

Capital Reporting Company
Hearing 06-21-2010

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BEFORE THE UNITED STATES OF AMERICA

POSTAL REGULATORY COMMISSION

ON

THE UNITED STATES POSTAL SERVICE'S SIX-DAY TO
FIVE-DAY STREET DELIVERY AND RELATED SERVICE

Docket No. N2010-1

Field Hearings

Council Chambers

Chicago, Illinois

Monday, June 21, 2010

Reporting of Proceedings, taken before
Janice M. Kocek, CSR, CLR, License No. 084-002871,
Notary Public within and for the County of Cook,
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Reporter within and for the State of Illinois, at
Chicago City Hall, 121 N. LaSalle Street, Chicago,
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p.m.

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A P P E A R A N C E S

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION

COMMISSIONER RUTH Y. GOLDWAY, Chairman
COMMISSIONER TONY L. HAMMOND, Vice Chairman

COMMISSIONER MARK ACTON

COMMISSIONER DAN G. BLAIR

COMMISSIONER NANCI E. LANGLEY

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A P P E A R A N C E S

Congressman Danny K. Davis
Representing the 7th District of Illinois

PANEL 1

John Seebeck
Direct Marketing Business Director, Crate & Barrel
Northbrook, Illinois

Ken Czarnecki
Senior Vice President, Caremark Mail Pharmacies
Northbrook, Illinois

Gloria Tyson
Chicago District Manager, U.S. Postal Service

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PANEL 2

Michael Winn

On Behalf of R.R. Donnelley

Lancaster, Pennsylvania

Lucien "Bud" Wood

Owner and President, Murray McMurray Hatchery

Webster, Iowa

Steve Colella

Vice President, Calmark, Inc.

Chicago, Illinois

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PANEL 3

Cameron Bellamy
President, Grayhair Software, Inc.
Mt. Laurel, New Jersey

Chris Huckle
Publisher, Cadillac News
Cadillac, Michigan

Jim Kitzmiller
Executive Director, Associated Mail and Parcel Centers
Rockford, Illinois

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WITNESS LIST

- Mack Julion, Sr.
- Ken Christy
- Steve Bahnsen
- Kenny Labbe
- Laurie Poindexter
- Rob Whitehead

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1 P R O C E E D I N G S

2 CHAIRMAN GOLDWAY: Good afternoon,
3 everyone. I believe it's just 2:00 o'clock --
4 1:00 o'clock. I thought we should begin the
5 hearing promptly because we have a large program
6 with many witnesses and many people who want to
7 participate.

8 My name is Ruth Goldway. I'm the
9 chairman of the Postal Regulatory Commission. And
10 I'm joined here today by Vice Chairman Tony
11 Hammond to my right, and Commissioner Dan Blair,
12 Nanci Langley and Mark Acton.

13 I and my fellow commissioners welcome all
14 of you here today. It's a pleasure to be here in
15 Chicago for this important hearing into the Postal
16 Service -- and to consider the Postal Service's
17 proposal to end Saturday mail delivery service
18 nationwide.

19 Before we begin, I'd like to be able to
20 say that we are pleased to be greeted here in
21 Chicago by an old friend of ours, Congressman
22 Danny Davis, who has been a longtime member of the
23 Congressional Oversight Committee that reviews
24 postal issues. And as a result, we are all good

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1 friends of his and familiar with his concerns and
2 careful oversight of the Postal Service and the
3 Postal Regulatory Commission.

4 And I'm very honored to cede him the
5 floor before we begin the rest of our proceedings.
6 So Congressman Davis.

7 CONGRESSMAN DAVIS: Well, thank you very
8 much, Chairman Goldway, Commissioner Langley,
9 Commissioner Blair, Commissioner Hammond and
10 Commissioner Acton and all of the staff who have
11 accompanied you.

12 Let me just say that on behalf of the
13 Governor of the state of Illinois and the Mayor of
14 the greatest city in the United States of America,
15 that is Mayor of Chicago, I not only welcome you,
16 but also greet you and thank you for the
17 tremendous task that you have and the tremendous
18 work that you are doing.

19 All of us know that the Postal Service,
20 like other entities in the public and private
21 sector, are struggling to try and make their best
22 decisions, decisions that will continue the growth
23 and development of our nation, decisions that will
24 continue the traditions to which we have become

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1 accustomed, and decisions that will create the
2 highest level of performance and efficiency for
3 all of the things that we do.

4 The Postal Service is a very valuable
5 instrument to the American citizen, and seriously
6 valuable to the citizens and residents of the
7 Chicagoland, Illinois area, as you can see by the
8 number of individuals who have come to the
9 hearing, the number of postal workers, the number
10 of union officials, the number of business and
11 other interests that are represented.

12 Everybody's got a different view in
13 relationship to which decisions will be most
14 effective, so I don't envy the Commission.

15 I, I kind of -- not only not envy you,
16 but I know that you want to try and balance all of
17 the stakeholders' interests, that you want to try
18 and balance all of the concerns, that you want to
19 maintain the viability of the Postal Service.

20 The notion of five-day delivery in the
21 hearts and minds of many people, many of the
22 business people that I speak with, express
23 concerns. Many of the postal workers that I speak
24 with express concerns.

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1 And on the other hand, people express a
2 hope and an optimism that the wisdom that each one
3 of you bring individually and that you bring
4 collectively will end up with a decision that will
5 not only be the best for the Postal Service but
6 will be best for the United States of America.

7 And so again, I welcome you to our city.
8 We commend you for the work that you're doing, and
9 we pray that the good Lord will give you the
10 wisdom to make decisions so that when the end
11 comes that you'll be like Abraham Lincoln when
12 somebody asked him, they said, "President Lincoln,
13 how is it that you make all of these great
14 decisions in the midst of tremendous odds and
15 circumstances?"

16 And he said that, "When it comes to
17 making public decisions, I just do the best that I
18 can. And if the end comes out all right,
19 everybody will praise me and say what a great
20 person I am. But if the end comes out wrong, then
21 a legion of angels swearing that I was right will
22 make a bit of difference."

23 So I think the end will come out right
24 and we will all praise you and thank you so very

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1 much.

2 CHAIRMAN GOLDWAY: Thank you. Thank you
3 very much. You have humbled us and given us a
4 real task, and we appreciate your interest.

5 In the audience today we also have
6 representatives from Congressmen Lipinski,
7 Schakowsky and Jesse Jackson, Jr. They're not
8 here yet, but if the audience wants to contact
9 those congressmen, we know that they're interested
10 as well.

11 One other personal note before we begin.
12 The Postal Service and the Regulatory Commission
13 are often taking opposing positions when it comes
14 to decisions about issues, postal matters; but we
15 do consider ourselves part of a large family of
16 people who care about the Postal Service.

17 And as a result, we wanted to take this
18 opportunity to just offer our personal condolences
19 to Michael Tidwell, who's recently lost his
20 mother, and we all share his concern.

21 With that, I'll begin again my opening
22 remarks. I'd like to thank Mayor Daley and the
23 City Council of Chicago and the city hall staff
24 for their support in enabling the Commission to

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1 use the council chambers for today's hearing, the
2 council meeting room.

3 We're pleased to hold this meeting in
4 Chicago. It's a transportation hub for our
5 nation, a center of international commerce, and
6 the home to 100,000 businesses and more than
7 2 million citizens.

8 In particular, Chicago is the birthplace
9 of U.S. mail-order industry. Long before there
10 was an Amazon or an eBay, Montgomery Ward began
11 his catalog business right here in Chicago in
12 1902.

13 The catalog industry and the mail
14 generated economic growth for the nation and
15 provided choice and convenience for millions of
16 rural Americans.

17 Today the Commission has come to hear
18 what Chicago thinks of new proposed changes for
19 America's Postal Service and what impact these
20 changes might have on America's cities, its
21 citizens and the mail system itself.

22 Some of you may not be familiar with the
23 work of our Commission. The Postal Regulatory
24 Commission is the statutory regulator of the

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1 Postal Service.

2 We have the responsibility to oversee the
3 Postal Service with regard to rate setting,
4 universal service and service standards
5 performance, and for the overall transparency and
6 accountability of the Postal Service to the
7 American people.

8 Day-to-day operational management of the
9 Postal Service is the responsibility of the
10 Postmaster General and his management team.

11 This hearing is part of a national public
12 review begun by the Commission on March 30th of
13 this year. We are preparing a recommendation
14 regarding the United States Postal Service's
15 proposal to eliminate Saturday mail delivery
16 nationwide.

17 The Postal Service is required to ask the
18 Commission for an advisory opinion on any change
19 in nationwide service it proposes. This is one of
20 the most significant changes the Postal Service
21 has ever presented to the Commission for our
22 review.

23 The Postal Service has advised the
24 Commission that due to falling mail volumes and

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1 revenues, it is considering eliminating Saturday
2 mail collection and delivery service except for
3 Express Mail and post office box service.

4 Commission procedures provide for public,
5 on-the-record hearings to analyze and cross-
6 examine the Postal Service's proposals and
7 supporting evidence.

8 During the process, mail users and
9 interested members of the public may offer
10 supporting or opposing views, both informally and
11 as part of the more formal, technical
12 presentations.

13 In view of the widespread impact this
14 proposal will have, it will affect literally every
15 citizen and business in the nation. The
16 Commission is conducting seven field hearings in
17 addition to our proceedings in Washington, D.C.,
18 so that we hear directly from customers, employees
19 and organizations that will be affected directly.

20 The elimination of one day of mail
21 delivery is not a new concept. It has been
22 proposed many times and was the subject of
23 extensive Congressional review in 1997 and 1980.

24 In 1983, more or less as a result, the

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1 Congress adopted specific language that requires
2 the Postal Service to maintain six-day delivery.
3 The Postal Service has asked Congress to rescind
4 this specific language at the same time that it
5 has come to us.

6 The Congress has told us that the
7 Commission's Advisory Committee Commission
8 opinion, as Congressman Davis reiterated today,
9 will be considered by Congress as it reviews the
10 Postal Service's request to change the law.

11 The Postal Service has the responsibility
12 to serve every citizen, household and business
13 throughout America, and it remains far and away
14 the world's largest mail service provider, with
15 expected mail volume of about 165 billion pieces
16 this year.

17 This hearing provides a critical forum
18 for public input as the Postal Service seeks,
19 under difficult circumstances to find the right
20 balance between service and cost control.

21 At this time, I'd like to yield to my
22 fellow commissioners for an opportunity for them
23 to say a few words before we begin with the
24 witnesses.

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1 I'll begin with Commissioner Acton.

2 COMMISSIONER ACTON: Thank you,
3 Madam Chairman, and thank you, Chicago, for your
4 warm hospitality. It's good to be back here.

5 The Postal Service's proposal to
6 eliminate Saturday mail delivery is the second of
7 seven major legislative and regulatory reforms for
8 the coming decade that the Postmaster General
9 recommended a March 2nd, 2010 report entitled
10 "Ensuring Viable Postal Service for America, An
11 Action Plan for the Future."

12 I'd like to express here at the outset
13 and for the record that the Postal Regulatory
14 Commission has previously expressed unanimous
15 support for the first proposal put forth in that
16 Postal Service action plan, that being
17 restructuring healthcare, retiree benefits and
18 addressing overpayments to the Postal Service
19 civil service retirement system pension fund.

20 In June 2009 Chairman Stephen Lynch of
21 the Subcommittee on Federal Workforce, Postal
22 Service and the District of Columbia and the U.S.
23 House of Representatives asked the Commission to
24 evaluate methodology suggested by the Postal

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1 Service, Office of Inspector General and used by
2 the Office of Personnel Management for pre-funding
3 Postal Service retiree health benefit costs.

4 In July of 2009 the PRC recommended that
5 the liability be estimated using a graduated
6 medical benefits inflation factor rather than the
7 static factor employed by both the Office of
8 Personnel Management and the OIG.

9 The adoption of this PRC recommendation
10 would result in a significantly lower liability
11 and related annual costs than those set by law.

12 I do harbor deep, personal concerns that
13 these unprecedented requirements as presently
14 mandated by law are very likely forcing
15 controversial and exceptional Postal Service
16 business model and product pricing ultimatums,
17 such as eliminating postal delivery on Saturday
18 and soon possibly an exigency rate case filing, or
19 perhaps even both.

20 These actions may be occurring
21 needlessly, but they certainly are occurring
22 sooner rather than later.

23 The Universal Service Obligation ensures
24 that every citizen can send and receive mail at

1 affordable prices. This entails maintaining a
2 delivery network that reaches all addresses and
3 providing customers with ready access to Postal
4 Services and a range of products, uniform prices
5 and mail security.

6 There are references throughout modern
7 postal law that exhorts the Postal Service to
8 operate in a businesslike manner.

9 If the Postal Service were indeed a
10 private enterprise, the move to eliminate Saturday
11 delivery would be purely a managerial decision.

12 The Postal Service is, however,
13 fundamentally a federal governmental utility
14 grounded by provision in the United States
15 Constitution and afforded by law the largest
16 government-mandated monopoly on the face of the
17 globe.

18 Accordingly, the vital national interest
19 at issue demand that the Commission examine key
20 public policy concerns and further implications
21 that reach far beyond straightforward cost
22 efficiencies.

23 So this is a sample of the difficult
24 hurdles and options that the Commission and the

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1 postal community at large face and find before us
2 today.

3 The PRC will provide with all reliable
4 speed an advisory opinion to the Postal Service
5 regarding this proposal that is at issue today.

6 The law instructs the Commission to
7 provide users of the mail and the general public
8 the opportunity to be heard for the record, which,
9 of course, is why we are here and is why your
10 participation is so valued and critical to our
11 fulfilling our duties well.

12 Thank you for your time and your
13 testimony, and thank you, Madam Chairman, for
14 arranging to host these hearings.

15 CHAIRMAN GOLDWAY: Thank you,
16 Commissioner Acton. Vice Chairman Hammond.

17 VICE CHAIRMAN HAMMOND: Thank you,
18 Madam Chairman. And thank you for scheduling a
19 hearing in Chicago.

20 This is a very important region, not only
21 because of major Postal Service facilities in this
22 area that provide jobs for people, but also
23 because of the mailing industry presence here that
24 also provides employment.

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1 And I especially appreciate Congressman
2 Davis' remarks that hope and optimism exist for
3 the future of the Postal Service. And I hope that
4 today's hearing has a positive impact towards that
5 end, and thank you all for your testimony and
6 everyone for being here. Thank you.

7 CHAIRMAN GOLDWAY: Commissioner Blair.

8 COMMISSIONER BLAIR: Thank you, Madam
9 Chair. Good afternoon everyone, and thank you for
10 your interest in being here today. I also want to
11 thank Congressman Davis.

12 Congressman Davis is really one of the
13 godfathers of the Postal Account Bill and
14 Enhancement Act in the House of Representatives.
15 And it was his hard work over ten years,
16 ten years, that led to the creation of a new
17 Commission. The successor to the old Postal Rate
18 Commission is the Postal Regulatory Commission.

19 So it's his interest in the Postal
20 Service and the public interest that I think you
21 can thank today and his outstanding representation
22 of the Chicago area.

23 Today we're focused on the United States
24 Postal Service's proposal to eliminate Saturday

1 mail delivery. And this comes at a time of
2 declining mail volumes due in part to increased
3 use of the Internet and other electronic
4 diversions as well as a recent economic downturn.

5 These have had a dramatic impact on the
6 Postal Service's finances, leading to losses
7 totaling in the billions of dollars. And these
8 losses lead the Postal Service to develop and
9 offer a series of policy changes to Congress and
10 the Commission in hopes of achieving cost
11 reductions as well as achieving financial --
12 future financial solvency.

13 Eliminating Saturday delivery is only one
14 aspect of the changes the Postal Service wants to
15 move forward with. Additionally, they've asked
16 Congress for financial relief in retirement
17 healthcare benefits, payments and intend to ask
18 the Commission to consider an emergency rate case
19 so they can raise postage rates above and beyond
20 inflation.

21 Consideration of the request to reduce
22 days of delivery from six to five days will be
23 done in the context of this complex environment.

24 Reducing days of delivery is a

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1 fundamental change in postal service. And it's a
2 little "p" and a little "s." And it changes the
3 nature of delivery and changes the nature of the
4 product as we know it.

5 It's important that the Commission
6 consider this request with as much timely and
7 accurate information as possible; and the
8 testimony that we're going to receive today is
9 very important because it allows the Commission to
10 better understand what impact the five-day
11 delivery proposal may have on consumers who
12 receive mail at home, post office patrons, small
13 and large businesses and the Postal Service
14 itself.

15 With that in mind, I look forward to
16 hearing from our witnesses today about their
17 experience with the Postal Service and their views
18 on the future viability of the Postal Service
19 using either the current proposed mail delivery
20 models.

21 So thank you very much. Appreciate you
22 being here.

23 CHAIRMAN GOLDWAY: Thank you. And
24 Commissioner Langley.

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1 COMMISSIONER LANGLEY: Thank you. I feel
2 like the clean-up batter right now.

3 And I also want to join in welcoming
4 Congressman Davis. It is such a treat to have him
5 here, and I had the opportunity to work with his
6 staff for many years when I served as his
7 counterpart in the U.S. Senate, Senator Akaka. So
8 it's great to have him here.

9 And I do want to join my colleagues in
10 welcoming everyone who has come today, especially
11 the witnesses who are willing to share their
12 perspectives on the Postal Service's proposal to
13 eliminate a day of delivery.

14 Many of you know that we are limited to
15 the evidence presented in this open docket, so
16 public hearings such as the one today are very
17 critical to the discussions that we will continue
18 to hold until we issue this opinion.

19 And the opinion will inform both the
20 Postal Service as well as Congress, which
21 ultimately have the final decision as to whether
22 or not a day of delivery can be cut.

23 Now, I am very mindful of the Postal
24 Service's dire financial condition. Commissioner

1 Acton mentioned the pre-funding of the retiree
2 health benefits.

3 This is an obligation that is proving to
4 be extremely unaffordable and putting the Postal
5 Service at great financial risk.

6 But I am also very mindful of the changes
7 and ramifications that this proposal could have on
8 Saturday delivery and processing.

9 This could put the Postal Service in
10 jeopardy of losing its key competitive advantage,
11 which is offering service six days a week.

12 And based on the hearings so far that
13 we've had, there are many anticipated and
14 unanticipated consequences of such a move.

15 Even though we now are communicating with
16 one another in ways that were unthought of by our
17 founding fathers, who did put having post offices
18 and post roads into the Constitution, hard-copy
19 mail continues to bind the nation and it provides
20 universal service at affordable prices.

21 So to me, the Postal Service is
22 especially important in broadening accessibility
23 to the nation's senior citizens, people with
24 limited mobility, residents of geographically

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1 remote areas, like my home state of Hawaii, and
2 those without Internet access. And many of those
3 are in rural areas or they are in poor areas or
4 those who are of minorities. And it's really
5 important that we consider that as we go forward.

6 I do want to thank our witnesses and I
7 also want to thank my colleagues. Unfortunately,
8 I'm not going to be able to join you for the next
9 two hearings. I have family matters that I must
10 attend to over the next couple of weeks. So thank
11 you.

12 CHAIRMAN GOLDWAY: Thank you all. Thank
13 you, Commissioners, for complimenting me on my
14 selection. But I must admit, Congressman Davis,
15 that it's not only because of you and how
16 wonderful Chicago is in general, but I was told I
17 had to buy a Blackhawks t-shirt for a young man in
18 California. So I had an assignment to come to
19 Chicago.

20 I, too, want to emphasize how important
21 the public scrutiny of this process is to us.
22 Citizen participation is the cornerstone of any
23 good government regulatory program; and to date,
24 the Commission has received about 8,000 letters

1 and e-mails from the public on this issue.

2 Also, following our formal testimony
3 today, where we have nine witnesses, anyone in the
4 audience who is interested in making a statement
5 may do so. We ask that these remarks be no longer
6 than three minutes each.

7 The testimony today provided by our
8 witnesses will help to educate and inform the
9 Commission as we continue to study the Postal
10 Service's proposal, and I think it will help the
11 Postal Service directly.

12 I sincerely appreciate the witnesses'
13 willingness to be here today to add to the
14 Commission's record on this important issue.

15 Let me briefly describe the process.
16 We'll hear from three panels of three witnesses
17 each. I'll introduce each panel in turn, swear
18 them in and allow them to provide oral statements
19 for our record. They have all submitted written
20 testimony as well.

21 Then there will be an opportunity for the
22 Commissioners to question each panel. These
23 hearings are being transcribed and the witnesses'
24 testimony and responses to any questions from the

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1 Commission will be part of the evidentiary record
2 in this case.

3 Other participants will have the
4 opportunity to review the transcript of this
5 hearing and offer comments if they so choose
6 during the rebuttal phase of the case.

7 With that, I'd like to introduce our
8 first panel. First we have John Seebeck. John is
9 the direct marketing business director for Crate &
10 Barrel. Next is Ken Czarnecki.

11 MR. CZARNCKI: Czarnecki.

12 CHAIRMAN GOLDWAY: Ken is the senior vice
13 president with Caremark Pharmacies. And the third
14 member on our panel is Gloria Tyson, Chicago
15 district manager for the United States Postal
16 Service.

17 Thank you all for being here. Now, would
18 you please rise and raise your right hands.

19 (Panel sworn.)

20 COMMISSIONER LANGLEY: Let the record
21 reflect the witnesses have been acknowledged that
22 they say yes.

23 I'll ask Mr. Seebeck if you will lead off
24 our panel for us.

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1 MR. SEEBECK: Good afternoon. I'm John
2 Seebeck with Euromarket Designs, Inc., Northbrook,
3 Illinois. Euromarket Designs, Inc., owns Crate &
4 Barrel, CB2 and The Land of Nod, all of which mail
5 catalogs as their primary marketing tool.

6 I would like to thank the PRC for this
7 opportunity to comment on the Postal Service's
8 proposal to discontinue delivery and collection
9 services on Saturdays.

10 Any changes in service level by the
11 Postal Service directly impact our customers and
12 our ability to grow our business.

13 Let me be clear. We do not favor
14 elimination of delivery and collection services on
15 Saturdays. We believe this will negatively affect
16 certain customers' ability to conveniently place
17 orders, learn of our product offerings, hear about
18 our promotional events, receive orders and return
19 product.

20 However, what would be more damaging
21 would be exigent or postal rate increases that are
22 in excess of inflation. Postal rate increases
23 such as the one implemented in 2007 result in us
24 mailing fewer catalogs.

1 Therefore, we would rather adjust when a
2 customer hears or interacts with us versus the
3 necessity of discontinuing mailing a customer
4 altogether due to rate increases.

5 Since 1967 Crate & Barrel has used the
6 catalog to bring our unique store merchandising
7 techniques into our customers' homes. We
8 conducted a survey recently that confirmed over
9 four decades of thinking, that the catalog is
10 simply the best remote way to inspire purchases
11 for the home.

12 Some highlights from our recent research.
13 Number one, catalogs are the most often used
14 source for home decor ideas. They outrank the
15 Internet, newspapers, home decor TV shows, home
16 decor magazines and other survey choices.

17 The majority of home decor consumers --
18 excuse me, point two. The majority of home decor
19 consumers surveyed looked at a catalog and then
20 went to the store or elected to buy online. Very
21 few mailed in an order form or called the call
22 center.

23 And number three, the younger consumer
24 was equally enthusiastic and in some cases more

1 enthusiastic about the catalog for home decor
2 inspiration. They described how the Internet,
3 quote, "feels like work," and they, therefore,
4 avoid using the Web after work and see the catalog
5 as, quote, "an escape."

6 We continually test our catalog mailings
7 to see if we can replace them with e-mails or
8 other forms of marketing.

9 We continue to find that the catalog is
10 our foundation and without it we would not grow
11 our sales as quickly.

12 While catalog effectiveness remains at an
13 all-time high, its cost is rising considerably.
14 The 2007 rate increase translated to as much as
15 14 percent catalog postage cost increase for our
16 brands.

17 This was a significant increase for us
18 because postage can be as high as 50 percent or
19 more of the unit cost of a catalog.

20 In addition to reductions in mailed
21 catalogs, we cut catalog costs in a variety of
22 other ways in order to minimize circulation
23 reductions.

24 For example, we cut the number of pages

1 in our catalogs by as much as 65 percent. The
2 fact is, though, we've exhausted our efficiency
3 options. And if there is an exigent or greater-
4 than-inflation rate increase, our only response
5 will be reducing our catalog circulation
6 quantities.

7 To demonstrate how Crate & Barrel might
8 respond to an exigent or greater-than-inflation
9 rate increase, I will summarize how we responded
10 to the 2009 standard mail summer sale.

11 The sale allowed us to mail 12.3 million
12 catalogs that otherwise would not have been sent,
13 translating to an effective postal rate decrease
14 of 9 percent.

15 This sale also generated additional
16 pieces of mail, both subsequent catalogs as well
17 as other types of mail and packages.

18 Because general catalog circulation
19 economics are typically the same, drastic mail
20 reductions will occur in response to an exigent or
21 greater-than-inflation rate increase.

22 Continued above-inflation increases
23 postage costs, corresponds to continued erosion in
24 mail volumes, spreading the considerable fixed

1 costs of operating the system over a declining
2 volume base.

3 Attention, therefore, must be given to
4 the cost side of the equation. This leads me back
5 to reduction in delivery days that must be a part
6 of an accelerated, aggressive cost management
7 plan.

8 We applaud the Postal Service's
9 innovation by proposing the elimination of
10 delivery and collection day. We encourage
11 further, as this alone does not correct the
12 deficit. Thus, we support this change if it is
13 part of a larger ongoing aggressive cost
14 management plan that has the following key
15 elements:

16 Number one, equitable apportionment of
17 pension and healthcare costs for the postal
18 employees.

19 Number two, development of a standardized
20 cost accounting system to accurately measure costs
21 as well as continuous improvement to lower costs.

22 Number three, management of a rate
23 structure that is rooted in how mailers use the
24 mail, how they make decisions.

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1 Four, labor flexibility so postal
2 employees can be moved to where the work is.

3 Five, unfettered closure of unneeded
4 retail and processing facilities.

5 And six, appointment of new postal
6 services at retail facilities.

7 I highly doubt anyone wants to see
8 Saturday mail service go away, and Crate & Barrel
9 is no exception. But the reality of the situation
10 is that we favor this as one of the most efficient
11 and effective ways to help get the Postal
12 Service's costs in line and avoid more postage
13 increases that will lead us and other catalog
14 mailers to retreat even more than we had to do in
15 2007. Thank you.

16 CHAIRMAN GOLDWAY: Thank you,
17 Mr. Seebeck. Next is Ken Czarnecki.

18 MR. CZARNECKI: Madam Chairman, thank you
19 very much. Members of the Commission, my name is
20 Ken Czarnecki. I'm here on behalf of CVS
21 Caremark. I want to thank you for the opportunity
22 to present today our views on the proposed
23 reduction of the United States Postal Service
24 delivery to five days a week.

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1 I am the senior vice president for mail
2 pharmacy operations for CVS Caremark. In my
3 position I oversee the company's mail service
4 pharmacy operations and ensure that the company's
5 plan members receive the highest quality, most
6 timely, most cost-effective mail service while
7 delivering a superior plan member experience.

8 Reducing mail delivery to five days a
9 week by eliminating Saturday delivery would keep
10 vital medications out of patients' hands and
11 impede the growth of mail order.

12 Mail-order pharmacies have proven that
13 it's a safe, reliable, cost-effective mechanism
14 for prescription delivery. Each mail-order
15 prescription is filled by one of our licensed and
16 highly trained pharmacists, which helps keep our
17 error rates extremely low, negligible.

18 In 2009, over 50 million prescriptions
19 were shipped to patients in all 50 states and
20 Puerto Rico by the United States Postal Service.

21 By our pharmacies, approximately
22 90 percent of our orders are transmitted by the
23 United States Postal Service.

24 Caremark relies on the United States

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1 Postal Service for its inbound as well as outbound
2 mail services. Our mail-order pharmacies receive
3 over a million prescriptions. On Saturdays, we
4 receive approximately 100,000 prescriptions every
5 Saturday.

6 Once a prescription is received, our
7 pharmacies fill and deliver the prescriptions
8 within about five business days. The pharmacies
9 currently ship on a six-day-a-week and many times
10 a seven-day-a-week, which are contractual
11 obligations we have with several of our clients.

12 The Postal Service allows us many classes
13 of service, which we use almost all the First
14 Class, Priority, Express and mail express of the
15 United States Postal Service services.

16 Saturday delivery to our customers is an
17 important piece of our overall service. Each of
18 our years we ship over 5 million packages, 9
19 million prescriptions. 20 percent of our packages
20 arrive on Saturday. It is absolutely critical to
21 the members that they have their medications.

22 Having a consistent, reliable United
23 States Postal Service delivery six days a week is
24 critical for our patients' health.

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1 Under the current proposal, an additional
2 day would be added to the inbound side as well as
3 the outbound side because patients wouldn't be
4 able to have their prescriptions picked up either
5 at home or in the mailboxes.

6 Similarly, as we talked about, the
7 medications wouldn't be delivered on Saturday.
8 Consequentially, due to mail volume they would be
9 delivered Monday, but in many cases that may go
10 over to Tuesday, which would be many days without
11 medication for members.

12 Eliminating Saturday delivery would pose
13 the greatest difficulties for rural patients who
14 have limited access to pharmacy services and rely
15 on effective, cost-effective mail delivery
16 availability.

17 Difficulties that package recipients face
18 would be exacerbated during a week that includes a
19 federal holiday, where there would be only four
20 business days for delivery.

21 This is even compounded when the federal
22 holiday is on a weekend, because that leaves three
23 business days, what we consider business days,
24 that we would not have medication delivery. And

1 many people would have opportunities to run out of
2 medication.

3 One of the greatest impacts to our
4 healthcare costs in the country is the gaps in
5 therapy that is caused by people without obtaining
6 or continuing to take their medication.

7 Our estimates is that this has reached
8 epidemic proportions, a \$300 billion impact on our
9 healthcare system.

10 So it is critical to us that medications
11 are provided and delivered in a timely fashion in
12 the convenience of their home or their location
13 that they're required to pick them up.

14 In addition, as health plans incorporate
15 a mail-order benefit as part of their prescription
16 drug plan, patients and payers have come to
17 appreciate the savings that is also offered
18 through mail order.

19 Savings patients have currently realized
20 with mail order will be reduced or limit --
21 reduced or eliminated if absorbed by the
22 condensing of U.S. Postal Service delivery
23 schedule.

24 These added costs not only impact

1 patients' pocketbooks but will also strain the
2 healthcare system.

3 We work closely with our clients on their
4 plan designs to allow affordable access to mail
5 medications. Based on our initial estimates,
6 eliminating Saturday delivery would require us to
7 use private carriers and typically expense -- our
8 estimate would rise about \$50 million annually.

9 In addition to the hard costs of
10 utilizing carriers, we have other costs. Some of
11 those would be re-routing with different addresses
12 for members as well as increased costs on members
13 contacting us in search of their prescription,
14 where is it, why is it delayed, why didn't it show
15 up when it was anticipated. These end up in
16 millions and millions of dollars of added costs in
17 customer care.

18 We acknowledge the United States Postal
19 Service faces serious challenges in the case of
20 their overall budget and maintaining delivery in
21 five days.

22 However, degrading that service to a
23 five-day service versus six days will make a huge
24 impact on the healthcare system of our country.

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1 So consequently, we cannot support that
2 and do not recommend that. Therefore, we strongly
3 urge the Committee to reject the current proposal
4 to reduce the delivery schedule to five business
5 days.

6 Thank you for the opportunity to present
7 our view on these important matters.

8 CHAIRMAN GOLDWAY: Thank you. And now
9 Miss Tyson.

10 MS. TYSON: Chairman Goldway, Vice
11 Chairman Hammond, Commissioners Acton, Blair and
12 Langley. I'm Gloria Tyson, postmaster of Chicago,
13 Illinois, and a manager of the Chicago district
14 for the United States Postal Service.

15 I'm here on behalf of the 7,900 employees
16 responsible for mail processing and delivery and
17 retail counter service in the district.

18 I welcome the Postal Regulatory
19 Commission to the city where the mail-order
20 business first became a prominent industry and the
21 window envelope was invented.

22 I've been Chicago district manager since
23 May 2007. Like many here today, my postal roots
24 run deep. I began my postal career in 1980 as a

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1 letter carrier in New York City.

2 Over time I rose through the postal ranks
3 when I was appointed manager of delivery programs
4 at the New York metro area in 1996. I've since
5 served as manager of the Alabama district and
6 Detroit district before coming here to Chicago
7 three years ago.

8 In response to your invitation, I've
9 submitted a written statement concerning postal
10 operations, finance and services in the Chicago
11 district, which I will now summarize.

12 The Chicago district office manages
13 postal operations for the 606 through 608, three-
14 digit ZIP code areas. This includes the city of
15 Chicago and eight adjacent suburbs.

16 Mail flows through the Cardiss Collins
17 Processing & Distribution Center in Chicago's
18 Loop, or downtown business district, and through
19 the West Irving Park Road plant located near
20 O'Hare Airport.

21 We operate a Priority Mail and air
22 transportation distribution center near O'Hare and
23 Elk Grove Village.

24 The Chicago district has nearly 70 retail

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1 stations and branches. There are more than
2 1.2 million street addresses and approximately
3 79,000 post-office box addresses.

4 More than 2,800 collection boxes provide
5 our customers convenient access to the mail
6 service. We enhance retail convenience through
7 more than 340 consigned locations where customers
8 can purchase stamps at grocery stores, office
9 supply outlets and drugstores. Stamps can also be
10 purchased via 130 automated teller machines.

11 During quarter one of fiscal year 2010
12 alone we delivered almost 900 million pieces of
13 mail. Of the districts selected for your field
14 hearings, ours has the smallest geographic
15 territory but is the most densely populated and
16 urban.

17 Our customer base includes public housing
18 residents concentrated on the south and west sides
19 of Chicago. We also serve people living in the
20 luxury high-rise condominiums on the Gold Coast
21 and residents in the two-flats and bungalows that
22 permeate the southwest and northwest side
23 neighborhoods and some nearby suburbs.

24 Chicago is also a melting pot of ethnic

1 and cultural diversity with the nation's fifth
2 largest foreign-born population. We serve Fortune
3 500 corporations in the Loop and small retailers
4 in neighborhood strip malls.

5 The commitment to provide quality service
6 is embraced by district postal employees more than
7 ever before. Despite the challenges facing the
8 Postal Service as a whole, our employees recognize
9 that continuous service improvement must remain
10 our bedrock operational objective.

11 Our efforts have been validated by
12 significant increases in delivery service
13 performance during the past two years.

14 I understand that the Postal Service has
15 asked that the Commission review a plan for
16 five-day street delivery and related service
17 changes. That plan will eliminate, except for
18 Express Mail, the Saturday delivery of all mail to
19 street addresses.

20 It will eliminate collection of all mail
21 on Saturdays from those addresses and from regular
22 collection boxes as well as the Saturday
23 processing of outgoing mail.

24 Processing of incoming mail will not

1 change, nor will delivery to post-office boxes,
2 which will continue Monday through Saturday.
3 Postal retail units will also continue to accept
4 mail and provide window services on Saturdays.

5 Implementation of five-day delivery is
6 contingent upon Congress not enacting a
7 prohibition for fiscal year 2011. I leave it to
8 others to speculate about the ongoing legislative
9 process.

10 The justification for the planned service
11 changes is presented in detailed written testimony
12 submitted by senior Postal headquarter executives
13 and other experts scheduled to testify before the
14 Commission in Washington, D.C., next month.

15 I will defer to them to explain the
16 operational, cost and revenue implications and the
17 national policy issues relating to the planned
18 changes.

19 I'm sure the Commission will find the
20 hearings next month informative and enlightening.
21 As a district manager, I face the financial
22 pressures on the Postal Service daily.

23 I recognize the need for drastic action
24 to reduce costs as a necessary part of any plan

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1 for improving the long-term financial stability of
2 the Postal Service.

3 I know that the Commission regularly
4 reviews extensive national operational and
5 financial data and that you are familiar with the
6 grim volume, cost and revenue trends that are
7 affecting the Postal Service.

8 I will share some of Chicago district
9 data so you can see how some of those numbers play
10 out locally. From quarter one of fiscal year 2005
11 to the same quarter in 2010, we experienced a
12 cumulative 2 percent volume increase.

13 At the same time, our delivery points
14 increased relatively modestly, by only 3 percent.
15 As a result, total volume per delivery point here
16 has declined by only 1 percent.

17 The Chicago district has experienced a
18 21 percent decline in cancellations and a 5
19 percent decline in retail visits and revenues in
20 recent years.

21 However, total operating revenue for the
22 district has increased 22 percent from the first
23 quarter of 2005 to the first quarter of 2010. Our
24 mail volume has increased slightly despite very

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1 negative national trends.

2 As a result, we have experienced an
3 18 percent increase in revenue per delivery point
4 during this five-year period. It is possible that
5 our district benefits to some degree from the
6 large commercial printing and mailing industry
7 based in the metropolitan area which enters mail
8 into the postal stream locally.

9 My management team maintains regular
10 contact with postal customers throughout the
11 district. I monitor service performance every
12 day.

13 Throughout the Chicago district customers
14 tell us that we're making strides in improving
15 service, but these customers also describe how the
16 Internet is changing the way many of them choose
17 to conduct personal and business transactions that
18 might otherwise go by mail.

19 Assuming the Postal Service implements
20 the service changes the Commission is reviewing, I
21 will be responsible for ensuring that the Chicago
22 district employees communicate effectively with
23 our customers.

24 It will be critical that customers

1 clearly understand what changes are coming, when
2 they will occur, and what adjustments they may
3 need to make.

4 My management team will monitor local
5 retail operations and, if necessary, will adjust
6 retail hours or staffing.

7 I realize that certain customers may find
8 our new operating model unsuited to their mailing
9 and shipping needs. Still, I believe that our
10 ongoing commitment to continuous service
11 improvement will encourage customers to continue
12 using Postal Service for mailing and shipping of
13 their products.

14 The customers I talked to seemed to
15 understand that the Postal Service faces difficult
16 choices and that there are no easy solutions.
17 They emphasize to me that if change is inevitable,
18 we should give them plenty of notice.

19 The Postal Service is committed to giving
20 six months' advance notice of the implementation
21 date of our five-day plan. When an implementation
22 date is established and a communications plan is
23 launched, my goal is ensure that Chicago district
24 residential and business customers can transition

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1 as smoothly as possible.

2 When the time comes, multiple mailings to
3 residential and business customers will explain
4 service changes and customer options. Signs
5 informing customers of the changes will appear in
6 retail lobbies. Labels noting the elimination of
7 Saturday collections will be placed on collection
8 boxes.

9 We will work with the Great Lakes area
10 and headquarters to encourage news media serving
11 Chicago to print, broadcast and post stories
12 informing readers, listeners and viewers about the
13 service changes.

14 The Postal Service has a five-day
15 delivery link at our Web site, USPS.com. It
16 provides planning guides and frequently asked
17 questions with answers tailored for specific
18 household and commercial needs. It will continue
19 to supplement our direct communications efforts.

20 I appreciate the opportunity to appear
21 here today and provide testimony. I can now try
22 to answer your questions. If I am not the right
23 person to provide an answer, I will work with
24 Postal Service Council to ensure that the

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1 Commission gets a response to any outstanding
2 questions. Thank you.

3 CHAIRMAN GOLDWAY: Thank you. We now
4 have an opportunity to question our witnesses.
5 And I'll take the prerogative of the Chair and ask
6 the first question before I yield the floor.

7 I think Miss Tyson raises a good point
8 about notice to mailers about any change. The
9 notice that the Postal Service is contemplating
10 for allowing the mailers to adjust from a six- to
11 five-day is six months.

12 The notice the Postal Service is
13 contemplating for allowing customers to adjust to
14 any price increase that should evolve from a rate
15 increase request is three months.

16 I'd like your comments, all three of you,
17 on whether you think the difference in those two
18 time periods is appropriate and what you think the
19 difficulties or benefits are in that transition
20 period with regard to those changes.

21 We'll start with Mr. Seebeck.

22 MR. SEEBECK: Just so I'm clear, it's a
23 three-month notification for a price increase?

24 CHAIRMAN GOLDWAY: For any rate increase.

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1 MR. SEEBECK: For any rate increase?

2 CHAIRMAN GOLDWAY: At least that's what
3 the Postal Service has indicated it plans to do.

4 MR. SEEBECK: What is the requirement for
5 service change?

6 CHAIRMAN GOLDWAY: Their proposal for
7 service change is six-month notice.

8 MR. SEEBECK: Personally, I'm not sure
9 that you would require that much time. I'm not
10 sure that the -- the attention span is required.

11 I think that's a, that's a very long
12 period of time to be communicating the same
13 message over and over and over again.

14 I believe that a shorter time frame with
15 a broader message probably would be more effective
16 in alerting consumers across the states of this,
17 this change.

18 CHAIRMAN GOLDWAY: But you think three
19 months is what's needed for mailers to adjust to a
20 rate increase?

21 MR. SEEBECK: Mailers require a minimum
22 of six months.

23 CHAIRMAN GOLDWAY: For a rate change?

24 MR. SEEBECK: A minimum. There are many

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1 mailers that require nine months or twelve months.

2 CHAIRMAN GOLDWAY: Wouldn't changes in
3 the planning for how you deliver mail take as long
4 as changes in planning for the rates, or no?

5 MR. SEEBECK: Well, I was answering the
6 question from the point of view of the American
7 consumer. So in terms of the --

8 CHAIRMAN GOLDWAY: The mailer.

9 MR. SEEBECK: As Crate & Barrel as a
10 customer, six months would be the minimum amount
11 of time that we would require for ourselves to
12 adjust.

13 CHAIRMAN GOLDWAY: Okay. So you think
14 there's a kind of a disconnect between consumers'
15 attention span and the processing that you would
16 need to implement any changes?

17 MR. SEEBECK: I do.

18 CHAIRMAN GOLDWAY: Thanks.

19 Mr. Czarnecki?

20 MR. CZARNECKI: For us I would recommend,
21 based on our knowledge, a minimum of six months
22 for the business side for us, a rate increase to
23 adjust our processes to look for ways to deal with
24 the added increased cost.

1 More time is better if we can afford
2 that, but we would appreciate six months. Of
3 course, we can respond to anything in three. It
4 is not our choice, but six would be much better
5 than three.

6 For the actual consumer, I think it takes
7 a long time for people to listen and understand
8 change this dramatic.

9 I do agree that there needs to be a surge
10 in probably the last three months, but at least
11 six months of communicating.

12 I know with some of the things that have
13 gone on recently in the television changes it took
14 -- I think they had an extended date, an extra
15 three to six months because people could not or
16 would not understand --

17 CHAIRMAN GOLDWAY: That's true.

18 MR. CZARNECKI: -- the change and either
19 get the right adjustment for their system.

20 And this is as traumatic an event that's
21 going to affect many people's lives, especially in
22 -- if they're on medication, you know, we're going
23 to have to spend a significant amount of money on
24 our side alone communicating, let alone the United

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1 States Postal Service trying to convince people
2 and let them understand changes and what it means
3 to their health planning. So six months I would
4 say is a minimum.

5 CHAIRMAN GOLDWAY: Miss Tyson, do you
6 have any comments on that.

7 MS. TYSON: I would agree that six months
8 at a minimum because of our customers' need for
9 adjusting to what those changes are actually going
10 to mean in their life, and especially for our
11 mailing customers to make those adjustments in
12 their business to accommodate that one less day of
13 delivery and collection.

14 CHAIRMAN GOLDWAY: We do have, I believe,
15 some estimates from the Postal Service on what it
16 may cost them or what they're planning to spend on
17 notification; but if you have comments on what you
18 think some of the burden on the mailers are for
19 notification for change in service, I think we'd
20 appreciate that information if you could provide
21 it to us.

22 MR. CZARNECKI: I'm not the right person.
23 I can get it, but we can provide you that
24 information.

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1 CHAIRMAN GOLDWAY: I'd appreciate that.

2 That would be helpful.

3 Let me ask the other commissioners. I'll
4 begin with Vice Chairman Hammond.

5 VICE CHAIRMAN HAMMOND: Thank you, Madam
6 Chairman. I'll be brief on my questioning.

7 I did want to say to Mr. Czarnecki, I can
8 totally understand what you're talking about no
9 Saturday delivery for rural patients that receive
10 prescription drugs that rely on effective mail
11 delivery.

12 I originally come from a small county in
13 Missouri that hasn't had a pharmacist in it for
14 40 years, and clearly we have -- people have to
15 drive 25 miles one way just to get to a drugstore
16 to get a prescription. So I can understand what
17 you're talking about there.

18 Like when I -- and I don't mean to be
19 mean in asking this question, I asked it of your
20 competitor at one of our earlier hearings. I just
21 want to give you a chance to explain.

22 Whenever I need to refill, I get an
23 e-mail from you all, or I get a follow-up phone
24 call, just punch 1 if you're ready to refill and

1 we'll mail it out, et cetera, et cetera, like
2 that.

3 But don't I have an obligation to simply
4 just order my pills a day earlier? I mean, is it
5 more complicated than that?

6 MR. CZARNECKI: You would think not.
7 However, through all the years we've been doing
8 it, we still have 18,000 to 20,000 packages that
9 are paid for by the membership themselves for
10 Express mailing to their home because they ordered
11 late.

12 We e-mail them. We voicemail them. We
13 do everything. But people sometimes don't respond
14 until they look at their bottle and it's empty.
15 And we've tried many, many different means of
16 communicating. And it's a very large number, a
17 surprisingly large number of people that still do
18 not follow that process.

19 And adding another day on that process
20 just puts at risk the overall. Can it happen?
21 Yes, we hope they would respond with enough
22 communication early.

23 However, we've seen even with the process
24 we have today there's still tens of thousands a

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1 month, that's a month, 20,000 a month that don't
2 get -- have to pay out of their own pocket because
3 they didn't respond to whatever message we do
4 have.

5 VICE CHAIRMAN HAMMOND: You say literally
6 sometimes 20,000 a month that have to go to that
7 route?

8 MR. CZARNECKI: That's what's happening
9 today. Yeah, yeah. It will probably increase.

10 VICE CHAIRMAN HAMMOND: I appreciate that
11 explanation. Thank you very much.

12 Mr. Seebeck, I won't ask you a question.
13 I'll just make one comment. I was very glad to
14 see you talking about the U.S. Postal Service's
15 summer sale and how you increased mailings because
16 of it and how it resulted in more packages and how
17 it resulted in more payment and all that because
18 we approved that request as expeditiously as
19 possible because that was indeed the goal. So
20 thank you for bringing that up.

21 MR. SEEBECK: Thank you for approving
22 that.

23 CHAIRMAN GOLDWAY: We had a hard time
24 getting all that information from the Postal

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1 Service, so to get a real evaluation overall.

2 Turns out some mailers did really well with it,

3 but we're not sure with the whole pattern, but

4 certainly was useful to hear that.

5 VICE CHAIRMAN HAMMOND: Thank you.

6 CHAIRMAN GOLDWAY: Commissioner Blair?

7 COMMISSIONER BLAIR: Thank you, Madam

8 Chair.

9 I want to continue this line of
10 questioning that you had on the -- about a
11 transition from six to five and what that would
12 look like.

13 And Miss Tyson, you said that you'd be
14 working with customers. Can you give us -- flesh
15 that out a little bit more? Your customers come
16 in all ranges of sizes of individuals versus, you
17 know, in Chicago you have huge mailers here.

18 What exactly will it take to not only
19 educate, but how is that going to change their
20 behavior and what's the Postal Service going to do
21 to take steps to modify that behavior should
22 service receive permission to go to a five-day-a-
23 week delivery?

24 MS. TYSON: We would begin that process

1 and working through our Postal Customer Council
2 and sharing that information. And as expected,
3 over the past several months they've been very
4 interested in what the final decision will be on
5 this issue.

6 But it begins with our communicating both
7 through that venue, through our local elected
8 officials. In our city we have customer advisory
9 councils made up of residents of certain ZIP code
10 areas. We would communicate that process through
11 them.

12 It's difficult for me to project how
13 behaviors will change because if you look at the
14 normal curves, there will be a lot of complaining
15 at first.

16 And we will continue to explain, should
17 that decision be made, how we will handle this and
18 how we will work with them so that the disruption
19 to their business or to their personal lives won't
20 be as initially damaging as it may seem.

21 But that, too, is why I believe the
22 six-month minimum in the communications process is
23 going to be necessary.

24 We will find ourselves going out to

1 meetings, town hall meetings that our local
2 elected officials will call. I'm certain of that.
3 We've been through a number of those just to
4 explain how it will affect the citizens of our
5 city.

6 COMMISSIONER BLAIR: Well, you said in
7 your testimony that you're in regular contact with
8 postal customers throughout the district.

9 And have you had a chance to raise this
10 with customers at this point and what's been their
11 feedback regarding reduction of days of
12 deliveries?

13 MS. TYSON: It varies. I've heard things
14 from if you're going to leave my post office open,
15 then I can live with five-day delivery.

16 There is a big cry about maintaining
17 facilities throughout our city. But initially it
18 was concern, and then I believe there's been some
19 understanding of our challenges and, therefore, an
20 understanding of how we may need to change our
21 business model.

22 COMMISSIONER BLAIR: Do you see this as a
23 tradeoff between keeping facilities open and
24 reducing days of delivery?

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1 MS. TYSON: No, not at all.

2 COMMISSIONER BLAIR: What do you think
3 about the -- well, let me ask you this then.
4 Since you are in constant contact with your
5 customers, in the development of this plan, did
6 headquarters consult with you at all as to how
7 this should go about, how the transition, have
8 they consulted with you regarding how a transition
9 should look like, how a communication should be
10 made with customers? Any kind of feedback that
11 they've sought from you?

12 MS. TYSON: Not personally, no. My job
13 is to ensure that the policies as developed by
14 headquarters get carried out at this level. But
15 of course, we are in communication with our area
16 office and those officials at headquarters. But
17 sadly, no one called Gloria to ask her opinion.

18 COMMISSIONER BLAIR: Well, what would
19 have been Gloria's opinion? Or is that going to
20 put you in an awkward position?

21 MS. TYSON: Very awkward position.

22 COMMISSIONER BLAIR: Well, we'll note
23 that for the record. Thank you very much.

24 Mr. Czarnecki, one question I have for

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1 you, do you utilize FedEx and UPS as well as the
2 Postal Service in mailing or in delivering your
3 pharmaceuticals to your customers?

4 MR. CZARNECKI: Yes, we do. We have
5 about 9 percent of our business is through those
6 channels.

7 COMMISSIONER BLAIR: What's your
8 consideration in using UPS and FedEx over the
9 Postal Service?

10 MR. CZARNECKI: Basically for expedited
11 shipping, medications that need to be maintained
12 in cold packages, things that we have basically
13 tapped them for a cost-effective manner to deliver
14 those in a shortened time.

15 COMMISSIONER BLAIR: Do you use Express
16 Mail?

17 MR. CZARNECKI: Yes, we do use some.

18 COMMISSIONER BLAIR: You cited, I think,
19 in your testimony a \$50 million figure should you
20 have to use alternatives to the U.S. Postal
21 Service.

22 Did that factor in using your current
23 sources with UPS and FedEx as well as Express
24 Mail?

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1 MR. CZARNECKI: Yes.

2 COMMISSIONER BLAIR: That's good to know.

3 Thank you.

4 Mr. Seebeck, I have a couple questions
5 regarding your products. You kindly provided us
6 with a packet of what your catalogs look like.
7 Here's Crate & Barrel and The Land of Nod.

8 You said at one point that postage is
9 sometimes up to half the price of the, of the
10 booklet itself; is that correct?

11 MR. SEEBECK: That's correct.

12 COMMISSIONER BLAIR: How much did it cost
13 to mail this one?

14 MR. SEEBECK: That is probably 40, 40
15 cents or so.

16 COMMISSIONER BLAIR: So how much did it
17 cost to print and --

18 MR. SEEBECK: Roughly speaking, print is
19 probably 30 to -- 30 percent and then we have to
20 add creative costs and, of course, paper costs.

21 COMMISSIONER BLAIR: So if this is 40,
22 how much would this larger one be?

23 MR. SEEBECK: In terms of?

24 COMMISSIONER BLAIR: Postage.

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1 MR. SEEBECK: Postage is going to be
2 about 50 percent for every single catalog that we
3 mail.

4 COMMISSIONER BLAIR: So how much was the
5 postage for this?

6 MR. SEEBECK: Actually, I don't run The
7 Land of Nod marketing, so I don't have their
8 information.

9 COMMISSIONER BLAIR: If you could just
10 provide that for the record. I think that might
11 be helpful. I just thought it was interesting to
12 see how much you all do spend with the Postal
13 Service.

14 And does it matter to you what day of the
15 week it gets into the household?

16 MR. SEEBECK: We build our mail plans
17 with an in-home date of Tuesday. That is our
18 preferred day for a catalog to land in a
19 consumer's mailbox.

20 Sometimes mail begins to arrive -- well,
21 all the time I'd say mail begins to arrive on
22 Friday with an in-home day of Tuesday, and mail
23 will arrive on a Saturday.

24 We prefer everything to arrive on

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1 Tuesday. Having things arrive a few days before
2 is something we can live with, provided that
3 volume is not large.

4 We protect ourselves with events, in the
5 beginning date of events so that we're not putting
6 our customers in a bad situation because the sale
7 doesn't start or has already started on certain
8 days.

9 COMMISSIONER BLAIR: Thank you.

10 CHAIRMAN GOLDWAY: Could I just follow up
11 with Miss Tyson and a question, which is if you're
12 going to be talking to your customers about
13 reducing the service, what does that do to the
14 efforts you have talking to your customers about
15 getting them into the mail stream or expanding the
16 amount of mail you want them to use?

17 Because it's my understanding that there
18 is a real effort going on now in the Postal
19 Service to try and get small businesses in
20 particular to expand their use of mail.

21 Do you see those two efforts as perhaps
22 counterproductive? You're going to have to go and
23 give them a good message and a bad message at the
24 same time?

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1 MS. TYSON: I think a lot of that
2 conversation will center around how we can make
3 the best of a bad situation as would be viewed in
4 their opinion.

5 I would be centering a lot of that
6 conversation on talk about improving the
7 partnerships and how we could perhaps work certain
8 things out so that that one day less will not have
9 as negative an impact on their business.

10 CHAIRMAN GOLDWAY: Okay. Thank you.
11 Commissioner Langley?

12 COMMISSIONER LANGLEY: Thank you very
13 much.

14 I think my first question is to
15 Mr. Czarnecki. You testified and you were very
16 forthright in saying that the costs for Priority
17 or expedited mail should Saturday be eliminated as
18 a delivery date be passed on to the customer.

19 How are these costs allocated now? You
20 did mention in response to a question to
21 Commissioner Hammond that if somebody forgets to
22 order something that they normally would order and
23 be delivered by regular mail that the customer
24 would pay.

1 But I know from experience that my father
2 would forget to order his medication but he would
3 certainly -- he would never forget to order the
4 towels from Crate & Barrel.

5 So, you know, medication adherence is an
6 issue, particularly for senior citizens; but I do
7 understand, you know, if somebody forgets, you
8 know, charging the person.

9 But do you allocate these costs on to the
10 customer, the patient now if the person has to
11 receive Priority or expedited service just because
12 of perhaps the fragility of an item that isn't
13 sent by FedEx or UPS?

14 MR. CZARNECKI: The way we're set up
15 today is all our medication costs that are
16 normally ordered are our costs. We pay for all
17 the shipping, even the expedited for the cold
18 items. So we absorb all those costs ourselves.

19 And then, of course, in a price we commit
20 to our customers, have to try and make some profit
21 based on that. So we do it based on a mix of
22 medications, estimating the -- what they would
23 use, but we absorb all those costs.

24 Now, what we do do is if a member has

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1 decided they ordered late, we will allow them the
2 opportunity to pay for the expedited rate. They
3 will still get a shipment to them if they wanted
4 to wait; however, that increases their opportunity
5 of being out of medication if they would wait for
6 the normal process to run.

7 COMMISSIONER LANGLEY: So there would be
8 an additional charge really -- or the patient
9 would have a further financial burden if the
10 postal service were to eliminate, say, Saturday
11 delivery, and your business model right now is
12 looking at passing that cost on the patient?

13 MR. CZARNECKI: We're assessing that, of
14 course, with our client, and every client
15 negotiates with us on a specific basis. So yes,
16 our goal would be to maintain the service. If a
17 client decided that they wouldn't provide their
18 service, then they would decide not to pay for
19 that extra cost. And then they would basically,
20 in effect, have their members live within the
21 five-day delivery cycle. And then we would not
22 pass along that cost in that case.

23 But our goal would be to maintain service
24 level. We're concerned very much about the

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1 adherence part, so our recommendation with them
2 would be to go with the increased service
3 offering.

4 COMMISSIONER LANGLEY: Now, how would
5 this affect areas like Alaska and Hawaii, which
6 already have a longer delivery time just by virtue
7 of their locations?

8 I know that CVS bought out Longs Drugs in
9 Hawaii, so I would assume that you have a fairly
10 large presence in Hawaii, but it definitely takes
11 an added one to two days to get there.

12 If Saturday delivery were eliminated,
13 that adds a much greater time frame for those
14 outlying areas. Would they perhaps require
15 expedited or Priority Mail just in general in
16 order to make sure that they're served properly?

17 MR. CZARNECKI: Depends on the customer.
18 We would negotiate or work with each customer in
19 that area. Customer I'm talking about is not the
20 individual member but the overall companies or
21 health plans.

22 COMMISSIONER LANGLEY: Right.

23 MR. CZARNECKI: So we do try to meet
24 their needs. If that's what they would like to

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1 do, we would definitely use that service. Of
2 course, we would have to put in and respond
3 accordingly to a price for them.

4 COMMISSIONER LANGLEY: Right. Those
5 costs could end up again being with the patient.

6 MR. CZARNECKI: We do anticipate part of
7 the money would not just affect the consumer
8 members but also be passed along to the overall
9 healthcare system. If you increase rates or other
10 things, that some of those clients may pass on.

11 COMMISSIONER LANGLEY: Thank you.

12 I do have a couple questions for
13 Miss Tyson. Do you know what percentage of your
14 district's mail is delivered on Saturday now?

15 MS. TYSON: Just a little over
16 17 percent.

17 COMMISSIONER LANGLEY: A little over
18 17 percent?

19 MS. TYSON: Uh-huh.

20 CHAIRMAN GOLDWAY: 17? The rest is not
21 delivered on Saturday?

22 COMMISSIONER LANGLEY: 17 percent of the
23 total day.

24 CHAIRMAN GOLDWAY: I see. I guess I was

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1 thinking -- do you have areas in the city that
2 only get five-day delivery now?

3 MS. TYSON: No.

4 COMMISSIONER LANGLEY: What, what is the
5 -- what day is the highest percentage for delivery
6 mail?

7 MS. TYSON: Mondays.

8 COMMISSIONER LANGLEY: What percentage?

9 MS. TYSON: That hovers around 24, 24-1/2
10 half percent of the total volume.

11 COMMISSIONER LANGLEY: If we didn't have
12 Saturday delivery, what happens to Monday?

13 MS. TYSON: Well, that would have to be
14 calculated because of that 17 percent. Keep in
15 mind that a large number of our Saturday
16 deliveries are callers. That would still be
17 available. A large number of people have
18 post-office boxes. That would still be available.
19 That would have to be --

20 COMMISSIONER LANGLEY: It wouldn't be a
21 full 17 percent is what you're saying?

22 MS. TYSON: That's exactly what I'm
23 saying.

24 COMMISSIONER LANGLEY: So if mail from

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1 Saturday is held to Monday and then there were a
2 Monday holiday, Tuesday then becomes very
3 problematic, or there would need to be
4 adjustments?

5 MS. TYSON: Certainly there would be a
6 large increase, yes.

7 COMMISSIONER LANGLEY: What percentage of
8 your retail facilities are open on Saturday?

9 MS. TYSON: About 80 percent are open on
10 Saturdays now.

11 COMMISSIONER LANGLEY: And so the
12 20 percent that aren't open on Saturday, those
13 customers would either have to go to another
14 facility that might be open on a Saturday?

15 MS. TYSON: Those have been closed all
16 along. They are our smaller retail units. All of
17 our stations and branches in any retail unit
18 currently open on Saturday would remain open on
19 Saturday.

20 That 20 percent is comprised of some of
21 the retail units that are housed in some of the
22 business buildings, as an example. They're closed
23 on Saturdays.

24 COMMISSIONER LANGLEY: You mentioned that

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1 there's about a 5 percent decline in retail visits
2 over the recent years?

3 MS. TYSON: Yes.

4 COMMISSIONER LANGLEY: Do you know how
5 this 5 percent decline compares to other
6 districts?

7 MS. TYSON: No, I do not. I don't know.

8 COMMISSIONER LANGLEY: Thank you for your
9 responses.

10 And just a real short question to
11 Mr. Seebeck. You mentioned that the Postal
12 Service offers -- or that your company has come up
13 with some ideas of postal services that could be
14 sold at retail facilities. Have you talked to the
15 Postal Service about these ideas?

16 MR. SEEBECK: We have spoken about
17 catalogs being available in retail facilities,
18 that specific example.

19 COMMISSIONER LANGLEY: Catalogs in what
20 sense?

21 MR. SEEBECK: A Crate & Barrel catalog.

22 CHAIRMAN GOLDWAY: Just to be able to
23 keep them there?

24 MR. SEEBECK: So a booth or kiosk area

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1 where catalogs are on display. So that that's the
2 one idea we've had conversations with the Postal
3 Service about.

4 COMMISSIONER LANGLEY: Have they been
5 receptive?

6 MR. SEEBECK: Uh-huh. I'm not sure where
7 that idea stands right now, but it was a very
8 productive conversation that we had with the
9 American Catalog Mailers Association and
10 representatives of the U.S. Postal Service.

11 COMMISSIONER LANGLEY: Thank you. Thank
12 you all for your testimony.

13 CHAIRMAN GOLDWAY: If I might follow up
14 with Miss Tyson, that was a really interesting
15 question you asked, Commissioner Langley,
16 especially here in Chicago, because if I
17 understand it right, unlike some of the other
18 regions in the country, your mail volume has
19 increased?

20 MS. TYSON: Slightly, yes.

21 CHAIRMAN GOLDWAY: Slightly. Not a lot,
22 but has increased. So that it's not like you have
23 a lot of -- a lot of additional carrier time
24 available to you to absorb on Monday. Your

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1 carriers are working more or less at the same
2 capacity as they were in 2005?

3 MS. TYSON: We have had some adjustment
4 in our routes to add to the increased efficiency
5 overall of the Postal Service that has been
6 realized.

7 CHAIRMAN GOLDWAY: Right, right.

8 MS. TYSON: It would be impossible for me
9 at this point to determine how that absorption
10 rate would look if a decision is made to go to
11 five days.

12 CHAIRMAN GOLDWAY: So if you're at
13 24 percent on Monday and you absorb 10 or
14 12 percent, could you do that on Monday?

15 MS. TYSON: Well, part of that absorption
16 would include instead of a particular address
17 receiving five pieces of mail, they would receive
18 ten, ten pieces to the same address. It's not
19 like we're adding more addresses. It would just
20 be more mail going to the one stop.

21 CHAIRMAN GOLDWAY: Right. Yeah, I get
22 it.

23 MS. TYSON: That is possible.

24 CHAIRMAN GOLDWAY: But you think it's

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1 possible to absorb that much more on any given
2 day, and if it were a Tuesday, maybe to be absorb
3 both Saturday and Monday?

4 MS. TYSON: I can't speak specifically to
5 that, but certainly there would be --

6 CHAIRMAN GOLDWAY: Do you think that
7 there would be in the standard mail category some
8 decision to delay delivery from Saturday to Monday
9 to Tuesday perhaps to spread out the mail?

10 MS. TYSON: That would be an option, or
11 the flexibility of delivery of that mail that is
12 not committed for that day's delivery, yes.

13 CHAIRMAN GOLDWAY: Because that's some of
14 the concern that we heard from other advertisers.
15 The thinking in some districts where the volume
16 seems to have been going down made us think that
17 perhaps letter carriers could take that on, but in
18 Chicago you seem to be maintaining your volume.

19 You mentioned something about having a
20 lot the mail industry here, but that doesn't
21 necessarily relate to the mail that people
22 receive.

23 Why else do you think mail has been
24 maintained in the Chicago region as opposed to

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1 other regions of the country?

2 MS. TYSON: I think just because of the
3 businesses that exist here. Logistically we're in
4 the center of the country and a lot of mail is
5 entered into the mail stream here that destines
6 in other locations.

7 CHAIRMAN GOLDWAY: But you said you get
8 more delivery, you have more volume per delivery
9 as well?

10 MS. TYSON: Our volume has increased
11 slightly, but in answer to why, it's because of
12 that and because, as we've heard the gentleman
13 talk about, the increase in volume that he put
14 into the mail stream as a result of the summer
15 sales.

16 It's really hard for me to determine why
17 we may get a little more mail here. When you
18 think about the housing industry throughout the
19 nation, Chicago did not realize the same level of
20 downturn in the housing market as other portions
21 of the country did.

22 CHAIRMAN GOLDWAY: Good point. Thank
23 you. Thank you. And now Commissioner Acton.

24 COMMISSIONER ACTON: Thank you,

1 Madam Chairman.

2 Mr. Seebeck, it sounds from your
3 testimony as if Crate & Barrel may be planning for
4 an either/or situation, either elimination of
5 Saturday delivery or perhaps an exigent rate case.

6 MR. SEEBECK: Well, what I heard earlier
7 from the Postal Service is you have many different
8 ideas, including the exigent rate case. And I
9 encourage the Commission to steer the Postal
10 Service away from an exigent rate case and away
11 from a rate case that would produce greater-than-
12 inflation increases and seek alternatives that are
13 on the cost side of things, such as I've outlined.

14 So I believe that you could avoid an
15 exigent rate case and turn to cost alternatives
16 instead, and that would provide the type of relief
17 that is required of the Postal Service.

18 COMMISSIONER ACTON: Well, the Postal
19 Service is presently asking and planning for both.

20 MR. SEEBECK: That doesn't mean you have
21 to approve it.

22 COMMISSIONER ACTON: Is Crate & Barrel
23 presently planning for an increase in your postal
24 costs?

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1 MR. SEEBECK: We plan for an inflation or
2 a round inflation increase, and we do that using
3 historical numbers. But we really just learned
4 about the exigent in the last 30, 30 days.

5 COMMISSIONER ACTON: It's a theory at
6 this point.

7 MR. SEEBECK: Right. So we have not
8 adjusted any marketing plans based on anything
9 greater than what we --

10 COMMISSIONER ACTON: I suppose I'm
11 wondering if given the current trend on the
12 inflation rates and what the consumer price index
13 must be there's a number that you can share with
14 us in terms of what you're planning for a
15 possibility of a larger expense for postal cost?

16 MR. SEEBECK: We've built in 2 percent.

17 COMMISSIONER ACTON: Okay. And you
18 mentioned in the course of your testimony in
19 closing that you would endorse a focus on the
20 development of better standardization in some of
21 the cost accounting methodologies.

22 So you perceive some problems with the
23 present models?

24 MR. SEEBECK: My understanding is there's

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1 not clear agreement between the costs that the
2 Postal Service will produce and costs that your
3 team of researchers produce.

4 So I'm not sure there's clear agreement
5 on what the cost structure is for certain classes
6 of mail, and I think there needs to be better
7 agreement so the true cost of the Postal Service
8 is agreed.

9 COMMISSIONER ACTON: You represented a
10 differential between the agencies. You haven't
11 some model in mind yourself?

12 MR. SEEBECK: Not me personally, but the
13 association, American Catalog Mailers Association,
14 has an opinion on what those models will be.

15 COMMISSIONER ACTON: They're elasticity
16 studies they've been doing and whatnot.

17 MR. SEEBECK: So more information on that
18 could be provided if that's necessary.

19 COMMISSIONER ACTON: That's helpful.
20 Thank you.

21 Mr. Czarnecki, you mentioned, I think, in
22 your testimony that 20 percent of your deliveries
23 occur on Saturday?

24 MR. CZARNECKI: Yes.

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1 COMMISSIONER ACTON: That's a large
2 amount for a weekend delivery. There must be a
3 reason why that percentile falls on that day, or
4 are individuals who are ordering from your
5 enterprise requesting Saturday delivery?

6 MR. CZARNECKI: No. But as we described
7 earlier in the delivery of mail, the largest day
8 of receiving mail for us is similar to the post
9 office. Mondays, Tuesday is when we get in most
10 of our inbound mail. And our goal is to actually
11 get it out and delivered in five days.

12 So Monday being the largest tends to be
13 Saturday being a fairly large delivery day with
14 that. So consequently, we have a fairly large
15 delivery day; otherwise, that would flow to the
16 following week if we didn't have the process be
17 processed through in a timely fashion.

18 CHAIRMAN GOLDWAY: Could you organize it
19 to get it to people's homes on Friday? Could you
20 squeeze your processes to do that?

21 MR. CZARNECKI: We're already having ours
22 run as optimally as we can. Our goal is to get
23 every single order out in as short a period of
24 time as possible.

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1 One, it makes our business model more
2 competitive with the retail pharmacy network if we
3 can deliver within the same week that person gets
4 his medication, or prescription, if they can
5 actually get it to their home. The longer time
6 that takes, the less likely our business model
7 will be used as a business alternative.

8 COMMISSIONER ACTON: Do you know what
9 percentage of your delivery currently happens on
10 Monday?

11 MR. CZARNECKI: I don't have that number
12 off the top.

13 COMMISSIONER ACTON: Do you believe the
14 entirety of your Saturday delivery would shift to
15 Monday?

16 MR. CZARNECKI: Well, just like any
17 delivery model, you assume some percentage will
18 move to Monday, but some would move further out.

19 COMMISSIONER ACTON: A large percentage.

20 MR. CZARNECKI: I, I --

21 COMMISSIONER ACTON: It's hard to know.
22 That's fair. Thanks.

23 Miss Tyson, first of all, congratulations
24 upon your years of service.

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1 MS. TYSON: Thank you.

2 COMMISSIONER ACTON: Also, it was
3 encouraging to hear that the Postal Service is
4 planning the type of outreach that you outlined
5 because the Commission has made its point in a
6 number of instances that we believe in that type
7 of community involvement.

8 So it's good to know the Service is
9 contemplating that and moving ahead with plans to
10 implement that. It sounded, too, as if some of
11 that has already begun, yes?

12 MS. TYSON: Not specifically on this
13 topic. When we're in the midst of having
14 meetings, the question is always asked are we
15 going. And of course, when I answer, I don't
16 answer with any certainty because I don't know.
17 But those are the things discussed at those
18 meetings.

19 COMMISSIONER ACTON: So a proactive
20 measure by the district area groups like yourself
21 isn't presently underway to prepare for the
22 possibility of this change, but there is
23 discussions about it in general?

24 MS. TYSON: Correct. Just low-level

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1 discussion and not until a decision is made based
2 upon your recommendation and, of course,
3 Congressional decision-making will we go forward.

4 COMMISSIONER ACTON: Thank you,
5 Madam Chairman.

6 CHAIRMAN GOLDWAY: Thank you. Thank you
7 all. You've been wonderfully articulate and
8 thoughtful and straightforward.

9 I do want to move forward, so I will just
10 take the opportunity to ask one question of
11 Mr. Seebeck that follows up on Mr. Acton's
12 questions.

13 In your testimony you're basically saying
14 you're okay with Saturday -- eliminating Saturday
15 delivery if we don't have to have a significant
16 rate increase and it includes a great deal of
17 other ideas for reforms or flexibility, pension
18 reform, agreement on some new rate costing
19 structure, labor flexibility, flexibility with
20 regard to closing facilities of various sorts.

21 Now, we're not necessarily in the
22 position as a Commission to be able to guarantee
23 any of these other actions while deciding upon
24 six- to five-day.

1 So you're putting us in a position --
2 we're not the operators. We can't deal with labor
3 flexibility. The question of closing postal
4 facilities is one we have some differences of
5 opinion about with the Postal Service, as well as
6 some legislative oversight that the Congress has
7 with regard to it.

8 So how can we make a decision that
9 protects you because if we just go ahead with
10 okay, six to five, we're not in a position to
11 guarantee you these other things that you think
12 are necessary within it?

13 Are we, are we giving you the protection
14 you need or are we simply opening the door to that
15 problem and then you'd have to face the exigent
16 case anyway?

17 MR. SEEBECK: That's a good question. We
18 work directly with the Postal Service. As you
19 know, we're carrying the same message to the
20 Postal Service.

21 I think that you have a choice with this
22 single decision; and if you don't support the
23 Postal Service, you will increase the chances of
24 an exigent or a greater-than-inflation rate

1 increase which will eliminate mail from the
2 system.

3 So that's what you have to weigh. I
4 believe that if this isn't supported, it will put
5 more pressure on the Postal Service to have to
6 raise rates and do it in a way that's going to
7 eliminate mail. And I think that conversation,
8 that point is critical and needs to be understood
9 and weighed in your decision.

10 CHAIRMAN GOLDWAY: Okay. Thank you. I
11 think that gets back to Congressman Davis' point
12 about how difficult these decisions are going to
13 be and, again, emphasizes how important it is that
14 we've gotten your points of view before making
15 these decisions. So thank you very much for your
16 testimony.

17 It will be transcribed and other people
18 may be asking us questions about it, but we will
19 certainly consider it as part of the record before
20 we make a decision. Thank you very much.

21 We'll ask the next panel to gather.
22 We're going to take just a five-minute break, but
23 really only five minutes because we have two more
24 panels and a lot of people who are waiting to

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1 speak as well after the panel discussions.

2 (Brief recess.)

3 MR. SEEBECK: Crate & Barrel, July Best
4 Buy, total unit cost, .465. Crate & Barrel July
5 Best Buy postage, 244. Crate & Barrel Fall
6 Collection total, 563. Crate & Barrel Fall
7 Collection postage, 273. CB2 total, .613. CB2
8 postage, .298.

9 CHAIRMAN GOLDWAY: Good afternoon. It's
10 my pleasure to welcome our second panel to today's
11 hearing in Chicago.

12 I am pleased to introduce to you Michael
13 Winn, who is representing the R.R. Donnelley
14 Company. He'll be followed by Bud Wood, Lucien
15 "Bud" Wood, who's the owner and president of
16 Murray McMurray Hatchery. And our final witness
17 on the panel is Steve Colella, who is the vice
18 president of Calmark, based here in Chicago.

19 Mr. Winn, would you like to begin?

20 MR. WINN: Thank you, Madam Chairman. My
21 name is Michael Winn, and I thank the Commission
22 for the opportunity to speak today.

23 I'm here to provide testimony for R.R.
24 Donnelley & Sons Company in regards to the United

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1 States Postal Service's proposal to reduce
2 delivery to five days a week from the current
3 six-day delivery.

4 R.R. Donnelley, a Fortune 250 company, is
5 the largest printer in North America. We employ
6 nearly 35,000 people across 45 states. Printing
7 is one of the largest domestic manufacturing
8 industries, and R.R. Donnelley has production
9 facilities in 26 states where we're represented
10 from coast to coast and border to border.

11 Donnelley just doesn't print the material
12 and send it back to our customers. We print the
13 material, arrange for delivery for our customers,
14 collaborating with the USPS, and employing a
15 sophisticated logistics network plan nationwide.

16 The health and viability of the United
17 States Postal Service is critical to our business.
18 We print, bind and address over 8 billion mail
19 pieces each year of all types; magazines,
20 catalogs, direct response materials, financial
21 documents, such as statements and prospectuses.

22 As a logistics provider, we drop-ship
23 customers' mail into the postal system of
24 processing plants to maximize the postal discounts

1 our customers receive and to aid the USPS
2 maximizing their efficiency in processing the
3 mail.

4 Our customers expect dependable and
5 timely delivery to the USPS processing facilities
6 from R.R. Donnelley.

7 The USPS proposal to eliminate one day of
8 delivery concerns R.R. Donnelley because it might
9 also mean curtailing processing operations.

10 In the answer to one of the frequently
11 asked questions on the USPS Web site, the USPS
12 says that the difference between the Postal
13 Regulatory Commission's estimate of \$1.9 billion
14 in savings and the USPS estimate of \$3 billion in
15 savings is that the PRC did not take processing
16 and transportation costs into consideration.

17 Clearly this is an indication that the
18 USPS plans to curtail processing as well as
19 delivery. Donnelley, R.R. Donnelley makes over
20 20,000 appointments at USPS facilities every year
21 to drop-ship mail into their processing system.

22 Obviously, those appointments cannot be
23 reduced by one day a week without seriously
24 compromising our service to our customers. That

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1 is where our concern lies.

2 The delays involved with reduced
3 processing would be very, very disruptive. We
4 strongly believe that the United States Postal
5 Service's current processing schedule must be
6 maintained.

7 Again, thank you for the opportunity to
8 present our views.

9 CHAIRMAN GOLDWAY: Thank you, Mr. Winn.
10 That was very useful.

11 We'll now call on Mr. Wood, who will
12 provide his presentation.

13 MR. WOOD: Thank you for the opportunity
14 to speak before to you. I am representing the
15 mail-order hatchery industry and others who ship
16 poultry throughout the United States.

17 I am also the chairman of the Bird
18 Shippers of America, an organization of mail-order
19 hatcheries and poultry enthusiasts. I am also the
20 co-owner and president of Murray McMurray
21 Hatchery, a mail-order chicken hatchery.

22 Our industry primarily provides poultry
23 to small flock owners and backyard flocks.

24 Because of the size of our orders and that our

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1 customers are spread throughout the United States,
2 the U.S. mail is the only economical shipping
3 option available to us.

4 At the beginning of the 20th century,
5 commercial incubators became available and our
6 industry was born. Murray McMurray Hatchery
7 started in 1917 and has used the post office from
8 the beginning to ship our chicks, just like so
9 many other hatcheries across the United States.

10 The egg is a marvel of nature. The
11 chicken embryo develops from the white part of the
12 egg and the yolk is its food source. Prior to
13 hatching, the chick will envelope what is left of
14 the yolk, which gives him a minimum of three days
15 of food and water after emerging from the shell.

16 In nature this gives the mother hen three
17 days to ensure that all her eggs are hatched
18 before taking her root to food and water. This
19 also allows us three days to ship the chicks
20 through the mail.

21 From the beginning we have been in
22 partnership with the U.S. Post Office. In the
23 early days the USPS used trains to ship our birds.
24 We could reach every part of the country within

1 72 hours.

2 As trains were phased out, in the '50s
3 and '60s planes took over as the mode of
4 transportation. Today, according to Joel Rosen,
5 USPS Logistic Network Operation, the U.S. Post
6 Office shipped 1.8 million pounds of day-old
7 poultry in the last twelve months.

8 If you add the adult birds that are
9 mailed, my guess is the total postage paid by our
10 industry is easily over \$10 million. At McMurray
11 Hatchery, postage is our largest single expense
12 each year.

13 Over the years we have faced many
14 challenges when shipping our chicks. In 2001 an
15 animal rights group convinced the airlines with
16 postal contracts to no longer accept poultry as
17 mail.

18 Through legislation sponsored by Senator
19 Grassley, we were able to force the airlines to
20 carry all of the mail and not be able to pick and
21 choose.

22 As part of a compromise, we agreed to a
23 live poultry surcharge of 20 cents a pound. This
24 surcharge is the only surcharge in all of the U.S.

1 postal system.

2 Shortly after that, Northwest Airlines
3 did not renew their postal contract; and this left
4 the upper Midwest without enough airlift to carry
5 our birds.

6 The U.S. Post Office negotiated a special
7 contract to carry "lives" with Northwest. As a
8 result, an additional 80 cents was added to the
9 existing surcharge for shipping out of Minneapolis
10 and Detroit only, again, discriminating against
11 the upper Midwest.

12 We are also restricted to the days of
13 week that we can mail. We have been told that
14 Tuesday is the busiest day of the week and the
15 post -- for the Post Office, and they cannot
16 guarantee they can handle our volume.

17 We at Murray McMurray Hatchery can only
18 mail on Saturday. That leaves very little room
19 for error to make the 72-hour deadline on Monday.

20 Other hatcheries are restricted to Monday
21 or Wednesday. A larger number of boxes mailed on
22 Wednesday are arriving on Saturday, not on Friday
23 as they should.

24 Most of the hatcheries ship Priority

1 Mail, which has a three-day guarantee. Some
2 hatcheries opt to ship Express Mail so that the
3 birds will arrive in two days.

4 This year the guarantee for Express Mail
5 was changed to exclude poultry. The explanation
6 was given that it is -- if there is dry ice --
7 excuse me, dry ice on the flight, which gives off
8 carbon dioxide, they must bump the birds off the
9 flight; therefore, they cannot guarantee two-day
10 arrival. Once again, our industry has been
11 discriminated against.

12 The loss of Saturday mail service will
13 not affect our industry if some of the other
14 issues could be addressed. We need three days at
15 the beginning of the week so that we can ship.
16 Therefore, our shipments would arrive prior to
17 Saturday.

18 If we can continue to put mail in the
19 stream on Saturday for Monday delivery, and if the
20 birds that do happen to arrive at a hub or Post
21 Office on Saturday, the customer could be
22 contacted by phone and arrangements made to have
23 the birds picked up.

24 We are concerned where the cost-cutting

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1 measures are going. We cannot afford to lose any
2 more service. It will be devastating to our
3 industry if we lost Saturday and then later lost
4 Wednesday or Thursday.

5 We can support the loss of Saturday if we
6 are allowed to ship on Saturday, Sunday, Monday
7 and Tuesday and are guaranteed a 72-hour delivery.

8 Thanks again for the opportunity to voice
9 my concerns.

10 CHAIRMAN GOLDWAY: Thank you.
11 Mr. Colella, please.

12 MR. COLELLA: Good afternoon. My name
13 is Steve Colella, and I'd like to thank the
14 Commission for the opportunity to speak here
15 today.

16 I am vice president of Postal Affairs for
17 Calmark located here in Chicago. My
18 responsibilities include understanding the USPS
19 rules and regulations, assessing the changes to
20 those rules and the determined impact on Calmark
21 and our clients. I have been in direct mail
22 industry since 1977 and in my present position
23 since 1995.

24 For the purposes of this testimony, I am

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1 speaking on behalf of both Calmark and the
2 Mailing & Fulfillment Service Association. MFSA
3 is a trade group of approximately 500 companies
4 who offer a variety of mailing and fulfillment
5 services, as well as vendors and suppliers to that
6 trade.

7 I represent MFSA as one of its
8 representatives on the Mailers Technical Advisory
9 Committee. I am presently on the MTAC Leadership
10 Committee as the standard class representative,
11 and I am on the Growth Focus Area.

12 Calmark is a privately held corporation
13 celebrating its 50th year in business this July.
14 Calmark provides complete range of direct mail
15 services, including creative, print production
16 management and letter shop services.

17 Calmark processes approximately 500
18 million pieces of mail annually; and while we
19 provide mail to the commercial companies, the
20 majority of our annual volume is for nonprofit
21 organizations.

22 Our clients will range from the very
23 small nonprofit mailing 25,000 pieces monthly to
24 larger organizations mailing in excess of 50

1 million pieces annually.

2 Calmark has been located in Chicago since
3 1960 and presently employs a workforce of about
4 250 individuals. Over the past few years, we have
5 seen continued decline in direct mail, which has
6 required us to improve productivity by purchasing
7 high-speed equipment and reducing our workforce.

8 We have been forced to do more with less.
9 A further drop in volume would have a significant
10 impact on our business and our employees.

11 As mentioned earlier, many of our clients
12 are nonprofit organizations that depend heavily on
13 direct mail to provide donations required to offer
14 the services they provide.

15 As much as 70 percent of nonprofit
16 operating incomes are derived from donations
17 received through direct mail solicitations.
18 Therefore, the need of a viable USPS at reasonable
19 rates are essential for these nonprofit
20 organizations.

21 The purpose of my testimony today is to
22 offer comments on the Postal Service proposal to
23 reduce delivery days from six to five days as part
24 of its broader plan to reduce costs and improve

1 its financial liability.

2 In general, mailing service company like
3 Calmark and others at MFSA respond to the needs of
4 our clients and establish operating capabilities
5 and schedules accordingly.

6 Though we all work with our clients to
7 develop their mail plans, it is they who pay the
8 postage for the mailings and determine what will
9 be mailed and when.

10 Because each has its respective business
11 objectives and needs, and because each has to
12 coordinate mail materials with other activities
13 such as in-store programs or advertising through
14 other media, the obligation of mailing service
15 providers like Calmark and its peers is to
16 structure our operations as necessary to fulfill
17 the instructions of those clients.

18 Accordingly, if a client wants to mail on
19 a specific date through specific entry points or
20 in a specific format, it is our obligation to
21 produce mailings that comply with those
22 specifications.

23 In other words, the client gives the
24 orders, pays the postage and we make it happen.

1 In meeting our clients' needs, the Postal
2 Service is an essential and indispensable partner
3 that singularly enables all of us to complete the
4 critical link between business and our customers.

5 Without an efficient and dependable
6 Postal Service, none of us could do our job. So
7 it is with great concern that we watch the agency
8 struggle to overcome significant challenges.

9 Some are within its control and many are
10 not. Changes in how Americans communicate are
11 highlighting how the postal system was designed
12 for another time but never provided the
13 opportunity -- the operation flexibility to adapt
14 as times changed.

15 As a result, we now see it toiling to
16 fulfill public expectations and policy obligations
17 without the necessary tools to do so economically
18 and efficiency.

19 Aside from what the 20/20 hindsight tells
20 us could or should have been done in the past, the
21 looming important decisions that must be made by
22 USPS management, Postal Regulatory Commission, and
23 Congress require progressive thinking about how to
24 prepare the agency for the future, not how to

1 perpetuate outdated traditions.

2 We are pleased to see the Postmaster
3 General's plan for the future of the Post Office
4 presented on March 2nd sought to comprehensively
5 address all aspects of challenges facing the
6 agency and to solve them in a coherent fashion
7 rather than a series of uncoordinated proposals.

8 By emphasizing that tinkering with any
9 element of the plan requires compensating
10 adjustments elsewhere, he established a
11 fundamental baseline from which further discussion
12 can proceed.

13 There are some aspects of the plan that
14 we wholeheartedly endorse, such as eliminating
15 needless financial burdens, rightsizing the postal
16 infrastructure and workforce, streamlining how
17 services is provided, and improving the agency's
18 business and operating flexibility.

19 But there are some that we do not
20 support, notably an increase in prices above the
21 rate of inflation.

22 As for the proposed change in delivery
23 from five to six days, both we, Calmark, and our
24 clients and our association are somewhat of two

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1 minds.

2 On one hand, as responding to the needs
3 and instructions of our clients, we are prepared
4 to operate as those clients dictate. Each of them
5 will support or oppose elimination of Saturday
6 delivery for its own business reasons, usually
7 based on how critical that day's delivery is to
8 their business needs and how they could adapt or
9 not if Saturday delivery was ended.

10 Calmark's clients feel that a viable and
11 efficient USPS is needed to ensure stable rates.
12 And some clients support eliminating Saturday
13 delivery and will adjust their mail plans
14 accordingly, if that change will help achieve the
15 goal of rate stability.

16 As with our clients, we can and will
17 adjust our operations as necessary and, therefore,
18 can accommodate five-day delivery if it happens.

19 On the other hand, we are concerned
20 eliminating Saturday delivery will harm the Postal
21 Service as current users turn to other media, out
22 of the mail, if not out of paper media altogether
23 to reach their customers.

24 Reducing the value of mail will hurt not

1 only our clients but those of us who produce the
2 mail and the agency that delivers it. Some
3 clients feel that one fewer day may increase
4 mailbox clutter and competition for the
5 recipient's attention and, in turn, affect the
6 clients' opening and responding rates.

7 There is also concern that some mail
8 delivery may be delayed after a three-day holiday
9 weekend, thus impacting clients who have specific
10 in-home delivery targets.

11 The bottom line is that we see five-day
12 as a course of action that we not only prefer not
13 happen, but one that we believe does not have to
14 take place.

15 In that regard, I must return to the
16 underlying theme of the Postal Service's plan that
17 all the elements, including the five-day delivery,
18 must be viewed as parts of a whole and that
19 something done by one element will require
20 adjustments elsewhere.

21 The Postal Service has stated it could
22 save about \$3 billion eliminating Saturday
23 delivery, and that anticipated mail volume will be
24 increasingly unable to underwrite the delivery

1 network of the future.

2 Looking at it from -- looking at mail
3 from a producer's perspective, and I am aware of
4 the expanding delivery network, I can understand
5 the Postal Service's math and motivation for what
6 it is proposing.

7 Saving \$3 billion cannot be ignored, but
8 there are other ways it can be achieved besides
9 cutting delivery, and they must be pursued.

10 My response to the five-day proposal is
11 ask other key players in the conversation, the
12 Commission, the Congress, both of whom have
13 indicated their resistance to five-day, to step
14 forward with their own proposals for how the
15 Postal Service can avoid reducing delivery days.

16 Each can and should endorse and enable
17 other ways to eliminate equivalent costs or
18 generate equivalent new volume.

19 For example, Postal Service's Inspector
20 General has found the Postal Service has overpaid
21 its required annuity obligations by tens of
22 billions of dollars, while at the same time being
23 mandated to make multibillion-dollar annual
24 payments for future retiree costs.

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1 I can easily see how these overpayments
2 and other funding mandates could be rationalized
3 to for the need of desperate cost-cutting
4 measures, such as eliminating Saturday delivery.

5 And of course, even if the reported
6 overpayments are made available to the Postal
7 Service, and even if Saturday delivery is
8 retained, there are other challenges that remain
9 to be overcome before the Postal Service is
10 reconfigured to operate efficiently well into the
11 future.

12 Thank you for allowing me to share my
13 comments, and I would be happy to provide any
14 further information the Commission may require.

15 CHAIRMAN GOLDWAY: Thank you. Once
16 again, we have a cross-section of points of view
17 and specific examples of where this proposal will
18 or will not hurt the industry.

19 Mr. Donnelley, if I may begin --
20 Mr. Donnelley. Excuse me, Mr. Winn.

21 MR. WINN: I should wish.

22 CHAIRMAN GOLDWAY: Excuse me, Mr. Winn.

23 I had these notes here, Donnelley has 20,000
24 appointments at the USPS?

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1 MR. WINN: Yes.

2 CHAIRMAN GOLDWAY: That's every year. Do
3 you know how many of them now are on Saturdays?

4 MR. WINN: I don't have that statistic,
5 but I can tell you that the bulk of our
6 appointments are at the end of the week for
7 standard mail.

8 That means that it goes into the USPS
9 processing system over the weekend. And as you
10 heard from the gentleman from Crate & Barrel they
11 like a Tuesday in-home day. That gives them the
12 best response rate.

13 So that's how we plan mail. We plan on
14 how the customer gets their best response from
15 their, from their customers.

16 Now other mail, take periodicals, weekly
17 periodicals, monthly periodicals, they're on
18 another set schedule that's very similar.

19 So the appointments relate directly to
20 that, and that's how the appointments are
21 generated.

22 CHAIRMAN GOLDWAY: So if there's an
23 appointment for standard mail on a Thursday or a
24 Friday and there is no processing on Saturday,

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1 then that mail will get there --

2 MR. WINN: That appointment will probably
3 disappear or be turned away.

4 CHAIRMAN GOLDWAY: Is there an option
5 that the mailers --

6 MR. WINN: Let me give an example of
7 something that's happening right now. The Postal
8 Service is trying to determine what facilities are
9 the best ones to close.

10 So if I have two facilities in a given
11 region, they do something called an AMPT, Area
12 Mail Processing Test, which you are aware of, I'm
13 sure.

14 CHAIRMAN GOLDWAY: Uh-huh.

15 MR. WINN: Well, the drop-shipping
16 notices still say go to those two facilities, but
17 they'll close one to see if they can process all
18 the mail through the other.

19 So that's what it's going to be like.
20 It's being able to be -- certainly you're going to
21 get the appointments when you need them, and that
22 the mail in the background is going to be
23 processed for the carriers.

24 CHAIRMAN GOLDWAY: So there will be a

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1 bunching up of appointments and the, hence, the
2 mail processing will back up.

3 MR. WINN: That's a very good word to
4 use, because we run seven days a week. Every day
5 of the year, except Christmas, we produce mail.

6 It's got to go somewhere. Either it's
7 going to have to stay in our facilities; and I'm
8 going to be very honest, no printer has enough
9 space in their facilities to hold back mail.

10 We sweep the floor and get them into the
11 consolidation facilities. Or it's going to back
12 up in the Postal Service, and then Monday morning,
13 or Tuesday morning on a holiday weekend, there is
14 going to be a glut. So bunching up is exactly
15 what's going to happen in this system.

16 CHAIRMAN GOLDWAY: Is there any way you
17 can give us any more specific information, not
18 right now, but for the record about what you think
19 this will involve in terms of the timing for mail
20 processing or the volumes of mail that are
21 involved in that?

22 MR. WINN: Well, I can give you one
23 statistic today, and it will -- I think it will
24 put the challenge into perspective.

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1 Our logistics company processes 75,000
2 pallets of mail a day. Now, that's a lot of mail.
3 And we're not the only ones who do that. And so
4 there's a considerable volume out there.

5 CHAIRMAN GOLDWAY: So 75,000 pallets on a
6 Saturday?

7 MR. WINN: Yes.

8 CHAIRMAN GOLDWAY: Have to be somehow
9 distributed during the rest of the week through
10 other appointments or stored somewhere.

11 Thank you. That's really interesting.

12 Mr. Wood, can you give me a sense now
13 of -- I was, by the way -- one of my first
14 consumer appointments was as a member of the
15 California Egg Advisory Board; so I'm intimately
16 involved with eggs and the huge industry in
17 California that produces eggs for consumption, but
18 not hatcheries.

19 And, I wondered, who -- since so much of
20 egg production is now in these rather huge
21 manufacturing kinds of facilities, who's your
22 market for these chicks?

23 MR. WOOD: You're right. Our market is
24 not the large egg producers. Our market is the

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1 small mom-and-pop people that would maybe sell at
2 farmers markets, maybe have a small area where
3 they distribute. And also the backyard flocks,
4 the hobbyists and the 4-H kids and those type of
5 people.

6 Our average order keeps shrinking in
7 size, but our number of orders go up. Right now
8 our average order is somewhere over 30 chicks in a
9 box.

10 CHAIRMAN GOLDWAY: I see. So there still
11 is widespread interest around the country and
12 growing?

13 MR. WOOD: And growing all the time. And
14 I attribute it to the local food consumption
15 movement, the organic people. But the last three
16 years we have been running at full capacity and
17 have had a backlog to even fill those orders. So
18 our industry is growing.

19 CHAIRMAN GOLDWAY: With regard to MFSA
20 and Calmark, you know, the nonprofit mailers
21 already get a discount from standard mail rates.
22 And, and there's some concern as to whether they
23 pay their own pay in the system as it is.

24 Is your feeling that, as Crate & Barrel's

1 was, that rates trump service in this regard, that
2 keeping rates low is more important than anything
3 else?

4 MR. COLELLA: I think -- yes, I think
5 that's probably a correct, fair statement because
6 as rates go up, generally the budgets don't go up.
7 So if they've budgeted X amount of dollars and you
8 can mail so many pieces with that, if the rates go
9 up, the budget remains the same. The number of
10 pieces they mail goes down.

11 And when you're doing acquisition
12 mailings, that can be critical in maintaining
13 their house files, if you will, their base donors.
14 And your comment about them paying their own has
15 nonprofits very worried, too, because they realize
16 there may be changes in the rates to make that
17 more equitable.

18 CHAIRMAN GOLDWAY: So when you ask us how
19 can we avoid reducing delivery days, you don't
20 want us to avoid delivering days by raising rates?
21 You don't want us to avoid reducing delivery dates
22 by raising rates?

23 You don't see that as viable.

24 MR. COLELLA: Well, again, some

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1 nonprofits that we talked to would, if given the
2 choice between losing Saturday and keeping rates
3 stable or only slight increases, then they would
4 take that as the lesser of two evils.

5 CHAIRMAN GOLDWAY: I think
6 Commissioner Langley mentioned at the beginning of
7 the hearing that the Commission has already taken
8 a position in support of dramatically reducing the
9 payments for healthcare retiree benefits, which
10 the Postal Service now is required to pay legally.

11 That, like six- to five-day, would take
12 an act of Congress to change; but we did submit a
13 report justifying a significant reduction and
14 certainly are open to the other suggestions that
15 have been made to reduce those costs.

16 And we're now in the process of studying
17 the payment into the regular pension fund that the
18 Postal Service has made over the last 30 years to
19 determine whether the IG's recommendation that
20 there's a \$75 billion overpayment there is
21 accurate and, if so, what to do about that.

22 So we are engaged in some of these other
23 issues that also have their trade-offs one way or
24 the other.

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1 MR. COLELLA: I would appreciate that.

2 CHAIRMAN GOLDWAY: Those are some of the
3 big concerns that we're also involved in, so I
4 wanted to mention that for the record.

5 Now, I think I'll begin with
6 Commissioner Langley and move down this way.

7 COMMISSIONER LANGLEY: Thank you very
8 much. I really want to thank our witnesses
9 because it's nice to have, like, Mr. Wood because
10 you put a different face on the impact that this
11 proposal could have.

12 And having worked in Congress, I also
13 remember working on this particular issue; so I
14 remember about the three-day incubation period of
15 the chick in the egg.

16 But I did want to ask you, you mentioned
17 that you can only mail on Saturdays?

18 MR. WOOD: That's correct.

19 COMMISSIONER LANGLEY: Is that imposed by
20 the Postal Service or is that your company?

21 MR. WOOD: That is correct. It's imposed
22 by the Postal Service. There is not enough
23 airlift going out of Minneapolis on the other
24 days.

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1 I would like to mail, put it in the
2 stream on Sunday for Monday, Tuesday delivery; but
3 they tell me that there are the same number of
4 flights available but there isn't a ground crew
5 available on Sunday to handle our volume.

6 Other hatcheries, the local postal
7 facilities have told them the same thing, that you
8 can only ship on Mondays or you can only ship on
9 Tuesdays or Wednesdays.

10 COMMISSIONER LANGLEY: So the Postal
11 Service is also balancing its ability to get
12 carriage on the airlines?

13 MR. WOOD: To our discrimination.

14 COMMISSIONER LANGLEY: To your
15 discrimination?

16 MR. WOOD: Like the dry ice thing, they
17 wouldn't think of bumping the dry ice but they
18 bump our birds.

19 COMMISSIONER LANGLEY: So if you couldn't
20 mail on a Saturday because there wasn't
21 processing, the Postal Service would then set
22 another day after negotiating with the airlines to
23 ensure that there's appropriate space?

24 MR. WOOD: I would hope, but the

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1 airlines --

2 COMMISSIONER LANGLEY: But they can still
3 bump, is what you're saying?

4 MR. WOOD: Monday is too busy of a day
5 for them, so we're just kind of caught in between
6 the Post Office and the airlines to ship our
7 goods.

8 COMMISSIONER LANGLEY: Is there any
9 percentage of deliveries that you might know that
10 don't arrive on time?

11 MR. WOOD: All I know is that I do put a
12 tracking code on all our packages, delivery
13 confirmation. And I don't have the exact figure,
14 but it's roughly 20 percent are not scanned on
15 Monday as they should be.

16 Now, I mentioned that they're not scanned
17 because I can't tell you for sure if they're
18 delivered or if they were not scanned by the
19 postal facility. I'm sure some of each happens.

20 COMMISSIONER LANGLEY: Thank you.

21 Mr. Winn, let me ask you, you mentioned
22 that R.R. Donnelley operates seven days a week?

23 MR. WINN: Yes.

24 COMMISSIONER LANGLEY: If the Postal

1 Service were to eliminate Saturday for both
2 delivery and processing, how does this impact your
3 operation? Do you have to let people go?

4 MR. WINN: Well, you also heard the
5 gentleman from Crate & Barrel talk about reducing
6 pages. We have limited capacity. And people,
7 customers sometimes buy for certain places in
8 production.

9 This goes all the way up the supply
10 chain. And it goes up to when we bind something
11 or when we print something for First-Class mail,
12 when we schedule our printing presses.

13 There are only so many of them, and when
14 we order paper, and content has to come in. So
15 there's a whole supply chain here that gets
16 affected when one part gets squeezed.

17 I would be sure that this would be a
18 major production planning exercise of
19 redistributing the production prior to becoming
20 mail.

21 I might say the classic example, a weekly
22 magazine. The weekly magazines in this country
23 all have their slots in all the printers, and
24 there are several that do weekly magazines.

1 If you reduce the in-home by one day,
2 they're going to change their business model and
3 they're going to want to move to another part of
4 the week. And you know what it's going to be like
5 throwing a pebble in the water. It's just going
6 to ripple.

7 And this actually did happen in our
8 industry about fifteen years ago. Time
9 Incorporated's People magazine decided they wanted
10 to go a day earlier so that they could make sure
11 they're in-home by the weekend.

12 And that just rippled through a number of
13 different printers because people got bumped out.
14 And it gets to be very difficult when you move up
15 the supply chain.

16 COMMISSIONER LANGLEY: So this could have
17 an adverse impact, say, on small businesses where
18 you might have a lesser volume or a lesser dollar
19 customer who really might be displaced by, you
20 know, just a more high-valued customer?

21 MR. WINN: Yes, they could end up with a
22 schedule that didn't fit their business model. So
23 yes, you're right. And with all due respect to my
24 friends at People, when they did that, I was

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1 running the printing plant at the time.

2 And I will tell you, there were some
3 weekly magazines that got less desirable slots.
4 Some that went to other printers. It just ripples
5 through the whole thing.

6 COMMISSIONER LANGLEY: I mean, it is
7 understandable when a company is making business
8 decisions that there is the bottom line; and some
9 of these considerations have to be taken into
10 account.

11 MR. WINN: Absolutely.

12 CHAIRMAN GOLDWAY: Quick question. Could
13 I interrupt? As I asked the other panel, if you
14 have information on the costs that your company
15 will have to bear with regard to making a shift
16 from six to five-day, I think it would be
17 interesting for us to have that.

18 We know what the Postal Service says it's
19 going to save. We'd like to know what the costs
20 are in the industry. So if you have some of
21 those, in addition to volume, as to what your
22 costs are, that would be interesting information.

23 MR. WINN: Certainly.

24 COMMISSIONER LANGLEY: I think the

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1 Chairman is very right in asking that because we
2 will have to look into the economics behind all of
3 this, not only from the Postal Service's viewpoint
4 but also businesses' viewpoint.

5 Mr. Colella, how often does Calmark
6 operate? I mean, is Calmark operating seven days
7 a week?

8 MR. COLELLA: No, we are not. We operate
9 basically Monday through Friday. We may operate
10 on Saturday, but generally our clients mail Monday
11 through Friday.

12 COMMISSIONER LANGLEY: So you have -- you
13 don't have quite the same operation obviously as
14 R.R. Donnelley?

15 MR. COLELLA: No. We wish.

16 COMMISSIONER LANGLEY: You wish the same
17 way Mike wishes he was Mr. Donnelley, right?

18 MR. COLELLA: Right.

19 COMMISSIONER LANGLEY: Do you have any
20 estimate, going on what the Chairman said, how
21 reducing a day of delivery might impact your
22 business?

23 MR. COLELLA: I do not, no. Again,
24 because my clients don't generally share their

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1 response rates and things like that. We're,
2 unfortunately, just a guy who stuffs the envelopes
3 and puts them out in the mail.

4 COMMISSIONER LANGLEY: So as a producer,
5 you're dependent on their actions?

6 MR. COLELLA: Right. But we're also
7 depending upon volume, just like the Postal
8 Service. You know, as volume drops, that affects
9 us greatly.

10 We do have the flexibility of being able
11 to contract a little bit quicker than the Postal
12 Service can, but it's still very detrimental to
13 our health.

14 COMMISSIONER LANGLEY: Well, I thank all
15 three of you. You have businesses that are geared
16 to meeting the needs of your customers, and
17 obviously the value of your businesses could be
18 impacted by this decision. So thank you very
19 much.

20 CHAIRMAN GOLDWAY: Commissioner Blair.

21 COMMISSIONER BLAIR: Thank you,
22 Madam Chair.

23 I have a question for Mr. Wood. Maybe
24 you've already answered this, but I just want it

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1 for clarification.

2 The Postal Service is the one that
3 determines that you mail out on Saturday; is that
4 correct?

5 MR. WOOD: That's correct.

6 COMMISSIONER BLAIR: If they determine
7 that you were mailing on Tuesday and within that
8 three-day window, that would put your product
9 there by Friday?

10 MR. WOOD: I'm not sure what you're
11 asking.

12 COMMISSIONER BLAIR: If you mailed your
13 product on Tuesday, given the three-day window
14 that you have --

15 MR. WOOD: It should arrive on Thursday.

16 COMMISSIONER BLAIR: By Thursday?

17 MR. WOOD: Yes.

18 COMMISSIONER BLAIR: If that was the
19 case, if the Postal Service made that kind of
20 accommodation to you and similarly situated
21 mailers, would you have an objection to going to a
22 five-day-a-week delivery?

23 MR. WOOD: As long as we had enough
24 notice that that was going to happen. Right now

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1 my labor force is high school kids, and it works
2 well on Saturday because we can use them.

3 If we mail on Tuesday, I would probably
4 have to have two days a week to mail because I'd
5 have to go to an adult labor force, split my
6 mailing in half, mail half on Monday and half on
7 Tuesday.

8 COMMISSIONER BLAIR: And your costs would
9 also increase, I would imagine?

10 MR. WOOD: That is true.

11 COMMISSIONER BLAIR: Teenage labor is a
12 little bit more cost productive.

13 MR. WOOD: Not quite as efficient,
14 though.

15 COMMISSIONER BLAIR: And so I just want
16 to get -- it goes back to my previous line of
17 questioning with the first panel is that should
18 the Postal Service get this authority, the
19 transition is what's going to make or break it as
20 well.

21 And these considerations of talking to
22 customers, looking in advance of what scheduling
23 is, those are a very complex set of procedures.
24 And what assurances, and this question isn't for

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1 you, but just generally, what assurances do we
2 have that the Postal Service on a nationwide basis
3 will be able to accomplish that kind of herculean
4 task?

5 MR. WOOD: That's our question, too.
6 It's my understanding that they'll still accept
7 mail on Saturday, but I haven't got that verified
8 anywhere. So we could still put it in the mail
9 stream on Saturday, it just couldn't be picked up
10 by the consumer on Saturday.

11 CHAIRMAN GOLDWAY: It will just be
12 sitting there. It won't be processed, won't go
13 out.

14 MR. WOOD: I have been talking with Joel
15 Rosen and Sue Lampert up at the Minneapolis mail
16 facility, and they -- their understanding was that
17 it would go out. It would still get on the planes
18 and still move.

19 And so that was one of my questions, if
20 it will not move, if it will not be processed,
21 then, yes, we've got to move to a day --

22 COMMISSIONER BLAIR: And would you be
23 notified that your product is sitting out on the
24 runway or stored?

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1 MR. WOOD: In the past we have not.

2 COMMISSIONER BLAIR: Do you insure your
3 product for mail?

4 MR. WOOD: No, we don't. We have -- in
5 the past we had insured. It was too complicated
6 to collect on the insurance. So we have just gone
7 to a self-insurance.

8 COMMISSIONER BLAIR: Mr. Winn and
9 Mr. Colella, in the past couple of years we've
10 seen nationwide volume, the volume of mail drop
11 precipitously.

12 Have you all seen the same thing from
13 your business perspectives?

14 MR. COLELLA: Yes, we've probably seen a
15 10 percent drop just over the last year.

16 COMMISSIONER BLAIR: Is all your mail
17 standard mail or do you have First and standard?

18 MR. COLELLA: Probably 90 percent of it
19 standard. We're mostly a letter-size facility.

20 COMMISSIONER BLAIR: Mr. Winn?

21 MR. WINN: Yes, we've seen drops in all
22 classes. And as a printer, we see different types
23 of cutbacks, frequency, page count. And that
24 gives us great concern because of utilization of

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1 our printing presses and elimination of titles.

2 There are periodicals that have --

3 COMMISSIONER BLAIR: Folded.

4 MR. WINN: Folded. And so, yes, when you

5 pay \$15 million or so for a printing press, you

6 like to keep it busy.

7 COMMISSIONER BLAIR: I think that would

8 be a good thing.

9 MR. WINN: First-Class mail not so much,

10 slight decline, but nonetheless there have been

11 changes.

12 CHAIRMAN GOLDWAY: Less decline in

13 First-Class mail?

14 MR. WINN: That's mainly statement

15 mailing and stuff like that. So that's pretty

16 much required.

17 COMMISSIONER BLAIR: So you said earlier

18 that if Saturday mail was -- Saturday delivery was

19 eliminated, then you would see appointments on

20 Friday possibly be eliminated.

21 Can you explain that? Because we were

22 just talking about what would happen to the mail

23 once you put it into the system -- or dropped it

24 off for the appointment. And I didn't understand

1 why it would be eliminated if you brought it in on
2 Friday.

3 MR. WINN: The example that I will give
4 is one processing plant, Pilsen processing plant,
5 it sees -- there's people like ourselves dropping
6 mail at different times during the week. And the
7 plant was capable of processing 800 pallets of
8 mail. So that was like its capacity.

9 And through the week that was okay, but
10 on Friday they were typically seeing 1,200 pallets
11 of mail being delivered because then it goes into
12 the next week for Monday, Tuesday, primarily
13 standard mail.

14 So we talk in production weeks and we
15 talk in postal weeks. With six-day delivery,
16 there's a six-day processing window at the Postal
17 Service basically. Little bit on the seventh.

18 We're a seven-day operation. So we think
19 of seven days. And that's how we produce. So
20 it's always a little bit of a semantics debate
21 over how many days equal how much processing and
22 delivery in our production.

23 COMMISSIONER BLAIR: Well, do you see an
24 opportunity there for the Postal Service in order

1 to make this proposal work better to basically
2 divide up the processing and delivery as, say, we
3 won't deliver to the homes on Saturday but we're
4 going to continue processing? Would that change
5 your opinion?

6 MR. WINN: And my testimony says the
7 current processing schedule must be maintained.
8 That means appointment, sortation, preparation of
9 the mail so that it doesn't back up in the system
10 and bunch up, again.

11 So if there was a guarantee that that
12 could be maintained, the system could flow. The
13 only problem you would run into there is that the
14 carriers are going to have potentially a lot more
15 mail in the fall catalog season. You know, you
16 could have a location like my house getting 20
17 catalogs in a day, and that gets hard.

18 COMMISSIONER BLAIR: That brings me to a
19 question for Mr. Colella. You stated that you
20 would support going to a five-day-a-week delivery
21 if it leads to rate stability, but we're hearing
22 that the Postal Service is going to file in early
23 July an exigency case.

24 So clearly this exigency case is moving

1 forward. This case going from six to five-day-a-
2 week is moving forward. I don't understand the
3 trade-off here, when it seems that both of these
4 engines are on these dual tracks.

5 MR. COLELLA: Well, I guess with the
6 exigent rate case that's going in, I mean, again,
7 we've heard about that in the last 45 days it's
8 going forward.

9 I guess what we're looking at is
10 stability beyond, beyond that. We understand that
11 raising the rates at this point is limited to that
12 of the inflation, which is virtually nothing at
13 this point in time.

14 But we're looking for long-term. You
15 know, we don't want to see an exigent rate case
16 every year because of one thing or another.

17 COMMISSIONER BLAIR: Well, I appreciate
18 your willingness to take questions this afternoon.
19 I know it's warm in here, so I'll yield to my
20 fellow commissioner.

21 CHAIRMAN GOLDWAY: Vice Chairman Hammond.

22 VICE CHAIRMAN HAMMOND: Thank you,
23 Madam Chairman. Mr. Colella, you said in your
24 testimony, of course, if clients want to mail on a

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1 specific day, it's your obligation to comply with
2 those specifications. I understand that.

3 Years ago I used to be a nonprofit direct
4 mail fund-raiser, and I know what you're talking
5 about some.

6 I think you said in answer to
7 Commissioner Langley that most of your clients
8 want mail -- want to mail on Friday. Does that
9 mean delivery day? Does that mean dropped or
10 what?

11 MR. COLELLA: No, actually, the mail
12 dates will vary from client to client. We have
13 many clients that will mail -- we have some
14 clients that will always mail the first -- the
15 last Monday of the month. Other clients will mail
16 the first Monday of the month. It all depends
17 historically on what they feel is the best time to
18 hit the homes.

19 VICE CHAIRMAN HAMMOND: Right.

20 MR. COLELLA: So from historical
21 standpoints, they keep data. If they mail on
22 Monday, they know they get certain amount of
23 delivery on a certain window and that gives them
24 their greatest return rate.

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1 VICE CHAIRMAN HAMMOND: Because you say
2 most of yours goes standard?

3 MR. COLELLA: Most of our mail is letter-
4 size standard mail, and the majority of that is
5 nonprofit mail.

6 VICE CHAIRMAN HAMMOND: Because I was
7 wondering -- I always wanted in-home delivery on
8 Monday, got the best response rate off of that.
9 Other people I know wanted a -- if they could get
10 a delivery on Saturday because -- well, that was
11 mostly more religious organizations. You had the
12 theory that they got the check written on Sunday,
13 which was probably so. I don't know if it changed
14 or not.

15 But what I was wondering, in talking to
16 your clients, have they said specifically what
17 change they would have to make or whether they
18 might drop out of the system or anything if those
19 who care about Saturday delivery?

20 MR. COLELLA: No, no one said they would
21 drop out. I mean, again, the nonprofits we've
22 talked to and gotten feedback from, some
23 30 percent of their operating revenues come from
24 direct mail. Others as much as 70 percent come

1 from it.

2 So certainly those that 70 percent of
3 their revenue is coming from direct mail, they're
4 not in a position to drop it. And the average age
5 of a donor for most of these charities are in
6 their 60s and even the 70s, and they're not really
7 the Internet generation.

8 So they don't right now respond well to
9 other means of communication. That may change
10 over the years. But for right now, direct mail is
11 really the only viable way that many of these
12 nonprofits can solicit funds. So they won't drop
13 out. They'll just have to manipulate or change
14 their habits however they need to be.

15 And again, right now my clients are not
16 mailing on Saturdays. Generally they're mailing
17 Monday through Friday. Very few of them have
18 targeted in-home dates.

19 Most of them, again, just understand,
20 historically speaking, that if they mail on Monday
21 they get a certain -- the bell curve works like
22 this. If they mail on Tuesday, they get the same
23 bell curve. So they really dictate either a day
24 of the week or a specific date that we drop their

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1 mail.

2 VICE CHAIRMAN HAMMOND: I know we're
3 running a little behind, so I will forgo the rest
4 of my questions.

5 CHAIRMAN GOLDWAY: Commissioner Acton.

6 COMMISSIONER ACTON: Thank you,
7 Madam Chairman.

8 Mr. Winn, your concerns about this
9 proposal go through the processing capabilities?

10 MR. WINN: That is correct.

11 COMMISSIONER ACTON: That's your
12 exclusive worry.

13 MR. WINN: Sorry?

14 COMMISSIONER ACTON: If the processing
15 capabilities of the Postal Service presently is
16 able to offer your operations were maintained even
17 in the face of the approval of this proposal, you
18 would not oppose this proposal?

19 MR. WINN: I wouldn't have -- this
20 proposal is really a concern to customers about
21 their business model and when they need to be
22 in-home. They give us the dates that they want to
23 be in-home and we build back.

24 We know how long it takes our plants to

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1 produce work. We know how long it takes to
2 transport mail across the country and drop-ship it
3 in San Diego or wherever. So we're just trying to
4 get it into the system to make sure that it gets
5 in-home on the proper day.

6 COMMISSIONER ACTON: I appreciate that.
7 But the wrench in the works for accomplishing what
8 you just outlined would be that processing doesn't
9 occur on Saturday, right?

10 MR. WINN: Yes.

11 COMMISSIONER ACTON: Your deduction is
12 that this will be problematic for you as a
13 discrepancy between what the cost savings
14 estimates are and cost efficiencies between what
15 the Commission has to say and what the service has
16 to say?

17 MR. WINN: It starts there and it extends
18 when we as logistic providers, mail service
19 providers ask the Postal Service directly for
20 details about what they mean about six-day
21 delivery as it relates to processing. And they
22 have not given us the details.

23 COMMISSIONER ACTON: So you're not
24 getting the sort of answers one way or another

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1 that you'd like to have?

2 MR. WINN: That is correct.

3 COMMISSIONER ACTON: So you're drawing
4 some conclusions from this statement in the
5 frequently asked questions on their Web site?

6 MR. WINN: Yes, I am, and I'm also
7 leaning a little bit on my experience. And as an
8 old manufacturing guy, I know that I have
9 financial targets. I know that I'm going to
10 manage my operation to hit those targets.

11 And if it looked like the mail volume was
12 not going to be sufficient for me to bring in all
13 my crews on a weekend, I'd probably eliminate a
14 couple the shifts.

15 COMMISSIONER ACTON: This is a very
16 important concern that needs to be addressed, and
17 we look forward to seeing your operations
18 tomorrow. Thanks for the invitation.

19 CHAIRMAN GOLDWAY: And I thank you for
20 reiterating that, because we seem to have some
21 slightly different information from Mr. Wood about
22 what the processing will be for his product.

23 So we need to get more information about
24 the processing plants that the Postal Service has

1 in mind for this proposal.

2 MR. WINN: That's correct. It's all
3 what's in the background. You know, what do they
4 really mean by six-day delivery.

5 I understand perfectly it means, you
6 know, I'm not going to get my catalogs in my
7 mailbox on Saturday. I know it's going to affect
8 my check-paying habits and things like that. But
9 I don't know what it means to move --

10 COMMISSIONER ACTON: Well, of course, it
11 has important implications for in terms of
12 accomplishing what your clients want you to do;
13 but it's important from the agency, from one key
14 standpoint, is there's a big discrepancy between
15 the cost efficiencies that are being discussed, in
16 the almost of billions of dollars.

17 MR. WINN: It does, and we certainly
18 support, you know, the effort to save billions of
19 dollars here.

20 I would like to give you one last example
21 of the implications. We print for The Economist,
22 a fine international magazine based in London.
23 They print in three locations, two Donnelley
24 locations and one other location.

1 They do all their writing and collect all
2 their information on Wednesday. We start printing
3 and binding and shipping on Thursday because their
4 clients, who tend to be the informed type of
5 client, would like to read those type of articles
6 on a regular basis, they want in-home Friday and
7 Saturday.

8 So that's why they print in three
9 locations, bear that cost. And they can't move
10 their schedule because a lot of international
11 events happen on Wednesday.

12 COMMISSIONER ACTON: Okay. One last
13 question, Madam Chairman.

14 CHAIRMAN GOLDWAY: Please.

15 COMMISSIONER ACTON: This is for
16 Mr. Wood. You outlined three points or three
17 approaches of a solution that might work for your
18 interests.

19 We've heard from folks who represent the
20 birds before, and this is a new development in my
21 recollection. Is this something that you've
22 recently proposed?

23 MR. WOOD: No, I talked with the board of
24 our group and asked them, you know, what can we

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1 really live with. And the main thing that -- in
2 the code it says that we have to ship early enough
3 in the week to ensure delivery that week.

4 And so if we could ensure that we could
5 have Monday, Tuesday, Wednesday where we could
6 ship and ensure that they would get delivered in
7 72 hours, Saturday isn't a big deal.

8 COMMISSIONER ACTON: So this is a
9 proposal that you would offer to the service that
10 would ameliorate your concerns with respect to the
11 elimination of Saturday delivery?

12 MR. WOOD: Right. As long as we could be
13 allowed to ship the beginning of the week, then we
14 would be fine with eliminating Saturday.

15 COMMISSIONER ACTON: Have you had any
16 discussions with the service about this proposal?

17 MR. WOOD: All the time.

18 COMMISSIONER ACTON: What's the feedback?

19 MR. WOOD: Every, every week that we ship
20 I have a report that prints out showing when
21 things were delivered. And I call my postal
22 routers and talk to them and try to work out where
23 the delivery problems are so that we can get the
24 72 hours. You know, in theory, there should be no

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1 problem.

2 COMMISSIONER ACTON: I'm talking about
3 this particular proposal to resolve your concerns
4 about not having Saturday delivery. Has the
5 service heard this, and if they have, what do they
6 have to say about it?

7 MR. WOOD: Well, their response is there
8 should be no problem, it should get there on
9 Friday. But it doesn't. We have more and more
10 pieces that show up on Saturday.

11 COMMISSIONER ACTON: Thanks very much,
12 gentlemen.

13 CHAIRMAN GOLDWAY: I think we've had a
14 really thorough discussion on these issues; and
15 again, I appreciate your testimony and I hope
16 you'll provide the additional information that
17 some of us have requested from you. And your
18 comments will be reviewed by other participants in
19 the case for other questions as well.

20 And again, thank you very much. Thank
21 for your interest and your contributions and your
22 participation. I'll now excuse you and call the
23 next panel. Thank you very much.

24 I think we'll take another five minutes,

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1 and just five minutes and go through the next and
2 the public comments.

3 (Brief recess.)

4 CHAIRMAN GOLDWAY: Welcome. I'm sorry
5 for the delay. There was a document I had to read
6 here before we began.

7 So welcome to all of you. Thank you for
8 your patience. I'd like to introduce the third
9 panel of our hearing today. It's my pleasure to
10 introduce Cameron Bellamy, president of Grayhair
11 Software. And next to him is Chris Huckle, who's
12 the publisher of the Cadillac News. And finally,
13 our final witness on this panel is Jim Kitzmiller,
14 who's the executive director of the Associated
15 Mail & Parcel Centers.

16 Thank you very much for participating.
17 Thank you for your patience and waiting to be the
18 last of our panelists. I'd like to begin with
19 swearing you in.

20 (Panel sworn.)

21 CHAIRMAN GOLDWAY: Let the record
22 recognize the witnesses have been sworn.

23 With this we'll begin with Mr. Bellamy.

24 MR. BELLAMY: Okay. Thank you. Good

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1 afternoon. First of all, and thank you for having
2 me. I'll try to keep my comments short because,
3 because it's ten to 4:00.

4 What I would like to do is my company,
5 Grayhair Software, I'm the president, which has
6 been in business for some ten years now. We
7 provide a variety of software products and
8 services to the mailing industry, most notably of
9 which is our mail tracking service.

10 We are -- no one releases numbers in
11 tracking services; but generally speaking, I'll
12 lay the claim out there Grayhair tracks more mail
13 than anybody else, any other service.

14 I'm on course, I mean, fingers are
15 crossed and we're all hoping for a good year here,
16 but I hope to track upwards close to 15 billion
17 pieces of mail this year. All right.

18 The one -- I don't want to say one, but a
19 strong argument that I would like to make is that
20 -- I'll use these terms loosely here, but this
21 Postal Service proposal to drop from six to five
22 days may be either premature or immature. I'm not
23 quite sure.

24 The fact of the matter is that, at least

1 in my assessment or at least in my opinion, I
2 don't know that anyone knows what the
3 ramifications are going to be.

4 Earlier, the earlier panels had suggested
5 that some 17 percent of the mail delivers on
6 Saturday. That's true. We see that. 17 percent
7 of the mail delivers on Saturday for First-Class
8 mail. 13 -- call it 13 percent of standard mail
9 delivers on Saturday.

10 Damn near -- I swore. I'm sorry, my wife
11 tells me not to swear. Almost 30 percent of the
12 mail delivers on Monday. And I don't know that
13 anyone in this -- anyone has truly contemplated
14 what it would look like with 40 percent of the
15 Monday delivering in a single day, and even higher
16 should it fall over into a Tuesday.

17 Grayhair has clients who do direct mail
18 advertising. In many, many cases you've heard
19 some talk up here from previous people with the
20 in-home date to marketers that's absolutely
21 critical.

22 There's a firm belief that if my mail
23 delivers on a Tuesday or a Wednesday or the
24 whatever, that that is my strongest mail delivery.

1 The bulk of Grayhair's clients, to be
2 quite honest, the bulk of the industry their sweet
3 spot is Thursday to Saturday. The weakest is
4 Monday and Tuesday.

5 These people are looking at a potential
6 falling off of response rates simply because of
7 the mail couldn't deliver on Saturday.

8 Mr. Winn is 120 percent, his earlier
9 testimony on the processing. That, that is a
10 troublesome, complicating factor. It's one thing
11 to eliminate the day. It's another thing to take
12 more than a potentially day's delivery away simply
13 by removing or cutting back on upstream
14 processing.

15 So it may not be just Saturday, and I
16 think that's kind of what Mr. Winn -- I normally
17 call him Mike. I think that's one of the messages
18 that he was trying to get out there.

19 There is one further point I'd like to
20 make before I turn it over to my new friend,
21 Mr. Huckle. Quite simply, the Postal Service has
22 almost never taken a look at mail in terms of --
23 it's often -- I should say it's always looking at
24 its service performance measurement, which is

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1 okay. Fair enough.

2 But nobody ever looks at the elapsed
3 time, what the consumer, what the marketing
4 people. Marketing people never look at postal
5 days. It's immaterial. It's the calendar days.

6 And I don't care what anybody says. When
7 I mail a letter from my home on Friday and it's to
8 my local town to my mother-in-law or somebody
9 that's local, it's getting there on Saturday. And
10 now it's going to get there Monday, possibly
11 Tuesday.

12 I don't know that any one of us knows
13 what the implications of that are on a personal
14 level, the expectations of the value of the Postal
15 Service, value of the mainstream, and on business
16 what that impact is.

17 I'm starting to work myself up, so I
18 should probably just shut up.

19 CHAIRMAN GOLDWAY: Well, thank you. We
20 needed to be woken up for this late afternoon.

21 MR. BELLAMY: Well, brace yourself. I'm
22 told the mic's will go off.

23 CHAIRMAN GOLDWAY: Mr. Huckle.

24 MR. HUCKLE: Thank you, Madam Chairman,

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1 Vice Chairman, and Commissioners.

2 Good afternoon. My name is Christopher
3 Huckle. I'm the publisher of The Cadillac News, a
4 daily newspaper in Northwest Michigan. Our
5 circulation is 8,500 and we publish on Monday
6 through Saturday.

7 We also publish a weekly, standard mail,
8 total market coverage piece of over 26,000 copies
9 each Monday that is delivered through the United
10 States Postal Service.

11 Our newspaper has published continuously
12 since 1872. Without our newspaper, the
13 communities we serve would not have access to the
14 local news about their city or village government,
15 school news, including sports, obituaries, police
16 and fire news, and all other news they need to be
17 informed citizens.

18 In rural northern Michigan, there is
19 simply no other news medium that covers the
20 important news that we provide to our readers.

21 I'm a fourth-generation publisher, having
22 succeeded my parents, Tom and Kay Huckle, as
23 publisher in 1999. I currently serve on the board
24 of directors for the Michigan Press Association

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1 and Michigan Newspapers, Inc., which is an
2 advertisement placement service operated by the
3 Press Association.

4 Our newspaper is perhaps unique in
5 American daily newspapers in that the U.S. Postal
6 Service has provided our primary distribution
7 since 1980.

8 Although it is now more common for daily
9 community newspapers to be delivered primarily by
10 mail, the news converted from private carrier to
11 mail long before the current trend.

12 We spend more than \$750,000 a year in
13 periodical and standard mail postage for our two
14 products. Periodical and standard postage is
15 equivalent to 10.5 of our revenues and even more
16 costly than printing. It is second only to
17 employee wages as an expense.

18 The proposal to end Saturday delivery
19 would have an immediate and irreparably harmful
20 effect upon our newspaper. It dismays me to
21 discover that in this down economy, the element
22 that is most likely to force a change in our
23 business plan comes from a distribution vendor,
24 not a change in our market or readers.

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1 I find it amazing that the Postal Service
2 is exploring an option that is definitely not best
3 for its customer, nor for our customers and our
4 readers.

5 It may be true that some mailers believe
6 they can adapt to a five-day delivery scenario;
7 but in my conversations with local businesses, I
8 find no one who is in favor of a five-day
9 delivery.

10 My options are grim. I would be forced
11 to set up a private delivery service in order to
12 continue delivering on Saturday. Since our
13 company has not had a private delivery
14 infrastructure since 1980, the framework for
15 creating such a service is not present in the
16 company.

17 Such an undertaking will drain resources
18 of our senior management and myself at a time when
19 the tight economy demands our attention to the
20 economic health of the community and the tending
21 of our own customers.

22 We are not permitted to deliver our
23 newspapers in the mailbox where our readers are
24 accustomed to finding it. I expect confusion in

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1 the marketplace, and I will seek a new law that
2 will give newspaper companies access to a limited
3 use of the mailbox so that we can reasonably meet
4 our customers' expectations with non-mail
5 delivery.

6 This change to five-day delivery would
7 cost the U.S. Postal Service \$550,000 in revenue
8 from us right off the bat, as we would use the
9 delivery force to deliver our weekend Cadillac
10 News and our \$450,000 per year Standard Northern
11 Michigan News publication.

12 Once we were set up as a private delivery
13 force, the U.S. Postal Service will lose other
14 revenues to this new private carrier force. I
15 would guess this situation would also be grim for
16 our local post offices, employees of these post
17 offices, and the U.S. Postal Service in general.

18 Obviously we do not have the choice of
19 shipping our Saturday paper to another day like
20 Friday or Monday because we already publish a
21 newspaper on those days.

22 So if we find private delivery is not an
23 option, we have to face the grim reality of
24 dropping our Saturday newspaper. It may seem to

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1 an outside observer as if this is an easy shift to
2 make and that some our Saturday business will
3 simply migrate to Friday or Thursday, as the
4 Postal Service seems to expect, but that is not
5 how print advertising works.

6 If our Saturday advertisers wanted to be
7 in the Friday paper, they would already be there.
8 Our readers will expect, of course, a lower
9 subscription rate. We will lose most, if not all,
10 of Saturday's advertising revenue.

11 We will save printing and postage; but as
12 I said, our largest cost is staff. Layoffs are
13 serious decisions, but obviously we would not need
14 as many people if we lose one issue a week. And
15 most importantly, our readers will be without the
16 local news they need for two days over the weekend
17 and three days when there is a Monday federal
18 holiday.

19 I see Cadillac and its surrounding
20 communities affected in these ways by the
21 potential change in behavior by our delivery
22 partner. Fewer postal jobs, fewer newspaper jobs,
23 disappointed and under-informed readers and
24 challenged advertisers who counted on Saturday's

1 mail to bring in customers.

2 In my observations as a postal customer,
3 several issues concern me. I'm concerned that the
4 U.S. Postal Service plans to raise rates in
5 January. It does not make such sense to me that
6 the U.S. Postal Service would want to raise rates
7 and cut services, especially in an economy such as
8 we have now.

9 A rate increase coupled with burdensome
10 Sarbanes-Oxley and other seemingly bureaucratic
11 requirements are already making it more and more
12 difficult for us and our local postal employees to
13 get our products delivered in a timely manner.

14 And in our state of Michigan where
15 unemployment is already approaching 15 percent
16 statewide, businesses such as ours have made cuts
17 that have hurt just to stay in business.

18 But we have not done so in a manner to
19 cut service to our customers because it just
20 doesn't make sense. The future success of our
21 business rely on serving our customers better and
22 providing them with a better value. It seems to
23 me that cutting service and raising rates is the
24 opposite of that.

1 I believe that the revenue lost from
2 discontinuing Saturday delivery will exceed the
3 U.S. Postal Service's measly projections, and
4 competition will become strengthened in the
5 alternate delivery sector for ad mail, periodicals
6 and packages.

7 My perception is that the Postal Service
8 is choosing the path of least resistance by
9 cutting service rather than tackling internal cost
10 controls, including labor pay rates, as private
11 sector businesses, especially in Michigan, have
12 had to do during this bad economy.

13 I also believe that the retirement cost
14 funding for the U.S. Postal Service needs to be
15 examined and adjusted before cutting service to
16 the customers that essentially pay for those
17 costs.

18 For the Cadillac News, there could not be
19 a change by our delivery vendor that is worse for
20 us; and I am not alone in the state in being
21 placed in this situation.

22 Several newspapers in our state use the
23 U.S. Postal Service to deliver their newspaper on
24 the weekends.

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1 I'm very pleased that the Commission has
2 decided to gather information from its customers
3 in these hearings, and I appreciate the
4 Commission's attentions to my concerns. I look
5 forward to answering any questions you have.

6 CHAIRMAN GOLDWAY: Mr. Kitzmiller.

7 MR. KITZMILLER: Tough one to follow.

8 I'm Jim Kitzmiller, executive director of
9 Associated Mail & Parcel Centers. I thank you,
10 Madam Chairman, and the panel for conducting these
11 field hearings and making it very convenient for
12 people to come out and make comments on this
13 issue.

14 Associated Mail & Parcel Centers is
15 28-year-old trade organization that has
16 represented as many as 3,500 mail and parcel
17 stores in the United States, along with some
18 stores in Canada and Europe.

19 As the advocacy group for this industry,
20 AMPC wishes to provide comments to the five-day
21 delivery being requested by the Post Office.

22 Most of the mail and parcel stores that
23 are members of AMPC are also commercial mail and
24 receiving agents, or CMRA's, which offer enhanced

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1 private mailbox services.

2 This service established in the early
3 1900s is an essential service to the public which
4 chooses to get their mail and enhanced services at
5 a private commercial location.

6 The key issue concerning us in the mail
7 and parcel industry is the question as stated by
8 you, if I may quote you, Madam Chairman, in your
9 testimony on April 22nd.

10 "To what extent will adverse impacts on
11 citizens, businesses or public institutions be
12 ameliorated by Postal Service operational
13 adjustments, and how can the Postal Service
14 maintain and approve its universal service to
15 citizens and the business community who rely on
16 the mail?"

17 CMRA's can help the Postal Service with
18 both of these aspects and concerns. We can
19 minimize adverse impacts and maintain a service
20 for those businesses and citizens who rely on
21 Saturday delivery, or any other day of the week
22 that they should choose to have service.

23 CMRA's are open on Saturday. They sort
24 and distribute mail to their multiple

1 stockholders. Many CMRA's are also participants
2 in the USPS-approved shipper program that
3 recognizes the mail and parcel industry as a
4 reseller of postal services and a partner with the
5 USPS.

6 CMRA's consolidate the delivery in
7 sorting up to a thousand commercial and
8 residential addresses to a one-carrier stop or
9 Firm Holdout pickup.

10 The capacity for expansion of private
11 sector consolidated deliveries to CMRA's is
12 limitless and instant as the market requires.
13 Since physical boxes are not necessarily required,
14 CMRA's can add box holders in minutes.

15 AMPC and its members are concerned about
16 the viability of the Postal Service. Reselling
17 USPS services is an essential aspect of a mail and
18 parcel retail shipping offerings.

19 The savings that five-day delivery would
20 give a post office might be necessary; and if
21 passed, CMRA's can be part of the solution of
22 delivery.

23 Under the five-day option, CMRA's must be
24 able to get their customers' mail on Saturday,

1 just as Post Office customers do, creating a
2 significant reduction in USPS delivery points.

3 Service to P.O. boxes with service to
4 CMRA's withheld would constitute an unfair Postal
5 Service competitive advantage on a competing
6 private sector product.

7 But as I say, if the CMRA's were also
8 serviced, the unfair competitive advantage goes
9 away.

10 What AMPC proposes is that the network of
11 CMRA-approved shippers be expanded and the
12 Saturday delivery limited six-day -- limited
13 six-day delivery include CMRA locations.

14 The consolidation of delivery to as few
15 as 10,000 points throughout the country could
16 provide Saturday mail to as many as 10 million
17 businesses and residences. And this number may
18 continue to be expandable as CMRA's add mailbox
19 customers and locations to meet increased
20 activity.

21 This is an increase in efficiency of ten
22 thousand-fold and a reduction in Saturday delivery
23 costs to .1 percent of today's cost for up to
24 10 million delivery points.

1 Beyond the delivery cost savings, mail is
2 sorted in bulk to CMRA's who then sort their
3 customers' mail.

4 AMPC also suggests that if pilot programs
5 of five-day delivery in targeted areas are
6 initiated, that the mail parcel industry become a
7 participant in the program providing alternative
8 Saturday pickup points that have expanded hours
9 and convenient locations.

10 We also believe that with the positive
11 approach, it is possible to create a realistic
12 plan that envisions a future, a future with a
13 vibrant communications network providing universal
14 service and meeting changing citizen and customer
15 needs and demands.

16 AMPC recommends that should Congress pass
17 a five-day delivery schedule for the Postal
18 Service, the PRC present this advice stated here
19 to the USPS for serious consideration to minimize
20 the impact on citizens, businesses and public
21 institutions.

22 Thank you for this opportunity to present
23 here today.

24 CHAIRMAN GOLDWAY: Thank you. Thank you

1 very much. Thanks for being speedy.

2 I'll begin with -- let's see, how did I
3 do it before. I'm trying to think about this.

4 Start with Commissioner Acton. I'm going
5 to delay my questions and take the prerogative to
6 interrupt if I need to. Commissioner Acton will
7 begin.

8 COMMISSIONER ACTON: Thank you,
9 Madam Chairman.

10 Mr. Kitzmiller, I believe you're
11 recommending that if the Postal Service wants to
12 pursue this proposal that they initiate a pilot or
13 a test program; is that right?

14 MR. KITZMILLER: I'm recommending that if
15 they do initiate a pilot test program that we can
16 help them with that.

17 COMMISSIONER ACTON: Those are two
18 different things, right?

19 MR. KITZMILLER: Yes.

20 COMMISSIONER ACTON: This is a good
21 question that Mr. Bellamy raised. That there
22 could be a whole host of unanswered, unintended
23 consequences that occur from a very fundamental
24 change in the basic business model premise when

1 you're talking about eliminating Saturday
2 delivery.

3 And in a private sector environment, it
4 seems plausible to think if they were going to
5 pursue that course, they might undertake some sort
6 of a test or pilot program first and get some
7 informed fields and some definitive empiricals on
8 what the outcomes might be.

9 MR. KITZMILLER: They are doing a test
10 right now on P.O. boxes. They've moved a limited
11 number of them over to the competitive price list.
12 And they're doing an experiment in certain areas
13 to see if raising the prices on these P.O. boxes
14 is feasible.

15 So there have been tests in the past and
16 we do have the framework out there to conduct
17 these tests.

18 COMMISSIONER ACTON: One question for
19 Mr. Huckle. You raised an issue that's come up a
20 couple of times in these hearings before, and that
21 has to do with the mailbox monopoly and access.

22 You link what your organization will have
23 to do in order to deal with the elimination of
24 Saturday delivery with the ability to access that

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1 mailbox for the purposes of private delivery?

2 MR. HUCKLE: That is correct. We deliver
3 a product to consumers in our market six days a
4 week through the Postal Service. They're
5 accustomed to finding that product in their
6 mailbox.

7 It will be difficult for us to have to
8 create mail receptacles to handle one-day-a-week
9 delivery for all of those people. And in an
10 environment where something is being taken away
11 from me, which is potentially six-day delivery, if
12 I still need to reach my customers with news and
13 information on that day, I'd like to have access
14 to those postal receptacles on a limited basis as
15 being a good customer.

16 It's certainly not the path I want to go,
17 but it doesn't make sense for me to have to
18 undergo the expense of cluttering up the landscape
19 with more postal receptacles.

20 COMMISSIONER ACTON: Well, that requires
21 a legislative change. You know that?

22 MR. HUCKLE: We requested that I would be
23 pushing with my congressman.

24 COMMISSIONER ACTON: So you would link

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1 one with the other? They're dependent? If
2 Saturday delivery is going to proceed, then you
3 would expect that a way to condition some of those
4 problems that would ensue would be to allow you to
5 have access to the mailbox?

6 MR. HUCKLE: That would make it less
7 cumbersome upon me of setting up a private
8 delivery force to have access to that.

9 COMMISSIONER ACTON: I think you said,
10 too, if you do set up a private delivery force,
11 you wouldn't just do it for Saturday?

12 MR. HUCKLE: We deliver into the mail
13 stream 26,900 pieces every Saturday morning for
14 delivery on Monday. In order for us to cost-
15 justify that, we would bring that \$450,000 of
16 postage we pay for that into this new private
17 delivery force.

18 COMMISSIONER ACTON: For all days of
19 delivery? Is that what you're saying?

20 MR. HUCKLE: That's delivered on Monday
21 now. But in order for us to set up a delivery
22 system for one day a week, it wouldn't make sense
23 for us to do that possibly for that one day a
24 week. We would take that second product.

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1 COMMISSIONER ACTON: So all of your
2 postal costs would be private delivery costs?

3 MR. HUCKLE: At this point our plan would
4 be to try to continue to use the Postal Service
5 Monday through Friday; but once that private
6 delivery force was set up, I'm sure we'd look at
7 that option as well.

8 COMMISSIONER ACTON: Thanks very much.

9 CHAIRMAN GOLDWAY: It should be noted, by
10 the way, the history of legislation regarding the
11 Postal Service has been a long-standing support
12 for periodicals and for the relationship between
13 posted periodicals.

14 So well before we had a mailbox monopoly,
15 we had support for periodicals; and that's
16 something your congressman will certainly know
17 about.

18 VICE CHAIRMAN HAMMOND?

19 VICE CHAIRMAN HAMMOND: Thank you,
20 Madam Chairman.

21 So Mr. Huckle, to follow up, this is your
22 weekly, standard mail, total market coverage
23 piece, over 26,000 copies you are delivering to
24 people each Monday?

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1 MR. HUCKLE: That is correct.

2 VICE CHAIRMAN HAMMOND: So the problem
3 with cutting Saturday is you could not give this
4 to the Postal Service on Saturday for delivery on
5 Monday?

6 MR. HUCKLE: Yeah, right now that would
7 be one issue. The other issue would be that we
8 would take -- that makes up over half of our
9 postal expense each week, delivering 26,900 pieces
10 of that. We would take that piece into this
11 private delivery force and out of the Postal
12 Service.

13 CHAIRMAN GOLDWAY: This gets to people on
14 Saturday?

15 MR. HUCKLE: That piece is our newspaper,
16 is our daily newspaper. That gets to people on
17 Saturday. That total market coverage piece goes
18 to people that do not subscribe.

19 So it's a total market coverage non-
20 duplicated. So you either get that piece or your
21 neighbor, if they don't subscribe, they get that
22 on Monday. We enter it into the system on
23 Saturday morning.

24 CHAIRMAN GOLDWAY: I see.

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1 VICE CHAIRMAN HAMMOND: So you might --
2 or you at least envision and may proceed with
3 private delivery service if indeed the Postal
4 Service went to five-day delivery. And to go
5 along with that, you want and need access to the
6 mailbox to deliver, right?

7 MR. HUCKLE: Need might be a strong word.
8 I think there would be confusion in the
9 marketplace of where I receive my newspaper, that
10 a post-office box person is used to getting their
11 newspaper for the last 30 years in their mailbox,
12 and now on Saturdays I've got to go out to a tube
13 that's been installed in the front of my house.
14 So obviously access to the mailbox would be --

15 VICE CHAIRMAN HAMMOND: You want access
16 to the mailbox?

17 MR. HUCKLE: That would be something I
18 want, absolutely.

19 VICE CHAIRMAN HAMMOND: That's one thing
20 that you want. And I can understand why you would
21 want that. And you would also want, say, Vlassis,
22 to have that access, too?

23 MR. HUCKLE: Certainly I wouldn't want
24 that, but I think that's only fair. I think as

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1 postal customers, I think if you're going to
2 relieve us of a day of delivery, having access for
3 our own private delivery force to access those
4 mail receptacles on Saturday would certainly be a
5 fair trade-off.

6 VICE CHAIRMAN HAMMOND: You're not being
7 selfish about it. You would allow anyone on
8 Saturday only, you want anyone on Saturday only to
9 have access to the mailbox to end -- to end the
10 Saturday monopoly, so to speak, of the Postal
11 Service? Is that a way to put it?

12 MR. HUCKLE: I guess maybe to take a step
13 back, as either through a permitting process or
14 through paying for a fee for a periodical class or
15 some sort of a class of mail.

16 I believe getting a periodical delivered
17 into the mailbox, which is news and information
18 that people in my market cannot receive on
19 Saturday, would be important to have access to
20 that mail receptacle on a limited basis. I can't
21 tell you what to do with your other postal
22 customers.

23 VICE CHAIRMAN HAMMOND: Yeah, right. So
24 if you do take time to do this private delivery

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1 service, you also said that you might eventually
2 try to make that into a full-time delivery force?

3 MR. HUCKLE: Just like we would with any
4 of the products that we create, we try to maximize
5 the revenue. In everything we do, we try to
6 maximize.

7 That's certainly not something -- in our
8 business switching from six-day to five-day is not
9 an option. We need to get news out. We're
10 already taking Sundays off. So we have to get the
11 news to those people in some manner.

12 So we -- once we -- if we were forced to
13 go that way, we would be in a position to have a
14 private delivery force. Certainly we're driving
15 by those households already. If I can deliver
16 something else, makes a lot of sense for me to do
17 so.

18 VICE CHAIRMAN HAMMOND: But you want -- I
19 I know. For many years I have been highly
20 sympathetic to periodicals as a class.

21 MR. HUCKLE: Yes.

22 VICE CHAIRMAN HAMMOND: You want the
23 Postal Service to deliver until you get up and
24 running?

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1 MR. HUCKLE: I want the postal to deliver
2 our product?

3 VICE CHAIRMAN HAMMOND: Yeah.

4 MR. HUCKLE: I want them to keep
5 delivering my products forever. I wouldn't be
6 here today otherwise.

7 VICE CHAIRMAN HAMMOND: I appreciate your
8 answers and bearing with me.

9 Mr. Kitzmiller, there is -- I don't --
10 I've never totally understood this as we have
11 considered your businesses at all.

12 How do you get your mail?

13 MR. KITZMILLER: Delivered by carrier.
14 There are some that have Firm Holdout. They pick
15 it up. But for the most part, most of our members
16 get it delivered.

17 VICE CHAIRMAN HAMMOND: So the U.S.
18 Postal Service delivers that mail to your
19 storefront where then you all then stick it into
20 Post Office -- your own private post-office boxes
21 or you said that you don't -- a lot of people you
22 don't even have to have post-office boxes for,
23 they just go to the counter like they do at the
24 Postal Service and get it from you?

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1 MR. KITZMILLER: That's right, you don't
2 need a box. Most people want a box; and I think
3 if there was a sudden increase in the market, that
4 it would take time to ramp up the physical
5 mailboxes.

6 But we could still take delivery of that
7 mail, what we call like a virtual mailbox. We
8 could sort it and put it in separate places for
9 each box.

10 VICE CHAIRMAN HAMMOND: So your main
11 concern is getting some mail on Saturday to give
12 to people, right?

13 MR. KITZMILLER: That, too. That's true.
14 And another concern is the fact that we do compete
15 with P.O. boxes. So for them to get their mail
16 and for us not to doesn't seem to be unfair.

17 VICE CHAIRMAN HAMMOND: So why don't you
18 just run a post-office box?

19 MR. KITZMILLER: Because to do that our
20 mail would be addressed to a post-office box and
21 one of the enhanced features of a CMRA box is to
22 have a street address.

23 VICE CHAIRMAN HAMMOND: Okay. Thank you
24 very much.

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1 CHAIRMAN GOLDWAY: Commissioner Blair.

2 COMMISSIONER BLAIR: Thank you,
3 Madam Chair. My first question is for Mr. Huckle.
4 I was trying to figure out how to put this
5 gingerly, but you know, I'll just be
6 straightforward.

7 Do you think the Postal Service values
8 your business?

9 MR. HUCKLE: I think our local postal
10 employees value our business greatly. In fact, in
11 my -- when I stopped over to buy stamps just a
12 week ago, Artu usually is the one that waits on
13 me, and he just said, geez, I really hope it
14 doesn't happen. You guys are a great customer and
15 that would mean some pretty big changes for us if
16 you guys were to pull your business out of these
17 post offices.

18 So I believe that the people that we work
19 with on a local basis really do. We work really
20 well with our -- we deliver to 22 different post
21 offices, and they're great.

22 COMMISSIONER BLAIR: You know, the first
23 panel that spoke before us, we had Miss Tyson,
24 who's the Chicago district manager; and she

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1 said -- I don't have the record in front of me,
2 but basically they didn't ask her her opinion on
3 this. And she didn't elaborate further, being
4 judicious and wanting to, you know, keep her job.

5 So it sounds like there's a disconnect
6 between the local and headquarters in Washington,
7 and that the communications are just one way, and
8 two-way communication isn't solicited.

9 MR. HUCKLE: Our interaction once we get
10 beyond our kind of regional in Grand Rapids
11 becomes less and less of a valuing your business
12 and more and more of --

13 COMMISSIONER BLAIR: Sort of higher up on
14 the food chain, so to speak? Less personal it
15 becomes?

16 MR. HUCKLE: I believe so, yes.

17 COMMISSIONER BLAIR: You also said in
18 your testimony that you haven't had a private
19 delivery service since 1980?

20 MR. HUCKLE: That is correct, sir.

21 COMMISSIONER BLAIR: What made you
22 terminate your local delivery force?

23 MR. HUCKLE: I was not part of that
24 decision at the time. I was ten years old.

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1 COMMISSIONER BLAIR: They would have
2 valued your opinion.

3 MR. HUCKLE: They sure would have.
4 Actually, I was just coming into the newspaper
5 delivery, paper carrying.

6 COMMISSIONER BLAIR: I was going to say,
7 you were probably part of that newspaper delivery.

8 MR. HUCKLE: At the time because I think
9 we covered three-and-a-half counties in rural
10 northern Michigan, it made sense for us to use the
11 Postal Service. It was already driving by a lot
12 of those homes.

13 COMMISSIONER BLAIR: In other words,
14 cost-effective for you at the time?

15 MR. HUCKLE: Yeah.

16 COMMISSIONER BLAIR: When it doesn't
17 become cost effective for you --

18 MR. HUCKLE: You have to look at other
19 options.

20 COMMISSIONER BLAIR: I appreciate that.

21 I just have a quick question for
22 Mr. Bellamy. You stated that the proposal to go
23 from to six to five-day a week is premature or
24 immature. What would it take to mature it?

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1 MR. BELLAMY: I don't know that I can
2 directly answer your question. I'll do the best
3 that I can.

4 In the industry, the mailing industry,
5 the people that I represent, what my clients want
6 more than anything else out of the Postal Service
7 is consistent delivery.

8 It really doesn't matter if it takes
9 three days, five days or twelve days. The
10 duration isn't the important thing. It's the
11 consistency that is important. That's key.

12 And for those of you that watch nature
13 shows on television, if you were to picture that
14 snake swallowing the rabbit, that's what your
15 delivery curve is going to be looking like.

16 Once you lump Saturday and just dump into
17 Monday, sometimes into Tuesday, that, that -- I
18 struggle with that. I don't know what to tell my
19 clients that want to have the mail in-home in this
20 specific time frame.

21 COMMISSIONER BLAIR: But when you have
22 the snake swallowing that big ball --

23 MR. BELLAMY: It was a rabbit.

24 COMMISSIONER BLAIR: Or a rabbit. Isn't

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1 it a smaller rabbit now because of decreasing
2 volumes, whereas five years ago, ten years ago
3 that it's a rabbit wasn't adjustable. Now it's a
4 baby rabbit.

5 And can in fact the system -- does the
6 system have enough slack in it that they have the
7 capacity to handle it now? I think that would be
8 the Postal Service's response.

9 Not to put words in their mouth, but I
10 would think that would be their argument. What do
11 you think about that?

12 MR. BELLAMY: That may well be the
13 response. I'm not quite sure what the response
14 will be. I suspect at some point in time what the
15 hell, just go -- see. Why not just go down to
16 one-day delivery because you can certainly manage
17 that?

18 COMMISSIONER BLAIR: Go ahead.

19 MR. BELLAMY: My apologies.

20 COMMISSIONER BLAIR: Please.

21 MR. BELLAMY: But the ball hasn't gotten
22 that much smaller. It's gotten smaller, but it's
23 not that much smaller. I'm sorry, the rabbit.

24 And what if, because you don't know, I

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1 don't mean you personally, none of us know, what
2 if that rabbit became half its size because of
3 this cut? How have you helped?

4 COMMISSIONER BLAIR: Those are the
5 questions we're trying to balance and weigh.

6 MR. BELLAMY: I understand. My point is
7 that's the information I don't think you have. I
8 don't think any of us have.

9 CHAIRMAN GOLDWAY: I want you to know
10 that I described the Postal Service as somewhat
11 immature in some humorous comments I made a couple
12 weeks ago and was called to task over it. So be
13 forewarned, you may meet the same fate.

14 But I think what we'd like to know is if
15 you think the Postal Service needs to have
16 consistency of delivery, and you think the current
17 service standard measurements that we have really
18 don't work in terms of providing that consistency
19 because they do -- they take out Saturday and
20 Sunday and they mix a whole number of different
21 days in different areas, what is the kind of
22 service measurement that should be implemented and
23 what is the kind of service change that the Postal
24 Service should make if it isn't reducing delivery

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1 on Saturday?

2 Are there things that the Postal Service
3 could do to save some costs at the same time that
4 they ensured more consistency of delivery?

5 MR. BELLAMY: I suspect that if you were
6 to -- the Postal Service, you know, to its credit
7 has always tried to -- and I'm skipping around and
8 I apologize. You seem to have said that delivery
9 isn't consistent today. By and large it is.

10 CHAIRMAN GOLDWAY: No, you said that you
11 want consistent delivery.

12 MR. BELLAMY: That's correct.

13 CHAIRMAN GOLDWAY: And then you also said
14 that the service standards are immaterial, the
15 current service standards because they really
16 don't tell you what the service should be.

17 So I had two questions for you. Should
18 we have different service standards, and in order
19 to assure that there is more consistency in
20 delivery, could the Postal Service do things in
21 that regard that might make them more efficient,
22 save some money that don't involve reducing
23 delivery?

24 MR. BELLAMY: Again, striving for

1 consistent delivery, if you were to level off,
2 just you know, let's play the magician here, you
3 can wave your wand kind of thing, if you could
4 level off, if the Postal Service could count on
5 that this carrier is going to go out and deliver,
6 I don't know, 1,000, 1,200 letters in a given
7 route every single day, I think that they could
8 better control their costs, and better manage
9 their network, better manage their operations day
10 to day with that kind of consistency.

11 Yes, I do believe that consistency can
12 drive some additional cost savings that may not be
13 there. And I don't think anybody has done a study
14 on that. Is there an alternative method? Yes,
15 the one that everybody else uses except the Postal
16 Service.

17 CHAIRMAN GOLDWAY: Which is track and
18 trace?

19 MR. BELLAMY: No, no, no, no, no.
20 Elapsed time. I mailed it on Monday. When did it
21 get there.

22 CHAIRMAN GOLDWAY: So the measurement
23 system that we should do is elapsed time? Does
24 Grayhair Software do that?

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1 MR. BELLAMY: Yes, we do. We have two
2 measurements stakes, if you will. We use a postal
3 yardstick, if you will, to measure in postal days
4 and we measure it in our customer days.

5 In direct marketing you've got a mailing
6 event, mailing date. And X amount of days,
7 typically eighteen, you start seeing your response
8 rates, standard mail. So that window is a
9 calendar measurement. You can't take out Sundays
10 and holidays. It doesn't work that way.

11 CHAIRMAN GOLDWAY: So for the 15 billion
12 pieces that you're measuring --

13 MR. BELLAMY: Hope to measure.

14 CHAIRMAN GOLDWAY: Hope to measure this
15 year, is that as a result of seating mail within
16 RFID or with a bar code? How do you measure that
17 mail?

18 MR. BELLAMY: Yeah, right now -- geez,
19 I'm a little bit rusty on this. I might be 70,
20 75 percent of my tracking services are through the
21 intelligent bar code in today's world, and the
22 balance would be in the plan and PostNet,
23 combination, for prior years.

24 Grayhair has never been -- for the last

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1 six years, I've never been a proponent of the
2 sampling or seating. We moved off of that years
3 ago. We track every single mail piece.

4 CHAIRMAN GOLDWAY: You get every single
5 mail piece and you get the reading from the Postal
6 Service, so you don't get the actual in-home
7 delivery, you get the reading of when it arrives
8 at the --

9 MR. BELLAMY: We all use the proxy.
10 There's an exit scan. We use that as a proxy for
11 delivery. Yes, we do.

12 CHAIRMAN GOLDWAY: Those are my
13 questions. Now Commissioner Langley.

14 COMMISSIONER LANGLEY: Thank you. I
15 really don't want to take much time because I know
16 we have --

17 CHAIRMAN GOLDWAY: We have a lot of
18 people who want to talk.

19 COMMISSIONER LANGLEY: Mine is more a
20 statement than really a question. I think this
21 panel, the other two panels, really have shown the
22 symbiotic relationship that the United States and
23 its businesses have with the Postal Service.

24 And Mr. Huckle has said that he was

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1 surprised to find that he is now having to
2 approach his largest vendor to plead for a
3 continuation of service really sums up the
4 frustration that I believe businesses are facing.

5 And whether you're, you know, a mail-
6 related software company, and Mr. Bellamy's
7 testimony is quite eloquent, and you know, a lot
8 of the points you put forward, or CMRA's, you
9 know, this is going to have a pebble in the pond
10 impact on all of your businesses. And it's going
11 to reach out into your communities, into small
12 areas in Northern Michigan, you know, as companies
13 might have to retrench or rethink business
14 opportunities.

15 So this isn't a decision that can be made
16 in isolation of just the Postal Service's
17 financial situation. You know, there are a lot of
18 economic factors that must be considered along the
19 way.

20 And I look forward to getting more
21 answers on those, and thank the three of you for
22 your testimony and for taking the time to be with
23 us.

24 CHAIRMAN GOLDWAY: Thank you. I'm sure

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1 that my commissioners and I could ask questions of
2 you for the next half an hour, because you've
3 presented really interesting information from
4 three different points of view dealing with the
5 future of the mail and the competition issues and
6 the role of newspapers and small businesses in our
7 economy.

8 But we have this room only until
9 5:00 p.m., and I know we have many people who have
10 been waiting a long time to have their opportunity
11 to say a few words for the record and get their
12 name and opinion down. And we want to allow them
13 to do that.

14 So I'm going to ask you to accept our
15 thanks and to be excused from the panel for this
16 moment. We appreciate your time.

17 COMMISSIONER LANGLEY: I have just one
18 comment I'd like to make. I do want to thank Ann
19 Fisher for putting together these three panels.
20 They've been most informative and Ann has done a
21 great job on this. So thank you.

22 CHAIRMAN GOLDWAY: She runs our office of
23 Government Relations and Public Affairs, and she's
24 the place where you go to to register your input

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1 either online or by letter. So remember her, and
2 thank you again.

3 Now, what I'd like to do with our guests
4 who want to speak is ask them to maybe make a line
5 or to figure out how we're going to do this in
6 terms of order. I know some of you come from the
7 same organization and may have figured this out.

8 If you feel that some of these comments
9 are going to be repetitive, maybe you can just get
10 up and say your name and say I agree with the
11 person before me or I agree with my representative
12 because we are a bit limited in our time.

13 I was the mayor of a city in California,
14 and we would keep our hearings going until 3:00
15 a.m. to make sure everybody got their say. So by
16 limiting this, I'm not doing it because I want to
17 do it. I'm doing it because we're required to do
18 it in order to free up the facilities.

19 So please begin, introduce yourself, give
20 us your name and organization if you have one.
21 And then we're all ears.

22 MR. JULION: Good afternoon. I, too,
23 welcome you to our great city of Chicago. My name
24 is Mack Julion, Sr., and I am president of the

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1 National Association of Letter Carriers, Branch
2 Number 11 in Chicago. That's M-A-C-K,
3 J-U-L-I-O-N.

4 I represent over 5,000 letter carriers
5 who live and work in the greater Chicagoland area.
6 I stand here today not only on behalf of letter
7 carriers, but also for the customers that we
8 serve.

9 The Postal Service proposal to eliminate
10 Saturday delivery is not only a bad decision that
11 would negatively impact our work force with the
12 lack of jobs, please do not be deceived, it would
13 also mark the beginning of the end of the United
14 States Postal Service.

15 Some may see the decline in mail volume
16 as a sign that the Postal Service is becoming
17 obsolete. But in this age of instant technology,
18 e-mails and BlackBerrys, we must realize that
19 everyone is not paying their bills online. In
20 fact, everyone does not have Internet access or
21 even a computer.

22 I spoke with Alderman Harris in Chicago
23 just the other week, and he stated that he doesn't
24 think that there are a thousand computers in his

1 ward.

2 The Postal Service obligation to provide
3 universal service six days a week even to the most
4 remote locations is still very necessary. And I
5 say that because we deliver to some of these
6 remote locations, the kind that Commissioner Langley
7 referred to earlier.

8 The West Side and South Side of Chicago,
9 like other innercity communities, still basically
10 rely on the Postal Service as their main source of
11 communication. Along with the elderly, these are
12 the people that would be impacted the most by the
13 slower delivery times and processing times that
14 would result from one less day of service.

15 The NALC and our members understand the
16 need for the Postal Service to make the
17 appropriate business decision to remain
18 competitive, viable and efficient.

19 Towards that end, our union and other
20 postal unions have been working with the Postal
21 Service to achieve those objectives. On our
22 workroom floors, we have experienced firsthand the
23 effect that the decline in mail volume has had on
24 our workforce, such as an increased workload

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1 because of longer routes.

2 But we also know that the reduction in
3 service is not the answer. You can't take the
4 service out of the United States Postal Service
5 and expect it to survive.

6 Six days a week letter carriers provide a
7 public service. We know the United States Postal
8 Service is not just a business. It is a public
9 institution. We here in Chicago have already
10 witnessed the harmful results of the Postal
11 Service's call for the end of Saturday service.

12 This flyer I have here --

13 CHAIRMAN GOLDWAY: We have it.

14 MR. JULION: You have it already, okay.

15 The Chicago Tribune has already ceased
16 using mail delivery for their Saturday circular.
17 That flyer you have is what was distributed with
18 their last Local Value that was delivered to their
19 home by the United States Postal Service in April.

20 This is in response to the Postal
21 management's false propaganda, some via Web sites
22 and their sales teams, and even on the work room
23 floor, about their imminent plan to reduce service
24 to five days or four days or three days. Because

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1 according to the Postmaster, the more days you
2 eliminate, the more you save.

3 Once the law is changed, there is no
4 barrier to what they could do in terms of the
5 elimination of service. This is, of course,
6 shortsighted because it will only decrease our
7 revenue as mailers will seek alternative forms of
8 delivery, just as the Chicago Tribune did, and
9 just as Cadillac News stated earlier that they
10 would have to do.

11 We will also see longer workdays, as
12 pointed out in the testimony between you,
13 Chairman Goldman, and Postmaster Gloria too I son.

14 When that mail volume shifts to Monday,
15 that means a longer workday, which means more
16 expense. This, of course, mixed with the
17 declining revenue, which is, again, a bad mix.

18 We believe that the Postal Service should
19 look for more ways to utilize the world's best
20 delivery network, not less. Even if it calls for
21 going to seven days if it would generate more
22 revenue.

23 That's a clapping point.

24 The first step, of course, would be for

1 Congress to fix the law that requires the Postal
2 Service to contribute over \$5 billion a year to a
3 retirement fund that has already been overfunded
4 by \$75 billion. This is, of course, according to
5 the OIG report.

6 If you take that out of the equation, the
7 Postal Service has been profitable over the last
8 five years. And this is in the middle of a
9 recession.

10 I think they've been operating this
11 business very well, taking into consideration
12 postal mail volume has not just declined during
13 the recession, it's been declining over the past
14 ten years to the tune of about 14 percent. But
15 the Postal Service has cut its workforce of about
16 a quarter. You know, running, running a sound
17 business, working with the union, that's what
18 we've been doing.

19 The Postal Service needs to find ways to
20 increase revenue, and that's where we've been
21 working with them to do, in terms of customer
22 connect, identifying additional source of revenue,
23 as well as jointly working together to adjust
24 route assignments.

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1 Working together, we can find ways to
2 keep the Postal Service intact and not dismantle
3 it. Realize we are not four- or five- day
4 delivery. We are adamantly opposed to it, thus
5 they are not working with us in that regard.

6 As Congressman Davis stated earlier, we
7 here in Chicago are passionate about our Postal
8 Service, as evidenced by the letter carriers here
9 in this room, not just from Chicago, but from
10 across this region, several branch presidents, our
11 national business agent, and two state association
12 presidents from Illinois and Wisconsin.

13 Together we respectfully ask that you
14 reject the Postal Service's call for the reduction
15 in service. Thank you.

16 MR. CHRISTY: My name is Ken Christy.
17 Last name is spelled C-H-R-I-S-T-Y. I'm the
18 president of the State Association of Letter
19 Carriers, representing 17,000 active and retired
20 letter carriers.

21 My concern -- I really wasn't going to
22 get up to speak and I didn't prepare a statement.
23 I agree with Julion's comments.

24 My concern is when the panelist from

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1 Michigan talked about alternate delivery service.

2 What a way to grow a business by cutting

3 17 percent of your availability of days to do it.

4 We're in a recession. Give us a chance

5 to -- there might be some day this might be

6 viable, decades from now, but not now. Give us a

7 chance to be viable in the workplace.

8 I got on an airline the other day to go

9 to Washington, and it said "ship your bags FedEx,
10 why can't we do that."

11 We have to look for alternative ways to
12 grow our business; but once we eliminate Saturday
13 delivery, you'll see the alternate delivery
14 services flourish.

15 And this is what you'll get. You'll get
16 people making \$6 an hour going to the mailbox, and
17 if you don't come home on Saturday to pick up your
18 mail from Friday, you're going to see increase on
19 identity theft, invasion of mailbox, and all the
20 people that are doing standard mail will hold it
21 if that happens to invade the mailbox legally by a
22 commission of Congress or doing it illegally,
23 because we see that every day now.

24 So I would urge you to keep the six-day

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1 delivery because give us a chance to grow the
2 business. We'll work with the Post Office, as we
3 have been doing.

4 It normally takes five years to check
5 every route in America and make adjustments. We
6 did this three times in a year-and-a-half,
7 eliminating many, many routes.

8 I don't think we've seen this on the
9 other side in management and/or consolidation of
10 resources. Thank you very much.

11 MR. BAHNSEN: My name is Steve Bahnsen,
12 and I live in Chicago, B-A-H-N-S-E-N.

13 First of all, I want to thank
14 Miss Goldway and the other commissioners for the
15 excellent work you provide at the PRC with the new
16 rate and service inquiry system.

17 I have used it many times, and Kennedy is
18 a wonderful employee and we get things done. So I
19 had the opportunity to thank you in public, and I
20 really appreciate it.

21 I want my mail Saturday. I want my mail
22 Saturday. I want my mail Saturday. I've thought
23 about standing here for three minutes and saying
24 this over and over again.

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1 I want my mail every day. Someone paid
2 to send it to me. It should not be stored over
3 the weekend. It is not the Postal Service's mail.
4 They should not be storing it until someone thinks
5 there's enough mail to deliver. Saturday mail is
6 even more important here in Chicago, where we have
7 the worst Postal Service in America.

8 We are continually plagued by
9 inconsistent and unreliable delivery, often late
10 in the afternoon where I live. I have no idea
11 when my mail will arrive.

12 We should not be having this meeting.
13 The Board of Governors is failing its duty to the
14 American people by supporting the continued
15 service cuts proposed by Postmaster General
16 Potter.

17 Further, Mr. Potter and his managers are
18 telling this Commission and others totally false
19 information. Saturday is not the least busy
20 delivery day as he claimed. Tuesday is.

21 There's as much mail Saturday as any
22 other day of the week. Mail is targeted for
23 Saturday delivery since people are at home, as
24 others have commented this afternoon. As for

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1 Priority Mail, stress it's delivered Saturday at
2 no extra charge.

3 This proposal is part of a double whammy
4 for Americans. No matter if mail is delivered
5 Saturday or not, the Postal Service wants a rate
6 hike from the Commission.

7 This is not an either/or proposition.
8 Potter wants to reduce delivery days by 17 percent
9 and increase everyone's postage bill. No private
10 business would consider such a combination of
11 service cuts and price increases even to a captive
12 customer base, such as the Postal Service.

13 Eliminating Saturday or any other day
14 will do nothing to solve the Postal Service's
15 greatest problem, a lack of revenue. In fact, it
16 will drive volume away.

17 Customers want their mail delivered, not
18 sitting in a post office for days on end. Will
19 the U.S. Postal Service come to the Commission
20 again in two years, this time asking permission
21 not to deliver mail on Tuesday or Thursday or on
22 the odd side of the street?

23 What happened to the concept of deliver
24 every piece every day? We have no confidence that

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1 mail will continue to be delivered to post-office
2 boxes on Saturday if street delivery is halted.

3 Some bureaucrats may just decide this is
4 not worth the effort either, such as they have
5 ordered that mail not be boxed on the four
6 non-widely observed holidays and Sundays.

7 Saturday is the only day many people have
8 available to visit the Post Office for retail
9 service. Lines can be out the door because of so
10 many customers.

11 Even so, boons and other bureaucrats
12 continually cut Saturday window hours. It is
13 especially bad here in the Great Lakes area where
14 retail standardization has left many postal
15 lobbies open only two hours on Saturday
16 morning, this when all the other private
17 businesses that make money are open longer.

18 How does a closed Post Office generate
19 any revenue? Part of the Saturday scheme also
20 calls for elimination of the processing of
21 outgoing mail. This is more nonsense that would
22 make the United States resemble some Third World
23 country.

24 While it is acknowledged there is less

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1 outbound mail on Saturdays, less employees are
2 needed than during the week to process them. What
3 is the point of accepting mail Saturday morning if
4 only stuck in that Post Office all weekend?

5 We're also curious how ending Saturday
6 mail delivery will enable the postal service to
7 continue to update its buildings. Within fifteen
8 miles of here are three Post Offices built in the
9 1920s or earlier. There are fifteen stations of
10 the Chicago Post Office built in the 1930s with
11 little parking. Growth in the suburbs continually
12 demand new facilities, and offices in rural
13 America need modernization.

14 In summary, this proposal to end Saturday
15 mail delivery can only be answered by several
16 postal terms: "Attempted, not known"; "No such
17 number"; "Deceased;" and "Return to Sender."

18 I want my mail Saturday and every day.
19 Thank you.

20 CHAIRMAN GOLDWAY: Mr. Bahnsen, I just
21 want you to know that I do think that Chicago
22 delivery has really improved in the last two
23 years. And if you have some specific concerns,
24 I'm sure Miss Tyson here would be happy to talk to

1 you.

2 I want to recognize what we all know,
3 which is that there's really been improvement here
4 in Chicago. Thank you.

5 MR. LABBE: Thank you. My name is Kenny
6 Labbe, L-A-B-B-E. I'm a letter carrier in the
7 suburb of Mount Prospect, and I have been carrying
8 since 1992.

9 So Madam Chair, Vice Chair Hammond and
10 Commissioners, thank you very much. Welcome to
11 Chicago. Enjoy your tour tomorrow of Donnelley,
12 and thank you very much for this forum, to allow
13 everybody to be heard and to speak.

14 I agree with a lot, because you don't
15 want a redundancy, a lot of what's been said.
16 There's a really good strong case that five-day is
17 the wrong way.

18 Eventually maybe if it's a time when we
19 don't have \$75 billion that's been miscalculated
20 and we don't have an overfunding of \$5.5 billion a
21 year.

22 We're year four right now. Year three
23 was temporarily relieved through H.R. 22. But
24 trying to pre-fund health benefits for future

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1 retirees by 2016, when many of them won't be
2 needed until 2020, 2030. I'm 38 years old. I'm
3 going to probably retire at age 67, in 29 years;
4 so my future health benefits aren't going to be
5 required or needed for a number of years. So
6 there's no urgency in getting that funded by 2016.

7 And as Postmaster General said in direct
8 testimony on March 18th with Senator Durbin,
9 Senator Durbin asked him if you were given some
10 kind of credit, because the OIG and panel differ
11 on the amount, but if you were given some kind of
12 credit of the \$75 billion, would that help things
13 with the Postal Service?

14 And I believe to paraphrase Postmaster
15 General Potter, he said, yes, it will help us
16 greatly, in which Potter said -- I'm sorry,
17 Senator Durbin said, are you actively searching
18 for that \$75 billion, and Postmaster General
19 Potter kind of hemmed and hawed. I believe you
20 were present at this testimony.

21 And he said, well, if we were to get
22 credit for that, some of it or all of it, we would
23 be able to fully fund the health benefits fund,
24 which stands at about \$35 billion, now which

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1 coincidentally needs to get to about \$75 billion,
2 would take care of \$13.5 billion in debt that we
3 have, nearing our debt ceiling, and would
4 eliminate the need to go to five days. And the
5 Postmaster General said there would be no need for
6 a service reduction.

7 And since he's been pushing for five-day
8 delivery since January of '09 very aggressively in
9 the Senate testimony and Congress and the House,
10 to him -- for him to admit fourteen,
11 fifteen months later that if we were to get these
12 things resolved we wouldn't need it shows that
13 that tape right there on March 18th was pretty
14 much evidentiary that this is the wrong time.

15 Eventually perhaps the Postal Service
16 will need to go to five-day delivery. I believe
17 Canada went twenty years ago. I'm not sure on
18 that. But we deliver about 40 percent of the
19 world's mail, so it doesn't compare Canada to us.
20 We deliver a large percent of it.

21 And if we were to save \$9 billion or
22 \$11 billion and we didn't have overfunding and
23 pre-funding requirements, I would say now is the
24 time. But it's premature and immature because

1 it's only \$3 billion if you believe -- it's only
2 \$3 billion if you believe the Postal Service's
3 estimates.

4 But you have to factor in the loss of
5 business that's been -- that witnesses have
6 testified to today. So your estimates of under
7 \$2 billion, so it probably be a lot more realistic
8 that it would be a smaller savings.

9 And if you look at the Postal Service as
10 a whole, it's an entire industry. These are dated
11 numbers. But it's a \$900 billion or \$1 trillion
12 industry with 9 million employees throughout, not
13 just the Postal Service.

14 And by cutting it to five days, in April
15 at the Postal forum Postmaster General Potter said
16 if the savings on five-day are what we think they
17 are, it makes sense to study four-day. And you
18 can see, the death spiral will progress.

19 So I ask you five-day is the wrong way.
20 Please support it in your advisory opinion this
21 fall and maintain six days for now.

22 MS. POINDEXTER: Thank you so much for
23 allowing me the opportunity to speak. My name is
24 Laurie Poindexter, P-O-I-N-D-E-X-T-E-R.

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1 I'm postmaster of the Level 20 Post
2 Office in Pontiac. I have an R.R. Donnelley
3 facility there. We do over \$15 million a year
4 with them.

5 They have regularly asked us to schedule
6 Friday, Saturday and Sunday. I'm a 24-hour DMU,
7 which we means they work 24 hours and I provide
8 service for them for 24 hours.

9 I am currently an LIC and a Level 21 in
10 Streator. I'm also the vice president of the
11 National Postmasters of Illinois. I have been a
12 rural carrier, a city carrier, a sales clerk and
13 I've worked in PNDC. I have worked at every
14 position that I now manage.

15 I agree that the Post Office must change
16 its way of business. We take no tax dollars but
17 we are subject to Congressional restrictions. The
18 five-day delivery is not the way to do this.

19 It affects only two areas of the postal
20 service, rural and city delivery. I would still
21 have to schedule mail handlers, mail distribution
22 and clerks.

23 You're penalizing people who have the
24 most distance to travel and cost of a P.O. box it

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1 would affect. I agree with the 2009 summer sale.
2 We're going to -- and I think we're having another
3 one in 2010.

4 We're raising prices for 90 percent of
5 the work people in America and we're cutting the
6 prices for the business. So to me this is
7 contradictory.

8 Also, if we go to five-day delivery, we
9 would be handing \$15 million of CVS's business to
10 FedEx or UPS. And that's just one business. What
11 would it do with the rest of our businesses?

12 When you're talking about Mailboxes,
13 Etc., which is CMRA's, no offense, but they do
14 have lower standards than the Postal Service.
15 They have lower wages. They don't have the
16 restrictions that we do on the people that we
17 hire.

18 And if you're going to allow open
19 accesses to mailboxes, you have to consider two
20 things. You have to consider the security of the
21 mail for Saturday salt delivery, and what about
22 the people who have CPU's, which are contract --
23 which are boxes in apartments that require Arrow
24 keys to get into, or NDCPU's, which also require

1 Arrow keys to access.

2 You can't give people who are not working
3 for the Post Office access to an Arrow key because
4 that would not keep the sanctity of the mail.

5 The 5 percent decline that was mentioned
6 on the retail visits is in part because of the
7 Postal Service ourselves pressed for online
8 service. We want customers to not call the post
9 office. We want them to go online. We want them
10 to change their address online. We want them to
11 put their mail on hold online.

12 So we cannot say the 5 percent decline in
13 retail is the reason for us to go to five-day
14 delivery, when we're the ones that are pushing for
15 them to there.

16 I am low on the management food chain. I
17 am front-line delivery. Minute by minute I manage
18 my city carriers, my rural carriers and my clerks.
19 I have all kinds of tools that tell me how
20 effective I am every day on my business.

21 The front line is not the place to cut in
22 the Postal Service. We are very top-heavy on
23 management, and I do believe we need the freedom
24 of operations. We need the ability to move

1 employees where they go.

2 We're working hard for maximization.

3 We're going to have our DPS -- we have our DPS

4 setters. We're soon going to have our DPS flats.

5 So that will help with our elimination of the work

6 force in that area, which we need to have the

7 ability to move them to other areas where we need

8 them.

9 Consolidate operations in PNDC's, but not

10 in the smallest post offices. The small post

11 offices -- the smallest 10,000 post offices are

12 less than 5 percent of the total USPS budget.

13 I will be able to manage the mail if you

14 close it on Saturday. I will be able to manage

15 the mail flow. Will it result in delaying mail?

16 I can't tell this -- tell you this at this moment

17 because that is a hypothetical. But I will get it

18 done because that is my job as postmaster.

19 But cutting to five-day delivery will be

20 a disservice to the American people and is not a

21 viable option in my opinion. Thank you.

22 CHAIRMAN GOLDWAY: This is going to be

23 our last -- you're our last speaker, because we do

24 have to leave the room.

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1 MR. WHITEHEAD: Thank you for the
2 opportunity. I'm Rob Whitehead. My 1,100 members
3 of our branch wouldn't forgive me if I came here,
4 spent all day and didn't at least say a few
5 sentences to you.

6 I believe that going to five-day delivery
7 is the biggest mistake the United States Postal
8 Service has ever considered. And I believe that
9 the people, the postal customers of this great
10 nation deserve better service and not less
11 service.

12 CHAIRMAN GOLDWAY: Thank you all. Thank
13 you for your dedication to the Postal Service,
14 your understanding of how important it is to
15 American society, your support of us in our
16 efforts to get a full range of information, and
17 your understanding that this is a very complicated
18 issue and requires, as Congressman Davis said, a
19 lot of thought and consideration and evaluation
20 before we finally make our decision.

21 But you have access to us through Ann
22 Fisher and the mail and our Web site, and
23 www.PRC.gov. And we hope to continue to hear from
24 you on this issue and on others that may arise

1 because it is not an easy time for the Postal
2 Service, and we all need to work on making it
3 better.

4 Thank you very much, and thank you to our
5 court reporter as well for her patience and
6 diligence.

7 (Whereupon, at 4:56 p.m., the above-
8 entitled proceedings were concluded.)

9 * * * * *

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1 CERTIFICATE OF NOTARY PUBLIC

2 I, JANICE M. KOCEK, the officer before whom
3 the foregoing hearing was taken, do hereby certify
4 that the panel members whose testimony appears in
5 the foregoing proceedings were duly sworn; that
6 the testimony of said panel members and witnesses
7 was taken by me in stenotype and thereafter
8 reduced to typewriting under my direction; that
9 said hearing is a true record of the testimony
10 given by said panel members and witnesses; that I
11 am neither counsel for, related to, nor employed
12 by any of the parties to the action in which this
13 hearing was taken.

14

15

16

17 JANICE M. KOCEK, CSR, CLR
18 Notary Public in and for
Cook County, Illinois

19

20 My commission expires:
October 10, 2012

21

CSR No.: 084-002871

22

23

24

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