

Direct Marketing Association
Governmental Affairs Conference
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Two years ago---my first at the Postal Rate Commission---I was honored when DMA asked me to be a major, luncheon speaker.

Last year---my second at the Commission---I was invited to participate as a panel member at one of the general session panels.

At the time, Jonah told me my billing at this year's Governmental Affairs Conference depended on the job I did with part one of the reclassification effort; that if I didn't do a decent job, I would be relegated to some obscure, late afternoon, concurrent session.

Well, here I am---on a panel at one of those obscure, concurrent sessions, albeit in the early morning rather than late afternoon. I think Jonah is trying to tell me something!

I don't mind, really, though. I'm happy to speak today on the subject of this session, which is, quite simply, let me see, "Postal Reform."

I would venture to guess that when most of you hear the term "postal reform," the first thing that comes to mind is legislation---that we just have to change those laws to make progress. The legislative approach is one road to reform. There is another---administrative---and I'll talk about it in a bit.

I think most, if not all of you are familiar with my views on the vagaries of a legislative fix for perceived and/or real postal problems.

I've suggested from time to time that seeking legislative change in the postal arena is tantamount to opening the mythological "Pandora's Box"; or, in more modern terms, that the legislative process is like Forest Gump's box of chocolates---you just never know what you're gonna get; that, if ever there was a venue in which the "law of unintended consequences" was sure to rear its ugly head, the legislative process is it!

People ask me sometimes what is likely to happen. I tell them that there is not much real work time left in this Congress---given all the holiday and convention recesses on the schedule, plus an early October adjournment for election, and a bill has yet to be introduced. But I've learned, over the years, to never say never---or, if you'll permit me another "Gumpism," legislation happens!

I also tell people that we in the postal community have two, thoughtful and fair-minded individuals who chair the subcommittees that oversee our not-so-little-world up on Capitol Hill. I'm talking here, of course, about Senator Ted Stevens and Congressman John McHugh.

Just last week, Chairman McHugh told a gathering of folks at the Day-Epstein Awards Ceremony that one of his guiding principles, as he worked on legislation, was "to do no harm."

That reminded me of a seemingly relevant Will Rogers quote I was required to commit to memory some years ago, when I worked for then Congressman Glenn English of Oklahoma. It goes something like this:

"Never blame a legislative body for not doing something.

When they do nothing, that don't hurt anybody.

When they do something is when they become dangerous."

Remember now, that's Will Rogers talking, not me!

Many have argued to Chairman McHugh and Chairman Stevens that "legislative reform" is necessary. Some, like DMA, have made, detailed, specific proposals. Others have talked only in generalities, claiming---over and over and over---that the Postal Service needs more flexibility in dealing with the three P's--- people, products, and prices.

The Postal Rate Commission seems to be a frequent target of these "reformers." This is not surprising.

A member of Senator Pryor's staff who covers agriculture now, but who cut his teeth working with me on postal issues, told me this mantra of change

reminds him of an old farm saying. "The postal community," he said, "is like a settin' of baby chicks---the smallest one gets pecked the most." It sure does seem that way at times!

Well, every so often, even the smallest chick pecks back a bit. So, let's talk about the claim that more flexibility is needed.

First, people. Clearly, something needs to be done. Despite the investment of billions (that's with a B) of dollars in automated equipment and increased worksharing by mailers, the percentage of costs consumed by labor has not declined. Worse yet, total factor productivity continues to decline. It dropped 0.4 percent in 1994, 1.5 percent in 1995 and is down about 2.5 percent through the first half of fiscal 1996. Since postal reorganization 25 years ago, productivity is up only an anemic total of 11 percent. Eleven percent in 25 years! And, of course, despite the much ballyhooed downsizing of 1992 and 3, the postal workforce is larger today than ever. You people are concerned about rates. Rates reflect costs.

Given this, I think it somewhat incomprehensible that you spend so much time as cheerleaders for a legislative panacea. By doing so, you encourage postal officials to put real problems on the back burner. Frankly, I think you should demand that the Postal Service spend more time managing and less time marketing it's need for the perceived sinecure of greater flexibility.

Speaking of marketing, how about the second "p," products?

The existing regulatory system did not impede introduction of Fastnet, Global ePost, phone cards, credit card use or kiosks, to name just a few. And, I can report, happily, that the Postal Rate Commission had no role in the development of the ill-fated neighborhood mail proposal. Indeed, perhaps outside involvement by someone would have saved the Postal Service some embarrassment.

Further, the current system certainly didn't get in the way of the only experimental case the Service submitted to the Rate Commission in recent memory---for a discount on barcoded small parcels. We finished consideration of that case in just 85 days. And, I'll tell you, it is not the current system that has kept the Postal Service from promptly addressing a problem I understand some of you are having with bulk return of third class products.

Finally, let's turn to prices.

Last I heard, there was a commitment to hold the line on rates through 1997---maybe even through the year 2000. I think that's great. I hope the Postal Service can deliver! The last rate increase, as best I can recall, was on January 1, 1995. A fact, by the way, that postal officials and Postal Service ads conveniently omit when they talk about record earnings in 1995! So, in any event, if the Postal Service can hold the line on rates until early 1998, that would make three years.

Wow, a three year rate cycle---how novel!

And, I ask you, why does the Service need pricing flexibility if it's not going to be changing prices? Perhaps it has to do with the quest for volume discounts, or contract rates, or special rates for so-called competitive products. This brings to mind several additional questions you might be able to help me answer.

First, by a show of hands, how many of you think your company will be among those receiving a volume discount or contract rate?

Second question, how many of you do not mail large quantities of third class parcels---hands? How many of you are aware that you subsidize many of those who do---do you know that third class parcels are, on average, carried below cost?

Third question, what is the likelihood of more such situations---below cost rates---if the Service can negotiate contract rates? Rates for fourth class parcels

are, I am sure you know, already pretty close to the bone when it comes to costs. And who picks up the difference in the zero sum game of postal finances?

One last question on Postal Service flexibility. In the phase I reclassification case, many of you---make that most of you---urged the PRC to give the Postal Service flexibility to set eligibility rules. We did just that. Do you think the Postal Service has exercised this flexibility in a reasonable manner, say with respect to the 150 piece minimum? Can I see a show of hands of those who think the Service is behaving responsibly here, in the exercise of its new-found flexibility?

Thank you for helping my market research!

Enough then, about postal reform of the legislative variety!

Let me mention the other type of reform---administrative reform---an area where we have made some progress.

In the last two plus years, the PRC:

- 1) finished a major rate case in record time;
one of our recommendations in that case rejected the Postal Service's proposed \$3.20 Priority Mail rate in favor of the more competitive \$3 rate, which is now the cornerstone of the Service's Priority Mail ad campaign;
- 2) finished the most significant reclassification case ever and our recommended decision including the new ECR subclass, was approved by the Governors, save two minor matters;
- 3) approved the first experimental case of recent memory in record time;
- 4) issued, just last week, regulations streamlining a number of procedures;

- 5) almost all case-related and other information is now made available, promptly, on our internet home page;
- 6) we are currently experimenting with electronic filing, which should cut your costs and save time in the consideration of rate and classification cases; and
- 7) thanks to Congressman John McHugh, the Commission is engaged along with the Postal Service, GAO, and his subcommittee in a serious study of data problems and needs associated with the rate setting process.

This IS reform and, it is the type of reform that provides positive results without distracting the Postal Service from its appointed rounds.

I believe I may have used more than my allotted time.

Thank you.