



**The Honorable Edward J. Gleiman Speech**

**Before the**

**Magazine Publishers of America**

**October 20, 1999**

Thank you for inviting me to visit with you today.

The taxi rides here in the Big Apple are always an adventure. During the trip in from the airport today, which was no exception to that rule, I was reminded of a story about a New York taxi driver and his passenger, a man of the cloth, who met their demise in a traffic accident.

-As they approached the Pearly Gates, Saint Peter looked up from his laptop---Heaven having gone on line, and greeted them.

-The cabby, as you might expect, had pushed to the front and Saint Peter quickly clicked through the menu and found his name.

-He handed the fellow a white shroud, a set of wings and a halo, and motioned the taxi driver over to one of those high, white, fluffy clouds.

-Saint Peter then turned his attention to the preacher. After a few minutes of searching, Saint Peter tossed the fellow a loincloth and directed him to a dark cloud over in the far corner of heaven.

-Needless to say, the preacher was somewhat taken aback. After regaining his composure, he spoke up.

-“Saint Peter, don’t get me wrong. I’m very appreciative of being admitted to heaven. But can you please explain why I, a man of the cloth, get treated this way and a New York taxi driver gets wings and a halo?”

-“Well,” explained Saint Peter “along with computers, we’ve adopted a ‘pay for performance’ system up here in Heaven and, according to our records, when you preach your parishioners fall asleep BUT when the cabby drives all of his passengers pray!

Matters postal can, at times, be as boring as that preacher’s sermons and, at other times, be as exciting as a New York taxi ride. Hopefully, though, what I want to talk to you about today will neither put you to sleep nor cause you to feel the need to pray.

I want to talk to you about postal reform legislation, several of the non-legislative activities that you, as periodicals mailers, have been involved in, and what we can---mailers should be doing.

First, though, a few short subjects, if you will:

My guess is that the next rate case will not be filed until January. If the case is filed before the first of the year, it will ---I believe---be the first time we will have had a rate increase and a rate case in the same calendar year. It is good that the Service is likely to file after the holidays, if for no other reason than I would just as soon not usher in the new millennium while reading the testimony of postal service witnesses touting an increase in your (and my) postal rates.

Quite frankly, it would be nice if the Service filed its case in late February or even March. By delaying the filing, the Service could incorporate cost and revenue data from the just--completed fiscal year, and we could avoid the kind of wrangling over stale numbers that became the focus of the last rate case.

Looking ahead to the litigation of that case, whenever it is filed, understanding USPS proposals---developing a complete evidentiary record on which to base over decisions is critical. And, it is helpful to the process to have parties approach the Service's proposals from different perspectives. However, where parties agree on issues, as was the case in the R97-1 proceeding, a unified front such as the one presented by the periodicals community can be a positive for the Commission and, I assume, for participants.

Turning now to the first subject I said I would speak to--postal reform legislation.

One learns quickly when working on legislative matters that you can like and respect people with whom you might disagree. As those of you familiar with my

testimony on HR22 know, Chairman McHugh and I do not agree on every aspect of that legislation. Nevertheless, I like him for the person that he is and respect him for the effort he has made---for getting us to move beyond the sound bite “people, prices and products” of several years ago and focused on the real substance of postal reform.

It wasn't until Congressman McHugh put something solid on the table that the debate over postal reform coalesced. As a result, there are a number of concepts embodied in HR22 that, with some fine-tuning, would in all likelihood serve well the entire postal community.

Unfortunately, in the process of addressing concerns and accommodating parties, the already complex HR22 has taken on a kind of Rorschach quality--- what you think you see is something you may or may not get. Let me give you an example of what I am talking about.

At the Postal Forum last spring, Bill Henderson announced postal management's support for HR22. Shortly thereafter, a document with the heading “NECESSARY CORRECTIONS TO HR22” circulated. It was assumed that this document represented changes that would be made to HR22 at the request of the Postal Service. Item one on the list provided that there would be report language making clear that volume based negotiated service agreements would not be precluded from consideration by the PRC under a classification proceeding per a section of existing law (section 3623) that would be retained in HR22. Several weeks later, my friends at the National Newspaper Association announced that organization's support for HR22. Among the agreed upon changes to HR22, outlined in a letter sent by NNA to full Committee Chairman Dan Burton, was that “A volume based-discount would not be allowed to serve as the basis for a negotiated service agreement...”

Now, I could be confused about all this---it certainly would not be the first time. I also know that only in congressional legislation can one defy that law of physics about two bodies not occupying the same space.

I am sure there is an explanation for this situation, too, that is, if I may paraphrase H.L. Mencken, simple, neat, plausible and—well—maybe not wrong but a little tortured.

I know that the issue of negotiated service agreements is an important one to many of you. And, I will talk about this concept more, before I conclude my remarks.

But, since I've already taken a couple of pokes at the tar baby, I may as well take another swing! If you think that under HR22 you will never again see a rate increase that exceeds the rate of inflation, think again. A basic requirement of the bill is that rates must cover costs for each type of mail. So, if periodicals' costs were to continue to increase as in the past, periodical rate increases could--would exceed inflation, price caps notwithstanding!

Moving from substance to process, people are always asking what I think is likely to happen with HR22. I can tell you that after years of working up on the Hill that getting a complex bill out of subcommittee is just one very early step in a long process. I can tell you that complex, far-reaching legislation usually does not have much chance in an election year unless there is widespread, popular interest and support.

Next year is, of course, an election year---and a presidential election year, at that. And, I would also venture a guess that not too many folks outside of the postal community know or care about postal reform legislation. I think reform legislation is becoming more and more of a long shot. But then again, I learned early-on that you could never say never when it comes to the legislative process.

So, what do you do if there is no major postal reform legislation or while we are waiting about for something to gel on that front?

The answer is simple: stick to the basics; focus on the core issues of costs and service; continue as an industry to do more of what you have been doing for the past year or so!

Finally, the industry---I like to think with a little help from the Commission---has gotten the attention of postal management on those core problems of costs and service. Finally, the Postal Service has opened up a bit and is engaged in a real dialogue with industry on both of these issues. This effort must continue.

The work of the Periodicals Operations Review Team is impressive. Findings range from the seemingly obvious---that bundles of magazines dumped into a sorting hopper from a great height have a tendency to break, resulting in additional processing costs---to the less obvious but, perhaps more important---such as whether the additional cost of processing magazines at a satellite facility should be borne entirely by the periodicals subclass when the decision to do so is based on improving overall USPS efficiency.

Why are these questions, these findings, the work of the Review Team important? It is important, make that critical, because, in the last rate case, R97-1, the Commission was able to balance out some of the cost increases reported by the Postal Service by limiting the markup on periodicals to just one percent. Unfortunately, with regular rate periodical costs up by more than eight percent over the past two years (1996-1998) there really isn't much we can do in the way of an encore. Needless to say, we share an interest in having the Postal Service incorporate as many of the findings of the Review Team as can be reasonably supported and that may mitigate anticipated increases in the cost of processing and delivering periodicals.

Moreover, we support continuation of this joint USPS-MPA-ABP effort. We recommend that its scope be broadened so that the Postal Service and the system as a whole can benefit from the insights of industry experts on data collection activities, especially in the areas of non-sample error and mixed mail tallies.

A recently completed data quality study---a collaborative effort by the USPS, the PRC and GAO which John McHugh requested---concluded that the Service's major data systems were reasonably sound. However, the study did not examine non-sampling error or the adequacy of special studies presented by the Postal Service in support of rate or classification proposals. Yet, these are the kinds of error that are the most frequently debated during Commission proceedings. Non-sampling error goes to the questions of 1) whether we are measuring the right thing, and 2) whether there is bias in the way data is being collected.

If you agree with those of us at the Commission who think these data issues are important to gaining a better understanding of why periodicals' costs are seemingly out of control, I encourage you to let Chairman McHugh know your feelings on the matter---and suggest that a follow-up data quality study may be desirable. (You can access the Report by clicking the hyperlink "USPS Data Quality Study" on our web site.)

Having mentioned the Operations Review Team, I would be remiss if I did not mention the excellent work of the National Periodicals Focus Group. Looking at actual work floor practices, rather than theoretical work flows, this Group has been tremendously successful in ferreting out the nitty-gritty causes of service problems. I understand that this industry-USPS operations reviews will be continuing. This is great news. However, I must say that it is a sad commentary that so much mailer cajoling and leadership was required to get the Service to do something that it should have been doing on an ongoing basis.

There is one more target of opportunity that requires our attention while we are waiting to see what may happen on the legislative reform front: that is, continuing to push the edge of the envelope under the existing law.

In recent years, the Commission has upgraded systems, changed rules, and challenged the Postal Service and mailers to be innovative within the context of existing law. As a consequence, there has been a significant increase in the number of experimental service and narrowly drawn classification cases filed with the Commission. The most recent of such cases, one in which I suspect you have more than a passing interest, is the so-called "Ride Along" proposal. I'm pleased to note that we've been able to dispense with a good many of these cases using expedited procedures. I hope we can do the same with "Ride Along".

Now, back to with the issue of Negotiated Service Agreements. I just mentioned that the Service has filed and we have approved a number of "narrowly drawn" classification cases. At this point, I'm not sure whether to do a poetry reading or break into song. Let me try a little of both, which I think will make my point: "a rose by any other name" or, if you prefer, "you say tomato and I say tomaato"! Call it what you will--it may be doable under current law!

The fact that we have the biggest and best Postal Service; that I am here today meeting with the MPA; that there is a DMA, an AMMA---make that APC, a MASA and ABP and on and on, is testimony that, despite all the problems and concerns, something has been going terribly right so far under the current set up. Now, let's push the edge of that envelope, let's see how far we can go under existing law to meet the evolving needs of the Postal Service, the business mailing community, and the general public.