
**Hearing before the Subcommittee on Federal Workforce,
Postal Service, and the District of Columbia
Committee on Oversight and Government Reform
United States House of Representatives**



Oral Statement

On

“The Economics of Universal Mail Post PAEA”

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Mr. Chairman and subcommittee members I am testifying today concerning significant economic challenges and opportunities facing the Postal Service. I would like to focus on four areas within this large topic.

First, strengthening revenue operations presents significant opportunities for the Postal Service. Management must collect what it is owed, while ensuring mailers are not involuntarily subsidizing competitors or others.

The Postal Service needs to update and strengthen its data streams and analytical disciplines for pricing and product costing. Discounts must incentivize mailers to achieve the lowest combined operational costs and detailed accurate product pricing is essential to structure worksharing discounts. Additional data is needed and existing stove piped data in programs must be integrated and used by marketing for analysis. Without this, discounts such as worksharing and Negotiated Service Agreements cannot be entered into with confidence to assure fairness and viability.

Also, customer needs must be better assessed, private sector styled sales incentives should be explored, and marketing should expand its search for products and market sector penetration strategies. Lastly, the Postal Service should analyze its advertising investment to see if they are achieving desired results.

The second challenging area is imagining and planning for a substantially changed business environment with the implementation of several current technological advances. The Flats Sequencing System will complete the delivery point sequencing improvements begun with letter mail. Intelligent Mail Bar-coding can provide vital internal performance data and give customers long sought after data about the location and delivery of their mail. Lastly, Seamless Acceptance can provide a more convenient streamlined virtual acceptance process.

As these systems come on line, there will be major impacts to the network and facilities, staffing size and skill needs, revenue assurance, and customer service. The Postal Act and current economic conditions dictate that these efficiencies be exploited quickly and risks are dealt with decisively to take full advantage of these investments.

Infrastructure realignment represents a third great challenge and opportunity. To date, the Postal Service has used an incremental approach to gain network efficiencies. This approach incorporates flexibility and anticipates changes requiring rapid response. The Postal Service has resisted committing to a rigid comprehensive plan featuring elaborate sequencing that would be cumbersome to amend. In other words, their planning resembles an order of battle as opposed to an enterprise wide blue print.

Today's dynamic environment presents special challenges to realignment, including:

- An ongoing information age revolution and economic downturn making it increasingly difficult to forecast mail mix and volume.
- Significant career uncertainties for employees.
- The evolving commitment to incentivize mailer partnerships in search of lowest combined costs.
- Needed enterprise resilience to respond to natural disasters and terrorist attacks.
- And integrating of the technological advances, I just mentioned.

For infrastructure realignment to succeed without business disruptions, an enduring alliance is needed between the Postal Service and the Congress. Though realignment is absolutely required, there are substantial risks. For example, if realignment stalls, a protracted anemic staffing of an oversized network would predictably cause operational and customer service degradation.

The last challenge involves Postal Service prepayments to the retiree health benefits fund. The prepayments of over \$5.0 billion a year are greater than the Postal Service's traditional net income. These prepayments are amortized over a short ten year period and are not tied to the Postal Service's ability to pay. Borrowing to pay a debt that will be incurred in the future is an unusual practice.

I encourage consideration of indexing the payment to Postal Service revenue or economic factors, or extending the amortization period.

In conclusion, the Postal Service is about to experience the curse of living in interesting times. At the horizon is a different Postal Service and one that I believe will be better. The Postal Act positions the Postal Service to complete its transition and become the successful business that Congress envisioned in 1970. The recent imperatives contained in the Postal Act for that migration have presented the Postal Service with readiness challenges. I believe the senior leadership and the workforce are capable and poised to meet those challenges.

Thank you.