

Testimony of Dan O'Brien, First Data  
Before the Postal Regulatory Commission  
June 21, 2010

Good morning. My name is Dan O'Brien, and I am the Postal Strategy Director at First Data. I am pleased to be here today on behalf of First Data, and I appreciate the opportunity to share with you some of our comments and concerns regarding proposed Docket N2010-1 regarding the U.S. Postal Service's plan to eliminate Saturday delivery.

Let me begin by telling you more about First Data. We are a Fortune 250 company that is a global leader in payment processing. We employ approximately 25,000 employees globally, with a majority of those employees in the U.S. Our services help consumers, businesses and governmental entities make payments for goods and services using virtually any form of payment – credit card, debit and stored value card, electronic checks and paper checks – at the point of sale and over the Internet. We own and operate the STAR debit network, one of the leading nationwide electronic funds transfer (EFT) networks, as well as the Instant Cash ATM network.

Additionally, our Financial Services business segment provides credit and debit card processing services to financial institutions and other issuers of cards, such as consumer finance companies. These services include maintenance of cardholder accounts, authorizing and posting of consumer transactions, generating and printing cardholder statements, card embossing and fraud and risk management services.

This proposal would affect First Data's operations with regard to the creation, printing and mailing of periodic statements. For more than 35 years, First Data has provided back-office services to financial institutions of all sizes that issue general-use credit cards, ATM and debit cards. We offer end-to-end card issuing solutions for virtually every stage of our clients' customer lifecycle, including card issuing and activation; account and transaction processing; billing and payment processing; advanced print, electronic and voice customer communications; analytics and decisioning; and facilitation of card network and governmental compliance.

Put more simply, the services we provide to our financial institution clients include manufacturing the plastic cards, embossing the cards with the cardholder information, enabling the cardholder to activate the card, and mailing the card to the cardholder for activation. Additionally, we mail the periodic statements associated with that card. In this capacity First Data is one of the largest customers of the Postal Service mailing nearly two billion First Class letters annually.

First Data applauds the recent cost cutting efforts of the Postal Service (the “Service”) and recognizes the challenges the Service faces with balancing declining mail volume and its Universal Service mandate. First Data and the Service have a long history of partnering and furthering a relationship that benefits our mutual customers, and we certainly desire a viable and financially healthy Service. The question is what constitutes the best direction for the Service to take on its mission to exceed service expectation while managing costs. Rather than degrade service by eliminating Saturday delivery, First Data maintains that the Service along with the PRC should first more aggressively persuade Congress to rectify both the funding requirements of the Postal Service Retiree Health Benefits Fund and the Civil Service Retirement System overfunding as reported by the OIG. The Service should not degrade meaningful service such as a delivery day to cut costs until all other opportunities have been exhausted.

If all other opportunities have been exhausted and Saturday delivery is eliminated, the Service should still remain committed to the principles of its Five-Day Delivery Plan and Executive Summary including the pledges below.

- **Continue Saturday Post Office services** — Post Offices and other postal retail units will remain open on Saturdays. No Post Office will be closed on Saturday as the result of five-day delivery. Post Offices will continue to accept mail on Saturday, but most of it will be processed on Monday.
- **P.O. Box-addressed mail** — Mail addressed to a P.O. Box will be delivered Monday through Saturday. Local firm holdout mail will be available for pickup Monday through Friday.
- **Remittance mail available seven days a week** — Incoming mail will be processed and transported over the weekend, so that remittance mail (mail containing payments) and other mail addressed to a P.O. Box will continue to be available for pickup seven days a week.
- **Timely delivery on Monday or after a three-day holiday weekend** — Currently, there are five times a year when mail is delivered to street addresses on a Tuesday following a three-day weekend that includes two consecutive non-delivery days (Sunday and Monday). When that happens, the Postal Service delivers mail on Tuesday. It will continue to do so under the proposed plan.

Under five-day delivery, three-day holiday weekends will have three consecutive non-delivery days — Saturday, Sunday and Monday. There is sufficient time and mail processing capacity for all mail to meet a Tuesday delivery date. Local operating plans will be adjusted to ensure that all mail scheduled for delivery on Tuesday after a three-day weekend is delivered in a timely manner. This will be accomplished using multiple strategies, including bringing employees in earlier, using overtime, and redistributing carrier workload.

- **Processing and transportation to continue for three-day holidays** — Incoming processing and transportation will continue on weekends when a holiday occurs on the following Monday. This processing and transportation supports timely delivery of mail after the holiday weekend.
- **Continued drop-ship entry on Saturday and Sunday** — Drop-ship entry of bulk mail will continue on weekends. The start-the-clock for measuring on-time service performance occurs the day the mail is drop-ship entered.
- **Continued bulk mail acceptance on Saturday and Sunday** — Bulk mail will continue to be accepted on Saturday and Sunday. Business mail entry units (BMEU) will remain open on Saturday and/or Sunday. Post Offices currently accepting bulk mail on Saturday will continue to do so. Outgoing bulk mail accepted on Saturday or Sunday will generally be processed and have a start-the-clock on Monday. There will be an optional start-the-clock on Saturday for local outgoing and incoming sectional center facility (SCF) mail when three requirements are met: the BMEU is associated with a plant, mail is physically separated and pre-sorted to the SCF or finer sort according to labeling lists, and mail is entered prior to the critical acceptance time.
- Post Offices will remain open on Saturdays and will accept outgoing mail.
- P.O. Box-addressed mail will be delivered on Saturday.
- Express Mail will be delivered seven days a week, and will continue to be collected from dedicated Express Mail boxes on Saturday.
- Post Offices will remain open on Saturday.
- Plants and distribution centers will continue to process incoming mail seven days a week to support street address delivery Monday through Friday, P.O. Box delivery Monday through Saturday, and Caller Service pickup Monday through Sunday.
- Outgoing mail will continue to be transported Monday through Friday.
- Transportation will generally continue as it currently does between plants on Saturday and Sunday.
- Mail will be accepted on Saturday, with processing and start-the-clock activities starting on Monday.
- Business mail entry units (BMEUs) will be open on Saturdays and/or Sundays. The start-the-clock day will generally be Monday, except that mail entered at a destination facility will have the option of a Saturday start-the-clock day.
- Detached mail units will be open on Saturdays and/or Sundays will remain open. The start-the-clock day and mail makeup requirements will continue to be governed by customer/supplier agreements.
- Incoming drop shipments will continue at facilities accepting this mail. The start-the-clock day will be the day the mail is entered. This mail will be processed as incoming mail on the entry day.
- Destination delivery units (DDU) will generally accept drop shipments during the hours retail counters are open.

However, even if the Service holds true to its pledges above, the issue of losing a day of single piece mail collection remains. In addition to being one of the Service's largest First Class mailers First Data is also a third-party remittance processor through its brand REMITCO. REMITCO currently processes for more than 4,000 clients at 9 processing facilities across the country, processing roughly 50 MM payments per month, and handling roughly \$31B Dollars monthly for these payments. From a remittance standpoint losing a day of mail collection would have a greater impact to a client's receipt of funds, creating float implications and additional costs of funds to clients.

As consumer pickup of mail would be eliminated on Saturdays, mail would receive an additional day delay, causing more mail to be received later in the week than what is currently experienced. I understand the delivery of mail to the PO Box will continue, but if there is no pickup, this will surely cause a delay in receipt of mail, and float implications. If the mail we currently receive on Monday is moved to Tuesday this could result in a negative float impact to our clients. Assuming a cost of capital at 13%, and a delay in depositing \$1.4 million in payments, it would be a substantial hit for our corporate billers. Moreover, posting payments a day later will increase inquiries to consumers via their biller and could consequently impact late fees, interest charges to the end consumer, or both.

Additionally, companies like REMITCO will experience a fundamental shift in payment volume receipts by day of the week. Negative repercussions to service level agreements will drive up processing and operating costs. More complexity will be introduced into operations as a result of increased backdating which increases the likelihood of error.

The five-day proposal also seems inconsistent with the recent Credit CARD Act of 2009, which amended the Truth in Lending Act to provide that if a creditor does not receive or accept payments by mail on the due date for payments, the creditor may generally not treat a payment received the next business day as late for any purpose.

While this issue seems to be viewed from the perspective of savings to the Service it may actually drive more paper to electronic migration, thus further eroding mail volumes as clients start to more aggressively pursue more cost-effective and float-beneficial clearing options. We sincerely appreciate your consideration of these critical issues.