

**Before the Postal Regulatory Commission
Field Hearings
Buffalo, New York
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1:00 pm
Common Council Chambers
Buffalo City Hall**

**Six-Day to Five-Day Carrier Delivery and Related Service Changes
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Good Afternoon:

It is a pleasure to appear before the United States Postal Regulatory Commission at your field hearings on Six to Five Day Delivery. It is my understanding that one of our members, Ms. Cheryl Z. Chapman of International Papers testified before the Commission on May 19th. Her company is one of the largest companies in the paper based communication industry. This afternoon you will hear the perspective of a much smaller company. My company was founded in 1985 and employs 36 people. We are located near Rochester, NY but I am honored to travel the 90 miles to address you today.

In preparing for my remarks this morning, I accomplished some historical research. To my understanding, this is the third time the issue of eliminating a day of delivery has been discussed at the national level. I noted that in November and December of 1977 this issue was discussed, just seven years after a new postal law was passed. Then in 2001, this issue was next discussed as part of a package proposed by the USPS Board of Governors. That was five years before we had a new law governing the postal service. So here we are, almost four years after the new law was created and again we are talking about eliminating a day of delivery.

On December 13, 1977, the House of Representatives Committee on the Post Office and Civil Service met at Bear Mountain, New York. The Honorable Ben Gilman, whom many of you are familiar with presided at that hearing. At that time, a Commission on Postal Service, a specially appointed Congressional Commission, estimated that more than \$400 million in postal cost could be avoided if we eliminated one delivery day. I found it very interesting that at that time, Americans were also polled on their preference for eliminating one day of delivery or paying higher rates for postage and indicated that they would rather eliminate the day than pay more for the mail. But mailers were concerned then, as they are now. It is business mailers that are paying most of the postage and they pay that postage for excellent quality service including on time delivery of time sensitive materials. There is no difference today. The advantage of a delivery service is its timeliness, the right product, the right place and the right time we are told in marketing literature makes a successful transaction.

Yet, today, we face an unprecedented challenge to our Post. Mail volume has dropped more in a shorter period of time than any other time in the 30 year history of the USPS. The news going forward is also concerning, the USPS expects postal volume to continue to decline through the next five years at least. We hear that the USPS has a \$240 billion shortfall over that time based on its estimates that it must make up and the Postmaster General has advised all of us that everyone must bear the pain equally.

Our industry association has been every involved in this issue. While we have spent a great deal of time studying this issue we have also paid close attention to Members of Congress who are staying that the business model that the Postal Service is built upon is broken and a new model must be created. That may be true.

Getting back to the issue of five day versus six day per week delivery. We may end up at some point with a five day per week delivery schedule for mail but when and if we do, I would hope that we accomplish this change as part of a much broader effort to change the business model of the Post all together. The financial results appear to show that what we are currently doing is not working well. But by attacking a dramatic change in

the communications marketplace through a piecemeal effort at cutting costs seems to be concerning to myself and my colleagues.

I would hope we go back to the previous record and find out why we did not cut service in 1978 and again in 2001, do we truly have different circumstances that justify this change at this time or are we in the middle of dealing with yet a new challenge? I know this, that given the past history, we need to approach this issue very carefully and insure that we get it right this time. If we are going to raise rates at the same time we cut back service, we need to do that very carefully. Small businesses like my own, depend on using the USPS as part of our reach to the customer. If that reach is diminished in some way, it changes our business model. Will we survive, of course we will. We make it our business to adapt to change but we all have to insure that we understand what the needs truly are before we make this change.

While I don't have data to share with you today and I am sure the economists and technical staff at the commission will come up with what you feel the savings are that are involved in this change, I would encourage yet another survey to make sure we get it right. I believe we all need to know the trade off we are making here and we need to understand that there will probably be future rate increases to continue to keep the USPS viable in the year ahead. I would also hope that any service cuts would be done in the context of a broader change in business model so that we are not dealing with these issues in 2015. It would be nice to hear that

I do have one piece of information to share with the Commission today. Our Industry Foundation recently did a poll of American consumers concerning their bill payment preferences and that poll came back stating that only 14 percent preferred to pay their bills on line. The remainder still wanted to receive a paper based bill and pay electronically and/or receive and pay by paper. What was most interesting is that a similar poll conducted in Europe said much the same thing. I am submitting these documents with my testimony to you today.

My closing point is that it appears moving forward, we have to keep in mind that what is most important is the customer experience with the USPS overall. If the delivery service is good, if the physical document or package is on time and if the cost is fair, that is all that is important. I believe that the USPS has a terrific opportunity to continue to build its delivery model to offer new services and products and even become the model of choice for other delivery service providers. Not every delivery company wants to deliver to every home address six days per week. It would seem that this is a future opportunity that we should explore further rather than simply shrugging our shoulders, saying this is the best we can do and walking away from an important market.

I know this commission will make a wise and well reasoned decision on this matter. As I indicated, I am just a small company with a vision of the world from Rochester, New York but very depended on a viable and efficient postal system that delivers on time, to the right person at a fair price.

Thank you...