

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-001

Before Commissions: Ruth Y. Goldway, Chairman
Mark Acton and
Dan G. Blair

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

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P R O C E E D I N G S

CHAIRMAN GOLDWAY: Good afternoon, ladies and gentlemen. My name is Ruth Goldway, and I am the chairman of the U.S. Postal Regulatory Commission. I'm joined today by my colleagues, Commissioner Dan Blair on my right and Commissioner Mark Acton on my left. We are three of the five commissioners that make up the Postal Regulatory Commission, and we are here outside of the Beltway hoping to get as much information as we can from people who represent a wide cross-section of interests throughout our nation.

My fellow commissioners and I welcome all of you here today. This is an important hearing into the Postal Service's proposal to end Saturday mail delivery service nationwide. I'd like to thank the citizens of Dallas, and in particular Mayor Leppert and the City Council and the city hall staff for their support in enabling the Commission to use these council chamber facilities today. We appreciate this intergovernmental effort.

This is the third of the public hearings that the Commission is holding on the subject of reducing delivery from six to five days. We held our first hearing in Las Vegas last week and the second one immediately thereafter in Sacramento. We're very

1 pleased to be here in Dallas today. Dallas together
2 with Arlington and Fort Worth comprises the fourth
3 largest metropolitan area in the United States, a
4 combined population of six and a half million people.
5 That's a lot of mail delivery. That's a big part of the
6 U.S. economy, and interestingly enough, we've had the
7 easiest time in generating panel participation and
8 citizen interest in the hearing that we scheduled here
9 in Dallas today. So I believe you have an active
10 citizenry, and we found a location where mail and mail
11 service truly is important to the region. So it's a
12 perfect location for us to hold our field hearing and to
13 consider the changes that such delivery system reduction
14 would have on the community and on the mail system
15 itself.

16 I want to explain some of the procedures
17 we have today. The Commission is the statutory
18 regulator of the Postal Service. We have the
19 responsibility to oversee the Postal Service with regard
20 to rate setting, universal service and service standards
21 performance and for the overall transparency and
22 accountability of the Postal Service to the American
23 people. Day-to-day operational management of the Postal
24 Service is the responsibility of the Postmaster General
25 and his management team.

1 This hearing and set of public hearings
2 around the country is actually part of a comprehensive
3 review that was initiated on March 30th of this year.
4 The Postal Service submitted to us at that time a
5 proposal to eliminate Saturday mail delivery service.
6 Under the law, the Postal Service is required to ask the
7 Commission for an advisory opinion on any change in
8 nationwide service that it proposes, and this is one of
9 the most significant changes the Postal Service has ever
10 presented to the Commission.

11 The Postal Service has advised the
12 Commission that due to falling mail volumes and
13 revenues, it is considering Saturday delivery
14 elimination except for Express Mail and post office box
15 service.

16 Commission procedures provide for a
17 public, on-the-record hearing to analyze and
18 cross-examine the Postal Service's proposals and
19 supporting evidence. During the formal process held in
20 Washington, mail users and interested members of the
21 public may offer supporting or opposing views, both
22 informally and part of technical presentations. In the
23 view -- in view of the fact that this proposal will have
24 widespread impact, affecting literally every citizen and
25 business in the nation, these field hearings are in

1 addition to the proceedings that we have in Washington,
2 D.C. We hope to get a broader cross-section of
3 information and be able to make a wiser decision as a
4 result.

5 The elimination of one day of mail
6 delivery service is not a new concept. It has been
7 proposed many times through the years and was the
8 subject of extensive Congressional review in 1977
9 through the early 1980s. In 1983 the Commission --
10 excuse me -- the Congress adopted specific language that
11 requires the Postal Service to maintain Six-Day
12 delivery, and that discussion has been silent until now.
13 The Postal Service has asked Congress to rescind this
14 language. We expect that the Commission's advisory
15 opinion, what we learn here today and the reports that
16 we gather from the rest of the country will be
17 considered by the Congress as it reviews the Postal
18 Service's request to change the law.

19 The Postal Service has the responsibility
20 to serve every citizen, household and business
21 throughout America, and it remains far and away the
22 world's largest mail service provider, with mail volumes
23 expected this year of 165 billion pieces of mail. This
24 hearing provides a critical public forum for public
25 input as the Postal Service seeks, under difficult

1 circumstances, to find the right balance between service
2 and cost control.

3 I want to emphasize again the importance
4 of the public scrutiny that the Commission provides as
5 we review this issue. Citizen participation is the
6 cornerstone of any good government regulatory program,
7 and already the Commission has received well over 6,000
8 letters and e-mails from the public on this issue.

9 Also, following our formal testimony,
10 anyone in the audience who is interested in making a
11 statement may do so. We ask that these remarks be no
12 longer than three minutes. For -- at the moment, I'd
13 like to ask my fellow commissioners if they'd like to
14 enter any welcoming remarks for the people today.
15 Commissioner Blair?

16 COMMISSIONER BLAIR: Thank you, Chairman
17 Goldway. I appreciate this opportunity to be here in
18 Dallas today. It struck me as we were driving in from
19 the airport -- you drive past the Dallas merchandise
20 mart and World Trade Center, and it's -- I -- as I
21 remember, it's -- it may be the largest -- if it's not
22 the -- it's one of the largest if not the largest in the
23 world and it underscores that Dallas is a city of
24 commerce. If it's not retail, it's oil and gas. It's
25 banking. It's agriculture. It's high-tech. It's

1 education. The one commonality between all these
2 different industries is that you use the mail. And how
3 you use the mail and the ways in which you use the mail
4 and the ways in which those ways are changing are really
5 the core set of questions that we're asking today.

6 Just recently the county celebr- -- the
7 country celebrated the 150th anniversary of the Pony
8 Express, which was the first communication delivery
9 system used by the United States. Since that time,
10 citizens have sent messages to friends, relatives and
11 businesses using paper and pen and sending them by way
12 of the Postal Service. It's really only been in the
13 last ten years that people have turned to the Internet
14 as a primary means of communicating with others. So
15 this change in behavior, coupled with the recent
16 economic downturn has had a dramatic impact on the
17 Postal Service and the way that their finances are
18 calculated and the way that mail volume has trended. In
19 fact, just recently comScore, Incorporated, which is a
20 Virginia-based marketing research firm announced that
21 the number of U.S. banking customers who use online bill
22 pay tools surged to 64 percent this year, a jump from 45
23 percent in 2008. Because of the turn of events, the
24 Postal Service has proposed, among other ideas,
25 eliminating Saturday mail delivery.

1 It's important for me as a member of this
2 commission to understand what impact this proposal may
3 have on customers who receive mail deliveries at home,
4 Post Office patrons, small and large businesses and the
5 Postal Service itself. I think it's important for our
6 -- for our audience and for the public to understand
7 that the Commission is handling this case, our Six- to
8 Five-Day-Week delivery case, as the Postal Service is
9 preparing to file an exigency or emergency rate case, or
10 at least we're told in the preparation stage. Congress
11 is also reviewing requests for postal relief as well.
12 Balancing and juggling these potential scenarios will
13 really prove challenging to the Commission as they all
14 will come about at about the same time. With that in
15 mind, I look forward from hearing from our witnesses
16 today about their experience with the service and their
17 views on the future viability of the Postal Service
18 using either of the current proposed mail delivery
19 models. So thank you, Madame Chair. It's good to be
20 here in Dallas.

21 CHAIRMAN GOLDWAY: Thank you. Thank you
22 for that great statement. Commissioner Acton?

23 COMMISSIONER ACTON: Thank you, Madame
24 Chairman, and thank you Dallas for your fine
25 hospitality. My first visit to Dallas, Texas and it's

1 been an experience already. And I'm looking forward to
2 another couple of days here.

3 Whether you're a witness on a panel today
4 or whether you're here to share your observations or if
5 you're simply curious about what we're doing in this
6 respect, this hearing is designed to help the Commission
7 gain a more informed and, therefore, better insight
8 regarding the Postal Service's proposal to eliminate
9 Saturday mail delivery. The Postal Regulatory
10 Commission is by law required to provide an advisory
11 opinion to Congress and the Postal Service regarding
12 this important proposal.

13 While our opinion is not binding on the
14 Postal Service, our views shall advise Congress and the
15 Postal Service if and how this proposal may comply with
16 Title 39 of the U.S. Code. The law instructs the
17 Commission to provide users of the mail as well as the
18 general public every opportunity to be heard for the
19 record, which is why we are here today, and why we're
20 visiting the seven cities across the nation to solicit
21 your views in this important matter.

22 Your participation will assist us in
23 offering guidance on a significant aspect of a very
24 fundamental public service that's been provided to our
25 nation since its founding. How important is the

1 question? It's important enough that our nation's
2 framers provided Congress the power to establish and
3 provide Postal Service in the very first article of the
4 United States Constitution.

5 The questions before us today are: Can
6 the Postal Service maintain adequate service to the
7 American people if except for -- except for Express
8 Mail, delivery of mail to street addresses on Saturday
9 is discontinued; secondly, if collection of mail from
10 standard blue collection boxes and other pickup services
11 is discontinued on Saturday; and finally, if the initial
12 handling of outgoing mail was also discontinued on
13 Saturday with a few exceptions.

14 The Postal Service has indicated that
15 their dire financial condition requires immediate action
16 on the request. My colleagues and I are very committed
17 to arriving at a thoughtful and well-reasoned
18 determination as quickly as is possible. We also, of
19 course, must be careful to take time to account for your
20 views, as we're doing here today. Swiftiness can be
21 good, but we are obliged foremost to get it right,
22 rather than simply to do it fast. I want to thank you
23 for your time; thank you for your testimony. Thank you,
24 Madame Chairman, for an opportunity to make some remarks
25 this morning.

1 CHAIRMAN GOLDWAY: Thank you. The
2 testimony provided by our witnesses today will help
3 educate and inform the Commission as we continue our
4 study of the Postal Service's proposal, and it will help
5 the Postal Service directly, I believe. They come to
6 these hearings. They hear the suggestions. They hear
7 the ideas, and they read the commentary that we provide
8 in the opinion. The process itself, I believe, directs
9 change. I sincerely believe that the witnesses'
10 willingness to be here today is an important part of our
11 fulfilling our constitutional obligations.

12 So let me briefly describe the specific
13 process. We intend to hear two panels of witnesses.
14 I'll introduce each panel in turn, swear them in and
15 allow them to provide oral statements for our record.
16 Then there will be an opportunity for Commissioners to
17 question each panel.

18 These hearings are being transcribed, and
19 witnesses' testimony, responses to any questions from
20 the Commission will be part of the evidentiary record in
21 this case. Other participants will have the opportunity
22 to review the transcript of this hearing and offer
23 comments if they so choose during what's called the
24 rebuttal phase of the case.

25 So with that, let me introduce our first

1 panelists. We have Phil Major, who's the editor of Wise
2 County Messenger. Next is Roy Robinson. Roy is the
3 publisher and vice president of Graham Newspapers. And
4 we have Bruce Shebert -- Sherbert.

5 MR. SHERBERT: Yes.

6 CHAIRMAN GOLDWAY: Sherbert -- who's the
7 election administrator for Dallas County. And the final
8 member of the first panel is Suzanne Henderson, county
9 clerk for Tarrant County. Thank you again for being
10 here.

11 Now would you rise, and I'll swear you in.
12 Raise your right hand. Do you swear or affirm that the
13 testimony you are about to give is the truth, the whole
14 truth and nothing but the truth?

15 PANELISTS: I do.

16 CHAIRMAN GOLDWAY: Let the record show
17 that all the witnesses have answered in the affirmative.

18 So Mr. Major, I'll ask you to lead off.
19 Your entire statement will be included for the record.
20 Feel free to summarize or add extemporaneous comments if
21 you choose.

22 MR. ROBINSON: Thank you. Good
23 afternoon, Madame Chairman and members of the Commission
24 staff. I appreciate the opportunity to appear here
25 today on the important topic of Saturday mail delivery.

1 I'm Phil Major, publisher of the Wise County Messenger,
2 a twice-weekly newspaper of about 6,000 circulation in
3 North Central Texas. For mine, I will summar- --
4 summarize my remarks and submit a statement for the
5 record. Let me make clear at the outset that I am
6 opposed to the elimination of Saturday mail delivery.
7 My wife Lisa and I purchased this newspaper in 2009 from
8 its longtime owners, Roy and Jeannine Eaton. This
9 newspaper has served Decatur, Texas and 13 surrounding
10 communities. It is an award-winning newspaper that sits
11 just off the town square in this small but bustling
12 country town. I know that it has played a key role in
13 civic affairs for years because I was editor and sports
14 editor for the Eatons years ago before I became editor
15 and owner of other Texas newspapers.

16 I have provided a list of civic
17 involvements during my journalism career. I believe it
18 is important for the Commission to understand that we
19 community newspaper people, particularly the owners who
20 have their own stake in the game, are deeply involved in
21 our towns. We work with the schools; we cover local
22 politics. We are the center for community news, the
23 births, deaths, marriages and graduations. No other
24 medium can serve the role of local news providers that
25 we do.

1 I understand, Madame Chairman, that you
2 referred in a recent Senate hearing to an important
3 element of publishing in Texas, the Friday night youth
4 sports scores. I hesitate to mention to a Commission
5 from Washington that we in Texas take our football
6 seriously because I've heard that most people in D.C.
7 have two favorite teams, the Redskins and whoever is
8 playing the Cowboys.

9 I was deeply disappointed to learn that
10 the Postal Service wanted to eliminate Saturday mail
11 because that includes our football scores. We spent
12 \$283,000 last year on postage, which includes postage
13 for our weekly total market coverage publication with
14 22,000 circulation mailed at the enhanced carrier route
15 standard rates. We transport our mail to seven local
16 post offices using the privilege and exceptional
17 dispatch for our regular editions to make sure the
18 newspapers reach their destinations on time.

19 Our mail is highly presorted, carrier
20 route bundles that are sequenced in delivery order for
21 the carriers. We use Interlink software, a
22 PAVE-certified program, to ensure that we are up-to-date
23 with our carrier routes. We distribute the first
24 edition of the Messenger on Wednesday, and on Saturday
25 we publish the weekend edition.

1 The weekend paper provides people with a
2 lot of material that we could not replicate if we
3 published on a Friday or a Monday. It gives our
4 advertisers the opportunity to offer late-breaking sales
5 updates. We cannot shift our delivery day. If there is
6 no Saturday mail, we will leave the mail stream.

7 There are several reasons why our
8 newspaper is essential to Wise County. First, nearly 32
9 percent of the households in our state have no Internet
10 access at all, and only about 57 percent have broadband.
11 In rural areas, more than 18 percent of households still
12 use dial-up links, which means they certainly aren't
13 going to see our videos and probably not using the
14 computer for much more than basic text e-mail.

15 Second, although we have a very popular
16 and progressive web site, people want a printed
17 newspaper. Our readers prefer to read the news that
18 way. Also, our advertisers rely on us as a distributor
19 of preprinted advertising, which is a revenue stream
20 that helps us to report the news. If the newspaper does
21 not reach them in the mail, they will lose an important
22 information source.

23 Third, even for those who do prefer
24 Internet news, a local news site is not financially
25 sustainable. If we didn't have our newspaper, we could

1 not have a web site.

2 I understand the Postal Service has said
3 that the elimination of Saturday mail will affect a few
4 very rural newspapers. It is advising its customers
5 that they should simply shift publication days. My
6 first reaction to that is that there is a larger impact
7 than the Postal Service realizes. My colleague
8 Mr. Robinson will discuss the impact upon Texas
9 newspapers more generally, but it is hardly just very
10 rural newspapers. Decatur is only 37 miles from
11 downtown Fort Worth. We are hardly remote or very
12 rural. Even people in small towns, however, pay taxes
13 to support the post roads, if not USPS directly, and
14 they deserve to receive their newspapers.

15 We cannot simply shift publication dates.
16 We publish on Wednesday and Saturday because our readers
17 and advertisers want us to do that. We do not own a
18 printing press. Even if we wanted to go to press on
19 Thursday night for a Friday delivery, we would be at the
20 mercy of the press owners for an earlier time slot. We
21 could not expect our small staff to be able to gear for
22 another issue on Friday as they've just completed a
23 Wednesday paper. We would wear them out. It is
24 unthinkable to publish a weekend paper on Monday. That
25 is not a newspaper; it is a history book. So we are set

1 on Saturdays, and we will leave the mail stream if we
2 cannot deliver by mail. And as we do, we will be
3 removing not only our periodicals but other mail that
4 USPS needs to survive. Once we establish a carrier
5 force, we will be looking for volume just as the Postal
6 Service does.

7 Madame Chairman, this is a tremendously
8 important undertaking before the Commission. I do not
9 believe the Postal Service has sufficiently measured the
10 impact upon us, its customers, or upon its own
11 viability. I believe ending Saturday mail deliver is at
12 best a last resort and that other cost-cutting measures
13 should be fully evaluated before the Postal Service
14 takes this step. I value your attention here today and
15 stand ready to respond to any questions you may have.
16 Thank you.

17 CHAIRMAN GOLDWAY: Thank you, Mr. Major.
18 We will go through all of the panelists, and then we'll
19 ask questions of all of you together. So, Mr. Robinson,
20 if you'd like to continue.

21 MR. ROBINSON: Thank you. Chairman
22 Goldway and members of the Commission, thank you for the
23 courtesy of allowing me to appear today to address the
24 U.S. Postal Service's request to discontinue Saturday
25 mail delivery and thus reduce delivery from six days to

1 five days weekly.

2 As the immediate past president and
3 current chairman of the board of the Texas Press
4 Association, I will provide statistical data revealing
5 the indelible impact the proposed delivery reduction
6 would have on the 503 community newspapers in Texas. As
7 vice president of Graham Newspapers, Inc., I will
8 address the financial impact to the Postal Service from
9 our company should Saturday delivery be discontinued.

10 The Texas Press Association represents 503
11 newspapers, 419 weeklies and semiweeklies, 83 dailies
12 and one monthly. Total mail circulation is 47 million
13 copies annually or approximately 904,000 weekly. 45
14 semiweeklies publish a weekend edition, date lined
15 either Saturday or Sunday. Each is entered as
16 periodical mail for Saturday delivery. These newspapers
17 rely upon the Postal Service for an average of 48
18 percent of their total distribution. They account for
19 approximately 77,000 mail pieces per week or nearly 4
20 million mail pieces per year. Additionally, 51 weekly
21 newspapers in Texas publish a Friday issue. These
22 newspapers depend upon mail service for an average of 75
23 percent of their distribution. They account for more
24 than 100,000 mail pieces per week or more than 5.5 mail
25 pieces per year. 38 daily newspapers publish a Friday

1 issue. These dailies depend upon the Postal Service to
2 deliver an average of 16 percent of their circulation.
3 They enter approximately 30,000 mail pieces per week or
4 over 1.5 million pieces per year.

5 Additionally, 49 dailies produce Friday,
6 Saturday and/or Sunday issues. These newspapers are
7 dependent upon the Postal Service for an average of 1
8 percent of their circulation accounting for 60,000 mail
9 pieces per week or over 3.1 mail pieces per year.

10 Graham Newspapers, Incorporated publishes
11 12 community newspapers, three of which are semiweeklies
12 with weekend editions distributed each Saturday.
13 Subscriber distribution is solely by the Postal Service.
14 Delivery is approximately 35,500 mail pieces per week or
15 1.85 million pieces per year. In its most recent fiscal
16 year, Graham Newspapers, Incorporated paid the U.S.
17 Postal Service \$170,943 for periodical postage.

18 Additionally, the Graham Leader paid the
19 Postal Service \$60,338 for exclusive delivery of its
20 weekly total market coverage publication entered as
21 standard mail. Standard mail postage is a significant
22 consideration for the Graham Leader in view of the
23 proposed elimination of Saturday delivery. Because of
24 its partnership with advertisers who rely upon Saturday
25 delivery of the weekend edition, it is not feasible for

1 the Graham Leader to consider another publication date.
2 The weekend edition is integral to the success of the
3 newspaper and to the community. Without Saturday
4 delivery by the Postal Service, it would be imperative
5 for the Graham Leader to establish its own carrier
6 delivery network. If that becomes necessary, certainly
7 the carrier delivery system would distribute the midweek
8 edition and the TMC product. Because of the close
9 proximity of other communities served by company-owned
10 newspapers, it is likely those too would transition to
11 the carrier delivery network. The net result would be a
12 loss to the Postal Service of more than \$231,000
13 annually from Graham Newspapers, Incorporated alone.
14 That probability would be applicable to numerous other
15 semiweekly and daily community newspapers throughout
16 Texas.

17 In Graham and in other communities, the
18 local newspaper is the number one revenue account for
19 the local Post Office. It is a reality and a tradition
20 community newspapers preserve -- prefer to preserve.
21 Clearly, proposed reduction of delivery service to five
22 days would impact smaller and rural communities more
23 severely than metropolitan and suburban cities. It is
24 common across the vast rural areas of Texas for a
25 community newspaper to serve as the primary

1 informational and advertising source for neighboring
2 communities in adjacent counties. Same-day delivery is
3 generally not available to outlying readers. The loss
4 of Saturday delivery in those areas would delay delivery
5 of Friday issues till Monday of the following week or
6 Tuesday in holiday weeks. As the Saturday delivery
7 totals above confirm, the impact would have incalculable
8 consequences. We respectfully wonder why the emphasis
9 is falling mostly upon Saturday delivery to offset U.S.
10 Postal Service operating deficits. It is curious that
11 equal attention is not focusing on long-term retirement
12 and health care coverage costs, on the continuing
13 maintenance of costly facilities serving only a handful
14 of patrons, and on how dramatically service standards
15 will be affected. We realize this is a complex issue
16 with many considerations, but in light of the negative
17 impact upon community newspapers, we respectfully ask
18 the Commission to consider all cost-cutting measures and
19 to recommend new revenue initiatives before moving
20 forward with Five-Day Delivery, it is our position that
21 elimination of Saturday delivery being the last option
22 not the first. Thank you again for the opportunity to
23 appear before you today.

24 CHAIRMAN GOLDWAY: Thank you,
25 Mr. Robinson.

1 Mr. Sherbert.

2 MR. SHERBERT: Madame Chairman and
3 Commissioners, good afternoon and thank you for this
4 opportunity to address you today. My name is Bruce
5 Sherbert, and I'm the elections administrator for Dallas
6 County. I was appointed to this position in 1987. I
7 conduct all federal, state and local elections for the
8 county.

9 Some of my job duties include maintaining
10 voter registration rolls for 1.2 million registered
11 voters, maintaining and preparing election equipment and
12 supplies for elections, and I oversee election worker
13 training and voter outreach. In addition to testifying
14 as the Dallas County elections administrator, I have
15 been asked today to represent IACREOT, which stands for
16 the International Association of Clerks, Recorders,
17 Election Officials, Treasurers. Members from IACREOT
18 have been very helpful with providing me with their
19 local perspectives regarding the Five-Day Delivery plan.

20 It's my hope today not to be repetitious,
21 but I suspect I may be echoing some of the same comments
22 that my colleague, Jill Lavine, elections administrator
23 from Sacramento County, California made at your May 12th
24 hearing. Speaking as an elections administrator, the
25 biggest concerns with reducing from Six-Day Delivery to

1 Five-Day Delivery revolves around mail balloting and
2 voter registration. Our deadline in these two areas
3 offer little or no allowances for being late. For
4 comparison and as an example, if a person is late in
5 making their mortgage payment or credit card payments,
6 it may result in late fees. If a person is late in
7 returning their voter registration application, they
8 can't vote. If a voter is late in returning their mail
9 ballot, it won't count. Voting is one of our most
10 precious rights in this country, and any changes that
11 could negatively impact voters needs to be carefully
12 considered prior to implementation. To this end, I very
13 much appreciate the opportunity to address this
14 Commission, and I'm optimistic that an open dialogue can
15 help us identify workable solutions. If mail ballot
16 delivery must be reduced to five days, then a logical
17 solution to protect against voters being disenfranchised
18 is through legislation.

19 Currently, federal law protects military
20 and oversea -- overseas voters by provided that if their
21 ballots come in, they're postmarked timely but they're
22 received after the election, they will be counted up to
23 five days. Perhaps this provision for military overseas
24 voters can be expanded to include voters that miss the
25 deadline because no Saturday delivery.

1 Here are a few comments that I've received
2 from IACREOT members regarding the Five-Day Delivery
3 plan. Several commented that if mail delivery is
4 reduced by one day, Saturday is preferred over weekdays.
5 Elimination of Saturday delivery can be addressed
6 effectively by encouraging voters to take more
7 responsibility in ensuring their ballots are applied for
8 and returned in a timely manner. That's not to say
9 there won't be problems, but they can be proactively
10 addressed.

11 The impact that will happen if a ballot
12 was to be delivered on a Saturday, now that voter will
13 not receive it until Monday. For voters outside the
14 county if the election is on a Tuesday, that can be
15 problematic because they are at risk that their ballot
16 will not be counted because it is received after
17 election day.

18 By statute we must -- we must mail all
19 ballots on Wednesday before an election. Most voters
20 receive their ballots on Saturday. Receiving a sample
21 ballot on Monday, in my opinion, does not allow for
22 sufficient time to review. Mailing ballots prior to
23 Wednesday would prove to be a hardship because voter
24 registration deadlines, which are mandated by law. You
25 see the theme. The theme that we have here is that we

1 have very short time periods, and we have to make sure
2 our voters are not disenfranchised.

3 Some more comments I've received, under
4 the current suggested scenario, voters who receive their
5 ballot on Friday and expect the postal carrier to pick
6 them up on Saturday will now have their ballot picked up
7 on Monday. And if the next day is election day, this
8 situation will risk the ballot not being delivered on
9 time. I expect we will see an increase in ballots
10 arriving Wednesday and Thursday, and we can't count
11 those.

12 Another comment I received, I fully expect
13 elimination of Saturday delivery will be followed by
14 elimination of another day, such as Wednesday, in the
15 future.

16 Someone commented to me, Election
17 materials may have to be timed for delivery, if close to
18 election, and vote being handled by mail are state. We
19 cannot mail out ballots less than one week before an
20 election so this respondent said they didn't think there
21 would be a problem for their state or hamper delivery
22 because they can't mail out ballots sooner than one week
23 before the election.

24 One official suggests that -- two
25 alternatives, a Six-Day mailing service initiated

1 nationwide in general elections, such as presidential
2 elections and gubernatorial elections.

3 Another comment was to design a special
4 stamp or logo for election ballots to identify them and
5 ensure they are delivered on weekends.

6 But overall, the consensus of the comments
7 that I received -- they mostly centered on making sure
8 voters were not disenfranchised because of reduction of
9 the mail delivery service.

10 And in conclusion, there was a common
11 thread in the comments that I received that focused on
12 echoing voter education on the change and also possibly
13 seeking legislative change to protect those voters that
14 may happen to fall through the cracks. Again, I'd like
15 to thank you for this opportunity to address these
16 concerns.

17 CHAIRMAN GOLDWAY: Thank you,
18 Mr. Sherbert. That was very interesting.
19 And now Ms. Suzanne Henderson.

20 MR. SHERBERT: Sorry.

21 MS. HENDERSON: Good afternoon, Madame
22 Chairman, Commissioners. I too want to thank you for
23 the opportunity to speak to you today. I'm county clerk
24 for Tarrant County. I was elected in 1987, so I've been
25 there a long time. I'm also representing today the

1 National Association of County Recorders, Election
2 Officials and Clerks. As my duty -- my job duties as
3 clerk -- county clerk is I'm clerk of the court to 15
4 courts. Also, I handle real property transactions, so
5 if you buy or sell a home, those transactions are filed
6 in my office. I also do vital records, that's births,
7 deaths, marriage license and assumed names. I'm
8 registrar for 26 entities within Tarrant County, so we
9 do a lot of business with vital records.

10 It is our understanding that under this
11 plan, the mail would continue to be delivered to post
12 office boxes Monday through Saturday and that post
13 offices would remain open on Saturdays. If this
14 proposal remains, the county clerks and recorders feel
15 that we could adjust our workflow with no negative
16 impact; however, we think attorneys and the general
17 public might need to find other ways to do business. If
18 they want documents filed timely, they may have to
19 resort to electronic filing or electronic recording,
20 which is okay. We do quite a bit of that in Tarrant
21 County already. But a lot of attorneys are slow to
22 adjust to electronic filing, but they tend to want to be
23 working at the last minute under the gun and mail
24 something on Friday, thinking we'll receive it first
25 thing Monday morning, mail delivery. Although, we --

1 there is no mail delivery now on Saturday because we're
2 not there for business, but on Monday morning we would
3 have an abundance of mail to open, like we do now. So
4 that might just accelerate the workflow on a Monday.
5 And the documents might not be received timely.
6 However, the election officials around the nation, and I
7 too have a lot of input from election officials around
8 the nation. They feel -- they're most concerned with
9 the following issues: If the proposal is to cease all
10 operations on Saturdays, including the processing of
11 mail and ability to retrieve the mail at a post office
12 box, the impact on offices would be significant. Ballot
13 applications and ballots that previously would have been
14 presented by the post office and received by offices on
15 Saturdays would be delayed, possibly resulting in a
16 backlog of applications and ballots to be processed
17 during early voting in a heavy turnout election,
18 particularly towards the end of the early voting period
19 when volumes of applications and ballots increase
20 significantly.

21 Whenever there's a Saturday election,
22 ballots that are now available on Saturday would no
23 longer be available, effectively denying those voters
24 the opportunity to vote. And conceivably the cessation
25 of Saturday processing of the mail by the post office

1 could impact ballots for elections held on Tuesdays. If
2 processing of mail is reduced, the hours to the post
3 office staff, then conceivably mail that previously
4 would have been processed and available for pickup by
5 7:00 p.m. on election day may not be processed and
6 available by 7:00 p.m., thus effectively denying the
7 voters the ability to vote.

8 In regard to voters expecting a mail
9 carrier to pick up their mail ballots on a residence on
10 Saturdays, voters would not have a ballot pickup until
11 Monday. Therefore, the ballot may not reach the
12 elections office timely if the election day is on a
13 Tuesday, there again, denying the voter the ability to
14 vote.

15 Voter education would be required to warn
16 of the possibility of ballots not being received timely,
17 but the potential remains of public outcry when their
18 ability to vote is denied. I thank you again for the
19 opportunity to speak to you today in this regard.

20 CHAIRMAN GOLDWAY: Thank you. Well,
21 there are a lot of questions here. I, myself, have been
22 involved in urging the Postal Service to expand the
23 vote-by-mail programs that it has around the country as
24 a way to expand mail volumes and to fulfill its
25 constitutional obligation to serve the public. And I

1 know that they've been working hard to develop new
2 systems that can be implemented nationwide with
3 registrars of voters and county clerks. I'm interested
4 in some of the legislative proposals that you've
5 presented. Have you discussed any of those with any
6 legislators?

7 MR. SHERBERT: I met this morning with
8 Senator Shapiro and we were talking on a different
9 matter, but I mentioned this to her. And she seemed
10 interested that it might be a possible solution. I
11 personally think that it's a workable solution if you
12 can do it. What I'm worried most about is if something
13 is implemented before we can have protection for the
14 voters. I think we -- if we proactively approach this
15 issue, we know what the challenges are right now. If we
16 can do something through legislation, that just makes
17 perfect sense to me. I understand the challenges you're
18 faced with, and I just worry most that -- about the
19 voters and making sure that -- because let me tell you,
20 after 23 years of doing this, human nature, people wait
21 till the last minute. I don't want them to, but they
22 do. They wait to the last minute to request for voter
23 registration sometimes and last minute to mail in their
24 ballots; and I just don't want to find anyone falling
25 through the cracks because of a change that we couldn't

1 have helped them out with in advance. And so
2 legislation to me seems like a very -- and counterparts
3 around the nation I've spoken to have thought that we
4 already do that right now with military overseas voters.
5 Perhaps there could be some opportunity to address this,
6 and I haven't looked at all the dynamics. But it just
7 seems like a --

8 CHAIRMAN GOLDWAY: Right.

9 MR. SHERBERT: -- good starting dialogue.

10 CHAIRMAN GOLDWAY: Well, I'll certainly
11 take that back to Washington and some of the Congress
12 people that I've been talking to about that issue. It
13 might be a good idea anyway to be able to have a little
14 more flexibility for voting by mail.

15 How much has voting by mail grown in the
16 last ten years in this region of the country?

17 MR. SHERBERT: Well, in this -- not as
18 much in this region as I see other states are going all
19 mail out.

20 CHAIRMAN GOLDWAY: Uh-huh.

21 MR. SHERBERT: Oregon started it, and you
22 see --

23 CHAIRMAN GOLDWAY: Right.

24 MR. SHERBERT: -- a lot of places doing
25 it now -- Washington and other places really embracing

1 that -- that method. And I think it's an ongoing thing
2 that we'll see continue down that road. And it has
3 pluses and minuses, but I will tell you I think that it
4 is really one of the waves of the future that we're
5 looking in terms of voting processes.

6 CHAIRMAN GOLDWAY: And then just one more
7 question on this topic. Ms. Henderson, you mentioned
8 Saturday elections? How many Saturday elections --

9 MS. HENDERSON: In Texas we have
10 municipal elections on Saturday.

11 CHAIRMAN GOLDWAY: Oh, you do? All of
12 your municipal elections are on Saturday. Do you know
13 about whether that's true in other states?

14 MS. HENDERSON: I can't speak to that.
15 Can you, Bruce?

16 MR. SHERBERT: No, I don't -- I don't
17 have any information on that.

18 CHAIRMAN GOLDWAY: And many of those use
19 mail ballots?

20 MS. HENDERSON: Yes. I can find out the
21 answer to that and get back to you, if you'd like.

22 CHAIRMAN GOLDWAY: Yeah. I would
23 certainly appreciate that. That would be very helpful.

24 Okay. So -- and for our newspaper
25 representatives, I guess what you're telling us is that

1 if the Postal Service does this to save money, it's
2 going to have an impact on their own volume, and
3 you're -- you'll have your own difficulties in adjusting
4 to it, but you will adjust by actually removing mail
5 from the system?

6 MR. MAJOR: Yes, that's correct. We'll
7 most likely be looking at hiring our own private carrier
8 force.

9 CHAIRMAN GOLDWAY: All right. And do we
10 have an estimate as to what that volume would be? Would
11 it be the total volume that you would have otherwise
12 have delivered? Will we see all --

13 MR. MAJOR: All the delivery would be
14 pulled from the mail stream because that's the only way
15 we've got to get to our readers right now on Saturday.

16 MR. ROBINSON: A predominant number of
17 community newspapers are delivered by the Postal Service
18 currently.

19 CHAIRMAN GOLDWAY: Right.

20 MR. ROBINSON: And those are the ones
21 that would most likely migrate to the carrier delivery
22 system.

23 CHAIRMAN GOLDWAY: So when we look at the
24 impact of volume losses, that's one of the areas where
25 we can go rather clearly and directly and see a straight

1 trade-off between change in delivery patterns and -- and
2 volume?

3 MR. MAJOR: Yes, absolutely. And in most
4 of the small towns, the newspaper is the largest
5 customer of the post office there.

6 CHAIRMAN GOLDWAY: That's very
7 interesting. Okay. I will yield to my other
8 Commissioners, but I'm sure I'll come up with more
9 questions.

10 Commissioner Acton, do you want to begin?

11 COMMISSIONER ACTON: This is an
12 interesting panel for a lot of reasons, but it brings
13 some public and private sector insights into a common
14 concern. It's a good mix that we haven't seen before in
15 a couple of our earlier hearings. I'd like to follow up
16 -- Mr. Robinson, you mentioned in the course of your
17 statements that you found it curious that the service
18 was being driven to explore this proposal to eliminate
19 Saturday delivery when you felt like there were other
20 cost-cutting and cost-efficiencies that might be
21 introduced, such as the health care and the pension
22 costs. I just want to comment for the record, and I
23 made this point in our earlier appearances, that the
24 Commission has come forth with -- we rarely delve into
25 public policy concerns of this nature in terms of

1 endorsing certain approaches. But the Commission, all
2 five of us, are in unanimous thought that indeed,
3 Congress should be looking at these costs relating to
4 pension and health care, and this is not a matter that
5 the regulator controls. It's a matter for Congress. It
6 has to be legislated and the President has to enact it.
7 So just for the sake of your information, it's important
8 that you know that we are like-minded in that sense.

9 MR. ROBINSON: Thank you.

10 COMMISSIONER ACTON: You mentioned,
11 Mr. Robinson, that you would likely develop or resort to
12 a private carrier network if Saturday delivery was
13 eliminated.

14 MR. ROBINSON: Yes, sir, we would. We
15 would be forced to do that. Our advertisers demand that
16 we have that weekend edition.

17 COMMISSIONER ACTON: And would you do
18 that for multiple newspapers, or is it something you're
19 contemplating for your publication only?

20 MR. ROBINSON: Our -- our base
21 publication in Graham that has the total market coverage
22 publication would create the base network. Our other
23 outlying communities are close enough that we would
24 bring those same communities into the fold, and we would
25 likely have a carrier distribution network because by

1 doing so, we could have carrier delivery at one of our
2 communities every day of the week. It would not just be
3 a one- or two-day-a-week delivery for those people. In
4 order to hire good staff, we would have to be able to
5 guarantee them five days of work.

6 COMMISSIONER ACTON: So you would abandon
7 the Postal Service altogether for delivery in favor of a
8 private provider?

9 MR. ROBINSON: It's probable that we
10 would do so, yes, sir.

11 COMMISSIONER ACTON: And, Mr. Major, you
12 mentioned that you reenforced that view, I believe,
13 right?

14 MR. MAJOR: Yes, absolutely. I don't see
15 any other viable option.

16 COMMISSIONER ACTON: Have you looked at
17 its affordability?

18 MR. MAJOR: Not yet.

19 MR. ROBINSON: That's on the table.

20 COMMISSIONER ACTON: I think you cited
21 too something with -- in Washington we call it the
22 multiplier effect where, you know, you introduce or you
23 remove one piece of mail, and it has effect on other
24 pieces of mail. And I think you implied that there was
25 a like consideration in this respect, that if the

1 newspapers were to leave the mail stream, others would
2 follow. What type of mail are you talking about?

3 MR. MAJOR: Well, we would be wanting to
4 make our carrier forces efficient as possible by
5 numbers, and we would look at any other direct mail
6 pieces that might be flowing through the mail right now.

7 COMMISSIONER ACTON: So it's a
8 competitive marketplace proposal?

9 MR. MAJOR: It basically would create
10 competition, absolutely.

11 COMMISSIONER ACTON: Do you know what
12 percentage of your customers are presently online?

13 MR. MAJOR: Not off the top of my head.

14 COMMISSIONER ACTON: Okay.

15 MR. MAJOR: As far as actual subscribers,
16 it's a very small percentage, but we have a very active
17 web site that they check for news updates and other
18 things, other than just actual subscribers.

19 COMMISSIONER ACTON: Okay. I have just a
20 couple of questions here for our elected officials. You
21 guys have big tasks in helping the citizens of Texas
22 exercise one of the greatest privileges. So
23 congratulations on doing it well, I'm told.

24 We had an interesting discussion with your
25 colleague, Jill Lavine, who you referenced in

1 Sacramento. And she had a lot to say, which is like
2 what you've brought here today. But in the end, a lot
3 of her bottom line concerns could be resolved through a
4 couple of approaches was my take-away. You tell me if
5 I'm reading this wrong, but primarily she echoed
6 Administrator Sherbert's recommendation that we give a
7 long time horizon so that you have time to make the sort
8 of changes you need to make in order to ensure that the
9 negative impact is minimized. And so she presented it
10 more or less as a series of administrative challenges,
11 and that in large part this proposal for the change in
12 the postmark acceptance of the mail-in ballot would go a
13 long way toward resolving a lot of the concerns. I'm
14 wondering if you think that that's a valid view or you
15 would express it a different way or if you've got some
16 thoughts about that?

17 MR. SHERBERT: I spoke with Jill the week
18 before she testified. And we were just talking things
19 through, and she said something that -- that I realized
20 when I looked at our comments that we realize this is a
21 problem that has to be addressed. And there may not be
22 any choices here. So we're looking at it pragmatically
23 from that standpoint, but I will tell you the comments
24 back from our counterparts were more positive about
25 trying to educate, trying to make sure we plan ahead, do

1 some things differently on our scheduling, may be things
2 state law, may be things federal law that can help us in
3 that end but -- but we were pleasantly surprised that
4 there wasn't just total pushback from her. I expected
5 that by the way.

6 COMMISSIONER ACTON: Yeah.

7 MR. SHERBERT: Just when we sent out
8 questionnaires saying, Hey, give us responses. I
9 thought we were going to get a lot of aggressive
10 pushback, and it was more from -- our -- our part of the
11 world, a sense of if we have to do this -- we're not --
12 obviously, we don't want to do it, but if we have to do
13 this, here are some things that we think we can do in
14 educating maybe some voter responsibility and maybe some
15 state legislation, maybe some federal legislation. But
16 you're exactly right. Time to make sure that we have
17 crossed Ts and dotted Is is very important in our world
18 because we don't want anybody to fall through the
19 cracks.

20 COMMISSIONER ACTON: Okay. That's good
21 to know.

22 MS. HENDERSON: From my group -- please
23 understand I don't handle elections. We have an
24 elections administrator in Tarrant County. So I can't
25 speak directly to that. I just -- all I have is the

1 input from the comments I received from elected
2 officials, but from what I heard was as long as they can
3 have access to be able to go to the post office and
4 retrieve ballots at the post office and they can receive
5 those ballots timely, they could live with that, but
6 it's like if you cut off and you don't have any workers
7 in the post office on a Saturday, and we're unable to
8 retrieve ballots at all, that could be a problem. But
9 they're not opposed to -- like Bruce said, they're quite
10 willing to cooperate and work with you in any way to try
11 and make this work. But they're most concerned about
12 the public and the outcry or the perception that they
13 would be denied the ability to vote, for the ballots to
14 be received timely. We all recognize finding streamline
15 -- ways to streamline operations with budget cuts, you
16 know, reducing the revenue. I mean, we understand that.

17 CHAIRMAN GOLDWAY: So -- and you
18 understand that the Postal Service proposal is to not
19 process any mail on Saturday? That mail that was
20 processed on Friday and is available for delivery on
21 Saturday post office boxes would be delivered.

22 MS. HENDERSON: Well --

23 CHAIRMAN GOLDWAY: There would be no
24 processing, so a letter that was dropped in the mail on
25 Friday would not be --

1 MS. HENDERSON: Wouldn't be --

2 CHAIRMAN GOLDWAY: -- processed until
3 Monday.

4 MS. HENDERSON: We did not understand
5 that clearly. We weren't sure one way or the other.

6 CHAIRMAN GOLDWAY: I think you may be
7 right there. We can make adjustments to the mail ballot
8 streams so that people are not disenfranchised. But the
9 adjustments are maybe somewhat greater than the initial
10 look that your -- your election officials considered
11 when they looked at this -- the proposal. Certainly
12 they'll be able to get ballots that were processed on
13 Friday and available on Saturday in the post office box,
14 but there won't be anything processed on Saturday so --
15 so that -- that could be a problem. I'll let
16 Commissioner Blair --

17 COMMISSIONER BLAIR: Thank you, Chairman
18 Goldway, I appreciate that. Just a couple of
19 observations, and I'd like your comments. If the panel
20 could comment on these, please. One thing that we're
21 doing right now is we are hearing this Six- to Five-Day
22 case, and we will be issuing what's called an advisory
23 opinion. And the chairwoman referenced this in her
24 opening statement. This is advisory only. Ultimate
25 authority rests with Congress, but I believe that

1 Congress is going to be looking very carefully at what
2 the Commission comes up with, and that's one of the
3 reasons for the Commission going out -- going out beyond
4 the Beltway and visiting seven different sites to get
5 input on our decision. And we're also considering this
6 case at the same time that we're told anyway an exigency
7 case is pending. That's an emergency rate case to hike
8 rates up over and beyond that of inflation. Current law
9 provides that rates adjust according to inflation. This
10 would be over and above that. It's not filed yet, but
11 we're anticipating something about like that in the
12 summer. And there were results of discussion, and
13 Commissioner Acton raised it, regarding pension relief
14 and/or health care benefit relief pending before the
15 Congress. And I'd like to -- you know, how do you see
16 the Commission's role in this advisory case coming
17 forward when those three balls are up in the air so to
18 speak? And I just want to kind of get your impression
19 what you think the Commission is doing right now and any
20 advice on how to handle and juggle all these seemingly
21 -- not contradictory but they seem to be pulling at us
22 from different angles? Start with you, sir.

23 MR. MAJOR: I don't envy your position.
24 Obviously, you know, it's such a major change for the
25 Post Office to go from six days to five days, you know,

1 that alone is a big decision, you know, having all these
2 other impacts I can't even imagine.

3 COMMISSIONER BLAIR: Sir?

4 MR. ROBINSON: Without knowing what the
5 percentage of increase of a rate increase might bring, I
6 don't know of any -- I can't compare that impact to the
7 impact of Saturday delivery. Losing Saturday delivery
8 to us would be a much greater impact than a rate
9 increase of a fairly substantial percentage. We could
10 adjust to that, but adjusting to a different publication
11 day is simply not possible.

12 COMMISSIONER BLAIR: Well, I was not at
13 the Las Vegas hearing, but I do remember reading one of
14 the witness' statement, and I believe the statement was
15 from the -- witness from eBay, which is a big user -- or
16 eBay customers are a major user of the U.S. Postal
17 Service. And while I don't have that testimony directly
18 in front of me, I remember -- from what I remember
19 reading, he said that if given a choice between Six- and
20 Five-Day and/or an exigent rate case, they would go for
21 the reduction from six to five day, and I thought that
22 was interesting because you just said that you would go
23 in the opposite direction. I just wanted to make sure
24 that I heard you correctly.

25 MR. ROBINSON: I would definitely be on

1 the other side of that fence.

2 CHAIRMAN GOLDWAY: And the difficulty --
3 the difficulty is that there may not be a choice. It
4 appears that the Postal Service is proposing both a
5 reduction in service and a rate increase, and they have
6 gotten comments in support of the reduction of Six-Day
7 delivery in the anticipation, then, that will mean no
8 rate increase. I don't think that's an option that's on
9 the table from what the Postal Service tells us at this
10 time, to be honest.

11 COMMISSIONER BLAIR: I don't see it as an
12 option to the Postal Service, but I think that's before
13 the Commission. I think the Commission will be deciding
14 on some very important public policy issues. I'd like
15 to ask the -- I've kind of divided this panel up into
16 two groups. And I'd like to see -- it seems to me that
17 your tes- -- Mr. Sherbert and Ms. Henderson, your
18 testimony says that you can generally live with a
19 reduction of six to five days but with a bunch of
20 workarounds basically.

21 MR. SHERBERT: (Moves head up and down.)

22 COMMISSIONER BLAIR: And I just want to
23 make sure that I heard that correctly.

24 MS. HENDERSON: Yes. In my case, yes.
25 As county clerk we can -- yeah, do -- we're already

1 doing workarounds. We offer electronic filing and
2 electronic recording. In fact, I'm doing almost half my
3 business with real property electronically now, which
4 reduces mail. It saves me labor and saves me postage
5 because I have to mail the documents back out, so, you
6 know, that's a big savings for me already. And we don't
7 have mail delivery on Saturday because we're not there
8 on Saturday anyway. So, you know, it's just a
9 workaround for us with the workflow. But now elections
10 is another matter. It's much more complicated.

11 COMMISSIONER BLAIR: I certainly
12 understand that. What I wanted to ask is what kind of
13 impact do postal rates have on your counties in terms of
14 increases in postal rates? I know a lot of counties and
15 municipal governments across the country are hurting
16 right now because of --

17 MS. HENDERSON: It costs --

18 COMMISSIONER BLAIR: And I just didn't
19 know what impact an increase in rates has on your bottom
20 lines in your counties.

21 MS. HENDERSON: Significant impact on my
22 office and Tarrant County, yes.

23 CHAIRMAN GOLDWAY: Mr. Sherbert.

24 MR. SHERBERT: We're looking right now at
25 a \$50 million deficit going into our budget year right

1 now for the county. So any impact is an impact for us,
2 for sure, but I will say this would be a different
3 conversation today if we weren't able to come by and
4 pick up our mail on Saturday because that processing of
5 Friday, that is very helpful to us. And that eased the
6 blow, if you will, being able to at least pick up the
7 mail that's processed on Friday, on Saturday by going to
8 the post office. That helps us out tremendously. It
9 still has that missing equation of the people that might
10 fall through the cracks from Saturday, but the picking
11 up on Saturday, I think helped bring this issue forward
12 to us. And we do realize that you're not processing on
13 Saturday, but we can pick up on the Friday processed
14 mail Saturday, which is very helpful to us.

15 COMMISSIONER BLAIR: Just one last
16 question. It's for Mr. Major and Mr. Robinson.
17 Mr. Acton engaged you in a conversation in which you
18 mentioned that if -- if the Postal Service proceeds in
19 this direction of reducing delivery days, that you'll go
20 out of the mail -- that you will go out of the mail,
21 that you'll find alternative routes. But one of the
22 most significant aspects of the postal monopoly is that
23 you can't put things in the mailbox. And I was just
24 wondering what your thought -- what your thoughts are
25 about that, especially if you have to go down this route

1 of using alternative means or alternatives providers of
2 service.

3 MR. MAJOR: Oh, I pick up my daily paper
4 out of the yard anyway, and that's what I did when I was
5 13 years old is pitch them on the porch. So we'll, I
6 guess, essentially go back to that.

7 COMMISSIONER BLAIR: Mr. Robinson?

8 MR. ROBINSON: Which we would do
9 something similar. We will put them in a plastic
10 sleeve, whether that sleeve is laid on the porch or
11 thrown in the front yard would be determined, but that's
12 how we would do it. We would not rely upon mailboxes,
13 nor would we erect tubes.

14 COMMISSIONER BLAIR: Thank you. Thank
15 you, Madame Chair.

16 CHAIRMAN GOLDWAY: For Mr. Major and
17 Mr. Robinson, one of the ways the Postal Service hopes
18 to save costs and become more efficient in the future is
19 to reduce its number of facilities, not just post
20 offices, that's sort of a different category, but
21 processing facilities. And I think you mentioned that
22 you deliver to seven different --

23 MR. MAJOR: Correct.

24 CHAIRMAN GOLDWAY: How difficult would it
25 be for you if those processing facilities were

1 consolidated further, and you had longer distances to go
2 to drop your mail into the system; and what kind of
3 trade-off would that be for you?

4 MR. MAJOR: You mean as far as the
5 original entry?

6 CHAIRMAN GOLDWAY: Yeah, right.

7 MR. MAJOR: Decatur is the same thing.
8 If we have to go to Fort Worth --

9 CHAIRMAN GOLDWAY: Right.

10 MR. MAJOR: -- that's just going to add
11 to our transportation costs, and we're real concerned it
12 would add an extra delivery day as well.

13 CHAIRMAN GOLDWAY: So by consolidating it
14 might add an extra delivery day?

15 MR. MAJOR: Depending on the distance,
16 yes, ma'am.

17 CHAIRMAN GOLDWAY: I'm assuming with the
18 kind of mail that you have that you're not using
19 intelligent mail bar codes or any kind of track and
20 trace?

21 MR. MAJOR: No, not yet.

22 CHAIRMAN GOLDWAY: Okay. And
23 Mr. Sherbert, with the mail that is -- the mail
24 processing that's done for ballots, are you using bar
25 codes and track and trace systems?

1 MR. SHERBERT: We are -- we are using bar
2 codes, yes.

3 CHAIRMAN GOLDWAY: You have bar codes?

4 MR. SHERBERT: Yes.

5 CHAIRMAN GOLDWAY: And have you been
6 working with the Postal Service to try to upgrade those
7 bar codes to the IMB level so they can be tracked and
8 traced?

9 MR. SHERBERT: We are, absolutely. We're
10 heading in that direction.

11 CHAIRMAN GOLDWAY: And do you think that
12 that -- that that will help you in terms of -- that that
13 new system of bar coding might help you in terms of
14 planning for a transition, if that's necessary?

15 MR. SHERBERT: Well, I think it would be
16 helpful. I think the problem we have is there's zero
17 tolerance for ballots that come late, and no matter how
18 good up front we do our job, if they come late for
19 whatever reason, there's no allowances for it to count
20 or for a voter to vote. That's what we have to address.

21 CHAIRMAN GOLDWAY: And I was interested
22 in the comments that some of you members made about
23 perhaps having -- allowing Saturday deliveries around
24 election season. There's been a lot of talk from
25 different participants and members of the public who've

1 written to us about why not Wednesday or why not just a
2 few Saturdays in the year. Are elections around the
3 country held at similar enough points that you could
4 designate Saturday delivery for election periods on a
5 nationwide basis?

6 MR. SHERBERT: Well, that -- that's why I
7 mentioned that the person had commented on general
8 elections because we all hold our general elec- -- our
9 presidential elections are all the same.

10 CHAIRMAN GOLDWAY: Right.

11 MR. SHERBERT: Most states even in their
12 gubernatorial elections will be very similar in their
13 November cycle. Primaries are all over the board
14 because they're hold -- they're held in every month just
15 about. But general election is the high profile,
16 especially the federal elections, presidential
17 elections, we're all on the same page. And that's why
18 if there were dispensations, that might be a very viable
19 option also.

20 CHAIRMAN GOLDWAY: Uh-huh, uh-huh. So
21 that's very interesting.

22 Would you have any problems with a
23 consolidation of facilities so that the entry point for
24 your mail would be in a different location than it is
25 now?

1 MR. SHERBERT: Well, I think we could
2 work through those -- those issues. I mean, you're
3 talking about from multiple locations to single
4 locations?

5 CHAIRMAN GOLDWAY: Uh-huh.

6 MR. SHERBERT: I -- I don't find that
7 problematic for us in picking up our ballots if we're
8 talking Saturday pickup.

9 CHAIRMAN GOLDWAY: Yeah.

10 MR. SHERBERT: I wouldn't say that's an
11 issue for us at all in -- in our operation.

12 CHAIRMAN GOLDWAY: In your operation.
13 Okay.

14 MS. HENDERSON: Not significant to us
15 either.

16 CHAIRMAN GOLDWAY: And Ms. Henderson, I
17 just want to make it clear. There's a lot of mail
18 that's going out of the system with substitution to
19 electronic, but are you concerned that by raising rates
20 or making the -- the delivery process less consistent
21 than it has been in the past that more mail will go out
22 of the system than otherwise? Do you think it will
23 speed up the transition or -- or not?

24 MS. HENDERSON: No, I don't think so.
25 The cost increase would be significant to us, but the

1 workflow, we'll just have to change the way we do
2 business. We just have to absorb it and work with it.

3 CHAIRMAN GOLDWAY: Okay. All right. So
4 cost increases are important to you?

5 MS. HENDERSON: Yes.

6 CHAIRMAN GOLDWAY: Okay. Great. Any
7 other questions?

8 COMMISSIONER ACTON: Just a couple more.

9 CHAIRMAN GOLDWAY: Sure.

10 COMMISSIONER ACTON: This is for our
11 friends in the clerk's office. I'm not sure if someone
12 may have asked you this already, Ms. Henderson, but do
13 you have a sense for an approximate percentage of voters
14 who participate in elections by mail?

15 MS. HENDERSON: No -- no, I don't handle
16 elections, so I really don't know.

17 COMMISSIONER ACTON: Administrator --

18 MS. HENDERSON: Administrator will know.

19 MR. SHERBERT: I can tell you for Dallas
20 County in a -- in a -- say a presidential election we
21 can have up to 50,000 mail ballots in Dallas County.
22 It's not large like other -- like Jill Lavine in
23 Sacramento. She probably has 150-, 200,000 mail
24 ballots. We're lower in Texas. We don't have
25 unrestricted mail balloting. It's still -- you still

1 have to qualify to vote a mail ballot. It's not just
2 anybody wanting to vote a mail ballot, so 50,000.
3 That's -- that's the number. I'll vote -- to give you
4 an example, 750,000 ballots in a presidential will be a
5 high number for us.

6 COMMISSIONER ACTON: Okay. The number is
7 growing?

8 MR. SHERBERT: It -- it is not growing.
9 It's staying stable.

10 COMMISSIONER ACTON: All right. And have
11 you any feel for how -- do you know if this matter --
12 this question of a postmark solution providing for
13 timely receipt, any sense of how a legislator might feel
14 about that?

15 MR. SHERBERT: I haven't asked anyone.
16 It just seemed like a creative thought, but I haven't
17 spoken with anyone about that.

18 COMMISSIONER ACTON: Okay. Do you know
19 about what percentage of your election ballots that you
20 receive now may not have a postmark?

21 MR. SHERBERT: We do have some. In fact,
22 we do have some come in, but it's a very small
23 percentage overall. It's not large.

24 COMMISSIONER ACTON: All right. Good to
25 know. Thank you, Madame Chairman.

1 MS. HENDERSON: Commissioner, would you
2 like me to get back with you about the percentage of the
3 mail-in ballots?

4 COMMISSIONER ACTON: If that's easily
5 available, that would be helpful. Thank you so much.

6 CHAIRMAN GOLDWAY: Thank you very much.

7 COMMISSIONER BLAIR: Just a few more
8 questions. I would just note for Mr. Sherbert and
9 Ms. Henderson, Congress -- this was probably 10 or 12
10 years ago -- considered legislation called the Postmark
11 Prompt Payment Act that would have said that -- that
12 would have given postal patrons the ability to, once
13 their mail was postmarked, it was considered received as
14 of the date of the postmark. And there were issues with
15 the postmark because not everything gets postmarked.
16 But it is -- I like the idea, and it is a creative way
17 -- and one of the ways to think about that should --
18 should Congress eventually move in this direction of
19 making sure that we're adequately -- or making sure
20 that, yeah, we're adequately addressing the concerns
21 that Saturday -- that eliminating Saturday delivery
22 would pose.

23 Mr. Major and Mr. Robinson, I wanted to
24 know what kind of Internet presence your newspapers
25 have?

1 MR. MAJOR: Well, we have a very active
2 web site. We update it several times during the day, so
3 we actually started a daily update 30 years ago. It's
4 just a printed sheet, and that transitioned very nicely
5 to the Internet. So people are already used to looking
6 to us every day and then breaking news throughout the
7 day, sport scores on weekends, et cetera.

8 COMMISSIONER BLAIR: And I presume it's
9 free?

10 MR. MAJOR: Right.

11 COMMISSIONER BLAIR: So what if the
12 Postal Service eliminates Saturday delivery? What does
13 this do to your online presence?

14 MR. MAJOR: Well, that will certainly be
15 part of the mix, but we don't have any way to predict
16 that right now till we jump off in there.

17 COMMISSIONER BLAIR: Do you think it's
18 going to affect your circ- -- your hard copy circulation
19 at all?

20 MR. MAJOR: Potentially it could, I would
21 think so, yes.

22 COMMISSIONER BLAIR: Mr. Robinson, would
23 you comment?

24 MR. ROBINSON: We have 12 different web
25 sites, and they're all very active. And we do the same

1 thing Mr. Major does for his by posting breaking news
2 and by posting weekend sports scores and that
3 effectively allows a community newspaper to be a daily
4 newspaper in the sense of breaking news. The downside
5 of that is that the more rural communities have fewer
6 and fewer people with Internet access. We would
7 disenfranchise a number of our readers if we had to rely
8 upon the Internet for distribution. Those folks are
9 still going to want the hard copy.

10 COMMISSIONER BLAIR: Have you done any
11 polling of your subscribers on this issue?

12 MR. ROBINSON: No.

13 MR. MAJOR: No.

14 COMMISSIONER BLAIR: Okay. Thank you
15 very much, Madame Chair.

16 CHAIRMAN GOLDWAY: At the Congressional
17 hearings where this matter was brought up of keeping the
18 local and rural communities informed of what was going
19 on, their local high schools, one Congressman said well,
20 doesn't everybody have the radio? And I wondered if you
21 could explain the kind of radio service that you have in
22 most rural areas.

23 MR. MAJOR: There's not a radio station
24 in Wise County.

25 MR. ROBINSON: We happen to own four

1 radio stations in our market, and those radio studios
2 are in the newspaper buildings. So we work very closely
3 and in tandem with those for news and breaking
4 information.

5 CHAIRMAN GOLDWAY: So -- but they're not
6 a substitute, you don't think, for --

7 MR. ROBINSON: No. And particularly for
8 the distribution of the advertising content, that --
9 that's the big concern. The radio can't begin to
10 distribute the preprinted inserts and the advertising
11 content that the newspapers deliver.

12 CHAIRMAN GOLDWAY: I see. And there's
13 been concern about the -- the cost of delivering
14 newspapers and the rates and whether the rates cover
15 costs. But I understand from your testimony that in
16 addition to the actual newspapers that are part of your
17 mailing, you do purchase standard mail delivery as well.
18 So do you also do first-class mailing for your
19 subscriptions or any other kind of use?

20 MR. ROBINSON: Not for subscriptions.
21 First-class mailing would be for business purposes, but
22 subscriptions all go periodical or the standard mail.

23 CHAIRMAN GOLDWAY: I see. So I -- so of
24 the tens of thousands of dollars' worth of annual
25 billing that you give to the Postal Service, how much is

1 periodical mail, and how much of it is standard mail; do
2 you know?

3 MR. MAJOR: We're probably about 25
4 percent periodical and 75 percent standard.

5 CHAIRMAN GOLDWAY: Really?

6 MR. MAJOR: Uh-huh.

7 MR. ROBINSON: The numbers in mine, it
8 would be -- two-thirds would be periodical and one-third
9 standard.

10 CHAIRMAN GOLDWAY: So you're 75 percent
11 standard and --

12 MR. MAJOR: (Moves head up and down.) We
13 have a very large total market coverage product that
14 goes to every home in the county that's not already a
15 regular subscriber.

16 CHAIRMAN GOLDWAY: Mr. Robinson, will you
17 be able to give us information on that split for the
18 association that you represent?

19 MR. ROBINSON: I do not have direct
20 access to the monetary figures for the other newspapers.
21 That's proprietary. I don't know for sure that we can
22 gather that.

23 CHAIRMAN GOLDWAY: Okay.

24 MR. ROBINSON: I'd be happy to try if
25 you'd like, but I'm not sure that we can gather that.

1 CHAIRMAN GOLDWAY: It's a very
2 interesting issue that relates to another study we're
3 involved in which is the cost of periodicals. So -- any
4 other questions?

5 COMMISSIONER BLAIR: No.

6 CHAIRMAN GOLDWAY: I want to thank you
7 all. I really appreciate this panel. This panel
8 represented not just the individual constituents here in
9 -- in the Dallas area but really a broad regional and,
10 in fact, national professional perspective. So you
11 really contributed a great deal to the record, and I
12 appreciate your patience with us and our questions and
13 your willingness to testify. I can't thank you enough.

14 Your comments will be in the record. And
15 you may be getting questions from other people who
16 participate to clarify this in the future before the
17 decision is made. Thank you.

18 PANELISTS: Thank you.

19 COMMISSIONER BLAIR: Thank you very much.

20 CHAIRMAN GOLDWAY: I think we're good to
21 go. Let's move forward with our next panel.

22 (An off-the-record discussion was held
23 from 2:09 p.m. to 2:11 p.m.)

24 **** PANEL TWO ****

25 CHAIRMAN GOLDWAY: Thank you for making

1 such a quick change. It's my pleasure to convene our
2 second panel for the afternoon. We're all set --

3 COMMISSIONER ACTON: Sorry.

4 CHAIRMAN GOLDWAY: And leading off for
5 our panel this afternoon is Ellis Burgoyne, who's the
6 southwest area vice president of the United States
7 Postal Service. And he'll be joined by Shelley Hyde,
8 who is the CEO for NDSI Direct Solutions. And then
9 Carol Kliewer, who's the director of -- did I get that
10 right?

11 MS. KLIEWER: Kliewer. That's fine.

12 CHAIRMAN GOLDWAY: -- director
13 distribution and logistics order fulfillment for Harland
14 Clarke. And our final witness on the panel is Carol
15 Bald, who's the postal operations manager for the
16 strategic fulfillment group. Again, thank you all for
17 being here. Would you rise, and I'll swear you in?
18 Raise your right hand. Do you affirm that the testimony
19 you're about to give today is the truth, the whole truth
20 and nothing but the truth?

21 PANELISTS: I do.

22 CHAIRMAN GOLDWAY: The witnesses all
23 answered in the affirmative.

24 Mr. Burgoyne, would you like to begin,
25 please?

1 MR. BURGOYNE: Thank you. Chairman
2 Goldway, Commissioners Acton and Blair, good afternoon.
3 I'm Ellis Burgoyne, vice president of the southwest area
4 of the United States Postal Service. On behalf of over
5 69,000 southwest area employees in the states of
6 Arkansas, Louisiana, New Mexico, Oklahoma and Texas, I
7 welcome you and your staff to Dallas.

8 Within the area we rely upon more than
9 4,000 postal facilities of all types. We delivered mail
10 last year to over 15 million street addresses. I began
11 my postal career in 1978 as a letter carrier in
12 Englewood, California. I know what it means to bond
13 with postal customers. Since then, I've served
14 customers while assuming a variety of responsibilities
15 within the Postal Service.

16 In the southwest area, we serve some of
17 America's largest metropolitan areas, as well as
18 numerous small and isolated rural communities. We are
19 familiar with the postal needs of a diverse community
20 base. My objective in today's Postal Regulatory
21 Commission Hearing begins with providing local postal
22 information that illuminates the challenges imposed by
23 the current operational and financial trends upon local
24 postal management.

25 Since the Commission selected Dallas as

1 the site for today's hearing, I'll focus on the postal
2 district for which Dallas serves as its hub. The Dallas
3 district, one of four in Texas, covers the 750 through
4 759 three-digit ZIP code area in the northwest -- oops,
5 I'm sorry -- the northeast corner of Texas. The
6 district has two processing and distribution centers and
7 network distribution center. It operates more than 300
8 post offices and 70 subordinate station branches. In
9 quarter one of fiscal year 2010, the district delivered
10 2.4 billion pieces of mail. It has more than 2.3
11 million street addresses and nearly 350,000 post office
12 box addresses.

13 Dallas district employees are committed to
14 continuous improvement in customer service. Postal
15 customers in the Dallas district can purchase stamps in
16 650 grocery, office supply and other retail stores and
17 at more than 200 automated teller machines. The
18 district also has over 100 approved shipper locations
19 and almost 60 contract postal units.

20 Currently the Commission is reviewing a
21 postal service plan for Five-Day Delivery and related
22 service changes. That plan will eliminate, except for
23 Express Mail, the Saturday delivery of all mail to
24 street addresses. It will eliminate collection mail on
25 Saturdays from those addresses and from regular

1 collection boxes as well as Saturday processing of
2 outgoing mail. Processing of incoming mail will not
3 change, nor will delivery to post office boxes, which
4 will continue Monday through Friday.

5 Postal retail units will also continue to
6 accept mail and provide window services on Saturday.
7 The Postal Service intends to implement these changes
8 during calendar year 2011 on a date yet to be
9 determined. As you know, the postal service's plan is
10 contingent upon Congress not enacting a Five-Day
11 Delivery prohibition for fiscal year 2011. I will not
12 speculate about what Congress may or may not do.

13 The policy, financial and operational
14 justifications for the service changes you are reviewing
15 are presented in detailed written testimony submitted by
16 several of my fellow senior postal executives from
17 headquarters and other witnesses. They will testify
18 before you in Washington D.C. later in July and at a
19 hearing that should illuminate the operation details,
20 costs and revenue implications and national policy
21 issues relating to the proposed service change. I'm
22 sure that you will find these hearings in July
23 constructive and informative.

24 What I will do today is share some local
25 data relevant to the broader operational and financial

1 challenges that face the Postal Service and that have
2 lead to pursue the service changes that you are
3 currently reviewing. I know that you are regular --
4 that you regularly review national postal operational
5 and financial data and that you're aware of the grim
6 volume, cost and revenue trends that are crippling the
7 Postal Service. I know that you visited Las Vegas and
8 Sacramento districts last week, both of which have
9 suffered tremendously during the current economic
10 recession. Although not to the same degree, the Dallas
11 district has also seen adverse impacts from the sharp
12 changes in mailing behavior and the economy that have
13 driven down mail volume.

14 From quarter one of fiscal year 2005 to
15 the same quarter in 200- -- I'm sorry -- 2010, volume in
16 the Dallas district decreased by 10 percent.
17 Concurrently, the district's carrier delivery points
18 increased by 8 percent. Thus, total volume per delivery
19 point has declined by 16 percent. Although, the
20 district experienced a 15-percent cumulative increase in
21 total operating revenue over this five-year period, its
22 operating revenue per delivery point has increased by
23 only 6 percent. While delivery point growth in the
24 Dallas district is relatively high, the district is near
25 the bottom nationally in terms of pieces per delivery.

1 Throughout the southwest area, customers
2 tell us that we're making strides to improve service,
3 but these customers also describe how the Internet is
4 changing the way many of them choose to conduct postal
5 business and commercial transactions that might
6 otherwise go by mail.

7 I don't know how much first-class mail
8 volume has been lost permanently here in Dallas or
9 nationally due to electronic diversion, nor can I say if
10 or when we will return to 200 billion plus pieces of
11 mail per year. However as vice president, I face the
12 financial pressures on the Postal Service daily and
13 recognize the needs for action to reduce cost
14 significantly. I will be responsible for ensuring that
15 the southwest area, including the Dallas district,
16 communicates effectively to customers what service
17 changes are coming and the options that best suit their
18 needs. These changes will entail adjustments for
19 customers, minor for some, more substantial for others.

20 While some may find that our new operating
21 model does not suit their mailing and shipping needs, I
22 firmly believe that our ongoing commitment to continuous
23 service improvement will retain and attract postal
24 business. Customers seem to understand the Postal
25 Service faces difficult choices today and in the near

1 future and that there are no readily available, easy
2 solutions. These customers emphasize their need for
3 advance notice of changes and that the Postal Service
4 may implement them so that they can plan to adjust them
5 accordingly. We will give six months' notice of the
6 calendar year 2011 implementation date selected for the
7 five-year plan. Our goal will be to ensure that the
8 southwest area customers understand how they can
9 continue to rely on the Postal Service to meet their
10 mailing and shipping needs. The Postal Service has a
11 web site at Five-Day Delivery on USPS.com, which
12 provides planning guides and frequently asked questions,
13 which answer tailored and specific household and
14 commercial needs.

15 When the time comes, multiple mailings to
16 residential and business customers will explain the
17 service changes and customer options. Signs will appear
18 in retail lobbies, and new labels on collection boxes
19 will reflect the elimination of Saturday collections.
20 An extensive print, TV and radio news media campaign
21 will supplement these direct customer communications.

22 Adjusting to Five-Day Delivery will be
23 another opportunity for the southwest area to improve
24 itself. One noteworthy challenge that we came and
25 overcame was the southwest area response to Hurricane

1 Katrina, the largest natural disaster in the history of
2 the United States. After the category-five storm that
3 devastated the Gulf Coast, we faced a separate crisis
4 when the levies broke in a city that locate -- that is
5 located below sea level and 40 percent of its citizens
6 were forced to seek shelter in Dallas, Houston, Atlanta,
7 Birmingham and other cities. We supplied temporary
8 retail mail -- and mail services during the early stages
9 of that disaster and then worked with city officials to
10 restore permanent service to New Orleans as residents
11 returned to rebuild their homes and resume their lives
12 there. Nearly five years later, the restoration process
13 continues, and I hope that Mr. Pyle one day invites you
14 and your staff to visit the city and see our work
15 firsthand.

16 I appreciate the opportunity to appear
17 here today and provide testimony. I stand ready to
18 answer your questions. If I'm not the right person to
19 provide that answer, I will work with the Postal Service
20 counsel to ensure that the commission gets a response to
21 any outstanding questions that you have.

22 CHAIRMAN GOLDWAY: Thank you,
23 Mr. Burgoyne. And now, Ms. Hyde.

24 MS. HYDE: Good afternoon, Madame
25 Chairperson, Commissioners. I also want to thank you

1 for the opportunity to appear before you today. I'm the
2 owner and CEO of NDSI Direct Solutions. We are -- have
3 about 30 employees. Our mail volume is about 30 million
4 pieces a year, which represents approximately \$10
5 million in postage a year on behalf of our customers.
6 We are a print and mail service provider. I'm also the
7 industry cochair of the award-winning greater Dallas
8 PCC. On behalf of my company and my customers, I
9 support the proposal to eliminate Saturday delivery. We
10 produce both first class and standard mail, so my
11 business revolves around and relies on the U.S. Postal
12 Service. Our customer base includes nonprofit mailers,
13 insurance companies, law firms, collection agencies and
14 many other industries. My sales staff and I have
15 discussed the prospect of Five-Day Delivery with every
16 one of these customers, and everyone we have spoken to
17 has expressed that they are in favor of this proposal as
18 a means of keeping costs down for the Postal Service,
19 specifically postage costs.

20 Their priority as well as mine is that the
21 USPS minimize postage increases without compromising
22 universal service. This proposal seems like a feasible
23 way to achieve that goal. The success of our industry
24 hinges on the Postal Service continuing to be a strong
25 and viable organization that can instill confidence in

1 consumers and business customers. In a perfect world, I
2 would love for the Postal Service to be able to deliver
3 to our homes and businesses six days a week, but we are
4 not living in perfect world. The ravages of the economy
5 and the last -- of the last couple of years and the move
6 from mail to other forms of communication, as
7 Mr. Burgoyne mentioned, have left the USPS in rather
8 critical situation. I believe that desperate times call
9 for desperate measures, and in my opinion, eliminating
10 Saturday delivery is probably the least -- one of the
11 least painful ways for the Postal Service to cut 3 and a
12 half billion dollars from its operating budget. That's
13 why I do support this proposal. Thank you.

14 CHAIRMAN GOLDWAY: Thank you, Ms. Hyde.
15 And Ms. Kliever.

16 MS. KLIEWER: Good afternoon. Oops.
17 Good afternoon, Madame Chairman and members of the
18 Commission. My name is Carol Kliever. I am the
19 director of distribution and logistics for Harland
20 Clarke Holdings Corporation. I have been with Harland
21 Clarke for nearly 25 years and have seen many changes in
22 both my company and the mailing industry. I began my
23 career as an industrial engineer with subsequent roles
24 in operations, information technology and procurement.
25 For the last ten years, I have managed logistics and

1 product delivery for the enterprise. This consists of
2 over 145 million shipments to consumers annually. I am
3 the secretary and treasurer as well as a member of the
4 executive committee of the Parcel Shippers Association.
5 I also represent the Check Payment Systems Association
6 on the Mailers, Cut and Pull Advisory Committee and have
7 participated on several impact teams on key topics that
8 impact our industry. We've recently joined PostCom to
9 get a different perspective on delivery from a diverse
10 class of mailers. I thank you for the invitation to
11 provide testimony relative to the United States Postal
12 Service's proposal to eliminate Saturday delivery.

13 Harland Clarke Corporation is a leading
14 provider of best-in-class integrated payment systems,
15 marketing services, security services and customized
16 stationery and business products. Harland Clarke serves
17 clients ranging in size from major corporate brands and
18 trade groups to micro businesses and individual
19 consumers. Checks and related products is our largest
20 product line, and we serve an estimated 11,000 banks,
21 credit unions and investment firms and their respective
22 account holders.

23 We distribute many of the products we
24 produce to our client -- for our clients through the
25 United States Postal Service. In 2009, Harland Clarke

1 mailed more than 67 million standard mail machinable
2 parcels, more than 70 million pieces of first-class
3 letters and postcards and more than 10 million
4 first-class mail, Priority Mail and parcel select
5 pieces. We have seen our core product negatively
6 impacted by an increase in electronic transactions.
7 Check decline is a reality Harland Clarke faces.

8 As a business we continue to take actions
9 that address these changing consumer preferences. In
10 order to deliver bottom line results, we make -- we have
11 to manage costs and reduce overhead to align with the
12 lower volumes and resulting lower revenue. We have had
13 to make tough decisions to reduce our capacity,
14 including closing facilities and reducing our labor
15 force in order to respond to the realities of a
16 declining market.

17 Relative to the Postal Services' desire to
18 change to a Monday through Friday, Five-Day Delivery
19 model, Harland Clarke believes that a healthy and
20 efficient USPS is important to our national economy and
21 to our customer -- I mean company's fiscal well-being.
22 Why? First, the USPS is our primary delivery carrier
23 providing consistent delivery at affordable price for
24 our consumer base. Second, the USPS plays a key role in
25 how our clients view Harland Clarke. Many of our

1 customers' first impression of Harland Clarke is when
2 they receive their check package in the mail. Our brand
3 is delivered by USPS service. However, in its efforts
4 to regain fiscal stability, USPS must strive for
5 delivery consistency. To date we have seen performance
6 changes as a result of cost-cutting initiatives and
7 modifications to holiday schedules. All parties
8 involved in the management and oversight of the USPS
9 must make tough decisions to preserve a viable postal
10 system. If these needed actions are not taken by the
11 Postal Service, then its customers, mailers like Harland
12 Clarke, are the ones tasked with making these tough
13 decisions. We may have to compensate for the USPS's
14 inability to effect critical changes.

15 Harland Clarke supports any serious
16 efforts by the USPS to regain fiscal stability. We do
17 not oppose moving from Six- to Five-Day Delivery
18 provided the USPS is able to achieve the cost savings
19 proposed and doesn't allow exceptions to consume the
20 proposed savings.

21 As I have stated, we understand the need
22 to reduce costs. In the past three years, Harland
23 Clarke has received significant increases in postal
24 rates, increases that far exceed the CPI. We believe
25 that this is at least partially because standard

1 machinable parcel prices do not properly reflect the
2 efficiencies of our packages and our preparation
3 practices.

4 The dramatic price increases we have seen
5 over the past few years are forcing us to look at
6 alternative ways to deliver our product including deliv-
7 -- alternative delivery providers. Frankly, as the
8 postal rates for our products increase, more businesses
9 are stepping into the arena and offering cost-effective
10 options that will result in even less volume and revenue
11 for the Postal Service. We view service reductions as
12 effective price increases. For that reason, Harland
13 Clarke expects that the current cost reduction effort
14 will significantly reduce or even eliminate the need for
15 the Postal Service to increase prices to the USPS
16 customers.

17 We do not support a reduction in service
18 if it will have no significant impact in reducing or
19 eliminating future price increases to include the
20 proposed exigent rate case. Many of our
21 clients/customers rely on affordable, consistent
22 delivery offered by USPS, and with recent increases,
23 some of these computer-shy customers have been forced to
24 transition to the electronic world. When this happens,
25 we have a reduction in check usage, and the USPS lose

1 first-class mail letter volume due to the change in bill
2 payment method.

3 It is not realistic to expect customers of
4 the USPS, including Harland Clarke, to pay higher prices
5 and release -- receive less service if the USPS is
6 unwilling to address core cost issues.

7 In closing, let me reiterate that Harland
8 Clarke wants the USPS to be successful. We expect the
9 USPS, its board of governors, the Postal Regulatory
10 Commission and Congress to make tough decisions that
11 reflect business reality. We fear that conducting
12 business as usual and failing to take action could
13 result in the financial collapse of this great American
14 institution and further damage our economy.

15 I thank you for the opportunity to speak
16 to you on behalf of Harland Clarke. If you have any
17 questions I'm welcome -- I'd welcome them. Thank you.

18 CHAIRMAN GOLDWAY: Thank you,
19 Ms. Kliever. And then Ms. Bald.

20 MS. BALD: Good afternoon. Chairman,
21 Commissioners, thank you for this opportunity to address
22 you.

23 Strategic Fulfillment Group is a full
24 service marketing and database company located in Big
25 Sandy, Texas, which is about 120 miles east of Dallas.

1 As such, Fulfill roots go back to the early 1980s when
2 the initial integrated relational database system was
3 created in-house in answer to growing fulfillment needs
4 of consumer publishing and direct mail company, Annie's
5 Attic. Using a collaborative approach with direct
6 marketers, our information system programmers developed
7 a foundation of what they found lacking in the
8 fulfillment industry while looking ahead at the brand
9 extension and channel expansion opportunities of direct
10 marketing.

11 In 1997 SFG was officially formed with the
12 merger of the fulfillment operations of Annie's Attic
13 and sister company, The Needle Craft Shop with House of
14 White Birches. Since that time, SFG has expanded their
15 operations to support subscription fulfillment, both
16 electronic and traditional hard copy, product
17 fulfillment, continuity fulfillment, database marketing,
18 e-commerce and more. Our client base includes a variety
19 of national direct marketers and publishers of consumer
20 titles, mailing over 100 million pieces per year.

21 We continue to work with them in brand
22 extension and channel expansion against the
23 ever-challenging marketplace changes within the
24 publishing industry. SFG refers to its clients as
25 partners, in part because as we do our job well, their

1 business and customer base grows. This in turn grows
2 our business. We urge the Postal Service to think of
3 its business customers the same way. The summer sale
4 and first-class mail sale we believe have been wonderful
5 examples of this paradigm. SFG applauds the U.S. Postal
6 Service in its continuing efforts to become a more
7 efficient organization. While we recognize the USPS has
8 already begun to increase efficiencies, we believe the
9 USPS needs to make some dramatic changes to stay in
10 business and not raise prices beyond the CPI, if at all.
11 A strong, efficient postal system will contribute to a
12 strong mailing agency and strong -- strong mailing
13 industry -- I'm sorry -- and a strong economy.

14 In general with the backing of the
15 majority of our business partners we support the Postal
16 Service's proposal for Five-Day Delivery. We support
17 the proposal as a means of cost reduction because it
18 takes into account concerns of the business community by
19 continuing to accept mail six days a week, move mail
20 through the mail stream seven days a week and deliver
21 the all-important remittance mail on a normal schedule.

22 We believe this shows a good balance in
23 cutting out the expenses in the segment with lower
24 volume support while still supporting the business that,
25 in turn, support the Postal Service. However, as one of

1 our partners pointed out, this move is cutting 52
2 delivery days out of the year. To keep from a further
3 decrease in delivery options, we recommend that the USPS
4 look at their business model more closely to determine
5 areas of waste and inefficiencies to keep from further
6 such decreases in service. As a group, our partners are
7 open to these changes as long as they are combined with
8 aggressive cost controls and productivity improvements.

9 We would also encourage the Postal Service
10 to work with its largest customers, the business
11 mailers, to find ways to make it easier and more
12 profitable to do business, remove barriers and
13 bureaucratic layers to do business in new, creative and
14 profitable ways perhaps proposed by business mailers
15 themselves; carefully examine costs that mailers must
16 incur to do business with the USPS. Fees for bulk mail
17 permits, entry points and addresses must be paid before
18 any business transactions can begin. Other shipping
19 companies charge none of these fees.

20 Strong mail service is critical to both
21 our industry and countless others in this economy. We
22 applaud the steps the USPS is taking to change
23 long-standing processes where they make sense. We
24 encourage the Postal Service to continue to seek new
25 avenues of revenue, to reduce cost to mailers to

1 stimulate revenue and to eliminate or reroute lighter
2 volume areas to make the organization more efficient and
3 cost-effective.

4 Thank you again for your opportunity to
5 present our views on this important issue.

6 CHAIRMAN GOLDWAY: Thank you. Well,
7 we've got some very interesting perspectives here. I
8 think I want to pick up on the concept that Commissioner
9 Blair raised with our last panel, which -- the three of
10 you seemed to comment on, and that is the -- the issue
11 of what may be a trade-off between reduction in delivery
12 service and price increases. And what will your
13 companies think if on January something or other 2011
14 you receive an increase that's significantly larger than
15 the current rate of inflation and an announcement that
16 mail delivery will be reduced from six to five days,
17 which in all honestly is what I believe the Postal
18 Service would -- is contemplating at the moment? Your
19 testimony, all three of you say you will prefer this
20 delivery reduction so that the Postal Service can save
21 money and delay rate increases. Well, that may be true
22 in the future, but the Postal Service's presentation and
23 plan, as I understand it, is to give you both a price
24 increase and a service delivery cut in pretty much the
25 same time frame. I'd like your response to what that

1 would be. I'm not saying it will happen, but what would
2 your response be if that's what happens?

3 MS. KLIEWER: You go first.

4 MS. HYDE: I'll be brief. I realize it's
5 going to take time to realize the savings from the
6 reduction to Five-Day Delivery, so I didn't expect that
7 we wouldn't get a rate increase at all. I had hoped
8 that we could avoid something higher than the CPI. I'm
9 not going to be happy about it, but I do realize that if
10 it can't be implemented until 2011, I don't expect that
11 the cost savings would be realized in 2011. It's going
12 to take a little time. I realize that, but it's got to
13 offset -- I think it was -- one of the Carols mentioned
14 that she supported it provided that the savings
15 estimates are realized and that that -- that we don't
16 use that up -- use those cost reductions up and we never
17 see a benefit from that as mailers. Because I want to
18 see the postage rate stay at a reasonable level to -- to
19 encourage mail volume to increase.

20 CHAIRMAN GOLDWAY: Why don't you-all --

21 MS. BALD: I think our partners will deal
22 with the Five-Day Delivery by adjusting their marketing
23 schedules. We -- I said the majority agreed --
24 supported this change. We do have two that have a time
25 sensitive publication, and they are opposed to it. It

1 is a monthly publication, so I'm going to work with them
2 to try and work with them around their delivery schedule
3 to make that work. So that's how they'll handle that.

4 If there's a rate increase, we have seen a
5 push -- a request for an option for electronic
6 publications, and subsequent to that, electronic
7 renewals and electronic invoicing. We have that ability
8 now, and it is growing in its use. So I would expect
9 that a rate case, especially outside of CPI, more of our
10 partners would look at using that a little harder and
11 try and convert some of their traditional subscribers
12 over to an electronic means as a means of reducing their
13 postage.

14 CHAIRMAN GOLDWAY: Okay.

15 MS. KLIEWER: In Harland Clarke's
16 perspective, an increase that's above the CPI after
17 three years of increases that far exceeded the CPI for
18 machinable standard parcels would be viewed very
19 negatively, and we would have issue with that to the
20 point that we would look at other means of delivery.
21 Our customer base is very concerned -- I mean, the --
22 requires us to have consistent delivery at an affordable
23 price. And when it gets to a scenario that that is
24 going to be impossible to do, then we will have to look
25 at other ways to get our delivery -- I mean, get our

1 mail delivered. It would not mean that we'd necessarily
2 leave the Postal Service. Our customers and our clients
3 do not want to stomach another significant increase, but
4 we would have to look at different ways to manage our
5 relationships with United States Postal Service and with
6 how we would deliver our mail.

7 CHAIRMAN GOLDWAY: So what I'm hearing
8 from you, I think, is that even though conceptually any
9 decrease in service is the equivalent to a rate
10 increase -- you're talking about a 17-percent decrease
11 in service -- you could accept that more easily than you
12 could a rate increase of -- of anything beyond the CPI.
13 So you could absorb the relative differences of that
14 cost of 17 percent less service is -- in principle is
15 what you're saying. It's an interesting dynamic. Okay.

16 MS. KLIEWER: Well, in the case of
17 Harland Clarke, what we would do in that case, like we
18 did in 2009, is we would look at operational ways to
19 fund that increase because we could not pass that to our
20 clients nor to our customers. So what we did in 2009,
21 for instance, is we implemented very complex delivery
22 solutions in order to mitigate the increase that we got
23 in 2009. So we added transportation. We changed
24 material labor. We changed systems. We did things like
25 that, and we basically compensated for the -- the

1 inability for the United States Postal Service to be
2 able to make some of those changes on their own to be
3 more efficient. So we would continue to do that.

4 CHAIRMAN GOLDWAY: So you feel you have
5 some -- some greater flexibility within your processing
6 system to adjust to delivery changes that the Postal
7 Service would present to you?

8 MS. KLIEWER: Those cost money, so our --
9 our stance on this is if we were going to a six to
10 Five-Day Delivery we would work through the options that
11 we'd have to -- or the steps that we would have to take
12 to overcome the lesser service. We feel very strongly
13 about servicing our customers and our clients, so we
14 cannot let service suffer. But we would have to put
15 processes in our manufacturing systems to get our work
16 out quicker, to enable us to get it to -- deeper into
17 the Postal Service, things like that, but that costs
18 money.

19 If we get a substantial increase in
20 January of 2011 and then also Six- to Five-Day Delivery
21 goes into effect in 2011 but later, we've already
22 invested in all that time to get lesser service. So we
23 would not support that.

24 CHAIRMAN GOLDWAY: Okay. And for
25 Ms. Bald, we have heard from some other companies that

1 are involved in package fulfillment that there's a real
2 concern about not having Saturday delivery because
3 Saturday seems to be the day that people want their
4 packages delivered. How does your company intend to
5 address that?

6 MS. BALD: We have two type of packages
7 that we mail for our partners. One of them would be a
8 kit-of-the-month-type club, and with that the people
9 don't generally know it's coming. They know their kit
10 is kind of on its way, so the Saturday delivery really
11 wouldn't matter to that market.

12 The other market that we have is a catalog
13 where someone has called in or gone on the Internet or
14 mailed in an order, and they know it should be on its
15 way. We, like the other Carol, would be looking at
16 other vendors to see if there's a way we can accommodate
17 a real efficient delivery of those packages.

18 CHAIRMAN GOLDWAY: So they might go to
19 another vendor?

20 MS. BALD: They might go to another
21 vendor.

22 CHAIRMAN GOLDWAY: The Postal Service
23 might lose volume by doing that.

24 MS. BALD: We went to another volume in
25 2009 as well with -- went to another vendor in 2009 as

1 well with the rate hikes that hit the machineable parcel
2 standard mailers so hard. And we are now using a
3 commingling vendor, which, you know, goes to the Postal
4 Service eventually, drops much farther downstream. But
5 we were able to kind of mitigate the rate increase for
6 our partners and dropped our labor nearly in half by not
7 having to do any kind of postal processing.

8 CHAIRMAN GOLDWAY: Okay. Then just one
9 more question for Mr. Burgoyne. While -- while you said
10 that your delivery per point -- the revenue per point
11 has gone down, you said that you have had a cumulative
12 operating revenue increase of 15 percent. Where does
13 that revenue come from?

14 MR. BURGOYNE: That's a good question.
15 Madame Chairman, it comes mostly from commercial revenue
16 that is driven by a large number of large mailers that
17 make their corporate headquarters here in the southwest
18 that produce mailing statements here and -- and ship
19 mail throughout the United States so -- it's reflected
20 locally in our revenue, but the workload doesn't turn
21 around here in the southwest area. It goes throughout
22 the nation.

23 CHAIRMAN GOLDWAY: Is it entered into the
24 system here in --

25 MR. BURGOYNE: Well, they pay for it

1 here. They could enter it anywhere in the United
2 States.

3 CHAIRMAN GOLDWAY: Oh, I see. So they
4 pay for it here --

5 MR. BURGOYNE: Right.

6 CHAIRMAN GOLDWAY: -- but it might be
7 entered somewhere else.

8 MR. BURGOYNE: Or they could pay for it
9 here and some of it will destinate here, but it may
10 destinate in other parts of the country.

11 CHAIRMAN GOLDWAY: Okay. So while we've
12 been told that there's been a decline in first-class
13 bulk mail, at least in your region that's not the case.
14 The amount of first-class bulk mail that's billed to you
15 anyway --

16 MR. BURGOYNE: Right.

17 CHAIRMAN GOLDWAY: -- has increased?

18 MR. BURGOYNE: That's correct.

19 CHAIRMAN GOLDWAY: And how many
20 collection boxes do you have in the area now?

21 MR. BURGOYNE: I don't have that
22 information, Madame Chairman, but I can --

23 CHAIRMAN GOLDWAY: Do you have an
24 estimate of how many you've removed over the last --

25 MR. BURGOYNE: I don't have that

1 information as well but --

2 CHAIRMAN GOLDWAY: Can you get it?

3 MR. BURGOYNE: -- I'll make sure that our
4 attorneys get that information to you.

5 CHAIRMAN GOLDWAY: I wanted to know how
6 many collection boxes in your area currently have
7 Saturday delivery because I'm aware that many don't.

8 COMMISSIONER ACTON: Saturday pickup.

9 CHAIRMAN GOLDWAY: Excuse me. Saturday
10 pickup.

11 MR. BURGOYNE: I'll make sure that that
12 information is included.

13 CHAIRMAN GOLDWAY: Thank you. I really
14 appreciate that. Mr. Blair?

15 COMMISSIONER BLAIR: Thank you,
16 Ms. Goldway. Appreciate that. Kind of following up on
17 your line of questioning -- I perked up when you
18 mentioned my name. I'll follow up on your line of
19 questioning as well.

20 CHAIRMAN GOLDWAY: We think alike --

21 COMMISSIONER BLAIR: We do.

22 CHAIRMAN GOLDWAY: -- a lot of us here.

23 COMMISSIONER BLAIR: Mr. Burgoyne, you're
24 pretty successful down here in the southwest region. If
25 only the rest of the country were as vibrant as you

1 folks are, the system would be looking pretty good,
2 wouldn't it?

3 MR. BURGOYNE: Well, I think it's -- it's
4 a misleading statistic to look at total operating
5 revenue. I think the more telling statistic is how many
6 pieces per delivery that we handle here in the southwest
7 area. It's an interesting dynamic here. The southwest
8 is one of the largest population growth areas in the
9 nation, and our delivery base reflects that as well. We
10 have the largest increase in possible deliveries in the
11 nation as well, and it's been that way for some time.
12 Unfortunately, we have the lowest pieces per delivery in
13 the nation in the southwest area.

14 COMMISSIONER BLAIR: But it's fair to
15 characterize you-all as really kind of a bright spot in
16 an otherwise dismal part if you look at vis-a-vis the
17 other regions because of the economy and other --

18 MR. BURGOYNE: Right.

19 COMMISSIONER BLAIR: -- economic factors.

20 MR. BURGOYNE: Well, the problem is we're
21 growing faster than other parts of the country in terms
22 of workload delivery, but in terms of revenue and the
23 piece -- pieces of mail that accompany that delivery,
24 it's less than any other area in the country. And it
25 gives us less of a margin to lose in the southwest area.

1 And that makes the financial challenges even greater to
2 service a growing population.

3 COMMISSIONER BLAIR: But you're a
4 significant large -- this region is a large part and
5 represents a very substantial and significant portion of
6 postal revenues and postal operations.

7 MR. BURGOYNE: That's correct.

8 COMMISSIONER BLAIR: Is that correct?

9 MR. BURGOYNE: That's correct.

10 COMMISSIONER BLAIR: Because I noted in
11 your testimony you said that you regularly talk with the
12 Postmaster General and the Deputy Postmaster General on
13 issues; is that correct?

14 MR. BURGOYNE: I don't generally talk to
15 the Postmaster General.

16 COMMISSIONER BLAIR: Oh, okay.

17 MR. BURGOYNE: I do talk to my boss who
18 is the Deputy Postmaster General and chief operating
19 officer on a regular basis about operations.

20 COMMISSIONER BLAIR: The reason I asked
21 that is I wanted to know that -- I mean, this -- this
22 proposal from six to five is probably the most
23 significant reduction in service the Postal Service has
24 proposed, the most significant change in postal services
25 that we've seen in at least a generation, if not longer.

1 And I just didn't know what kind of input you had on
2 this with headquarters or what kind of input the other
3 regional vice presidents have had with headquarters.

4 Was this a -- given the totality of the
5 financial situation facing the Postal Service, was this
6 a proposal that relied and was generated within
7 headquarters?

8 MR. BURGOYNE: Our discussion -- and I'm
9 speaking for the -- if I might, for the operational vice
10 presidents out in the field -- our discussion with
11 headquarters has been more of what I just discussed,
12 our -- our financial dilemma of trying to continue to
13 provide service to an expanding delivery base and at the
14 same time make a very challenging budget. Last year the
15 organization operationally reduced by almost \$7 billion
16 in costs. And when we talked to headquarters, we -- we
17 speak more operationally about what our challenges are.
18 I believe that the Five-Day Delivery proposal that
19 you're now considering has been something that the
20 policy experts at headquarters have been working with
21 and working on and haven't really engaged the operations
22 people in terms of the nuts and bolts of it because our
23 hands are full every day just trying to get the mail
24 delivery that we have with the people that we do.

25 COMMISSIONER BLAIR: I appreciate your

1 candor because I think that what's going on regionally
2 at the ground level would certainly inform this
3 decision, and I appreciate you bringing that up to the
4 Commission's attention.

5 Ms. Kliewer, I just have another -- one
6 question for you. You intrigued me when you said that
7 if prices go up substantially for you, you are -- even
8 go up in excess of inflation that you're going to look
9 for alternative means of delivery. What would that be
10 and how would you do it? These are checks. I mean, how
11 do you get it from point A to point B?

12 MS. KLIEWER: Right. They're secure
13 documents so we have to be very careful and cautious on
14 who we would tender them to, but we have been looking at
15 different approaches. Since the increases have occurred
16 the last three years, we've had a lot of different
17 suppliers approach us on different ways to, you know,
18 process our mail and how they could take it for us.

19 Several years ago, a lot of the same
20 suppliers didn't want anything to do with us because our
21 check package is a brick, literally and -- it looks like
22 a brick -- and their systems and their machines would
23 not accommodate that type of standard machineable
24 parcel. Since the last two years of price increases, we
25 are much more popular with other delivery carriers. And

1 so we have, you know, worked with several different
2 suppliers on different ways that we can process our mail
3 differently, if not using USPS, but using their
4 services.

5 COMMISSIONER BLAIR: Okay. Thank you,
6 Madame Chairwoman.

7 CHAIRMAN GOLDWAY: Questions, Mr. Acton?

8 COMMISSIONER ACTON: Thank you, Madame
9 Chairman.

10 Mr. Burgoyne -- did I do that right?

11 MR. BURGOYNE: That's correct.

12 COMMISSIONER ACTON: First of all, I want
13 to congratulate you upon a very distinguished career
14 with the United States Postal Service. You and the work
15 force you represent, both management and rank and file
16 should be commended for the wonderful job they do where
17 the service is regarded among all federal agencies,
18 which is among the top.

19 MR. BURGOYNE: Thank you, Commissioner.

20 COMMISSIONER ACTON: I suppose these
21 questions -- I think from your disclaimer and your
22 statement that if I had questions about the filing of
23 the Epson case and the -- how the proposal on the
24 Five-Day was developed at headquarters I should wait and
25 ask that in Washington, yes?

1 MR. BURGOYNE: That's correct, sir.

2 COMMISSIONER ACTON: And on this question
3 of the managerial accounting, which you and Commissioner
4 Blair were discussing, the way I interpreted your
5 testimony was that your fixed costs are high and
6 growing?

7 MR. BURGOYNE: (Moves head up and down.)

8 COMMISSIONER ACTON: Because you're
9 adding addresses all the time, and that your incoming
10 revenue is low and shrinking?

11 MR. BURGOYNE: That is correct.

12 CHAIRMAN GOLDWAY: But it's not
13 shrinking.

14 COMMISSIONER ACTON: It's not --

15 COMMISSIONER BLAIR: The revenue was up.

16 MR. ACTON: I'm sorry. The revenue is
17 up, but the incoming revenue is not covering the costs
18 of -- you tell me if I'm right or wrong on this
19 interpretation -- the incoming revenue is not covering
20 your infrastructural costs.

21 MR. BURGOYNE: I think without getting
22 too heavy into postal finances, looking at operating
23 revenue, that revenue is balanced nationally. So while
24 the southwest area may be up, some of that workload
25 could be going to the northeast, which is down. So in

1 terms of an accounting measure, the revenue that's
2 booked here in the southwest area is not a reflection on
3 how much mail we deliver in the southwest area. It's
4 how much revenue we collect for the organization at
5 large, which just happens to present itself in the
6 southwest level.

7 COMMISSIONER ACTON: At your level,
8 district level, area level --

9 MR. BURGOYNE: Uh-huh.

10 COMMISSIONER ACTON: -- is the
11 discrepancy -- is the gap between what you're making and
12 what you're spending growing or shrinking?

13 MR. BURGOYNE: Our gap is growing.

14 COMMISSIONER ACTON: Are you using
15 automated postal centers?

16 MR. BURGOYNE: Yes.

17 COMMISSIONER ACTON: Contract postal
18 units?

19 MR. BURGOYNE: Yes.

20 COMMISSIONER ACTON: Is that a growing or
21 shrinking trend?

22 MR. BURGOYNE: Currently automatic postal
23 centers are static. We haven't added any here in the
24 southwest area. And the other question was CPUs?

25 CHAIRMAN GOLDWAY: Yeah.

1 COMMISSIONER ACTON: Yeah.

2 MR. BURGOYNE: CPUs are growing.

3 COMMISSIONER ACTON: One of our --

4 CHAIRMAN GOLDWAY: By how much?

5 MR. BURGOYNE: I don't have that
6 percentage, but I know that they are growing. But I'll
7 get that number to you as well.

8 COMMISSIONER ACTON: Why are they
9 growing? Does it have something to do with your cost?

10 MR. BURGOYNE: Well, it has to do with
11 our desire to try to expand access to our customers,
12 which is a cost consideration as well.

13 COMMISSIONER ACTON: Okay. One last one.
14 One of the earlier panelists, administrator for the
15 elections board, indicated that some of the specifics of
16 the proposal on the Five-Day elimination included their
17 capability to come to the Postal Service and pick up the
18 ballots. Was there any outreach between your office and
19 the local election officials here on developing that
20 approach, or was that something that was done at
21 headquarters?

22 MR. BURGOYNE: I don't know if it's been
23 done nationally, but that isn't an outreach that we've
24 done locally.

25 COMMISSIONER ACTON: Okay. All right.

1 Thank you.

2 Ms. Kliewer, nice to see you again.

3 MS. KLIEWER: Nice to see you too.

4 COMMISSIONER ACTON: You mentioned that
5 your organization recently joined the Association of
6 Postal Commerce.

7 MS. KLIEWER: Actually, the PostCom, yes.

8 COMMISSIONER ACTON: Same thing, I think.

9 MS. KLIEWER: Yes. Just --

10 COMMISSIONER ACTON: And is the -- have
11 you had any discussions yet about this at the
12 association that you're able to share?

13 MS. KLIEWER: Not at this time. I'm
14 going to attend our first meeting on the June time
15 frame, and then I've been in a couple conference calls,
16 and I do think there is some webinars and things going
17 on --

18 COMMISSIONER ACTON: Okay.

19 MS. KLIEWER: -- at this time.

20 COMMISSIONER ACTON: Well, it's my
21 impression they've not taken a position on this
22 question. Individual members may have, but the
23 association itself hasn't. So if you have any news on
24 that front, I know Gene would be -- President Del Polito
25 will be circumspect in sharing it, but --

1 MS. KLIEWER: Yes.

2 COMMISSIONER ACTON: It would be
3 interesting for us to know. They're an important
4 constituency group, and they should be part of this
5 discussion if they're willing to be.

6 MS. KLIEWER: I will bring that up.

7 COMMISSIONER ACTON: You mentioned that
8 part of your support for this proposal involved the
9 contingency that the cost savings be realized.

10 MS. KLIEWER: Yes. We see other mailers
11 and other companies proposing numerous exceptions, and
12 as an engineer, I -- you know, every time you put an
13 exception out there that ends up reducing the cost
14 savings that you'll probably be able to --

15 COMMISSIONER ACTON: Sure.

16 MS. KLIEWER: -- you know, get.

17 COMMISSIONER ACTON: Yeah. It's fair to
18 say that the Postal Service has developed this proposal
19 over a period of time, and they've introduced a number
20 of accommodations so they could gather a level of
21 support among important constituencies. And I'd like to
22 know if you have a range in mind for the allowable --
23 you know, they have a certain projection on how much
24 they're expecting to capture certainly in terms of cost
25 efficiency. The Commission may develop another. Is

1 there some general range that you would provide -- that
2 you would find acceptable?

3 MS. KLIEWER: Not at this time.

4 COMMISSIONER ACTON: How about the
5 Chairman's view that -- it's not necessarily the
6 Chairman's view, but a view has been expressed that this
7 proposal to eliminate Saturday delivery amounts to a de
8 facto rate increase since service is being reduced but
9 prices stay at least static.

10 MS. KLIEWER: That is our take on the
11 subject as well.

12 COMMISSIONER ACTON: Okay. And a couple
13 more --

14 CHAIRMAN GOLDWAY: Sure.

15 COMMISSIONER ACTON: -- Madame Chairman?

16 CHAIRMAN GOLDWAY: Absolutely.

17 COMMISSIONER ACTON: Ms. Hyde, how many
18 customers do you have in your -- how many clients do you
19 represent?

20 MS. HYDE: We have about 50 clients that
21 we -- do projects for regularly.

22 COMMISSIONER ACTON: 15?

23 MS. HYDE: 50.

24 COMMISSIONER ACTON: 50. And you've --
25 you say in your testimony that 100 percent of your

1 clientele --

2 MS. HYDE: No, the ones that we've spoken
3 to.

4 COMMISSIONER ACTON: The ones you've
5 spoken --

6 MS. HYDE: We can't speak with all of
7 them.

8 COMMISSIONER ACTON: Okay. How many
9 would you guess you might have chatted with about this?

10 MS. HYDE: Probably 10 or 12 of them.

11 COMMISSIONER ACTON: Okay. And are they
12 primarily large or small businesses?

13 MS. HYDE: Primarily smaller to midsize
14 companies.

15 COMMISSIONER ACTON: Okay.

16 MS. HYDE: Not a lot of Fortune 500
17 companies.

18 COMMISSIONER ACTON: Thank you, Madame
19 Chairman.

20 CHAIRMAN GOLDWAY: They were good
21 questions.

22 So I guess I want to get back to this
23 service concept. The Postal Service has established
24 service standards. One of the requirements of the PAEA
25 is that they measure those standards and they report

1 those standards to us. And we're trying to get a
2 measurement system that reflects a -- a substantial
3 cross-section of the mail that's reliable. We're
4 getting there, but it's not there yet.

5 The Postal Service says that because at
6 the moment the standards only cover business days of
7 mail that when they designate Saturday as a nonbusiness
8 day that won't make any difference, and the service
9 standards will stay the same. That's their analysis.

10 You're the people who actually deal with
11 the customer at the end and have to explain to the
12 customer how many -- how many days it's going to take to
13 get a product from where you're producing it to that
14 customer or between customers if you're doing
15 fulfillment in other ways. What do you think? Do you
16 think that that service standard is, in fact, the same,
17 or is it something that the Postal Service should
18 declare in a different way so that we're more
19 transparent about what the effect of the change in
20 delivery service would be?

21 MS. KLIEWER: You go first.

22 MS. BALD: I would think that --

23 CHAIRMAN GOLDWAY: Is the mike on?

24 MS. BALD: Yes, it is. Sorry. I would
25 like to see the day included. It is not a typical maybe

1 business delivery day, but as many of our -- or several
2 of our partners pointed out, it is a delivery day for
3 your magazine subscription or, you know, your -- your
4 next product that's coming that month or your new book.
5 So that day does matter to our customers, our end
6 customers.

7 CHAIRMAN GOLDWAY: Thank you. That's a
8 good point.

9 MS. KLIEWER: I think also that one of
10 the things that United States Postal Service can tout is
11 that they're the only delivery carrier that is really
12 moving mail six days a week or delivering mail six days
13 a week, and to take that off a measure is inaccurate, I
14 mean, because that is their competitive advantage today,
15 that they do deliver mail on Saturdays. And so,
16 therefore, if you take away that day, then I would think
17 that you would have to adjust all the systems in place
18 and make sure that the service standards are -- because
19 you're going to have to adjust systems on how to account
20 and report, but the service standards need to be
21 modified to reflect one less service day. So if the
22 service guidelines are three to six days, they need to
23 tout that and make sure that they put into perspective
24 that Saturday is now missing because Sunday's not
25 getting delivered but there's movement of mail, so

1 really they already have that advantage in their
2 measures, so if Saturday is not moving mail, then they
3 need to take into account and adjust the service
4 standards accordingly.

5 CHAIRMAN GOLDWAY: Thank you. Ms. Hyde?

6 MS. HYDE: I would just add -- I would
7 agree with both Carols and just add that the delivery
8 service standards just need to be very clear because we
9 are being -- very carefully planning a schedule when
10 we're processing these mailings, and we're very
11 cognizant of when we want things to get into the
12 customers' hands, recipient's hands, so it needs to be
13 very clear. You know, using verbiage like business days
14 to try to hide the fact that it is going to take longer
15 to get there, it doesn't help us. We need to know
16 exactly how long it's going to take to get there so that
17 we can make sure and plan accordingly.

18 CHAIRMAN GOLDWAY: Do you use the IMB in
19 your --

20 MS. HYDE: Yes. We do.

21 CHAIRMAN GOLDWAY: Are you a full service
22 IMB?

23 MS. HYDE: No, right now we're basic.

24 CHAIRMAN GOLDWAY: Do you have plans to
25 go to a full --

1 MS. HYDE: We do with some of our
2 clients.

3 CHAIRMAN GOLDWAY: What's the problem?

4 MS. HYDE: Not that there's a problem.
5 It's a major endeavor, so we're just -- we've just
6 recently got the basic IMB on board, so it just takes
7 some time.

8 CHAIRMAN GOLDWAY: Do you sort your mail
9 to five digit or --

10 MS. HYDE: Yes. We sort to the finest
11 level we can.

12 CHAIRMAN GOLDWAY: All right. Other
13 questions?

14 COMMISSIONER BLAIR: I think not.

15 COMMISSIONER ACTON: I want one --

16 CHAIRMAN GOLDWAY: Sure.

17 COMMISSIONER ACTON: -- one last one,
18 Madame Chairman.

19 CHAIRMAN GOLDWAY: Sure.

20 COMMISSIONER ACTON: This is for
21 Ms. Bald. Is -- are SFG's members -- are they
22 catalogers?

23 MS. BALD: We have several catalogers.
24 The majority would be publishers, magazines or
25 newsletters. And as everybody knows, the publishing

1 industry has been decreasing volumes substantially over
2 the last few years, so as they look for alternate
3 sources of revenue, several of them have branched out to
4 either something like hardback book publication or some
5 type of product, which would be under the catalog --

6 COMMISSIONER ACTON: Is your organization
7 a member of any professional associations that represent
8 your interests like these?

9 MS. BALD: We are a member of the Dallas
10 PCC, and I'm also on the board of the East Texas PCC and
11 we are also active in MFS --

12 MS. HYDE: MFSA.

13 MS. BALD: -- MFSA. I have a hard time
14 with that one. We have done some work with MTAC and
15 also SIPA, the Specialty Information Publishers
16 Association.

17 COMMISSIONER ACTON: I ask only because I
18 would encourage you, as I did Ms. Kliever, that if your
19 representative groups are not engaged in the matter,
20 encourage them to become so because we are eager for any
21 and all input. Thanks.

22 CHAIRMAN GOLDWAY: I want to commend in
23 particular the two women entrepreneurs who are here
24 today who own their own companies. I'm really
25 impressed. And all three of the women in business here

1 have really professional responsibilities and have also
2 done the kind of outreach into other organizations which
3 gives you a broader perspective of the presentations you
4 made.

5 Mr. Burgoyne, you've been very articulate
6 and very frank, and I really appreciate that. And I
7 second my fellow Commissioners' respect for the entire
8 Postal Service and in particular for the people we do
9 meet in the field when we go out either on site visits
10 or in this case. The professionalism and the dedication
11 is quite remarkable.

12 I would just say one thing because that's
13 who I am. I know that the Postal Service looks at this
14 issue of delivery per delivery point -- revenue per
15 delivery point, but the whole concept of universal
16 service means that somebody's paying for that more rural
17 delivery or the lower delivery, and it isn't necessarily
18 that person. You don't -- the system that we've
19 developed where everybody is taken care of but some
20 people pay more for that means that when we at least as
21 a Commission look at it, we are not just looking at
22 revenue per delivery point. That's only one aspect of
23 the -- of the -- what's the word?

24 COMMISSIONER ACTON: -- equation.

25 CHAIRMAN GOLDWAY: -- equation -- that

1 we -- that we have to evaluate when we're looking at how
2 to proceed and the opinion that we'll provide. So
3 again, thank you-all for your participation. Your
4 testimony is transcribed. It will be received as part
5 of a formal hearing, and we really appreciate it. I
6 second Commissioner Acton's encouragement for you to get
7 everyone else who is involved in the industry to
8 participate and give us as much information as they can.
9 And with that, I'll excuse you. And we do have an
10 opportunity now for the public to speak.

11 COMMISSIONER BLAIR: Thank you very much.

12 CHAIRMAN GOLDWAY: Thank all -- thank you
13 very much.

14 (An off-the-record discussion was held
15 from 3:12 p.m. to 3:13 p.m.)

16 CHAIRMAN GOLDWAY: If -- perhaps whoever
17 speaks we can come right to the front and center so that
18 everyone can hear. Anyone who'd like to can come and
19 make a presentation for two or three minutes and just
20 give us your name.

21 Would you mind stepping forward so that we
22 can all hear you? If you're planning to talk maybe you
23 could all sort of make a line, and that way it would
24 facilitate the discussion. And please give us your name
25 and be sure that you've given your name and the spelling

1 of your name to the court reporter as well.

2 MR. HITCHCOCK: My name is Harley
3 Hitchcock, H-A-R-L-E-Y H-I-T-C-H-C-O-C-K.

4 CHAIRMAN GOLDWAY: Go ahead,
5 Mr. Hitchcock.

6 MR. HITCHCOCK: From here or --

7 CHAIRMAN GOLDWAY: Yeah. We can hear you
8 fine. You're just fine where you are. Great voice.
9 Thank you.

10 MR. HITCHCOCK: Thank you for the
11 opportunity, Madame Chairman, members of the board, my
12 name is Harley Hitchcock. I find it a paradox. I
13 worked for the Postal Service, retired from them. I was
14 a mail classification specialist, the guy that would
15 study the regulations. I authored a audit manual,
16 taught it. I was also fortunate enough I lectured
17 around the state. And the newspapers after I retired
18 asked me if I'd come to work for them, so I worked
19 full-time for the Texas Press Association. I have
20 firsthand knowledge of both the Postal Service and the
21 newspapers and love both of them.

22 There's -- the golden goose died in the
23 early '70s. That was electronic mail transfer. The
24 Postal Service could drive up to IRS Treasury and pick
25 up millions of dollars and do no work. Those days are

1 gone. They're history.

2 Now we wonder about the first-class mail.
3 That's history too. This system that we have of
4 electronic has taken first-class mail out of the
5 picture, except for certified, registered mail and some
6 personal correspondence and grandma and grandpa that
7 does not use the computer. And listening to your
8 questions, I feel that you know more answers than the
9 questions provided.

10 You asked about electronic newspapers.
11 How come? The Postal Service does not recognize the
12 electronic newspaper as paid circulation. There's
13 postal regulations that says you have to have a certain
14 percentage of your newspaper to be paid circulation.
15 Why the Postal Service doesn't come in line with the
16 future I don't know.

17 Next, you asked the question continually,
18 that's very important, and that's BSS IMB. Mr. Burgoyne
19 said the Postal Service in Texas was the fastest growing
20 state in the nation. It's second largest in population.
21 It's second largest in size. Do you know where the BSS
22 are located? Houston and Dallas. Do you know how far
23 it is from Brownsville to Houston or to Dallas or from
24 El Paso? You're talking about 6-, 700 miles and you're
25 talking about a four-day delay in service. You're

1 wondering about what people are going to do? They have
2 an expectation of delivery of their mail. And we
3 shouldn't counterfeit that expectation with a system
4 that's not consistent with the expectation of the
5 customer.

6 I talked to carriers and rural carriers
7 and they're -- they're not for it. The postal people
8 aren't for it, and I'm -- I know I have a lot to talk
9 about. Listen, we're talking about catching up with 3.5
10 billion dollars in revenue, right? We just heard
11 testimony from Mr. Major and Mr. Robinson of losing 10
12 million pieces. This is in Texas alone. How many other
13 states, and we're putting two FS BSS in Texas. That
14 doesn't make sense. Thank you very much for this
15 opportunity.

16 CHAIRMAN GOLDWAY: Thank you for those
17 questions, and if you would like to write something in
18 more detail, by all means submit it to us.

19 MR. HITCHCOCK: Well, I just took these
20 notes here.

21 CHAIRMAN GOLDWAY: Okay, I understand.

22 MR. HITCHCOCK: But if you'd like me -- I
23 can certainly pass it to you.

24 CHAIRMAN GOLDWAY: Thank you.

25 MR. HITCHCOCK: Thank you.

1 MR. JUDKINS: My name is Keith Judkins.
2 I'm president of the National Association of Advertising
3 Distributors or NAAD. We're also members of the Mailers
4 Technical Advisory Committee, and I appreciate the
5 opportunity to speak, Madame Chairman and to the other
6 Commissioners. I'll be brief because I'd be redundant
7 if I spoke too long, but two major reasons that we are
8 opposed to it -- and I -- our association represents
9 about 25 letter shops across the country. Many of
10 these, almost half, are owned by large newspapers as
11 well in Austin, Chicago, Los Angeles, et cetera, so we
12 put out -- we help facilitate and make happen about 3
13 percent of the postal revenue annually. Primarily that
14 is with standard mail. But we are opposed to this for
15 two primary reasons: One, is we feel it will gave a
16 great boost to alternative delivery, which is what a lot
17 of people alluded to today in looking at other options
18 of getting that mail out there. And keep in mind, our
19 association used to be -- number in the 40, 50 plus
20 people that started out as alternate delivery in the
21 '40s and '50s and even into the '60s because
22 door-to-door distribution was very high then.

23 CHAIRMAN GOLDWAY: Right.

24 MR. JUDKINS: Most of those transitioned
25 into letter shops that we have today. And now within

1 the last ten years, we've had the advent of the online
2 delivery or online Internet service. So we feel this is
3 going to give great rise to that. And this is not
4 speculation, but it's fact. In fact, on our board
5 meeting on Friday prior to coming here, one of our
6 largest members, again, a large newspaper already has
7 the trucking and the alternative delivery service set
8 for their total market coverage program, which some of
9 the other newspaper people alluded to that goes out on
10 Saturday. This goes to all nonsubscribers of their
11 papers. So this is in place, ready to go once they hear
12 the date, if you will, there will be Five-Day Delivery.
13 So it is something that is very, very important because
14 it will cause the Postal Service to lose that revenue.

15 And the other area is in transactional
16 mail. And again, today we heard quite a bit. We talked
17 about delivery, but there's also that pickup -- the mail
18 that's outgoing that we pick up. This we feel will give
19 a much greater opportunity to those people who maybe
20 don't use online electronic communication to use it when
21 they're piece -- their bill pay or whatever doesn't go
22 out on Saturday out of their curbside box. So we feel
23 these are two of probably the most important issues
24 right now that support our reason for not being in favor
25 of going to the Five-Day Delivery. Again, thank you for

1 letting --

2 CHAIRMAN GOLDWAY: Thank you.

3 MR. JUDKINS: -- for letting me make
4 these comments.

5 MR. FOX: Madame Chairman, may I speak
6 from here?

7 CHAIRMAN GOLDWAY: Yes.

8 MR. FOX: I have a sciatic nerve problem
9 and --

10 CHAIRMAN GOLDWAY: Absolutely, sir.

11 MR. FOX: -- I will appreciate it.

12 CHAIRMAN GOLDWAY: And you have a very
13 loud voice. You're just fine.

14 MR. FOX: My name is Roe Fox, and I speak
15 on behalf of our business, Ideal Poultry, and also the
16 Bird Shippers of America. And our business is a family
17 business, and we are the largest shipper of
18 noncommercial poultry in the United States. We sell
19 baby chicks, ducks, geese, guineas and turkeys. We ship
20 all over the United States, and we'll ship to over 1500
21 customers this week, to give you an example of the scope
22 of our business.

23 We hatch over 5 million babies a year, and
24 98 percent of these end up going by the postal system.
25 And we congratulate you on the fine service that you

1 give us, but I need to mention also that when you reduce
2 some of the trucking service, that's put a little
3 hardship on our business. In fact, we're -- on Sunday,
4 we have to make a special trip from Cameron to Dallas
5 because there's no more transportation out of Waco to
6 Dallas. So those things create a problem. And also, we
7 used to go to Bryan; no longer can we go to Bryan on
8 Sunday because that's been cut out, just to give you a
9 couple of examples.

10 Last year we spent for -- from Ideal
11 Poultry \$813,953 through the postal system. Our problem
12 with no delivery on Saturday is this: We hatch on
13 Sunday, Monday, Tuesday and Wednesday, and our volume
14 prevents us from getting any fewer dates involved in
15 hatching and also transportation problem when we get
16 down to fewer dates for shipping. Okay?

17 Baby chicks can live for 72 hours after
18 they're hatched. So if we ship -- the problem is on a
19 Wednesday shipping -- if we ship on Wednesday and they
20 do not arrive on Friday, the chick is still okay, but if
21 we cut out Saturday delivery, then all those chicks will
22 be dead by Monday -- too long a time period there.
23 Okay. I think that's covered pretty well.

24 We'll encounter big losses as you would
25 understand if you cut out the Saturday service. If we

1 could only be assured that we could get two-day service
2 on -- on the items we ship because we're shipping
3 everything by Priority Mail, if we could get the
4 assurance that we would be able to get two-day service,
5 then we would be perfectly satisfied without Saturday
6 delivery.

7 CHAIRMAN GOLDWAY: Thank you.

8 MR. FOX: Thank you very much.
9 Appreciate you.

10 CHAIRMAN GOLDWAY: Very good.

11 MR. HENDRICKSON: My name is Mark
12 Hendrickson. I'm a rural carrier from Houston, Texas,
13 and I sympathize with the previous speaker. I've
14 delivered some of his chicks before.

15 I believe that the Postal Service is
16 making a step in the wrong direction by eliminating --
17 trying to eliminate Saturday delivery. I believe there
18 are many areas internally that the Postal Service can
19 look at. I believe the management-to-worker ratio is
20 substantially high compared to the rest of America. And
21 a few years back the Postal Service contracted with the
22 Office of Inspector General at a cost of \$224 million a
23 year when we already have the Postal Inspection Service
24 and Postal Police for our security. And I would like to
25 see the Postal Service take steps to be more accountable

1 to future financing to where they don't make the minor
2 mistake of paying \$75 billion in overpayment to the CSRS
3 retirement system. Thank you very much.

4 CHAIRMAN GOLDWAY: Thank you.

5 MS. LAWSON: My name is Laurie Lawson and
6 I don't work for the postal system, and I don't have a
7 business. I'm just a person. But I happen to be a
8 social worker, and so I really appreciated your comment
9 about the universality of the Postal Service and how it
10 benefits some who don't necessarily always pay for it;
11 and those people are my concern today. They talked
12 about the Internet business taking over a lot of the
13 Postal Service business. My concern is if you're
14 disabled, you are elderly, you are infirm or you are one
15 of those who live under the poverty line, then you don't
16 have a computer; and if you do, you can't afford the
17 Internet. And you can't afford to own a post office
18 box, and if you do, you don't have a car to get there.
19 So you're -- it's incumbent on you for someone else to
20 come and take you places. So if you stop the service on
21 Saturday, what you've done essentially is stop their
22 communication with the world for two days because they
23 don't get it already on Sunday, so you would stop it on
24 Saturday as well. Never negate the importance of
25 personal communication, as well as religious,

1 organizational, business, bills, all of those things
2 that impact these people. So I would ask that you
3 remember those that can't be here to speak for
4 themselves.

5 The second thing is this is not the first
6 attempt to do this. And I believe I remember last time
7 this happened that there was a word attached to this,
8 which was ultimate privatization and everyone talked
9 about cost. But if it's privatized, we'll have no
10 control over the cost. That also impacts the disabled,
11 the elderly and all of those that live under the poverty
12 line.

13 And lastly, my last concern is social
14 service rolls are already increasing due to unemployment
15 and I can't see this going anywhere but toward
16 unemployment for certain postal employees. So I would
17 ask that you reconsider this and that you keep Saturday
18 service for all of those reasons.

19 CHAIRMAN GOLDWAY: Thank you. Yes?

20 MS. STAFF: Hi. My name is Lucinda
21 Staff. Thank you for the opportunity to express
22 opinions today. I'm actually a postal employee. I've
23 been with the Postal Service almost 30 years. I spent
24 13 and a half years as a city carrier, and for the last
25 16 and a half, I've been president of our local union.

1 And being a postal employee who has a retirement in the
2 future and all that, I believe that the Postal Service
3 -- the first thing they should be looking at is
4 recovering the \$75 billion that they were overcharged
5 for the Civil Service Pension Fund. As a matter of
6 fact, Post Master General Potter told Congress on March
7 18th that recovering that \$75 billion for the Civil
8 Service Pension Fund could essentially solve the Postal
9 Service's financial crisis, which in my opinion would
10 eliminate the need for such a Draconian measure as
11 reducing a day of delivery. And as the first speaker
12 talked about, and as a matter of fact, panel two they
13 also talked about, by eliminating Saturday delivery,
14 you're opening up that for somebody else to do. That is
15 what makes the Postal Service unique.

16 And I also believe that there's some
17 internal things the Postal Service could do. As the
18 rural carrier mentioned, we do have a very high manager
19 or supervisor-to-employee ratio. That could be reduced.
20 And I think everyone recalls with the banking crisis at
21 how all these banks were being bailed out, but yet CEOs
22 were getting all these bonuses. I think that's another
23 thing that needs to be looked at.

24 If an agency, whether it's the IRS or USPS
25 or even a private country -- company, if they're in the

1 red, then should they be, you know, paying out bonuses
2 to higher officials? And another thing, I get my
3 prescriptions through the mail, and I don't want my
4 prescription sitting at the post office for an
5 additional two days because there's no Saturday
6 delivery.

7 And the gentleman that spoke about the
8 chickens, I remember delivering those chickens. And who
9 wants to go into a post office on Monday morning and
10 have a lot of dead chicks, you know, occupying that box
11 instead of the little chirpy ones? I thank you for your
12 time and your attention today.

13 CHAIRMAN GOLDWAY: Thank you very much.

14 MR. WARREN: She talks faster than I can
15 hear.

16 THE REPORTER: Speak up for me.

17 MR. WARREN: My name is Ed Warren. I'm
18 the immediate past president of the Texas Rural Letter
19 Carriers Association. We represent over 8,000 postal
20 workers that will be tremendously affected by what
21 happens here. You know, I've been here for right at 30
22 years myself, and everything that she alluded to is an
23 issue that we have here. There are -- you know, I have
24 the unique perspective in that I delivered mail last
25 Saturday. My wife and I are both rural carriers, and we

1 delivered the mail the day before yesterday. I
2 delivered medicine. I didn't deliver any chickens.
3 Sorry. But we understand how this would adversely
4 affect so many of our customers -- my route is 106 miles
5 long. I deliver to rural America. I deliver to those
6 people who need the medicine and need the chickens and
7 need the newspapers, all the daily newspapers that these
8 gentlemen talked about. I deliver those, and I know
9 what an impact it would have on my customers on a daily
10 basis.

11 We all know that electronic mail --
12 e-mail, text messaging, all that stuff -- is what's
13 adversely affecting the Postal Service's bottom line.
14 We know that that's kind of a downward spiral. The
15 option is you raise rates. You know, the 2006 Postal
16 Reform Legislation allowed the Postal Service to raise
17 rates on an annual basis up to the CPI. But what that
18 does, if you're going to raise rates every year, then
19 you're going to push customers away. And if you're
20 losing through electronic mail and then you have to
21 raise it to the max, it's just in a downward spiral.
22 You're damned if you do and damned if you don't. So
23 they're in a predicament, that we understand, but we
24 love our company. It's been referred to many times here
25 today as the Postal Service. That's what we are. It's

1 a service. And as a service, we're not expected to be
2 profitable. Congress mandates that we break even every
3 year. That's what the legislation mandates, but we want
4 to provide the service to the people, universal service,
5 that you can mail a letter from Florida to Alaska and
6 it's still just 44 cents. Well, it cost a heck of a lot
7 more to get it there than that, but that's what we're
8 about is the service that we provide.

9 Now we want to continue to do that. And
10 people are going to miss it on Saturday if you stop it.
11 And the downward spiral is not going to stop. It's
12 going to be like -- others said that there are going to
13 be alternate forms of delivery. 60 years ago there was
14 no UPS or FedEx. This is part of our problem today. We
15 have alternate forms of delivery that are up there
16 lobbying Congress for the same reason that we are.
17 We're lobbying trying to stay. They're lobbying trying
18 to keep us regulated.

19 There's so many more regulations and
20 things that Congress could do that could open the door
21 for us and help us rather than hamstring us more. And
22 to cut out a day of delivery, Saturday, is going to
23 hamstring us more. It's going to open the door to more
24 of that problem, and privatization will be on the way.

25 All the people that I represent love our

1 job. We want to provide that service to the American
2 public, and we want to keep doing it efficiently and the
3 right way. And this is the wrong way to do it. Thank
4 you.

5 MR. MORRIS: Madame Chairman and
6 Commissioners, I'm Micky Morris. I'm the president of
7 the Texas State Association of Letter Carriers, and I'm
8 here to represent approximately 20,000 letter carriers
9 across the state. However, most of my information and
10 thunder has been take away from me now in this line of
11 people, plus the -- those giving testimony.

12 I would just like to add this -- is: All
13 these things need to be considered. And I must say not
14 to butter you up, but I have been impressed with the
15 probative value of the questions that you've been asking
16 here today. You're getting down to the source of some
17 of the problems. I think one of the key issues is this
18 that was brought up here, is that the money is there.
19 It's the financial problems. We've identified that the
20 money is there. The Postal Service's own inspector
21 general has identified the \$75 billion that was just
22 referred to. And the Postmaster General, as Ms. Staff
23 referred to, identified the problem is that we wouldn't
24 have these financial problems if we had that money.

25 Another is the issue of that the

1 publishers and the other businesses talk about the
2 retirement and the benefits, so on and so forth, of the
3 employees of the Postal Service. Those are things that
4 are being addressed, especially through Congress. And
5 we just want the time as an organization. The NALC, the
6 National Association of Letter Carriers, is aware --
7 we're constantly aware of the future and that we have to
8 change for the future, but we have to do it in a way
9 that's beneficial to all the stakeholders. And that
10 includes businesses; that includes the Postal Service;
11 that includes the employees. That mainly includes the
12 American public that we serve. But we want to provide
13 that efficient service that we've been charged with at a
14 reasonable rate. As been referred to here also, Texas
15 is a huge state. It's always been the case, as the
16 Chairman pointed out, is that the city centers provide
17 the cash cow that help support the service in the
18 outlying areas. If you go to Turkey, Texas out in West
19 Texas, they only have, like, 100 people in the whole
20 community, but they deserve a Postal Service also. And
21 that's the way this organization was set up under law.

22 All we're asking is that let's not take a
23 sledge hammer to the mosquito on our finger at this
24 time. We would like for the Commission to recommend
25 that the Postal Service slow down a little bit, allow

1 the public and the employee organizations to work with
2 Congress to come up to some reasonable resolutions to
3 these problems. It's not a -- a fait accompli. We
4 think that these things need to be done. The Postal
5 Service is proposing this for next year. All we're
6 asking is a chance to slow the process down and come up
7 to some more reasonable conclusions for all the
8 stakeholders. Thank you very much.

9 CHAIRMAN GOLDWAY: Thank you.

10 MR. BOYD: My name is Shawn Boyd, and I'm
11 a member of Dallas Branch 132. And I would like to
12 speak on behalf of our membership. I am the editor of
13 our newsletter that we send out to over 3,000 members
14 through the Postal Service at least 10 or more times a
15 year. And as I heard some of the discussion up here of
16 the panel, I thought, well, how is this going to impact
17 us as a nonprofit mailer that the Postal Service can
18 actually hold on to our newsletter for eight days when
19 we mail it. Okay. Well, another day of delivery out of
20 the loop and us, an organization that is built upon the
21 Postal Service, has to rethink how and what way we
22 communicate to our own members. It becomes more
23 nonviable for us to send our newsletters out, which is
24 kind of a ridiculous notion, but that's what we're
25 saying.

1 I also have heard a lot from the panel
2 about how if -- if price increases continue and less --
3 less time -- or less delivery days, they're going to
4 leave. I mean, I don't think there's anyone in the room
5 that actually feels that that is not what's going to
6 happen. And for the life of me, this will be an amazing
7 destruction of the service if we continue down that
8 path.

9 And finally, I am a letter carrier that's
10 a carrier technician, and I am one of the people that
11 would be adversely affected by this change to five days.
12 I would be one of the thousands upon thousands of people
13 that would have to go back to a route that would knock
14 someone else off a route and would have to be excessed
15 out. We as carriers have already started and our NALC,
16 our organization, has already started trying to find
17 ways to modify routes more -- more quickly and to do
18 what we can and to move our work force and to excess
19 even our work force when it becomes necessary. But
20 we're talking about doing that to the tenth degree if we
21 follow along with this. And at the same time, I've
22 never had the Postal Service come to me and say, What
23 service can we offer that would help us build our
24 business? I don't sell stamps. I've never been allowed
25 to as a city letter carrier. I mean, what's that say

1 when a customer asks me, you know, if they can buy
2 stamps from me or something else? And I can't even
3 provide a piece of our core business right there at
4 their home or their business where they need it most.
5 Of course they don't want to go around the corner. It's
6 great we're putting it in grocery stores and trying to
7 provide more flexibility there, but at the same time,
8 you know, we're not -- we're not capturing the
9 instantaneous society that we have in front of us. They
10 want it now or they're not going to use it. I mean,
11 there's -- to me, there's plenty of options out there to
12 build our service and to build with new -- new
13 strategies and not just say we're going to chop off the
14 head, chop off labor because that's our highest cost. I
15 thank you.

16 CHAIRMAN GOLDWAY: Thank you.

17 MR. ALVARADO: Andy Alvarado, letter
18 carrier for 29 years. No one has really talked about
19 unemployment on the effect. My friend Shawn Boyd did.
20 There's 222,000 letter carriers nationwide. 45,000 will
21 go along -- if you go just to five days, 300 in the
22 Dallas district alone. Who's going to be responsible
23 for that? I'd like to know the name of that person that
24 wants the five days and successfully gets the five days
25 because I want to talk to that person. It's not going

1 to affect me. It's going to affect the people who half
2 my age. I care about those people because when I leave,
3 they're the ones that are going to carry on the
4 tradition. The rural carriers, I don't know how many
5 we're going to lose --

6 AUDIENCE: A bunch.

7 MR. ALVARADO: -- but it's going to be
8 just as much. And this isn't including the ones that
9 are part-time. They're gone too. It's by seniority.
10 No one has said nothing about that, and I think you
11 probably should know that. You heard the public, I
12 don't care, six days, five days, three days, but then
13 for each day you lose, that's how many thousands of
14 unemployed letter carriers you're going to have. And
15 for the people who said, If it goes up -- if stamp
16 prices go up, I may not buy a stamp. Well, guess what?
17 Last week I paid \$2.89 for gas -- for a gallon of gas.
18 This week it's 2.69. I don't care. 2.69, 2,89, I'm
19 going to buy me some gas. Same goes for stamps, whether
20 it's 44 cents or 45 cents. It's going to be paid for.

21 When you compare other countries, we're
22 the lowest. You want to go to Canada -- what's the
23 population of Canada? They pay over a dollar. And yet
24 their population is that small compared to the United
25 States of America. The public should know more. And

1 for those who are self-employed that are for the five
2 days, I'm going to ask those people can you hire 300
3 people here in the Dallas district because they're going
4 to need jobs when you cut to five days? You've got to
5 tell America we've got 45,000 unemployed people when you
6 got the five days. I hope you think about that right
7 there.

8 We can resolve our issues on how to not
9 lose money and revenue. We're not a business. The
10 taxpayers don't pay our salaries. We pay ourselves.

11 People talk about labor costs. Always the
12 letter carrier or the rural carrier, the face of the
13 public, but yet they don't look at our bosses. For
14 every one boss, that's four letter carriers you could
15 pay for. Take one down, you got four letter carriers.
16 No one ever looks at their salaries.

17 So you take the five days away, you better
18 expect a downward spiral. And to the Postmaster
19 General, I know he's trying to do his best. But I've
20 seen Post Master Generals come, and I've seen them go.
21 And Postmaster General Potter, I'll see you go, but I'll
22 still be here. Thank you.

23 MS. WARREN: I'm Dana Warren. I'm also a
24 rural carrier. Just briefly, I have at least 14 years
25 to go before I'm eligible for retirement. I've been at

1 this job for over 20 years. When I started, my youngest
2 son was still in diapers. He is now in the military.
3 My husband and I have two sons in the military, one in
4 the Navy and one in the Army. And if you cut out one
5 day of delivery a week and a day of processing that
6 mail, the care packages that we send to our military and
7 our way of communication of important documents that
8 have to be sent and received in a timely manner, that
9 would be another day that is delayed. And that is very
10 important to us in our military. Thank you.

11 MR. WILLIAMS: Good afternoon. Thank you
12 Madame Chairman and Commissioners Blair and Acton for
13 hearing us today. I'm Billy Williams. I'm president
14 of the Texas branch of the National Star Route Mail
15 Contractors Association, and we have about 17,000 small
16 businessmen and women who contract with the Postal
17 Service offering a very good value to the Postal
18 Service. Our contract delivery contractors have fixed
19 costs that we would like you to consider if you were to
20 go to five days because what we're afraid of is that
21 you're looking at this and you're thinking, okay, we're
22 going to save a day and this much money, when that's not
23 reality. There's other costs there that need to be
24 considered.

25 Our hope is that the volumes will increase

1 and possibly the contractors will have more volume to
2 handle. But even if you cancel a day, there's still
3 that much mail to deliver, and on a Monday holiday,
4 that's four days' worth of mail they've got to deliver,
5 which is very difficult; and I'm not even sure it's
6 possible. Anyway, we would like y'all to take that into
7 consideration. Thank you.

8 CHAIRMAN GOLDWAY: Well, I really want
9 to -- this has a -- been a really remarkable hearing for
10 us in the breadth of issues that we've been able to
11 cover and learn about and to put people's faces with
12 some of the abstract ideas that we talk about all the
13 time. I think it -- I really appreciate your
14 willingness to participate and help us. It's not going
15 to be easy for us. It certainly isn't easy for the
16 Postal Service, but I'm convinced that whatever decision
17 we make will be improved and be far better for the
18 participation and the insight into all of these issues
19 that you've presented to us.

20 We have four more hearings, as I
21 mentioned, in the field, and we will have a lengthy
22 hearing process in Washington, D.C. We have a web site
23 that is available for you to contact us to get more of
24 the information as it's posted. And feel free to write
25 to us and to e-mail us with any other information that

1 you feel might be relevant for us to consider.

2 MS. STAFF: What's the address?

3 CHAIRMAN GOLDWAY: Well, the Post Office
4 -- the web site is www.prc.gov, and the Postal
5 Regulatory Commission's offices are at 901 New York
6 Avenue, Northwest, Suite 200, Washington, D.C. 20268.

7 So we'll be happy to get information from
8 you. And this is a remarkable institution that we're
9 all a part of here today.

10 UNIDENTIFIED MALE: Amen.

11 CHAIRMAN GOLDWAY: Thank you very much.

12 (End of proceedings.)
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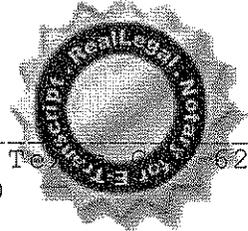
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I, Caroline Tadlock, RPR, CLR, Certified Shorthand Reporter in and for the State of Texas, do hereby certify that the foregoing responses as indicated were made before me by the parties on the 17th day of May, 2010, in the City Council Chambers, Dallas City Hall, 1500 Marilla Avenue, Dallas, Texas, and were thereafter reduced to typewriting by me and under my supervision.

I further certify the above and foregoing proceedings as set forth in typewriting is a full, true, correct and complete transcript of the proceedings had at the time of taking said field hearing.

Given under my hand and seal of office on this the 28th day of May, A.D., 2010.



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