

STATEMENT OF LOUIS GIESLER  
PRESIDENT OF AMERIMARK DIRECT  
BEFORE  
THE POSTAL REGULATORY COMMISSION

Chairman Goldway, I am Louis Giesler, President of AmeriMark Direct.

I want to welcome you and your colleagues and thank you for taking the initiative to come to Cleveland and talk with some of us who live outside the beltway but have a stake in the advice you provide and decisions you render concerning the U.S. Postal Service.

AmeriMark Direct, a company based here in Cleveland, along with our sister company, Dr. Leonard's Healthcare, has been a leading direct marketer of women's apparel, shoes, name-brand cosmetics, fragrances, jewelry, watches, accessories, and health-related merchandise for the past 40 years. Together we employ over 1,200 employees, selling our merchandise primarily through 10 distinctive catalogs: [Anthony Richards](#), [Beauty Boutique](#), [Complements](#), [Essentials](#), [Healthy Living](#), [Time for Me](#), [Feel Good Store](#), [Windsor Collection](#), [Dr. Leonard's Healthcare](#) and [Carol Wright Gifts](#).

The U.S. Postal Service is our single most important business partner, delivering over 200 million catalogs and 11 million packages to our customers each year. Both our

past and future success is highly dependent on a viable Postal Service providing affordable and efficient nation-wide service.

Everyone knows these are trying times for every segment of our Nation's economy and the Postal Service, which relies on revenues derived from its operations—from postage paid by consumers and corporations, mailers big and small, including AmeriMark Direct— and not tax revenues, has not been spared.

While the Service has successfully reduced costs in recent years, a decline of almost twenty five percent in mail volume over the past two years coupled with the rather unique requirement that it fully pre-fund the health insurance benefits of future retirees has placed the Service in a very precarious financial situation.

I understand it is projecting a \$7 billion shortfall for the fiscal year ending September 30<sup>th</sup>!

We—all of us in the postal community—are hoping the Service gets some relief on those pre-funding requirements. The Direct Marketing Association, of which we are members, actively supports a legislative fix through either of the two bills (S.1507 and H.R.22) currently under consideration by Congress. While enactment of either bill will help by refinancing the terms of the required payments, it still will not be enough to solve the financial problems of the Postal Service!

Consequently, the Service has had to turn to a range of other proposals aimed at additional cost reductions, one of which—a request to the PRC for an advisory

opinion on its plan to consolidate the operations of some retail stations and branches into nearby facilities brings us here today.

Although the list of targeted facilities has been pared down to just over 400, the concerns of communities remaining on the list which will ultimately be affected by this initiative (including 44 in Ohio, 16 of which are in the Cleveland area) is understandable. Losses of jobs, the impact on community identity, and customer access to postal services are all legitimate concerns.

These types of concerns are not foreign to those of us in the Cleveland area:

- Hardly a week goes by without a lead story in the Plain Dealer focusing on a local employer (many of which are significant in size) announcing decreases in sales, corporate losses, reductions in workforce, shutting down of factories and facilities, etc.
- Our local and county governments have had to freeze wages, cut back on services and programs, increase fees and lay off employees. Meaningful discussions of consolidation and regionalism as a way of making government more efficient are being held and there is hope of substantive progress being made in this area.
- The Catholic Diocese of Cleveland announced in 2009 that it is closing more than 50 churches as part of Diocese-wide

consolidation and reconfiguration that is driven in large part by population shifts and financial struggles.

Decisions in these cases usually turns on the question “Can we afford to continue providing the current level of service or is there a less costly reasonable alternative that still meets the needs of our shareholders and/or customers, our constituents or our congregants?”

I believe the fundamental question that postal officials must ask themselves when making a decision about consolidating or closing a particular retail facility is.....Can we reasonably meet the needs of our customers, providing prompt, reliable and efficient postal services to customers in all areas and to all communities if we consolidate the operations of some retail stations and branches?

In most if not all cases, I think their answer would be a resounding YES. This, in large part, is because of the evolution of the Service’s retail operations in recent years.

- Americans now have the ability to obtain postal “retail” services online or at kiosks.
- We can purchase stamps online, through the mail, at the grocery store at a bank and through a bank ATM.

- We can arrange for parcels to be picked up at our home or place of business.
- And one that is near and dear to my heart, we no longer have to stand in long lines to purchase “makeup stamps” when rates change. We owe the Commission a big thank you for its leadership in establishing the “Forever Stamp.”

Given the reduction in the number of stations still under consideration for possible consolidation, I believe the Postal Service is taking seriously its review criteria for the station and branch optimization initiative. Many of these criteria are consistent with the concerns I mentioned earlier. They include consideration of:

- Proximity of the station or branch to other stations and branches;
- Retail transaction trends at the station or branch;
- Impact on employees of consolidation of the station or branch with another;
- Concerns of the community and the customers;
- Savings that can be captured from a consolidation;
- Alternative access to postal services available to customers; and,
- Ability of a nearby station or branch to accommodate the retail traffic.

My understanding is that even after a determination has been made to close a station or branch, an affected community will still have an opportunity to appeal to the Postal Regulatory Commission. The Commission will then determine whether it has jurisdiction and, if it so finds, will render a final determination on the fate of a facility based on the facts in each particular case.

This process seems transparent, open and fair-minded! Additionally, it should minimize the chances of a station being closed where the criteria outlined above are not met.

As a member of the business mailing community, I understand what it means to be inconvenienced and otherwise impacted by Postal Service decisions.

Business mailers are continuously being asked to do more and go farther in the name of efficiency before the Postal Service will accept and deliver their mail.

For example, the most recent change, which goes into effect this month, is that we now have to place 3 large non perforated “tabs” (size, material, location, etc. are all dictated by the Postal Service) on our 4 smaller catalogs. We understand this change is supposed to make those mail pieces more compatible with the Service’s mail sorting equipment. Unfortunately for us, we were not aware of any problems with the prior method of tabbing on the Services’ equipment and if new equipment was designed I believe it was done without any input from mailers.

This new change is very significant for us. While our costs related to equipment and tabs increase, we are most concerned about consumers not opening the mail due to the inconvenience of tearing or cutting these new non perforated

tabs. My worst fear, related to this change, is that higher costs and decreases in response rates will make it more difficult for these catalogs to make money, resulting in lower catalog circulation and further contributing to the downward spiral of decreasing mail volumes.

And, when it comes to the Services non retail facilities, we've experienced our own consolidation and closure process as the Service undertakes a major realignment of its processing and transportation network. These network changes require commercial and nonprofit mailers to make adjustments and incur additional costs related to how and where they must present their mailings to the Service. The hope is, of course, that increased efficiency within the Service's operations will result in long-term savings. Unlike the closure or consolidation of a retail facility, the network changes rest solely with the Postal Service, and there is no appeal of these decisions.

In its report of last December on the Universal Service Obligation, the Commission noted that:

“.....throughout its history, the Postal Service has been expected to use its flexibility to meet the needs and expectations of the Nation while balancing the delivery of service against budgetary constraints.” (Docket No. PI2008-3, Report on Universal Postal Service and the Postal Monopoly (December 19, 2008), at 3.)

Those who “expect” the Postal Service to succeed in this balancing act—be it

through retail or network optimization, route realignment, 5-day delivery, or adjusting health insurance pre-fund payments—must allow the Postal Service the latitude to achieve the success so important to all of us.

In closing, I do believe the Postal Service proposal to consolidate the operations of some retail stations and branches is consistent with its obligation to provide prompt, reliable and efficient postal services and is an important component of its efforts to remain financially viable and continue serving its customers and communities.

I want to thank you again for coming to Cleveland. I would be pleased to answer any questions you may have.