

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

**SIX-DAY TO FIVE-DAY STREET DELIVERY
AND RELATED SERVICE CHANGES, 2010**

Docket No. N2010-1

**WRITTEN STATEMENT OF
WILLIAM HODSON
ON BEHALF OF THE
UNITED STATES POSTAL SERVICE**

SACRAMENTO FIELD HEARING

MAY 12, 2010

My name is William D. Hodson. I am the Manager of the Sacramento District for the United States Postal Service. I have served in this position since January 2010. The District office is located at 3775 Industrial Boulevard, West Sacramento, CA 95799. Before my appointment as District Manager, I served as Senior Plant Manager for the Sacramento District, where I was responsible for all mail processing operations. Before then, I served as Senior Plant Manager for the Southeast New England District. I have been serving postal customers since 1977, when I began my postal career as a clerk.

The Sacramento District is comprised of nearly 39,000 square miles from central California to the Oregon border. We serve the following 3-digit ZIP Code areas: 936 through 938, 942, 952 through 953, and 956 through 960. We provide retail and delivery service to approximately six million residents. Our District has five mail processing and distribution plants, one each located in Sacramento, Stockton, Fresno, Marysville and Redding. We operate a surface transportation center to coordinate and expedite the flow of mail in and out of northern California. One of the largest federal Internal Revenue Service processing centers in the nation is located in our District, along with the Franchise Tax Board of the state of California, another large mail recipient. The state government generates considerable mail that originates from Sacramento to addressees throughout the state. We also count among our customers some of the largest commercial mail senders in the country. We provide retail service at more than 350 Post Office locations and more than 40 subordinate station and branches. We supplement these retail operations with almost 40 automated

postal centers. There also are nearly 90 contract postal units in the District. We serve over 2.1 million delivery points by city and rural carriers and highway contract route; we also have more than 400 thousand Post Office boxes. Customers in the District can drop mail in nearly 2000 collection boxes. Our managers, supervisors, letter carriers, mailhandlers, clerks and other employees are dedicated to providing outstanding service to our customers.

I understand that the Postal Regulatory Commission is reviewing a Postal Service plan for five-day street delivery and related service changes. That plan would eliminate—except for Express Mail—the Saturday delivery of all mail to street addresses, collection of mail on Saturdays from those delivery points and regular collection boxes, and the Saturday processing of outgoing mail. Processing of incoming mail will not change, nor will delivery to PO Boxes, which will continue Monday through Saturday. Postal retail units will also continue to provide window service on Saturdays. I am aware that the Postal Service intends to implement the proposal during calendar year 2011, but that an implementation date has yet to be determined.

I understand that the policy, financial and operational justification for these service changes is being presented in detailed written testimony by senior postal executives and other expert witnesses, who are scheduled to testify before the Commission in Washington DC this July. I am in no position to clarify today any operational details, explain the financial implications, or to discuss national policy issues relating to the proposed service changes. I trust that the Commission will find the hearings in July informative and enlightening on these issues.

What I can do today is to share with you Commissioners some local data relevant to the broader operational and financial challenges that face the Postal Service and that have led the Postal Service to pursue the service changes that you are reviewing. I am told that the Commission regularly reviews postal operational and financial data on the national level and that you are generally familiar with the dire volume, cost and revenue trends. As you are probably aware, California has been significantly affected by the current economic recession. Postal operations in the Sacramento District feel the impact of the sharp changes in mailing behavior and in the economy that have in recent years driven down mail volume and postal revenue. From quarter 1 of fiscal year 2005 to the same quarter in 2010, we saw a volume decrease of about 17 percent. As a result, total volume per delivery point has declined by 23 percent. Although our District has experienced a very modest three percent cumulative increase in total operating revenue over this five-year period, we have seen an eight percent increase in delivery points and our total operating revenue per delivery point per day has declined by four percent over the same period.

I make regular contact with postal customers throughout the District and monitor our service performance daily. While I hear firsthand from customers their increasing satisfaction with measures we have undertaken to improve service, they also often use these occasions to offer their opinions about how the Internet provides unbeatable convenience and efficiency, and how it changes the way many of them are choosing to conduct personal and commercial transactions.

I am not aware of any forecast of how much First-Class Mail volume we have permanently lost here in the Sacramento District as a result of electronic diversion. Nor am I able to project if or how soon we may ever see the level of mail volume that we experienced before the recession. Accordingly, it does not surprise me that senior postal management has determined that very significant operational and service changes, such as the ones that you are reviewing, are necessary for the long-term financial stability of the Postal Service.

Assuming the Postal Service moves ahead and implements the necessary service changes, I will be responsible, under direction from Headquarters and the Pacific Area, for ensuring that postal management and employees in the Sacramento District communicate proactively, effectively and accurately. It is important that customers know what changes are coming, when they will occur, and the actions they may choose to take in furtherance of their own interests.

Five-day delivery and the other service changes will entail adjustment for many customers, minor for some and more substantial for others. While some may find that our new operating model does not suit their mailing and shipping needs, I remain a firm believer that a consistent and ongoing commitment to continuous service improvement can and will attract customers to postal services.

The postal customers with whom I speak include household and business customers alike, all of whom seem to understand that the Postal Service faces difficult choices today and in the near future, and that no easy solutions lie within our grasp. Customers emphasize that they want advance notice of changes that

the Postal Service may implement so that they can adequately plan for change. The Postal Service intends to give six months advance notice of any calendar year 2011 implementation date selected for our five-day plan. Accordingly, when an implementation date is established and a communications plan is launched, I am committed to ensuring that the Sacramento District residential and business customers are able to transition as smoothly as possible, and that they understand how best they can continue reliance upon the Postal Service to meet their mailing and shipping needs.

As the Commission is aware, the Postal Service has already established a user-friendly website at <http://www.usps.com/five-daydelivery>; it provides planning guides and frequently asked questions with answers specifically tailored for household and commercial customers. The website can help inform customers now and support our communications efforts later on. When the time comes, I understand that multiple mailings to residential and business customers will explain all service changes and customer options. Informative new signs will appear in retail lobbies and new labels on collection box labels will reflect the elimination of Saturday collections. The Sacramento District will coordinate with the Pacific Area and Headquarters to inform local broadcast and print news media to supplement such direct customer communications.

I thank you for the opportunity to appear before you today and provide this testimony. I can now try to answer your questions. If I am not the right person to provide an answer, I will work with Postal Service counsel to ensure that the Commission gets a response to any outstanding questions you may have.