

**Remarks of  
Vice Chairman George Omas  
Postal Rate Commission  
Alliance of Nonprofit Mailers' Breakfast  
Postal Forum, Denver, Colorado**

**Tuesday, October 16, 2001**

***“CRITICAL TIMES”***

I entitled these remarks “Critical Times.” Because of the issues facing both the U.S. Postal Service and the Rate Commission. Not to mention speaking at these breakfast meetings of Neal’s.

Those that really know me know that: Speaking at a meeting scheduled to begin at 7 am is unusual for me. In fact I have only done it twice, first at the Forum in Orlando and now here. Who says Neal doesn’t have the power of persuasion?

I agree to it only because Neal promises a special blend of high caffeine coffee for those that are hardy enough to make it up this morning. It is a “special blend” isn’t it? At any rate that’s why I, personally, call these “critical times”.

However, it is a critical time for the Postal Service and not just this morning, but for the future as well. It has had some financial setbacks and many are suggesting that new technologies will make it irrelevant. But, IF it is a critical

**time for the Service THEN it is equally a critical time for the Postal Rate Commission.**

**Our role is to assure that the nation's mailers receive the types of mail service they need and they get it at a price they can be relatively assured is as fair and equitable as we can possibly make it.**

**Neal has mentioned our existing vacancy in his newsletter. It appears we will soon have another, as my colleague and friend, Commissioner LeBlanc's term expires next month. I, and I am sure you as well, would prefer a full complement of Commissioners to hear the cases before us.**

**The current Commissioners have developed a strong, collegial working relationship. Each of us has taken the lead on individual classification cases and we are comfortable with sharing responsibilities in a multi-issue, omnibus rate case. We know we will be very busy, but each of us is prepared to do whatever it takes to meet our statutory obligations.**

**This country has relied upon its Post Office for more than 200 years, and I personally believe that the Postal Service will have an important role to play for many, many years to come. The Postal Service allows individuals, businesses, and organizations with a loyal core of supporters to send targeted hard copy messages. I am a strong supporter of the Postal Service. But that doesn't mean that I think that the Postal Service is doing everything right.**

**The Postal Service has been attempting to modernize itself. It has purchased large quantities of automated mail processing equipment. And it has attempted to focus on improving its service.**

**But I think it can do more.**

**Ever since I joined the Postal Rate Commission, in 1997, I have heard Postal management trumpeting the need for legislative reform. The Postal Service wants to be free to be more flexible in the way it prices its products and in the way it deals with its labor force.**

**The appropriate Committees in both the House and the Senate are considering potential legislative action designed to allow the Postal Service to operate more effectively. I support these efforts.**

**Lots of things have changed in the thirty years since the Postal Reorganization Act established the Postal Service as a hybrid public/private organization. Also, during that time, several issues have surfaced where the intent of Congress isn't perfectly clear. I think Congressional guidance on whether and how the Postal Service should be competing with private industry would be particularly useful.**

**However, I am sufficiently familiar with the legislative process to know that we are unlikely to see significant postal legislation in the near future. I am certain that Congress will not want to enact any sweeping changes without hearing from all of the affected interests. That includes you, as business mailers. It also includes representatives of postal labor, postal suppliers, postal competitors, and numerous other narrower interest groups.**

**My message to you today is that we need not be stuck with the status quo just because postal reform legislation is not passed. The Postal Service has the ability to make substantial improvements even if no new legislation is enacted.**

**After more than four years of reviewing draft legislation and reading Postal Service policy statements I have reached the conclusion that our current laws are not the cause of most of the Service's problems, at least not in the pricing area.**

**The Postal Service has numerous pricing options available to it under current law — it simply hasn't tried them.**

**Admittedly, the law prevents the Postal Service from unilaterally imposing increases. That is probably a good thing. The Postal Service is a monopoly, and no other delivery firm can access individual mailboxes. Mailers should have the opportunity to be heard before large rate increases are imposed on them by a government monopoly.**

**Moreover, there are practical considerations. General Motors may alter the price for a GMC truck five or six times a year, and prices in the supermarket go up and down all the time. But the Postal Service would not change the price of a first class stamp five or six times a year even if it had total pricing flexibility.**

**Frequent changes would be very disruptive. I have been told it takes six to eight weeks to implement changes in Standard Mail rates alone. Organizations that spend significant amounts on postage need to be able to budget for the future.**

**Furthermore, right now the Postal Service has many pricing options that it rarely uses. Ten years ago the Postal Rate Commission implemented special rules to make it easy for the Service to market test new products on an experimental basis. Those rules have been used once.**

**The Commission has encouraged new rates designed to foster mailer worksharing. But the Postal Service has been hesitant to test new discounts. For several years the Postal Service resisted developing classifications for limited numbers of mailers that had special needs or unique circumstances. It contended it required additional authority to enter into negotiated service agreements.**

**Finally, after numerous mailer complaints, the Postal Service proposed several so-called “niche” classifications. These new categories are essentially negotiated service agreements. The Commission promptly approved several of these new categories developed to meet the needs of limited numbers of mailers. My question is, why haven’t more of these categories been proposed?**

**Mailers frequently suggest ways to modify existing services and pricing structures. The real problem has been getting the Postal Service to support even one or two innovations every few years.**

**Docket No. R2001-1, the new omnibus rate request, is my third rate case. During both of the previous cases the Postal Service let it be known that it had lots of new rate category concepts, “quote” in the pipeline. But only a few of these ideas have ever been presented to the Commission.**

**I know several people from the Postal Service are here today so I want to emphasize this point. I am NOT saying that the Rate Commission will rubberstamp any proposal the Postal Service may come up with. The Commission takes very seriously its obligation to carefully consider public input on requests filed by the Postal Service.**

Over the years the Postal Service has asked to initiate several new services that were opposed before the Commission. An example of that was the Postal Service's Pack and Send proposal. The Service contemplated having postal clerks at local post offices wrap parcels for mailing. Owners of small businesses, such as Parcel Plus, successfully argued that the Postal Service was under pricing this service.

The Commission authorized the Postal Service to go forward with this experiment, but only if it charged an appropriate rate.

In most instances, however, the Commission has been able to recommend recent Postal Service proposals to test new services. The Postal Service should not allow one or two failures to discourage it from attempting to be innovative.

Recently, mailers have suggested that rate increases would be less disruptive if they could be phased in. At first the Postal Service claimed that the law didn't allow phased rates. When those concerns were expressed I testified before the Senate that in my opinion phased rates were legal.

Now the Postmaster General has acknowledged that the Service did not propose phased rates because it wanted a maximum amount of new revenue as soon as possible. Lack of flexibility was not the problem.

From my vantage point the Postal Service still has too much of a "business as usual" attitude. It still offers the same services, priced the same way. The law does not limit Postal Service innovation. *Habit, and Inertia*, limit Postal Service innovation.

**I believe the Postal Service can meet the challenges of the Internet age if it is willing to be innovative. It offers very valuable services. It needs to find ways to provide those services more efficiently and to price them more attractively. I believe that given the opportunity, both the Commission and the mailers are eager to help the Postal Service achieve these goals.**

**I want to wind this up this morning with a story our Personnel Officer told me: A Human Resources Director dies and Saint Peter says “you’ve been so good, I am going to give your choice of where to spend eternity. Visit around Heaven then go see Hell today and come back tonight and let me know which you would prefer.”**

**The fellow wandered Heaven and found it a little too laid back and quiet, he then went down to Hell and found that a lot of his former friends were there, they were laughing, drinking, eating and having a good time. So he went back to Saint Peter and said, “Heaven is great and all but I think Hell is a little more my kind of place.” So, Saint Peter said as you wish and POOF he was back in Hell, but this time it was different, no one was singing, no one was drinking they were now all sobbing and sweating, the heat was unbearable.**

**Shortly, the Devil came by to welcome him and the Personnel Officer said, “what happened yesterday everyone so seemed happy and now they look and act terribly?” The Devil smiled and explained “Ah but yesterday you were just interviewing, ....Today you are part of the Team!”**

**So I try to remember that things are not always what they seem. The Commission, The Postal Service and Mailers can be successful, But, only by working together.**

Thank you. It is always good to be here.

###