

My name is William E. Graham, Jr and I come before you today representing the membership of the National Star Route Mail Contractors Association. The NSRMCA represents some 17,000 contractors most of whom are small, minority, or women owned businesses. Our membership contracts with the USPS for delivery of mail to individual mail boxes as well as the transportation of the mail by various modes mostly highway.

Our industry has been the experiencing the same economic pain that the USPS has encountered over the last few years. The vast majority of our contractors are captive suppliers to the USPS; therefore, our fates are tied to the fate of the USPS. The USPS has taken numerous steps to reduce their contracted transportation costs such as four year fixed rate contracts, significant rate reductions when negotiating renewal of contracts, reduction in extra trip rates, reductions in transportation miles due to the network realignment, and voluntary reductions requested by CFO Corbett.

Although we have endured this economic pain, our Association has reached out to Congress to request relief from the pre-funding of retirement benefits for the USPS. We continue to meet periodically with senior management to work jointly on issues of mutual interest.

Although our Association is concerned about the impact on all members of a reduction in service from six to five day, we are most concerned for CDS formerly known as box delivery contractors. These are the smallest of the small and would be the most impacted. Another group of concern is the owner operator contractor.

Our Association has met with the USPS and have expressed our apprehension as to how a one day deduction from the contract would occur. All contractors have fixed costs that would be the same whether they deliver 6 days or 5. CDS and owner operators do not have the volume of business upon which to spread this cost if the service is reduced. To be fair and equitable, the USPS should negotiate with all contractors especially CDS and owner operators to insure that these fixed costs continue to be covered in the contract rate.

The Commission submits four key questions to be answered:

“Will the savings the Postal Service anticipates be as significant as they estimate?” Our Association does not have any data which could be

used to estimate the savings that the reduction in service from 6 to 5 days would produce. We are hopeful that the projected savings provided by the USPS are realistic.

“Will mail volume decrease more than the Postal Service anticipates?” As the economy has stabilized, we were hopeful that the deterioration in volume would as well. It is disturbing that apparently that this is not occurring. According to PMG Potter time is tight to stabilize the financial condition of the USPS, they cannot wait for the economy to recover. An aggressive marketing campaign should be implemented as soon as possible. The USPS should have a good idea of projected mail volumes.

“Will businesses and citizens have service that remains adequate to meet their needs?” I believe that most businesses will not be seriously impacted by the reduction in service. Postal patrons in rural areas would be affected more than others. As they become accustomed to the reduction, this should diminish. The USPS should address delivery issues when Monday holidays occur prior to implementing the reduction in service.

“Will the National Economic impact of service reductions offset or add to the savings that are proposed?” We do not have the data to make an informed opinion. Many pundits believe that the mailers will seek alternatives if the service is reduced. I believe that the mailers are constantly searching for these alternatives. They have not found a greater value for their dollar than the USPS.

I would like to thank the Postal Rate Commission for the opportunity to address it on the behalf of the members of the National Star Route Mail Contractors Association.