downturn.

The Postal Service cannot afford to continue to be perceived as anachronistic or irrelevant. This is another way of saying it cannot survive in its current form, but must adapt, and quickly.



B. A Glimpse at Evolution

The Postal Service must adapt by joining the digital and Internet revolutions in a meaningful way. It has even recognized this fact: “eBay and DVD rentals by mail,” it writes in its 2007 Update to the “Strategic Transformation Plan, 2006-2010,” “have demonstrated that *the convenience of mail can be successfully combined with the convenience of online services*. The Postal Service will continue to leverage the benefits of delivery and pickup at every address to *create new applications for the mail.*”⁷ The Postal Service can most transformatively combine the convenience of mail and online services by offering a superior version of what private companies are already offering today – 21st-century mail-receiving services that put postal mail online for mail recipients such as:

1. Rural residents on the most costly rural routes
2. The 20 million customers of P.O. Boxes
3. Countless General Delivery customers for whom waiting-lines have reportedly been getting longer in recent years⁸
4. Highly mobile mail recipients such as college students, road warriors, and military personnel
5. Populations with other types of critical need, such as battered women seeking anonymous addresses, the homeless, and both the victims of disaster and the relief personnel who relocate temporarily in order to serve them. (Our diligent public servants at FEMA have already looked into online postal mail as a solution, but they need USPS’ help).
6. Legitimate individuals and businesses around the world who would pay well for U.S.-based mailing addresses
7. And eventually, large enterprises for whom moving paper to people or people to paper is a mind-boggling waste of direct costs and lost productivity (witness corporate America’s early adoption of email and PDAs).

In order to fully comprehend the benefits of the new model we propose, let me briefly highlight the contrastingly limited services offered today.

1. Low Revenue.

Consistent with the economic axiom that people pay for what a service is worth to them, the Postal Service today earns only \$3 of revenue per P.O. box per month. The Postal Service does not charge at all for many P.O. boxes because it requires mail recipients to use them. If users of a service pay little or nothing for it, the value they attach to that thing cannot but suffer. To a business analyst, it is a serious problem that the USPS has no real near-term business plan for providing services to mail recipients that large numbers of them are willing to pay for.

2. Unavailable Boxes; Narrowly Restricted Target Market

Sometimes you can’t rent a P.O. box even if you live nearby. P.O. boxes in many desirable urban locations are available only on a waiting-list basis. In addition, it’s expensive, cumbersome, and complicated for a customer to have numerous P.O. boxes.

Even worse for the revenues of the Postal Service, its target market for any given P.O. box does not include the entire world, or even all of the U.S. Rather, *you can only use one if you live and remain virtually next door.*

3. Inconvenient and Time-Limited

If you do manage to get a P.O. box and you do live or work near it, the hours during which you can manage your mail are still limited to certain business hours – the hours most people must work. If you work or do anything else during those hours, you are terrifically inconvenienced in trying to access your mail.



When all residential or P.O. Box customers must leave town on business or for personal reasons, they have no convenient and cost-effective way to manage your mail. In 2008, in the age of the Internet and digital imaging and a global community, and in the face of existing technologies already employed in the private sector, these have become inexcusable limitations. Imagine having a cell phone that works only in your home and you will have an idea of how obsolete is the enforced choice of paper that arrives at a particular spot.

4. **Driving to or Missing Information.**

You have to take up time and money, use fuel, and emit carbon emissions to drive to a P.O. box or to pick up mail on General Delivery. Sometimes you drive and nothing is there. Other times you don't drive and something critical is there, and will continue to sit there until you find time to drive again. In both cases, the customer is always wrong.

5. **Mail Forwarding Services: Charge Us to Ship What We Don't Want, and Infrequently Ship What We Need**

Mail forwarding services cannot compare to mail delivered online. Many services will forward mail only once a week. They will either charge the customer for the cost of shipping unwanted mail or attempt to decide for the customer what the customer wants. And because the services are highly manual, they are more expensive than they need to be.

6. **Environmentally Unfriendly**

On its beautifully-designed new web page, www.usps.com/green/, the Postal Service acknowledges the convenience, cost-reduction, and environmental stewardship that result from people *not* having to make trips to the post office:

Make the change. Use us online. Use USPS.com and save energy. And money too.

Recipients of mail can use a nifty calculator to tally up the cost and environmental impact of not driving to the post office. For example, if you travel 5 miles to the post office, make 20 trips a month, and get 19 mpg on your car, the USPS tells you that:

If you used USPS.com and skipped trips to the Post Office™ you would save time and over a year an estimated:

*Pounds of CO2: 2085
Gallons of Gasoline: 117
In Fuel Costs: 374*

This small step alone would lower your average carbon footprint as a driver by: 17%.

Unfortunately, this small step to save time, money, and emissions cannot be taken by any of the USPS' 20 million P.O. box holders, who together may well make about as many trips to the post office as the rest of the U.S. combined, or by its many General Delivery customers.

II. The USPS' Solutions: Overly Incremental

The Postal Service is taking steps in the right direction, but it is leaps that are both required and possible.



For example, the Postal Service lists in its Strategic Transformation Plan several steps it has taken to help consumers “do any number of . . . common postal transactions — without leaving their home or office.” An eBay partnership allows “tens of thousands of small businesses” to do business “without [being] require[d] to make a trip to the Post Office.” Click-N-Ship allows customers to print postage and labels online and Carrier Pickup provides online notification. These services are each indeed a “breakthrough in convenience” that is helping the Postal Service to “meet its customers’ ever-increasing need for convenient access without relying exclusively on traditional, and costly, ‘brick and mortar’ solutions.”⁹

But although “[c]ustomers have responded enthusiastically” to such services, “the Postal Service believes it has only begun to scratch the surface.”¹⁰ We agree. Compared to what the mighty Postal Service is capable of, and in light of both the crisis facing it and the availability of proven new technologies and business models, these measures bring cocktail umbrellas to a hurricane.

In their introduction to the Plan, Chairman of the Board James C. Miller III and Postmaster General & CEO John E. Potter write: “We cannot predict when or how today’s technology will be overtaken by more advanced technologies. . . . But we can do our best to prepare for the impact of these external factors.” To these sentiments I issue an open invitation: Let private, innovative enterprise help you predict; let us help you prepare. Let us help you do your best. Give us forums to display truly novel technology so that your predictions may be based on or even replaced by reality.

III. Real-World Solutions from Innovation, Private Enterprise, and 21st-century Technologies

We propose to simultaneously and elegantly address all of the Postal Service’s pains: the increasing costs, the declining sales and net income, and the prior-century inconveniences it imposes on P.O. box holders, General Delivery customers, college students, military personnel, rural residents, frequent travelers, itinerant workers and road warriors, foreign-based businesses, and many other mail recipients – including enterprises. We even hint at a game-changing online advertising model that already has European posts in action mode.

We propose that the Postal Service give mail recipients the choice they demand over how they receive and interact with their postal communications, just as the digital applications of email and PDAs empower recipients today. Today, the email revolution, in addition to being one from which the Postal Service is not profiting, is incomplete in one respect: email cuts costs and empowers people with convenience *only when the sender chooses that medium*. But as every rural P.O. box holder and large enterprise knows, if the sender chooses paper, the inconvenience and document-management costs begin to mount. Happily, by virtue of historical circumstance, the Postal Service is better suited than any company in the world to restore mail recipients’ control over their postal communications, including by giving them the *choice* to receive and manage their postal mail digitally.

We’re optimistic. “Throughout its history the Postal Service has continually adjusted its mail processing networks as customer needs changed and new technologies became available.”¹¹ Mail recipients’ needs began changing decades ago, and the technology that responds to their needs is online postal mail, with supporting technologies in digital check processing and automated storage and retrieval sortation technology.

A. Remotely-Accessible, Online Postal Mail

As used by the U.S. Postal Service, sub-contractors, or private entities in competition (for the sake of simplicity, I will refer to them collectively as “the Postal Service”), online postal mail would work as follows.

First, mailers, still confronting the choice of paper versus electronic, would choose paper and deposit the mail pieces in a drop box or deliver them to the post office just as they do today.



Second, the USPS would collect the full stamp revenue on every mail piece in the system.

Next, for users of online postal mail who would have chosen one of thousands of P.O. Box addresses or street addresses offered by the Postal Service, things would change a bit. Either at the destination post office (prior to the final mile of delivery) or, better yet, at the point of mailing (or the U.S. entry of an international piece), the sealed envelopes would be run through a unique high-speed mail processor and scanned in full color on both sides, and a bar-code affixed. The envelope images would then be piped to a secure Internet or email account that is accessible anywhere in the world, and at any time of day, by paying recipients all over the world. The recipients would then have a degree of convenience, and power of choice, for which they would pay per-piece rates many times the price of a First-Class stamp. I know this because, from 157 countries around the world, they are already paying my company. Like PDAs, a digital interface for handling mail communications is a cash machine of customer-empowering options.



Mail Recipient's Information Reports Manage Account

Unassigned Returned **Inbox** Pending Scans Scans Pending Shipments Recycled Pending Shredding Archived Mail

Scan Deposit Forward Shred Recycle Paper Archive Scan Archive Transfer Desk Fax Unsubscribe

<input checked="" type="checkbox"/> ALL	Mail Image (Click for Details)	From	Description	Status
<input checked="" type="checkbox"/>		Bank of the North P.O. Box 35875 Seattle, WA 98123	22 May 2007 17:57:32 Received via USPS Standard Mail	Operations: Envelope imaged and bar-coded

Using the unique feedback loop that is the Internet, the recipients could then inform the Postal Service in real-time that the mail be delivered physically as planned or, if the recipients are temporarily elsewhere, they can ask for it to be conveniently forwarded to wherever they are – all for additional revenue to the Postal Service and private couriers. Similarly, recipients can also request that the contents of the mail be scanned by security-cleared personnel¹² operating in a video-witnessed, clean-room environment, for additional revenues related to scanning, faxing, or storage of such digital media. The recipients can then act on the information immediately, just as they have come to demand following the digital revolution: they can respond, forward by email, upload, print, sign with an electronic signature, archive, and so on.

Or the recipients can do what they do today, and what, frankly, technology and mailing-list removal services are increasingly allowing recipients to do with their mail with or without leave of Congress or state legislatures: dispose of the mail piece without opening it. That ability is here now, it is real, and no amount of legislating or surveys will turn back the tide.

But with online postal, the Postal Service and mail advertisers could reap benefits simply unavailable in recipients' offline trash disposal today. First, allowing poor prospects to digitally opt-out could help marketers target prospects better and increase their response rates. Second, the Postal Service could actually begin to solicit



opt-ins to desired advertising, so that future ads in the recipients' online mailboxes would all be solicited and attract higher response rates. Third, the Postal Service could offer real-time data on the success of campaigns, including who does not view ads and even why. Further details are in the margin and in our book.¹³ Fourth, the Postal Service could offer advertisers and mail recipients highly effective digital and video advertising in a push format that scales beyond anything search engines can do. Fifth, when envelopes are scanned at the point of mailing, the USPS will not have had to put the pieces through the additional dozen or so sortation passes of the average mail piece, nor truck and fly and drive the mail to its addressee. Finally, the mail can be disposed of with hyper-security through shredding; or the mail can be recycled at a rate many times higher than the 22% of the time it is recycled today.

B. The Impact of Online Postal Mail on Consumers and the Postal Service

What would an online postal mail service, as sponsored, facilitated, or even run by the USPS, mean for consumers and the Postal Service?

- An unlimited supply of “mail boxes” at the most desirable addresses – even street addresses – in the most desirable cities in America. The Postal Service could begin to leverage one of its greatest unused assets, the downtown real estate it owns in every city in America.
- Dollars per *piece* in revenue to the USPS, at far higher profit margins than today.
 - Or, for the same reason the USPS decided to give away P.O. boxes to rural residents – in order to reduce delivery costs – the USPS could markedly reduce the price of online postal mail for some customers, perhaps in exchange for their accepting more advertising (that is, simultaneously cut costs and increase revenue).
- A reduction of the USPS' upwardly-spiraling delivery costs. How? Our customer behavior data show that just as people rarely print out and save emails, mail recipients rarely require their mail physically. The scan is usually enough. If envelopes and contents are scanned by USPS or contract labor at the drop-off point, the Postal Service would rarely need to physically move the mail beyond the post office of origination. Even if the envelopes were scanned at the destination post office (as we effectively do today as a CMRA), the last-mile savings would be tremendous.
- By using automated storage and retrieval technologies that we designed while thinking way outside the typical sorter box, the Postal Service could cut by at least half the \$25 million per hour it spends on sorting letters over and over and over. For many postcards, letters, and flats, only one (if intra-city) or two (if inter-city) sorts would be necessary.¹⁴
- The USPS could attract customers in over 230 countries around the globe who want a presence or address in the U.S., for a variety of legitimate reasons.
- Homeless people and General Delivery customers with Internet access (from home, a neighbor's, a library, or *even a Postal Service lobby*) could access their mail, in many cases without a trip to the post office.
- Rural residents could avoid many trips to the Post Office. I have relatives in rural northwestern Colorado (“It's not the end of the world, but you can see it from here”) who must drive 40 miles to find out if they have anything in their P.O. Box worth driving for. These people have their own affairs to attend to. If they're Internet-connected, they can do so, while the Postal Service provides a level of service previously undreamed of.



- Emergency relief workers and disaster victims can greatly benefit even from temporary access to their postal mail online.
- The Postal Service can vastly improve and attract far more to customers its Premium Mail Forwarding service, and in exchange, earn far more than the \$60 per year per customer it has earned so far, and at far lower cost and higher margins. Should the Postal Service offer a service costing \$10 per week so that customers can have all physical mail reshipped on airplanes once a week – including the large percentage not wanted in paper form at all – or \$10 per month to have much of it scanned? The Postal Service claims a reduction in its free mail forwarding is a hidden upside, but if people had one address forever, like their one cell number or email address, the Postal Service could save \$2 billion a year in mail forwarding and billions more in UAA mail.
- Slash the USPS’ environmental impact. When less mail must be physically delivered, or not as often, the Postal Service uses less gas (and electricity) and its emissions go down. And when mail is recycled on command, recycling rates zoom from around 22% to over 90%. Then the Postal Service can *really* put some teeth into messaging such as this, from its 2007 Annual Report:

How can our customers go green with us? Save the trip. Our online options bring the Post Office to any home or business . . . When it comes to the last mile to the front door, we can take care of delivery and pickup, helping to create healthier neighborhoods.

IV. Discussion of Selected Benefits Available in the Near-Term

There are so many advantages of online postal mail that space permits elaboration of but a few.

A. Fulfilling the Postal Service’s Commitment to Align with Consumer Behavior

The Postal Service’s Plan sets out, with some concern, trend after trend, but stops well short of transformative solutions to address them. Internet-accessible mail is the inevitable, transformative solution.

For example, the Postal Service points out that the U.S. has a high Internet penetration and is likely to witness an increase in “the use of online alternatives to mail”.¹⁵ “[T]he Internet is fast becoming [consumers’] primary source of information,” it observes.¹⁶ Under a section in its Plan called “Strategic Challenges and Trends,” the Postal Service says, “More households are comprised of single heads of households or working couples, often with longer work hours, uncertain schedules, longer commutes, and frequent travel. *Convenience is a critical service factor in accessing and receiving products and services.*”¹⁷ Customers, it adds later, are “time-starved.”¹⁸

“Customers are more likely to seek and compare information from a number of sources, increasingly using the Internet. *They expect to be able to access information and manage their relationships with businesses, at least in part, on the Internet.*” They expect “readily accessible, relevant information to make better decisions” and want “enhance[d] access and ease of use.”¹⁹ “The ‘Baby Boomer’ generation will be healthier, wealthier, live and work longer, *and be more mobile* than previous retiree generations.”²⁰

Every one of these trends is fully and solely answered by putting postal mail online. The good news is that the Postal Service says it is committed to responding to actual market demand:

To stay abreast of rising customer expectations, the Postal Service is committed to incorporating new features and technologies to further enhance customer access. It will pursue strategic alliances where partners can help speed development and/or reduce shared costs. It will continue to place special emphasis on enhancing online and self-service capabilities to further reach out to customers where they live, work, and shop.²¹



B. Slashing Costs by Centralizing Deliveries – and a Counter-Productive Process

As noted, even if the Postal Service scanned envelopes only near their final destination, the resulting consolidation of destination addresses would act as a powerful counter to the increasing number of delivery points. But scanning envelopes at the post office of origin would create unprecedented savings in sortation costs, trucking, flying, and fuel.

Whether the Postal Service performs these tasks or simply removes unreasonable barriers to Commercial Mail Receiving Agencies performing them, the Postal Service benefits enormously. The Postal Service itself “has previously recognized the value of outsourcing last-mile delivery (albeit with political ramifications). *CMRAs can do this job far better*: at no cost to the postal service, which must pay nothing for what is effectively “outsourcing”, and without any political cost whatsoever, because no USPS jobs are implicated. It’s a win-win.”²²

What is decidedly *not* a win-win is the Postal Service’s Form 1583 process, which requires would-be CMRA customers to designate the CMRA their mail-receiving agent. In the age of the Internet, digital signatures, and identity verification technology far beyond the capability of any notary, the Form 1583 requires, inconsistently with the mandates of the federal E-SIGN Act, that CMRA customers print out paper, leave their home or office to find a notary who will glance at their ID, and apply ink signatures before that notary. Unfortunately, the process withholds the conveniences of the Internet from law-abiding customers who could have their identity more quickly and yet dispositively authenticated by identity-verification technologies. At the same time, as any CMRA can tell you, any college student or credit-card thief with Photoshop can create before breakfast the IDs necessary to hoodwink even a diligent notary.

In sum, the identification requirements do not adequately stop the fraud they were intended to prevent, and yet erect hurdles and delay for legitimate customers seeking to centralize their mail delivery. This counter-productive bureaucracy is preventing scalability of the very outsourcing of last-mile deliveries rightfully sought by the Postal Service. We have extensively studied a superior solution that responds to the USPS’ real interests behind the Form 1583 process, and we look forward to presenting it to the right people there.

C. Reduce COA and UAA Costs

The Postal Service experiences significant costs of dealing with change-of-address orders and undeliverable mail:

Each year, 45 million change-of-address (COA) requests are submitted, roughly equivalent to the combined populations of New York, New Jersey, and all of New England.²³

Estimates of the amount of mail that is undeliverable-as-addressed (UAA) are in the billions of pieces, resulting in well over \$1 billion in postal costs each year and enormous waste and unnecessary expense for mailers.²⁴

Putting postal mail online would eliminate these costs for mail addressed to participating mail recipients. As long as customers have an email address or a place to log in, they will receive their mail, and they will be able to effortlessly communicate, via their profiles, their current physical address.

For example, we have a network of over 20 addresses around the country. Our customers travel the world and move frequently, yet never, from one of our customers, does the USPS need to see a COA, nor lose track of mail recipients’ current address – because our customers’ addresses are always *our* addresses, which do not change. As mandated by the Plan, in our system address hygiene is optimized, undeliverable mail in our system does not exist, and distribution performance is greatly enhanced.

D. Online Postal Mail Cuts Costs for Mobile Workers: A Military Case Study

Picture our soldiers in Iraq. Every week this country sends 12 Jumbo 747s or equivalent, chock-full of packages and letters, to Bahrain. Some of it is morale-boosting. Some is financial and time-sensitive. The rest is unwanted in any form. The mail is unloaded from the 747s in Bahrain and transferred to private courier jets. Then the courier jets fly to Baghdad. In Baghdad, the mail is again unloaded and reloaded onto convoys, which are guarded by expensive military contractors all the way to the front lines. And then, unbelievably, 30% of that mail must be reloaded, trucked, and flown all the way back to the United States. The expense of back-and-forthing this redirected mail is astronomical. Moreover, of the mail that remains behind, our statistics of consumer user behavior over a period of 25 months suggest that half to two-thirds of the letter mail is thrown out as unwanted without being read (another 25-50% could be scanned, and therefore still not delivered physically).

Why is 30% of the mail wastefully sent overseas and then back again? Because the soldiers have been redeployed, and of course, lacking an Internet feedback loop, had no way to inform the Postal Service or anyone else. The result is that soldiers receive important notifications late, and are continually hit with late fees and nicks on their credit reports that make re-entry into civilian life unduly difficult. Our troops deserve better, our taxpayers deserve better, and online postal mail is the solution. A soldier can wield his mouse to say, “Thanks for the notice, but I’m back at Ft. Bragg. Can you ship that care package and my credit card bills here, before the cookies go stale and the late fees and interest start to pile up?” I’m pleased to report that dedicated personnel at our Department of Defense are actively studying a solution on their own initiative, but like FEMA, they could use the USPS’ help.

E. Variable Speed of Delivery Permits Both Fewer Deliveries Per Week and Value-Added Speeded-up Delivery

We have observed every click on the mail usage of thousands of customers for over two years. We see that most mail is (1) unwanted in paper form and (2) not wanted in any form as quickly and therefore as frequently as the USPS delivers it. When the technology exists to let informed recipients provide instructions for the Postal Service to deliver that physically-unwanted mail *fewer* than six times a week, it is enormously wasteful for the USPS to continue to deliver all pieces six times a week. Let’s look at rural residents’ behavior toward mail delivered in an online format:

- Some pieces would be recycled upon a view of the envelope image
- Some pieces would be opened and confidentially scanned into a PDF and over 90% of the leftover paper recycled
- A small minority will be desired in physical, paper form; that is, the rural resident will want the paper delivered – *but almost never, according to our statistics, do they want such mail urgently*. The average consumer or small business user in our customer base takes four to five days even to tell us what they want done with a piece in their inbox!

The implication? The Postal Service need not be locked into a certain frequency of delivery in hard-to-reach areas, while mail recipients could actually have service superior to what they have today. For example, rural residents or offshore workers could select whether they wanted a piece overnight (for extra revenue), in 2 days’ time – or, more likely, in 3 or 5 or more days’ time, thus resulting in fewer stops and deliveries per week, less vehicle idling time, lower fuel costs, and lower emissions. Why only let *mailers* decide how fast they want communications to be received and how much they’re willing to pay for varying service levels? The Postal Service could offer *recipients* service levels that vary from those for which it may charge more to those that are slower but come with incentives such as free or reduced-price monthly subscriptions and the satisfaction of helping the environment.



F. Improved Disaster Recover and Enhanced Business Continuity

Disasters are truly catastrophic not just for individuals but for the economy. Half of companies without business continuity plans *go out of business* within 2 years of a disaster.²⁵ In the digital era, mail communications must be able to survive damage to Postal Service facilities as well as to recipient locations. Yet today, mail communications totally lack such resilience.

- On September 11, 2001, the terrorist acts in New York City significantly disrupted mail delivery to the world's financial center, arguably costing the economy billions of dollars.
- In 2005, Hurricane Katrina wiped out mail delivery to 820,000 homes and businesses. In today's mail system, if a recipient location becomes unusable, the USPS is simply unable to adapt quickly to the new location of the addressees.
- A full month after Hurricane Katrina, 126 post-office facilities in four states were still partially or fully offline.
- We were informed by FEMA personnel, but have not verified, that in warehouses outside New Orleans, 25 million pieces of mail piled up every day, never to be delivered, but shredded instead.

The number sounds high, but whatever the actual figure, for the same reason you won't ever hear disaster survivors complain that their emails are inaccessible or lost forever, online postal mail solves *all* of these problems for participating users. Online postal mail delivery facilities and data centers are fault-tolerant and redundant – designed, like the Internet, with “nodal topology” and hot failover features. Delivery points are instantly changeable. The Postal Service would have total visibility into every piece, like complete air-traffic control. Participating recipients could access their mail from any location. The result is that businesses would become productive again. Invoices, checks, and contracts would be received. The economy would move forward. Survivors of a disaster in a place like New Orleans could log on in Houston or Atlanta and continue to get their FEMA checks, their Social Security checks, and other documents critical to their lives.

This is mail security. This is national security.

G. 24-Hour Automated Mail Kiosks

Recipients of online postal mail sometimes do want the physical piece – a package, say, or, for a few more years, physical DVDs. From their online command center, recipients can direct that the mail be delivered to automated kiosks at fixed sites or franchise or contract locations, all equipped with automated storage and retrieval systems similar to those one sees in a software vending machine. These kiosks can be conveniently accessed at any time of day, any day of the week – a win for consumers who have difficulty with the hours of post offices – and yet would reduce last-mile deliveries for the Postal Service.

H. The U.S. Postal Service: Trusted Provider of Secure Communications

The next-generation of online postal mail would allow postal mail to be received into any email client, whether Outlook or gMail, and allow the Postal Service to transfer its trust brand online. By means of encrypted connections between customers and even other posts, the Postal Service could charge a small fee to deliver confidential documents securely between participating users, whether email or scanned postal mail, and arguably much more securely than placing paper in mailboxes.

Conclusion

As the many privatized posts are coming to realize, postal services can evolve and even survive only by ceasing to view themselves strictly as logistics and transportation enterprises. Instead, they must adopt the mindset that they



are trusted carriers of *communications* – of any form desired. Of course there’s a transitional period. Just as auto manufacturers cannot go all-electric overnight, posts cannot jump straight to a digital paradigm. To get from gas to electric, or paper to digital, you must go through a hybrid stage during which you offer both.

Fortunately, the Postal Service has available to it, today, a hybrid paper-digital technology far more viable than the analogue available to auto manufacturers. All it need do is take action on the commitments to innovation and transformation expressed in its own Strategic Plan and public mission statements. Those of us in the blast furnaces of innovation will be waiting.

We have tested online postal mail already – for every type of mail, every mail recipient from individuals to enterprises, and customers in 157 countries and counting – but the USPS may wish to study the viability for itself. Pilot projects could be set up in high-tech areas full of early adopters, for oil derrick workers, the military, merchant marines, and geographic locations that are extremely expensive to deliver to six days a week. Is there any reason the Postal Service could not start today?

NOTES

¹ “Mobile Set to Become a Trillion Dollar Industry in 2008,” *Cellular News*, March 5, 2008 (<http://www.cellular-news.com/story/29725.php>).

² *Strategic Transformation Plan 2006–2010* (“Plan”) at 6. “Delivery remains the largest cost center and will be the focus of intensive efforts to find new savings.” *Id.* at 2.

³ Plan at 27.

⁴ “Total mail volume in the second quarter of FY 2008 was down 3.3 percent,” and 3.1 percent for the fiscal year. Statement of Postal Service CFO Glen Walker to the Mailers Technical Advisory Committee (MTAC), May 2008, cited in Postcom, “Postcom Postal Policy Report,” Issue No. 02-08 May 6, 2008.

The USPS has seen four straight quarters of volume decline in Standard Mail and seven in First Class Mail. The decline of Standard Mail and flats is actually accelerating. Mr. Walker says, “There is no turnaround in sight.” Says Postcom: “There is simply no way to sugar-coat it.” Source: Postcom, “Postcom Postal Policy Report,” Issue No. 02-08 May 6, 2008.

⁵ Greg Autry and Brian Bishop, “Do not call, do not spam, do not mail,” Friday, May 9, 2008 (<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/05/08/ED3J10ISAN.DTL>).

⁶ Today, two-thirds of all non-cash payments are made electronically, and the number is declining at 6.4% per year. Source: Federal Reserve Financial Services Policy Comte. (<http://www.federalreserve.gov/newsevents/press/other/20071210a.htm>). In Europe already, almost no checks are sent by mail.

⁷ 2007 Update the Strategic Transformation Plan at 2-3 (emphases added).

⁸ “The U.S. Postal Service doesn’t track how many people get general delivery, but local mail officials say the general delivery lines have been getting longer in the past few years - and so are the stacks of mail for the service.” Kathleen Lucadamo, *Daily News*, “Homeless get mail with general delivery,” December 16th 2007 (http://www.nydailynews.com/news/2007/12/16/2007-12-16_homeless_get_mail_with_general_delivery-4.html). Unfortunately, General Delivery is not addressed at all in the latest Plan.

⁹ Plan at 17.

¹⁰ Plan at 17.

¹¹ *Id.* at 36.

¹² These personnel may be private contractors. Our own video-witness technology, Documentary™, ingeniously allows every customer to log-on to a secure Internet site to view the entire process of his or her mail being scanned, and the scanning employees know it.

¹³ In fact, to look just a few more years into the future, the USPS holds within its hands the power to staunch the flow of its advertising-related revenue to other media once it begins to give advertisers exactly what they want, according to the new expectations carved in stone by online media:

- A **pay-per-action model** in which, rather than paying for advertising whose efficacy and response are largely untrackable, advertisers will pay for *results*, and will pay more for better results.
- **Total transparency in A/B splits** so that advertisers may *quickly* test and optimize ad campaign images, colors, and text. It's already happening: e.g., Google “hopes to turn YouTube from an online video site into a place where marketers can test their messages.” – *The New York Times*, March 27, 2008
- **Time of day targeting** that only inserts ads when they will get peak response.
- **Fine targeting of mail recipients** who have already recently accepted ads in same product class for higher response rates.
- **Shorter sales cycles.**
- **Environmental-friendliness of the media.** For all the efforts of some to paint servers as energy hogs, there is simply no comparison between the energy to distribute and store digital images and the energy required to plant, water, grow, and harvest trees, to make paper of them, to put ink on them, to sort letters at a cost of \$25 million per hour, to transport paper hundreds or thousands of miles (wanted or not), to move that paper around an organization that usually prefers to receive media in digital form, and to truck that paper to a landfill or recycling center.

Once the USPS begins delivering postal mail online, it can fulfill every single one of these expectations. See “Earth Class Mail: Save Time, Money, and Our Planet by Bringing Postal Mail Online,” at www.earthclassmail.com/earthclassmail, for more details.

¹⁴ This is explained in more detail in our book, “Earth Class Mail: Save Time, Money, and Our Planet by Bringing Postal Mail Online,” available in print from Earth Class Mail or on our website at www.earthclassmail.com/earthclassmail.

¹⁵ “The Internet now reaches more than 71 percent of households and penetration is expected to increase. High-speed broadband makes Internet-based services easier to use and will likely increase the use of online alternatives to mail.” Plan at 7.

¹⁶ *Id.* at 8.

¹⁷ *Id.* at 55 (emphasis added).

¹⁸ *Id.* at 61(emphasis added).

¹⁹ *Id.* at 9 (emphasis added).

²⁰ *Id.* at 8 (emphasis added).

²¹ *Id.* at 60.

²² *Id.* at 27 (emphasis added)

²³ *Id.* at 62. In addition, millions more are not filed that should be, with expensive results.

²⁴ 2007 Update at 35.



²⁵ Source: Timothy Crowe, Department of Homeland Security, COOP Conference, August 2007.