

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

POSTAL REGULATORY COMMISSION

- - -

ST. PAUL FIELD HEARING
ON UNIVERSAL POSTAL SERVICE
AND THE POSTAL MONOPOLY

- - -

CITY COUNCIL CHAMBERS
CITY HALL AND COURTHOUSE
ST. PAUL, MINNESOTA

- - -

JUNE 5, 2008
10:00 a.m.

CAROL DANIELSON BILLE, RPR
DANIELSON COURT REPORTING, LLC
4660 ALLENDALE DRIVE, ST. PAUL, MINNESOTA 55127
651-653-3758 * DULUTH 1-800-355-3758

1 The following is the Postal Regulatory
2 Commission St. Paul Field Hearing, taken before Carol
3 Danielson Bille, RPR, Notary Public, at the City Hall
4 and Courthouse, City Council Chambers, 15 West
5 Kellogg Boulevard, St. Paul, Minnesota, commencing at
6 approximately 10:00 a.m., June 5, 2008.

7
8 * * * * *

9
10 A P P E A R A N C E S

11
12 Postal Regulatory Commissioners:

13 Dan G. Blair, Chairman

14 Mark Acton, Vice Chairman

15 Ruth Goldway, Commissioner

16 Tony Hammond, Commissioner

17
18
19
20
21
22
23
24
25

A P P E A R A N C E S
(Continued)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Panel 1:

George White
President and COO, Up with Paper
Mason, Ohio

John Joachim
Manager, Material Services
Hazelden Foundation
Center City, Minnesota

Mike Larson
Postmaster of St. Paul, Minnesota

Dennis O'Neill
Postmaster of Chokio, Minnesota

Panel 2:

T. Scott Mitchell
CEO, MackayMitchell Envelope Company
Minneapolis, Minnesota

Vicki Updike
Vice President, Merchandising and Marketing
Miles Kimball Company
Oshkosh, Wisconsin

Lyle Puppe
Retired Postmaster of Cottage Grove
NAPUS Post Office Closings & Consolidations
Committee
Cottage Grove, Minnesota

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

OPENING STATEMENT - CHAIRMAN DAN BLAIR 5

VICE CHAIRMAN ACTON 11

COMMISSIONER HAMMOND 11

COMMISSIONER GOLDWAY 11

PANEL 1

STATEMENT OF GEORGE WHITE 13

STATEMENT OF JOHN JOACHIM 20

STATEMENT OF MIKE LARSON 23

STATEMENT OF DENNIS O'NEILL 28

QUESTION-AND-ANSWER SESSION 33

PANEL 2

STATEMENT OF VICKI UPDIKE 56

STATEMENT OF T. SCOTT MITCHELL 65

STATEMENT OF LYLE PUPPE 74

QUESTION-AND-ANSWER SESSION 82

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

P R O C E E D I N G S

(Whereupon, the proceeding was commenced at approximately 10:00 o'clock a.m., as follows:)

- - -

CHAIRMAN BLAIR: We'll go ahead and get started this morning.

Good morning, everyone.

AUDIENCE: Good morning.

CHAIRMAN BLAIR: I'm Dan Blair, Chairman of the Postal Regulatory Commission, and on behalf of my fellow commissioners, I want to welcome all the witnesses and those in the audience here today.

It's a pleasure to be here in St. Paul for the second of our four scheduled hearings on our study of the universal service obligation and the postal monopolies.

I also appreciate the opportunity to visit the State of Minnesota--it's our first time in the State of Minnesota--as it celebrates its 150th year of statehood, the sesquicentennial year.

Mr. Tony Williams, the Postal Service's Northland District Manager, was kind enough to provide us with this beautiful image of the Winona bridge, the Interstate bridge across the Mississippi. I understand the bridge is having some problems.

1 The commissioners and I arrived in
2 Minneapolis yesterday morning and spent time touring
3 the St. Paul Bulk Mail Center and meeting with
4 representatives of the Twin Cities Postal Customer
5 Council.

6 We really appreciated that opportunity to
7 engage in what I thought was a very good dialogue
8 yesterday at lunch, and the tour was very beneficial
9 for us as well.

10 Two weeks ago the Commission held its first
11 field hearing in Flagstaff, Arizona. We heard
12 testimony from the editors of both a large and small
13 newspaper, a rural letter carrier from New Mexico,
14 the Postal Service's Arizona District Manager, and a
15 variety of mailers. A couple of common themes
16 emerged from that hearing.

17 First, preserving the security and sanctity
18 of the mail remains an integral part of providing
19 universal mail service. Mail is an important conduit
20 of our nation's commerce. The security of messages
21 and communications sent by mail is an important
22 reason why this medium is chosen.

23 A second theme seemed to be the importance
24 of the Postal Service as the face of the federal
25 government in remote locations. We had the

1 opportunity to visit a post office located on a
2 mountain top in tiny Jerome, Arizona, and saw
3 firsthand the Service's significance as not just a
4 public but as a community service provider.

5 The Jerome post office clearly demonstrated
6 to me, and it demonstrated to the other commissioners
7 as well the Postal Service's expansive reach into the
8 vast rural areas of our country, and relates directly
9 to the Commission's reason for traveling across the
10 country to conduct these field hearings.

11 In late 2006, President Bush signed into law
12 the Postal Accountability and Enhancement Act. Among
13 other things, the Act required the Commission to
14 undertake a study on universal postal service and
15 many postal monopolies.

16 Universal postal service, also referred to
17 as the universal service obligation, is mandated by
18 law and defines the minimum mail service to which
19 each citizen is entitled.

20 Generally, the USO incorporates five
21 features: (1) access to retail services and
22 delivery, (2) frequency of delivery, (3) quality of
23 service, (4) affordability, and (5) range of mail
24 products offered.

25 Because providing a minimum level of service

1 to every citizen may not be profitable under certain
2 conditions, a USO is generally financed by granting
3 exclusive rights to the postal administration to
4 provide selected services, such as a postal monopoly.

5 Over the last ten years, some countries,
6 primarily in Europe, have begun to reduce the postal
7 monopoly while at the same time ensuring some minimum
8 level of service for each citizen. It is within this
9 context that we are doing this study.

10 The testimony provided by our witnesses
11 today will help educate and inform the Commission as
12 we continue our work. Our final report to Congress
13 is due this December, and it would not be an
14 understatement to characterize this report as
15 critical to the future of the Postal Service and
16 stakeholders, since Congress may act on any
17 recommendations we might include in the report.

18 I sincerely appreciate the witnesses'
19 willingness to travel to St. Paul and add to the
20 Commission's record. I would now like to introduce
21 our witnesses at this point.

22 Our first panel is comprised of George
23 White, President and COO of Up With Paper, a greeting
24 card company in Mason, Ohio.

25 Our second witness is John Joachim, manager

1 of material services at the Hazelden Foundation in
2 Center City.

3 Mike Larson joins the panel not only as a
4 host to us yesterday, but as the Postmaster of
5 St. Paul.

6 Dennis O'Neill completes the first panel and
7 serves as Postmaster at the Chokio, Minnesota post
8 office. It will be interesting to compare and
9 contrast the role of both postmasters, one a
10 postmaster in a city of 350 -- almost 350,000 to one
11 of a town of 418.

12 Our second panel today includes T. Scott
13 Mitchell, CEO of MackayMitchell Envelope Company in
14 Minneapolis; Vicki Updike, vice president of
15 merchandising and marketing at the Miles Kimball
16 Company in Oshkosh, Wisconsin; and Lyle Puppe,
17 retired postmaster of Cottage Grove and a current
18 member of the NAPUS Post Office Closings and
19 Consolidations Committee.

20 Mr. Puppe, we appreciate your willingness to
21 testify on such short notice before the Commission.
22 Our offices had been contacted by a staff member of
23 Senator Norm Coleman regarding a series of
24 northwestern Minnesota post offices that have
25 recently placed under emergency suspension. Local

1 mayors have been voicing their concerns to the
2 Senator about the future of service to towns such as
3 Halma and Viking. Mr. Puppe was recommended to us as
4 someone highly familiar with the situation who could
5 address the universal service aspect of these
6 potential changes.

7 Finally, I'd like to note that Irene
8 Auginaush, Tribal Council Representative on the White
9 Earth Reservation here in Minnesota, had been
10 scheduled to testify. Unfortunately for us, her
11 services were needed elsewhere today and she is
12 unable to join us. I understand that she'll be
13 submitting a written statement for the record, and we
14 look forward to receiving that.

15 We have our room today at the benevolence of
16 the St. Paul City Council and also Ramsey County here
17 in Minnesota, and we have it for two hours this
18 morning. Because of that, I would ask that the
19 witnesses summarize their statements in order that we
20 can engage in a conversation following your
21 testimony.

22 We're also going to be providing a
23 transcript of today's hearing, and that's going to be
24 on the Commission's Web site.

25 So at this point, I would like to yield to

1 the vice chairman of the Commission, Mark Acton, for
2 any opening remarks he might like to make.

3 VICE CHAIRMAN ACTON: Thank you,
4 Mr. Chairman.

5 I just want to quickly thank our witnesses
6 for their time and their testimony. Your
7 contributions toward helping us fulfill our lawful
8 obligation on the universal service obligation study
9 is important to us, and the record that we will build
10 here today and at the other hearing sites is going to
11 contribute greatly toward our final product in
12 December. So thanks again.

13 CHAIRMAN BLAIR: Mr. Hammond?

14 COMMISSIONER HAMMOND: I want to thank our
15 witnesses too. I've read most of your testimony thus
16 far, and I think there's going to be great discussion
17 today.

18 And I want to thank the Chairman again for
19 taking us around the country. I always think we
20 learn as much or more as we get out and away from
21 Washington, D.C. and get different perspectives. So
22 I look forward to that also.

23 So thank you and welcome to you all.

24 CHAIRMAN BLAIR: Commissioner Goldway?

25 COMMISSIONER GOLDWAY: I will second the

1 greetings by my fellow Commissioners and comment that
2 I'm delighted to be here in St. Paul, and in this
3 spectacular building, which is a wonderful example of
4 early 1930s architecture. I feel like we're in a
5 theater in the round here with the audience
6 potentially on both sides. So we will keep ourselves
7 awake and alert and be sure to feel that we're
8 engaged with all of you in the discussion we're
9 having.

10 As my fellow Commissioners have said, this
11 really is important for us and our obligations for
12 the work we've been assigned by Congress, and I think
13 very important for the nation, to assure that there's
14 a viable Postal Service in the future.

15 CHAIRMAN BLAIR: Thank you, Commissioner
16 Goldway.

17 Just as a bit of background, we're a
18 five-member body appointed by the President and
19 confirmed by the Senate.

20 You'll notice that we have four members out
21 here. Last night, the United States Senate wisely
22 confirmed a fifth member. She's in the audience
23 today, Nanci Langley.

24 AUDIENCE: (Applauding.)

25 CHAIRMAN BLAIR: Until the official

1 paperwork is signed and all the I's are dotted and
2 the T's are crossed, we welcome you to join us today.
3 Our sympathies are extended to you by joining our
4 panel.

5 AUDIENCE: (Laughter.)

6 CHAIRMAN BLAIR: Congratulations.

7 MS. LANGLEY: Thank you.

8 CHAIRMAN BLAIR: With that, I want to
9 welcome panel number 1, George White, John Joachim,
10 Mike Larson, and Dennis O'Neill.

11 Mr. White, we'll start with you. You get
12 the honors of teeing us up at this point. So welcome
13 and thank you for coming in today.

14 MR. WHITE: Thank you, Mr. Chairman. The
15 Greeting Card Association appreciates the chance to
16 represent the household mail user, as well our 280
17 member companies, and the 3,000 publishers in our
18 industry.

19 Together, we sell more than 7 billion
20 greeting cards each year, 60 percent of which are
21 mailed.

22 Since our ultimate constituency comprises
23 almost all the more than 100 million American
24 households that mail and/or receive greeting cards,
25 we believe we can provide you with a unique

1 perspective.

2 These households are dependent on effective,
3 affordable, easily usable postal services that are
4 truly universal in every important sense of the word.

5 I'd like to begin with what we believe are
6 two fundamental general principles.

7 First, the postal service is a
8 communications channel for the people, not just a way
9 of delivering things to the people.

10 Second, the definition process must focus on
11 the U.S. Postal Service as the provider of universal
12 service. This is a very different thing from service
13 furnished by a mix of government and private-sector
14 public providers.

15 Of the parameters of universal service, GCA
16 believes that the most vital is geographic scope. We
17 would first suggest that the services provided
18 throughout the nation should themselves be
19 substantially uniform in character. Similarly, their
20 prices should be uniform. Otherwise, we believe
21 service would not be universal in the required sense.

22 Any service variations in exceptionally
23 difficult locations should be driven by operational
24 necessity, not by judgment that normal service to any
25 one point is too expensive or because there are

1 thought to be electronic alternatives, since 27
2 percent of American households lack Internet access.

3 The Postal Service is a network enterprise,
4 so ubiquity is one of its greatest strengths. The
5 value of a network is a function of the number of
6 nodes it reaches, universal connection being a
7 maximization of that value.

8 Adding delivery points, sometimes viewed as
9 a cost burden, actually increases the postal
10 network's value. Relatedly, overlapping networks
11 like the Postal Service and the Internet can
12 complement and thereby enhance each other's value and
13 not simply be competing substitutes.

14 The Postal Service's own communications
15 network in the United States today reaches more than
16 31 million households that the Internet does not,
17 and the high fixed monthly charge for broadband
18 access is a barrier to use that is not present with
19 the postal network.

20 Indeed, the Postal Service's true universal
21 service coverage and low user cost is the envy of all
22 other communication networks in our country.

23 A ubiquitous Postal Service was probably the
24 most important factor in the historic development of
25 today's universal postal system. After the first

1 decades, wide geographic scope displaced
2 profitability as a determinant of expansion. The
3 demand for universal coverage remained essentially
4 constant, and universal postal service became
5 accepted as part of the social and political
6 obligations of our country to its citizens.

7 It was so recognized in the 1970 Postal
8 Reorganization Act and has been preserved essentially
9 without change.

10 There was a similar progression towards
11 universal prices. By 1970, we had a guarantee of a
12 letter class with rates that shall be uniform
13 throughout the United States, its territories and
14 possessions.

15 Universal service obligations tend to be
16 dominated by social and political considerations.
17 Strictly economic arguments play a role, but not the
18 definitive one.

19 First, the issue usually entails provision
20 of services to rural areas and/or the poor. Second,
21 quite apart from any legal obligations, universal
22 service in the provision of many goods and services
23 has more to do with consumption norms for the society
24 at any given stage of economic development. For over
25 a century, universal service is part of the

1 consumption norms in virtually every developed
2 country in the world and in many less developed
3 countries as well.

4 A universal postal system must be accessible
5 for recipients and senders, as well as theoretically
6 ubiquitous.

7 Access to the postal system can be enhanced,
8 not just by adequate provision of facilities, but
9 also by making postal service products easier to use
10 and easier to enter into the mail stream. This
11 improves the consumer's access to the system without
12 imposing additional costs on the Postal Service.

13 The most prominent example of such
14 user-friendly design is the new Forever Stamp. In
15 addition, when rates are simple and predictable and
16 easily identifiable with particular types of mail,
17 the Postal Service can be more confident that postal
18 transactions will be handled correctly.

19 Equally important is ready access to the
20 system at the customer's mailbox. Among the more
21 important issues before the Commission is the mailbox
22 rule, what's called the mailbox monopoly.

23 This rule of exclusive access means that
24 only the government agency that is most trusted in
25 matters of privacy and security can place anything in

1 or remove anything from the citizen's mailbox.

2 The security of the mailbox would be
3 substantially comprised without the mailbox rule, and
4 the Postal Service's solid brand equity, and mail
5 volumes, too, as a consequence, would predictably
6 suffer.

7 Of course, there are operational
8 considerations as well. Unrestricted access to the
9 customer's mailbox could result in overloading it
10 with unaddressed, non-revenue-generating circulars,
11 lowering the overall importance of the mail to the
12 consumer. Gutting the mailbox rule would make the
13 mails more costly, less secure, and less attractive
14 to citizens.

15 The Commission's topic 7, the postal prices
16 and, more generally, the affordability of the Postal
17 Service, is also vital. Moderate prices and price
18 simplification help to keep mail in the system,
19 which, in turn, reinforces the feasibility of truly
20 universal service when volume is stagnant or falling
21 while the delivery network is continuing to grow.

22 One major related policy issue is whether
23 the Postal Service will be allowed to make its system
24 as productively efficient as possible. This means,
25 first of all, freedom to align its upstream

1 facilities so that they are both effective and fully
2 utilized.

3 Artificial inefficiencies now legislated
4 into the Postal Service's network invalidate many or
5 most arguments for competitive entry into the Postal
6 Service.

7 Efficiency would be better served by letting
8 the Postal Service finish its own version of network
9 realignment, free of obstacles.

10 Thus, we urge you to avoid the fallacy of,
11 first, taking as a given the legislative and other
12 constraints on the Postal Service's ability to
13 streamline its network, and then arguing that some
14 important aspect of the universal service must be
15 curtailed because we can't afford it.

16 It should be possible, instead, to estimate
17 and use for assessing the cost of universal service,
18 the total cost of the Postal Service system that is
19 ideally configured to handle today's mail mix and
20 volume. Thus, this relates not just to postal prices
21 but also to topic 9, measuring the cost of universal
22 service.

23 How, therefore, is universal service to be
24 preserved in a time when volumes are flat or falling
25 and the delivery network continues to expand?

1 We think the Postal Service can best survive
2 by trading on its strengths: Ubiquity--the Postal
3 Service is still the universal communications
4 medium--simplicity in use, low connection cost, and
5 range of products handled.

6 We believe that these strengths, wisely
7 exploited, can ensure that the universal service
8 provided by the U.S. Postal Service continues to be a
9 fundamental component of what Americans rightly
10 believe to be their essential standard of living.

11 Thank you very much.

12 CHAIRMAN BLAIR: Thanks, Mr. White. We
13 appreciate your comments.

14 Mr. Joachim?

15 MR. JOACHIM: Thank you, Mr. Chairman.

16 My name is John Joachim. I'm manager of
17 material services for Hazelden Foundation,
18 headquartered in Center City, Minnesota.

19 We very much appreciate the opportunity to
20 testify before the Commission in this case.

21 The Hazelden Foundation is a world leader in
22 addiction treatment and recovery. It promises
23 patients, families, and customers the best
24 opportunity for lifelong recovery from addiction to
25 alcohol and other drugs.

1 Hazelden accomplishes this through a
2 commitment to treatment, publishing, education,
3 research, public advocacy, and shared learning with
4 other organizations. We treat the whole person as
5 well the illness. We treat every person with dignity
6 and respect.

7 In my position at Hazelden, I manage the
8 corporate mail center, duplication, receiving and
9 materials movement, and central supply. I have held
10 this position for ten years.

11 The mail sent by the Hazelden Foundation
12 consists of nonprofit standard, standard, first
13 class, priority, Express, certified, and registered.

14 It is used to solicit donors and raise
15 funds; provide research information to health care
16 professionals; communicate events to former clients,
17 families, and friends; distribute merchandise
18 catalogs, educational materials, and newsletters to
19 alumni, professionals, and other stakeholders.

20 The Commission's inquiry into the universal
21 service obligation and the postal monopoly has
22 important implications for mailers like the Hazelden
23 Foundation.

24 We rely on the Postal Service to deliver our
25 solicitations, newsletters, research documents, and

1 written communications to households and business
2 addresses throughout the United States in cities,
3 suburbs, and rural areas.

4 We rely on the Postal Service to deliver our
5 mail almost every day of the week. We rely on the
6 Postal Service to provide service at rates that
7 reflect the value of our message to society and which
8 will not increase faster than the consumer price
9 index.

10 It is also important that certain types of
11 mail retain the value of security and of protection
12 against inspection. We must maintain the anonymity
13 of our clients and adhere to HIPAA regulations.

14 We would oppose any change in the postal
15 monopoly that would deny the Postal Service the
16 revenues needed to continue to provide service on
17 these terms.

18 At the same time, however, I have heard that
19 the opening up of other monopoly services--for
20 example, trucking, air transportation, local
21 telephone service--to end-to-end competition has not
22 undermined universal service in those industries, and
23 that competitive entry has forced the incumbent
24 carrier to become more efficient, and that prices to
25 end users have declined in real (inflation-adjusted)

1 terms by as much as 50 to 60 percent.

2 Whether these other industries are
3 comparable to the Postal Service is an empirical
4 question that I'm not qualified to answer.

5 I urge the Commission, however, to
6 investigate the issue carefully and to base its
7 recommendations on the facts.

8 Thank you for your time and attention. I'd
9 be pleased to answer any questions you may have.

10 CHAIRMAN BLAIR: Mr. Joachim, thank you. I
11 apologize for mispronouncing your name. I apologize
12 for that. Thank you very much.

13 Mr. Larson and Mr. O'Neill, postmasters,
14 thank you for coming in today.

15 We'll start with Mr. Larson. We again thank
16 you for being such a good host for us yesterday.

17 MR. LARSON: You're welcome.

18 Good morning, Mr. Chairman, Commissioners,
19 ladies and gentlemen.

20 My name is Mike Larson, and I'm the
21 postmaster of the St. Paul, Minnesota Post Office.
22 I welcome you to St. Paul. Thank you for choosing to
23 visit our wonderful city and for giving me the
24 opportunity to speak with you today.

25 The Northland District is the largest of the

1 Postal Service's 80 customer service districts,
2 providing all mail processing and distribution
3 operations for the entire State of Minnesota except
4 for a small portion up in the northwest corner of the
5 state that is served by the Dakotas District.

6 The Northland District also serves
7 approximately the western third of the State of
8 Wisconsin. The total population served is nearly 5.8
9 million.

10 The St. Paul Post Office is the second
11 largest in the Northland District. More than 16,200
12 Postal Service employees work in more than 900
13 Northland District facilities, bringing mail to 2.4
14 million street delivery points six days a week and
15 more than 313,000 post office boxes.

16 While mail volume is in decline, the number
17 of deliveries in the Northland District continues to
18 grow at a rate of approximately .9 percent each year.

19 Northland employees collect mail from more
20 than 5300 designated collection points. Our
21 employees process and deliver mail for a diverse
22 range of customers. The Twin Cities area of St. Paul
23 and Minneapolis is the 16th largest metropolitan area
24 in the nation and continues to steadily grow.

25 We also serve a mix of smaller communities

1 and rural areas in the outlying parts of the
2 district. There is even a seasonal water route
3 providing dockside delivery service up in northern
4 Minnesota.

5 Northland District employees serve our
6 communities even in the face of a variety of
7 challenges. This past April, spring blizzards dumped
8 upwards of 30 inches of snow across north central
9 Minnesota. Our employees persevered and the mail
10 went through.

11 Late last summer, a line of thunderstorms
12 stalled over southeastern Minnesota and southwestern
13 Wisconsin. The result was more than twenty inches of
14 rain in a one-day period. Roads were washed away,
15 homes and businesses destroyed, and lives were
16 changed forever, yet Northland employees, often
17 dealing with huge losses in their own lives, stepped
18 up and worked to restore mail service as quickly as
19 possible. This gave the residents of these
20 devastated areas one small bit of normalcy in lives
21 that had been turned upside down.

22 On August 1st, 2007, the unthinkable
23 happened and the Interstate 35-W bridge spanning the
24 Mississippi River collapsed. The tragedy occurred in
25 the early evening as outgoing mail was first coming

1 into two major mail processing centers in
2 Minneapolis. After assuring that all postal
3 employees were safe, personnel from mail processing,
4 customer service, transportation, and support pulled
5 together to establish alternate routes to bring the
6 mail in for processing and send it across the city
7 and across the nation. The next day, customers
8 noticed no change in their service as mail was
9 delivered as always, despite the loss overnight of a
10 major transportation link.

11 Through it all, our employees do an
12 outstanding job of getting the mail delivered to all
13 of our customers in a timely fashion.

14 The Northland District is a top performer,
15 ranking second of the 80 customer service districts
16 in overall performance, as measured by the National
17 Performance Assessment.

18 Service measurement scores are excellent and
19 continue to improve. Northland's overnight first
20 class mail delivery score is at 97 percent and 96
21 percent of our customers rate the service we provide
22 in a positive manner.

23 On May 17th, even the weather cooperated and
24 thousands gathered on the grounds of the Minnesota
25 State Capitol, just a few blocks from here, to

1 celebrate the 150th anniversary of Minnesota
2 Statehood. As part of the celebration, the U.S.
3 Postal Service dedicated the Minnesota Statehood
4 commemorative stamp. It was an opportunity to
5 celebrate both what we do and the unique connection
6 that we maintain with the communities that we serve.

7 We are committed to providing great service
8 and continued improvement in Northland. I am proud
9 of each and every employee. They are the ones who
10 make great service happen each day.

11 The Postal Service's mission is to provide
12 trusted, affordable, universal service. The
13 universal service obligation has enabled a diverse
14 range of communities to receive postal services at
15 uniform and affordable rates.

16 The postal monopoly has helped provide the
17 funding necessary for the Postal Service to carry out
18 its universal service obligation and bind the nation
19 together.

20 Changes to the postal monopoly could impact
21 the Postal Service's ability to serve an ever-growing
22 delivery network and provide customers with universal
23 service at affordable and uniform prices.

24 And changes to the mailbox monopoly would
25 potentially create service concerns for our

1 customers. The safety and security of the mails, a
2 cornerstone of our commitment to the American people,
3 could be compromised.

4 In the end, our business is about providing
5 a connection, one that cannot be matched by any other
6 medium, be it hard copy or electronic. We provide a
7 service that is both special and intensely personal.

8 I'm incredibly proud of the work that we do
9 and of the contributions that each of our employees
10 makes both on the job and in their communities.

11 Our success is a result of our employees
12 providing the best service they can and the Postal
13 Service being a wonderful place to work.

14 Again, thank you for your time again today
15 in providing me this opportunity, and I'd be happy to
16 answer any questions that you may have.

17 CHAIRMAN BLAIR: Thank you very much.

18 Mr. O'Neill, welcome.

19 MR. O'NEILL: Good morning. Chairman Blair,
20 distinguished Commission members, my name is Dennis
21 O'Neill, and I am the postmaster of Chokio,
22 Minnesota, and I am testifying here today on behalf
23 of the 40,000-member National Association of
24 Postmasters of the United States.

25 Please understand that my views may not

1 reflect the policy of the U.S. Postal Service.
2 Nonetheless, I strongly believe that I'm uniquely
3 qualified to offer my constructive input to the
4 Commission's report on universal postal service
5 because I am the postmaster of an isolated
6 postal-reliant community.

7 Mr. Chairman, with your permission, I would
8 like to tell you about my community. Chokio, often
9 pronounced CHOKE-EE-YO --

10 CHAIRMAN BLAIR: I apologize.

11 MR. O'NEILL: -- is a small city located in
12 west central Minnesota, approximately 40 miles east
13 of the South Dakota-Minnesota border, on Minnesota
14 Highway 28.

15 Currently, there are 418 residents. The
16 post office in Chokio is housed in an 150-year-old
17 1200-square foot building with a small lobby. We
18 have 225 post office boxes where residents and
19 businesses pick up their daily mail.

20 Our windows are open from 9:00 until 12:00
21 noon and again from 1:15 until 4:00 o'clock in the
22 afternoon.

23 Chokio has one rural route that travels
24 142 miles six days a week and delivers to 165
25 delivery points.

1 I have proudly served the community as their
2 postmaster for the past fifteen years. I love the
3 job, and it is truly an honor to bring the nation
4 and, indeed, the world, to rural Minnesota.

5 This special relationship brings me into
6 contact with the 25 small businesses that depend on
7 access to a full-service retail postal facility.
8 These businesses need the post office. It also
9 enables me to spread community news, because Chokio's
10 newspaper, with approximately 1,000 subscribers, is
11 distributed via the mail.

12 We have five religious institutions that
13 rely on the Chokio Post Office to inform their
14 congregants of good news and bad.

15 My little post office is a town fixture
16 where residents can assemble to communicate with each
17 other and, of course, to transact postal business.
18 Indeed, about 250 Chokio residents pass through the
19 post office lobby every day.

20 Obviously, Chokio postal customers recognize
21 the priceless value of universal postal service.

22 At the same time, I'm deeply saddened that
23 there are special interests and economists who
24 devalue the tremendous importance the small and
25 rural post offices bring to America's heartland. The

1 ubiquitous postal presence throughout our country,
2 and especially in small towns like Chokio, continue
3 to bind our nation together.

4 So many of our citizens are not
5 computer-savvy, they are not wired to the Internet,
6 they distrust e-mail, they're suspicious of
7 electronic fund transfers, and many of them are just
8 plain loyal to Ben Franklin's legacy.

9 In addition, there hasn't been any computer
10 geek yet to figure out a way to transmit a package
11 via the Internet.

12 Let me assure you that in small towns like
13 Chokio, that landscape of America, there is no option
14 but the post office. If we did not exist, residents
15 of small towns in rural America would be forced to
16 rely on undependable, inconsistent, and expensive
17 mail services.

18 There are those that argue that small rural
19 post offices are an anachronism, are unnecessary, and
20 that they drain the USPS coffers.

21 Let me share with you a not too carefully
22 kept secret. In rural areas, private for-profit
23 carriers rely on the Chokio Post Office and other
24 small post offices to deliver that last mile.

25 In addition, if small towns and rural

1 residents want to send a package, they are forced to
2 pay a steep premium for sending that parcel.

3 In rural areas, postal customers tend not to
4 be in the vicinity of their rural mailbox, if they
5 have one, at the time that rural letter carriers
6 deliver their mail, so to provide an enhanced sense
7 of security, the postal customers lease post office
8 boxes at their local post office.

9 Our customers rely on the post office to
10 pick up and send accountable mail and purchase postal
11 money orders because there is no accessible financial
12 institution.

13 Small town and rural postal customers should
14 not be forced to travel miles and miles from their
15 residence or their trade to transact their postal
16 business. It's not only inconvenient, it's unfair,
17 and will have a devastating economic and social
18 impact on the community. Moreover, ever-escalating
19 fuel prices would place a heavy burden on postal
20 customers victimized by consolidation of small and
21 rural post offices.

22 Simply stated, Chokio and small-town rural
23 residents should receive the same level of mail
24 service that postal customers here in the Twin Cities
25 receive. To postmasters, universal service means

1 non-discriminatory, accessibility, price, and
2 standards.

3 I would like to thank you for providing me
4 the opportunity to share with you my views.

5 CHAIRMAN BLAIR: Thank you very much.

6 "Sha-KI-yo"?

7 MR. O'NEILL: "Shi-KI-yo."

8 CHAIRMAN BLAIR: I'm from -- we have two
9 Commissioners here from Missouri, and we pronounce --
10 there's a place called "Noe-VAY-ya," as opposed to
11 "Nevada," and a place called "Ver-SAY-les" as opposed
12 to "Versailles," so I'm pretty sensitive to the
13 correct pronunciation.

14 So thank you very much.

15 One of the things facing the Postal Service
16 in -- over the next few years is this changing mix of
17 mail.

18 Thirty years ago, first class, which was
19 preeminent, the flagship product of the Postal
20 Service offers, for years and years, and, I think,
21 historically, was the predominant class of mail in
22 terms of volume and revenues. Now standard classes
23 are going to take that over due to a number of
24 reasons. People don't write letters like they used
25 to. Bill payments are being delivered through the

1 Internet.

2 And as that changing mix -- as that mail mix
3 continues to change, do you see that impacting on the
4 universal service obligation in any way?

5 I'm going to open that up to the panel.

6 MR. LARSON: Well, I would see it actually
7 enhancing our universal service obligation as we
8 shift toward our shipping services and increasing our
9 package service sales and improving package services
10 throughout the nation, as that's where the shift is
11 going. And with our competitive pricing now with the
12 shipping services, we'll have the ability to compete
13 for some of those products with our competitors.

14 MR. WHITE: I would say one of the
15 interesting things about the mix of mail that we've
16 been looking at, when we first started looking at how
17 the Internet has impacted it, people immediately
18 assume that all the Internet is doing is drawing mail
19 away, but as a Netflix user at our house, it's
20 interesting how they're complementary and that you
21 have to have the Internet in order to go on and sign
22 up for it, but it comes to you via mail and you
23 return it via mail. And they've recently started off
24 now where you can watch the movies on your computer.
25 Now, I'm one of the minority that has broadband

1 access--the majority don't--and there's no way I'm
2 going to watch it on the computer because I don't
3 like that little screen and it doesn't work very
4 well.

5 So the mix of mail is going to continue to
6 evolve, and the Internet is only twenty years; and
7 really, in popularity, it's only a little more than
8 ten. And as that develops over time -- the Postal
9 Service and the telephone have had over a hundred
10 years to evolve; it's how we like to send things, how
11 we like to communicate with those services. The
12 Internet is still evolving.

13 I would say that the mix of mail is going to
14 continue to alter, and I think you're going to see
15 more where they're going to have the last mile
16 package deliveries, as the postmaster was saying. I
17 think mix will continue to grow, and I trust the
18 Postal Service to be able to manage that
19 appropriately.

20 But there will always be a need to send
21 personal mail, because there's certain communications
22 that cannot be delivered via the Internet.

23 MR. JOACHIM: I would have to echo some of
24 Mr. White's comments.

25 At least from the nonprofit perspective,

1 there's certain things we have to mail first class
2 due to regulatory compliance and to prevent against
3 routine inspection.

4 You know, the reliability of the Postal
5 Service and the access is key for us to deliver our
6 message, and I've listened to many discussions over
7 the years about the impact of the Internet and how
8 people are e-mailing and how people are paying bills
9 on line.

10 I've also been the victim of hard-drive
11 crashes and server crashes and power outages that
12 shut down my network and leave me at a standstill to
13 complete any of those transactions.

14 But no matter what natural disaster befalls
15 the Postal Service, as Mr. Larson expressed, the
16 Postal Service manages to get the message through.

17 My brother's a rural carrier for the town of
18 Hugo that was recently devastated by a tornado, and
19 the very next day, the day after Memorial Day, the
20 postal van drove into that city to cheers and salutes
21 from the residents.

22 The common public understand the importance
23 of the mail and what it means to their livelihood and
24 their sense of normalcy.

25 CHAIRMAN BLAIR: Thank you.

1 MR. O'NEILL: I think out in the small
2 communities such as Chokio we have what's commonly
3 referred to as a postal moment, and human nature
4 being what it is, people are never totally happy with
5 what they get in their mailbox, be it a bill that
6 came first class, be it an advertising that came
7 standard mail, but I think they're much more unhappy
8 when they come and they view an empty box.

9 And the volume of mail is changing--like you
10 say, the standard mail versus the first class--but
11 those people come into that little post office in
12 Chokio, Minnesota wanting to see something in that
13 mailbox, and I think if those things got delivered
14 via the Internet, a lot of them would not see them at
15 all, because we have an older clientele in the rural
16 area. We are not big on holding our young people in
17 the rural areas.

18 And I just think that, regardless of the
19 class of the mail, when it comes, it makes that post
20 office pretty special.

21 CHAIRMAN BLAIR: Thank very much. Mr. Acton?

22 VICE CHAIRMAN ACTON: Thank you,
23 Mr. Chairman.

24 I just want to recognize that a lot of the
25 concerns that the postmaster has discussed here today

1 are very central to the study, and I appreciate the
2 contribution of your testimony, and we'll be looking
3 forward to reviewing it in full.

4 I do have a question for Mr. Joachim. You
5 probably -- or may know that the Postal
6 Accountability and Enhancement Act of 2006 divides
7 Postal Services into two general categories. One is
8 market dominance, which is the monopoly products,
9 and another is competitive products.

10 You state in your testimony that the
11 Hazelden Foundation is using both monopoly products,
12 such as first class and standard mail, and also
13 competitive products, such as Express Mail.

14 So I'm wondering if you may have any
15 thoughts about whether or not the universal service
16 obligation should apply to both of these categories,
17 monopoly and competitive, or should it vary by
18 category or product, or another approach.

19 MR. JOACHIM: Well, I would be lying if I
20 said we didn't look for ways to enhance our bottom
21 line. Being a nonprofit, we have to rely on
22 contributions from our members to support the work of
23 our organization, and we're seeking ways that --
24 always, that we can provide services through
25 alternative couriers and alternative services to send

1 that message out.

2 So we utilize a mix of, I guess what you
3 would say are monopoly and competitive products to
4 deliver that message.

5 However, the sanctity and reliability of
6 Postal Service has yet to be equaled by any of its
7 competitors, and for the safety and security of our
8 clients, we always turn to the Postal Service.

9 Express Mail, in itself, is probably a
10 smaller percentage of what we send, on a whole. The
11 most important thing we're doing is marketing our
12 message, and the accessibility to get that message
13 out and the use of a monopoly product is important to
14 us.

15 To our bottom line and to our mission, the
16 competitive products probably make less of the total
17 mail that we send and less of the impact on that
18 message, and I don't know that we would feel strongly
19 one way or another, as an organization, whether that
20 went -- which way that went, rather.

21 But we just feel very strongly that we want
22 to maintain universal access so we can get our
23 message out as much as possible.

24 VICE CHAIRMAN ACTON: That's helpful. Now,
25 it's a question that the Commission will deal with

1 because the statute is unclear in that respect.

2 Well, it just doesn't make a distinction.

3 I have one other question, Mr. Chairman, for
4 Mr. White.

5 Mr. White, I think, in the course of your
6 testimony, your written testimony, you spoke about
7 forcing better efficiency by the Postal Service, in
8 particular dealing with some of your facilities
9 alignment.

10 I'm wondering if you have any particular
11 recommendations in that regard.

12 MR. WHITE: I think -- I don't have a
13 particular specific office that I'm talking about,
14 but when you look at the way the Postal Service is
15 aligned, I think there is a difference between the
16 post office in the community versus the mail
17 processing facilities.

18 And as the mix of volumes change, as the
19 Chairman indicated, the needs of the Postal Service's
20 upstream processing facilities have necessarily
21 changed.

22 There are some legislative restraints on
23 what the Postal Service can do to streamline that
24 organization, and what I would say is that, as the
25 postmaster indicated, a lot of time people talk about

1 the post office, but there are other facilities that
2 are in the postal system; and as part of this look, I
3 think we need to look back, look upstream, and look
4 at the mail processing facilities rather than always
5 just focusing on the post offices, because the post
6 office is the point where the consumer understands
7 the post office. They don't understand whether their
8 mail is processed in Versailles -- we have a
9 "VER-sales" in Ohio -- in Versailles or Cincinnati or
10 Minneapolis. They don't care, really, where it's
11 processed; they just want to know when they put it in
12 the box, it's going to be picked up and it's going to
13 be delivered.

14 VICE CHAIRMAN ACTON: Thanks to you all.

15 Mr. Chairman?

16 CHAIRMAN BLAIR: Commissioner Hammond?

17 COMMISSIONER HAMMOND: Yes, thank you,

18 Mr. Chairman.

19 I must say, Mr. White, I don't know that I
20 have any questions for you, but we had a good
21 discussion late last winter, I believe it was, while
22 you were in town with the Greeting Card Association.

23 I know I do, and I think the rest of the
24 Commission, appreciates the Greeting Card
25 Association, representing consumers, households who

1 get the mail, even though that's not necessarily what
2 you're there for, but you've provided a great deal of
3 information for us over the years and in this
4 testimony too --

5 MR. WHITE: Thank you.

6 COMMISSIONER HAMMOND: -- to represent those
7 who get the mail, and I appreciate that.

8 MR. WHITE: You're very welcome.

9 COMMISSIONER HAMMOND: I did have a question
10 for Mr. O'Neill. And, yes, I come from a town in
11 Missouri that's -- we may have five more or five less
12 people than you do. We stick around 400 or so. But
13 we're on a U.S. highway. We've even got a state
14 highway intersection that's got asphalt. So it's not
15 like we're the most isolated people in the world,
16 even though we're small.

17 But I noticed, in your testimony, that you
18 were talking about that there was really 25 small
19 business people around there also, so when you're
20 looking at delivery for customers, that you're also
21 of benefit to small business too. That's right,
22 isn't it?

23 MR. O'NEILL: (Nodding head.)

24 COMMISSIONER HAMMOND: I know that you don't
25 look at their mail; you're not allowed to. But if

1 you didn't have that post office there, what kind of
2 effect would it have on the operations of those small
3 businesses?

4 MR. O'NEILL: Well, I guess I haven't
5 thought about it, you know. I'm one of those people
6 that just thinks that the universal service of the
7 post office will always be there.

8 If it were not to be, could they make
9 corrections? Could they change their businesses?
10 I don't know if they could use alternate methods of
11 the Internet and get wired to that; if -- if there
12 were other alternatives for them to use part of the
13 postal service instead of, you know, sending it all
14 that way.

15 I think, out in our area, what our
16 businesses that fail find out is that the pie is only
17 so big in our area, and if you have too many
18 alternatives of delivery and whatnot, someone's going
19 to get pushed by the wayside, and I wouldn't say it's
20 always the least successful or the least -- or the
21 poorest managed one; it's -- they just have too many
22 choices and someone gets left out.

23 Now, what that would be and what they would
24 change to, I really don't know.

25 COMMISSIONER HAMMOND: Now, I also was glad

1 to see the testimony that you provided about how
2 there may be people -- well, they're farmers, for the
3 most part, who may have their mailbox on a road maybe
4 a third or a half a mile, actually, away from their
5 house, and that's what you're talking about when they
6 don't really -- they're not there to meet the carrier
7 every day.

8 MR. O'NEILL: Right.

9 COMMISSIONER HAMMOND: And so they get post
10 office boxes at your facility in town because they
11 may get a package that the mailman is ready to
12 deliver, but it's going to be hours before they
13 actually get close to where he would drop the package
14 at the mailbox. So they take -- so they go to town
15 to pick it up at your facility?

16 MR. O'NEILL: In some cases they are far
17 enough from their boxes where they don't want their
18 mail left out there unsecured.

19 They have other times that they're not in
20 need of their mail every single morning. They may
21 have a spouse that works in town or has to drive, you
22 know, near town or through town on their way to some
23 other job that she works at; they would just as soon
24 their mail is under lock and key. And they will
25 adjust their schedules to come in when the post

1 office is open.

2 Now, the post offices have catered to them.
3 We now have offices that have 24-hour lobbies that
4 are open for that reason.

5 Out in our rural areas, we have some offices
6 that are closed in the evening by the local police
7 departments because people are working away from
8 their homes and, you know, they come back to town at
9 7:00 o'clock and, you know, most post offices are
10 closed and the people have gone home. But the
11 lobbies remain open, lights on, and the local law
12 enforcement has a key to that outside door and at,
13 say, 8:00 o'clock or 9:00 o'clock at night, it gets
14 locked.

15 So we work with them if they are not
16 comfortable with their mail being put in their boxes
17 out along a rural road. Like you say, if you're from
18 that kind of country, you know there's not a lot of
19 traffic out there.

20 And believe it or not, the rural people have
21 that mail moment as well. Their rural carrier is at
22 that box within minutes, it varies, six days a week,
23 and the majority of them do come down and get their
24 mail because they know when he's going to be there.
25 And if they have outgoing mail or they have issues as

1 far as needing postal money orders or buying stamps,
2 they need to leave that money in there before he
3 comes. And they know, like I say, within minutes
4 when he's going to be there -- he or she is going to
5 be there six days a week.

6 COMMISSIONER HAMMOND: Okay. That's all I
7 have for right now.

8 CHAIRMAN BLAIR: Ms. Goldway?

9 COMMISSIONER GOLDWAY: This is all so
10 interesting. Thank you.

11 I wanted to start, if I could, with
12 Mr. White and his really interesting testimony.

13 One of the issues you raised was how
14 important it is to have a uniform price and also
15 simple prices, and I wondered what the relationship
16 between those two is and what your thinking is about
17 the current pricing system in the Postal Service.

18 MR. WHITE: Broad question.

19 Uniform pricing is important for the
20 consumer. It's one of the big strengths of the
21 Postal Service. If you want to send a letter to
22 anywhere in the United States, territories or
23 possessions, you know to put a 42-cent stamp on it
24 and you're done.

25 Back from the old days, where there were

1 five different zones, if you think about that today,
2 the amount of increased traffic into the service
3 center, to have to go into your post office to ask,
4 on every letter, "How much is this going to cost,"
5 the transactional costs would increase dramatically.

6 Similarly simplistic, one of the -- we've
7 had some discussions with the Postal Service lately
8 about the issue of square greeting cards. The square
9 greeting card format has become more and more
10 popular. We call it the greeting card moment; you
11 call it the mail moment, but one of the things, when
12 people -- you can see it; when people get their mail
13 and they're going through it, bill, bill, bill, but
14 when they come across a piece of personal
15 correspondence, they always stop, and that's the
16 thing they pull out.

17 One of reasons the square greeting card has
18 become popular is that, right away, it's something
19 that's different. It sticks out.

20 Currently, there is a non-standard surcharge
21 that people have to pay. When that started last
22 year, there was a lot of confusion in the market as
23 to how much that was, and there were some problems
24 with people going to the post office and getting
25 different answers.

1 That had significant impact on the sales of
2 square greeting cards, so we went to the Postal
3 Service to talk about how we could get that to be
4 handled more correctly.

5 The Postal Service did a really nice job
6 with the announcement of the recent increase up to 42
7 cents and announcing the 20-cent surcharge, making it
8 clear that that includes square greeting cards, which
9 we very much appreciated, and we have had zero
10 complaints since Mother's Day, the day it went into
11 effect, on the new classification, which is great.

12 The simplicity of that just increases the
13 confidence that people have, when they go to drop the
14 mail in the mailbox, that it's going to get there.

15 Again, where geographic scope, we think, is
16 the most important, we do think that simplicity is
17 certainly one of the four key strengths of the Postal
18 Service.

19 COMMISSIONER GOLDWAY: And then I think
20 you've touched on this in the answer you gave to
21 Commissioner Hammond, but we talk about access,
22 wanting easier access, and also about network
23 realignment, and I wanted your sense of how important
24 retail access was within the context of universal
25 service.

1 We want delivery to everybody's home, but
2 how important is it to have retail access be
3 universal?

4 MR. WHITE: I think retail access is
5 important, but I think it goes back to your previous
6 question, which is, if the rates are simple enough
7 and uniform enough, then I don't need retail access.

8 I mail -- we mail things from our house
9 virtually every day, but I can't even remember the
10 last time I actually went into a physical post
11 office, because we buy our stamps from our carrier by
12 just putting something in the mailbox, or we can buy
13 them at the grocery store. I know how much it costs
14 to put it in.

15 So the retail access, to me, is not as
16 important. The retail access, after the May 2007
17 increase, unfortunately became more important than it
18 should have been because there was too much
19 confusion.

20 So, to me, if you can solve the simplicity
21 and the uniformity needs, the retail access, to me,
22 becomes less important.

23 Now, I'd be interested in what they have to
24 say about it in your community, how important retail
25 access is for you, but from our perspective, that's

1 not an issue.

2 COMMISSIONER GOLDWAY: And that's what's
3 concerning me.

4 And then, Mr. Joachim, I wonder how much of
5 your mail -- and you list all the various products
6 that you serve. How much of your mail is using book
7 rate or media rate or one of the monopoly rates for
8 packages rather than the competitive-pricing package
9 rates?

10 MR. JOACHIM: We probably send out, oh, a
11 couple hundred media pieces a week.

12 Now, we're a medium-sized nonprofit, so that
13 doesn't sound like a lot, but what's in those media
14 packages is very important. We offer a program
15 called Book Aid.

16 Hazelden is the largest publisher of
17 addiction-related materials in the world, and we,
18 like any publisher, have overruns of materials and
19 excess materials that we get back, and we offer those
20 materials at no cost to halfway houses, prison
21 libraries, other nonprofit entities who might be
22 looking for materials to supplement what they do, and
23 those all go out in media mail. We take advantage of
24 that rate as much as we can.

25 COMMISSIONER GOLDWAY: So having a monopoly

1 product that deals with packages is also important --

2 MR. JOACHIM: Yes, it is.

3 COMMISSIONER GOLDWAY: -- in your mail mix?

4 Mr. Larson, you mentioned waterfront
5 deliveries. What's the -- that's done at the docks?
6 How often do you do that, and how many months of the
7 year?

8 MR. LARSON: It would just be the summer
9 months, and it's one route way up north on Lake of
10 the Woods.

11 I don't know if you're familiar with the
12 state, but we've got one little island up in Lake of
13 the Woods that receives just summertime seasonal mail
14 during the fishing season, when people go take their
15 vacations up there.

16 There is another route in northern
17 Wisconsin, an island on Lake Superior, that does
18 receive year-round access, and there's one of those
19 hovering boats that can go across both the ice and
20 the water that delivers the mail out to the island on
21 a daily basis.

22 COMMISSIONER GOLDWAY: So for the summertime
23 mail, they're going to be transferring their mail?
24 They'll put in a change of --

25 MR. LARSON: Yes.

1 COMMISSIONER GOLDWAY: -- a temporary change
2 of address form?

3 MR. LARSON: Yes.

4 COMMISSIONER GOLDWAY: And then that will go
5 up there?

6 And there's no charge for that?

7 MR. LARSON: No.

8 COMMISSIONER GOLDWAY: Do you think that's
9 right or do you think these vacationers should have
10 to pay more for that?

11 MR. LARSON: Well, we have our premium
12 forwarding service available for customers to
13 purchase, and we will forward their mail to them in
14 priority service.

15 So with that option available, and if our
16 retail associates are promoting that option to
17 customers, that's usually the avenue that we're
18 seeking right now.

19 COMMISSIONER GOLDWAY: So there may be a way
20 where people could get better --

21 MR. LARSON: Service --

22 COMMISSIONER GOLDWAY: -- service if they
23 paid for it?

24 MR. LARSON: Right.

25 COMMISSIONER GOLDWAY: And then the burden

1 of normal service would be less on the system?

2 MR. LARSON: Correct.

3 COMMISSIONER GOLDWAY: In -- "Show-KI-yo"?

4 MR. O'NEILL: "Shi-KI-yo."

5 COMMISSIONER GOLDWAY: "Shi-KI-yo." I

6 remembered "Oh-HI-yo," but I forgot the "Shi."

7 There are 225 mailboxes and 418 residents?

8 Or was it 1400?

9 MR. O'NEILL: 418.

10 COMMISSIONER GOLDWAY: So does that mean
11 that half of the people have mailboxes and they don't
12 get mail delivered to their rural routes? Or does
13 some of the mail go to rural routes and some of it go
14 to the post office?

15 MR. O'NEILL: The 418 does not include the
16 rural families. I mean, the 418 is the actual
17 population of the City of Chokio.

18 COMMISSIONER GOLDWAY: And so how many rural
19 deliveries are there versus post office box
20 deliveries?

21 MR. O'NEILL: 165.

22 COMMISSIONER GOLDWAY: 165 deliveries?

23 MR. O'NEILL: Yes.

24 COMMISSIONER GOLDWAY: And that's over --
25 what did you say? 160-some odd miles?

1 MR. O'NEILL: 142 miles.

2 COMMISSIONER GOLDWAY: So then half -- sort
3 of half the people get all their mail in the post
4 office boxes?

5 MR. O'NEILL: Yes.

6 COMMISSIONER GOLDWAY: And is that typical
7 across most of rural America?

8 MR. O'NEILL: I would say it's very typical.

9 COMMISSIONER GOLDWAY: So the post office --
10 retail post office acts as a mailbox center in
11 addition to selling stamps or handling packages?

12 MR. O'NEILL: Yes.

13 COMMISSIONER GOLDWAY: And lots of people
14 come in and talk to one another --

15 MR. O'NEILL: Absolutely.

16 COMMISSIONER GOLDWAY: -- and put signs up
17 about what's going on in the community and things
18 like that? It's a real -- becomes a real community
19 center as well --

20 MR. O'NEILL: It's a social hub.

21 COMMISSIONER GOLDWAY: -- when that happens?
22 Right.

23 Well, I think this mix of presentations that
24 we've had here today is really interesting. I
25 appreciate all of your comments.

1 CHAIRMAN BLAIR: Thank you, Commissioner
2 Goldway.

3 I think we have heard a wonderful set of
4 testimony here this morning from these witnesses, so
5 on behalf of the Commission, I want to thank you for
6 coming in and for traveling here. I think
7 Commissioner Hammond and Commissioner Goldway and
8 Mark Acton will second that.

9 When we get outside of Washington, we hear
10 so much more, and the stories that we take back make
11 our work that much better, and so we appreciate you
12 contributing to the work that we have to do.

13 So on that note, thank you for testifying,
14 and if we have any follow-up questions, we will send
15 those to you.

16 Again, your testimony and the transcript
17 will be available on the Web as well. So thank you
18 folks very much.

19 MR. LARSON: Thank you.

20 MR. O'NEILL: Thank you.

21 MR. JOACHIM: Thank you.

22 MR. WHITE: Thank you.

23 * * *

24 (Whereupon, the second panel session was
25 commenced.)

1 * * *

2 CHAIRMAN BLAIR: Good morning, everyone.

3 MS. UPDIKE: Good morning.

4 CHAIRMAN BLAIR: It's Mr. "Pup-EE." Right?

5 MR. PUPPE: (Nodding head.) "PUP-ee."

6 CHAIRMAN BLAIR: At least now I'm one for
7 three in my pronunciations, so thank you.

8 Again, Panel 2 is comprised of T. Scott
9 Mitchell, who's the CEO of MackayMitchell Envelope
10 Company in Minneapolis; Vicki Updike, vice president
11 of merchandising and marketing for Miles Kimball
12 Company in Oshkosh, Wisconsin; and Lyle Puppe,
13 retired postmaster of Cottage Grove, and he's a NAPUS
14 Post Office Closings & Consolidations Committee
15 member, and he's from here in St. Paul.

16 You're from Cottage Grove? Where is Cottage
17 Grove?

18 MR. PUPPE: About 12 miles straight south of
19 here. Suburban St. Paul.

20 CHAIRMAN BLAIR: Suburban St. Paul. Okay.

21 Thank you all for testifying. Ms. Updike,
22 we'll start with you.

23 MS. UPDIKE: Thank you. I appreciate the
24 opportunity. Miles Kimball appreciates the
25 opportunity to appear before you to discuss our

1 position and its impact on the catalog industry as a
2 whole.

3 The U.S. Postal Service is an important
4 partner to Miles Kimball. We cannot be successful
5 without a strong national Postal Service. You are an
6 important partner to us, so issues that affect the
7 U.S. Postal System are issues that we all must be
8 concerned with, and we recognize that.

9 With predicted declines in other mail and
10 demographic trends favoring cataloging, properly
11 managed, the catalog class has the potential for
12 significant growth if we work together.

13 Unfortunately, recent postage increases and
14 trends have put this opportunity in jeopardy.
15 Catalogers are aggressively working to reduce their
16 reliance on the U.S. Postal Service.

17 Our customers truly enjoy receiving
18 catalogs. Catalogs provide interest and a valued
19 content in the mail. This helps the mail become very
20 relevant as it enters the home each day. We hear
21 from our customers frequently that they don't care to
22 shop in the big-box retailers, where it's difficult
23 to find their products. There's uninformed sales
24 representatives that are not helpful.

25 To allow our customers to shop from home via

1 the catalog, and to have a product expert just a
2 phone call away, is very valuable to our customer
3 base.

4 Applying an estimate of about 29 cents for
5 postage for the catalogs, we estimate there's about
6 20 billion catalogs mailed each year. This is about
7 \$6 million in revenue for the U.S. Postal System.

8 The catalog industry historically has been
9 very reliant on the U.S. Postal System. You're
10 essentially our sales force that gets our catalogs in
11 the home every day.

12 To understand our perspective, it's
13 necessary to provide a brief overview of the
14 economics of cataloging.

15 A typical consumer catalog spends a third of
16 its revenues on marketing. This has traditionally
17 been through the production and mailing costs of the
18 catalog.

19 Prior to the rapid change in the postal
20 rates due to the R-2006-1 increase, about half of the
21 marketing costs were postage. The other half was
22 paper, production, and printing.

23 Like other forms of retailers, margins are
24 tight. A successful cataloger has profits around 5
25 percent of sales. We are a low margin -- being a low

1 margin, it requires us to take careful management of
2 our risks.

3 To manage these risks, catalogers test new
4 approaches in advance of large-scale adoption. This
5 testing allows us -- against a control, allows us to
6 better understand the impact before a change is put
7 to the entire -- before a change is made in the
8 entire enterprise.

9 As direct marketers, we welcome the
10 opportunity to test changes in the frequency of
11 delivery to better understand how these prospective
12 changes would impact consumers' behavior.

13 This testing strategy both with the U.S.
14 Postal Service and the Miles Kimball Company could
15 measure the impact before sweeping changes are made.

16 This "test, correct, and implement" approach
17 of direct marketing would also be beneficial in other
18 changes through the U.S. Postal System, again to
19 better understand the impact of the net effect across
20 the entire mail system.

21 No discussion of the national -- with the
22 national postal system that involves catalogs can be
23 had today without consideration to the fundamental
24 change to the economies of mailing created by the
25 R-2006-1 rate increase. The magnitude of last year's

1 increases had a profound impact on our industry, and
2 there's many well-known brands that are no longer
3 mailing catalogs today due to this increase.

4 Our entire catalog industry, the
5 70-plus-year industry, has had a significant blow to
6 its profitability. Catalogers, the Miles Kimball
7 Company included, are working very hard to reduce the
8 reliance on the U.S. Mail because of our inability to
9 offset these increases. These mailings have simply
10 become uneconomical.

11 This 70-plus-year industry will find a way
12 to continue to market to our customers that will be
13 less reliant on the U.S. Postal System unless changes
14 are made.

15 To put it in perspective, cutting the Miles
16 Kimball circulation just by 100,000 catalogs, that is
17 \$27,000 less revenue for the U.S. Postal Service just
18 to mail the catalogs. There's an additional \$22,000
19 less U.S. Postal System revenue for shipping the
20 orders that those catalogs would have generated, and
21 we have fewer customers to continue to market to as
22 the years go on. This is the multiplier effect
23 working in reverse.

24 Miles Kimball Company today mails about 138
25 million catalogs per year. With only a 1 percent

1 reduction in circulation, the U.S. Postal System
2 loses over \$676,000 in direct revenue from just
3 mailing those catalogs, and the Miles Kimball
4 customer -- company loses 40,000 of our loyal
5 customers forever.

6 Today, the trade magazines are filled with
7 articles on how to stop and reduce our mail volumes.
8 The impact of this rate increase was catastrophic.
9 It essentially wiped the profitability of some
10 companies.

11 For Miles Kimball, we saw this rate increase
12 start in June of 2007. Through December of 2007, we
13 had over a \$3 million increase in postage. This was
14 more than 40 percent of prior years' profit, and that
15 was only a partial year. I am still battling this
16 rate increase this year, as I have to manage a
17 full-year impact of that increase, plus another
18 increase that started in May.

19 To offset the sudden increases, we had to
20 make swift changes. We scaled back or completely
21 stopped prospecting to new customers. We had to tab
22 our catalog. We had to put it on lower paper weight.
23 All of these things lower the productivity of that
24 catalog in the mail. It's harder to shop the catalog
25 on a lower paper weight and when the catalog is

1 tabbed.

2 And all of this happened with short notice
3 from the post office, so essentially I had to roll
4 with those changes without testing it, and therefore
5 putting Miles Kimball Company at great risk, and
6 other catalogers are experiencing the same things,
7 and some of those catalogers today are no longer
8 mailing.

9 For the direct mail industry, the
10 twelve-month buyer file is the standard of measuring
11 a healthy brand. Miles Kimball Company lost over
12 90,000 buyers last year, and this impact is
13 compounding and cumulative, and we're going to
14 continue to see the decline in the years to come.

15 I ask that we work together on cost
16 reductions and these changes are made over time so we
17 can adjust.

18 We applaud the U.S. Postal System's work to
19 reduce the total cost. We welcome postal format and
20 process enhancements that will reduce waste and
21 create higher efficiency. We are highly interested
22 in ways to improve the response rates and the value
23 of mail. As a mailer, Miles Kimball Company is
24 committed to working with the U.S. Postal Service on
25 this.

1 We note in studies that indicate that 70 to
2 80 percent of the U.S. postal costs are classified as
3 fixed. By most commercial standards, this is very
4 high. While I don't claim to be an expert in postal
5 logistics, some broad comparisons suggest that there
6 is an opportunity to operate differently.

7 The largest retailer in the world has just
8 over 4,000 stores compared to 37,000 of the U.S.
9 Postal Service. That same retailer operates a
10 nationwide system of delivery and logistics from just
11 over a hundred distribution centers, whereas the U.S.
12 Postal System has several times that number.

13 The simple analysis indicates that there is
14 an opportunity to reduce the massive fixed costs of
15 operating by reducing the USPS retail stores.

16 Many of our recommendations for the future
17 really require a close partnership between the
18 mailers and the U.S. Postal Service. Unfortunately,
19 the current structure does not allow that to happen.
20 Few U.S. Postal Service representatives today
21 actually make decisions to do things differently. My
22 Postal Service rep that I work with does not have the
23 authority to make changes.

24 Ideas for innovation must process through a
25 long chain of command so that ultimately the

1 decision-maker is highly removed from the day-to-day
2 impact it's having on businesses like Miles Kimball.

3 Changing how the U.S. Postal Service works
4 with catalogers, and vice versa, will help us
5 capitalize on our mutual opportunities. We want the
6 same thing. I want to mail more catalogs, and I know
7 you want to increase your volumes. We ask that you
8 work with us.

9 The Miles Kimball brand has been serving its
10 customers since 1935. Our second largest brand,
11 Walter Drake, has just celebrated its 60-year
12 anniversary. Both Miles Kimball and Walter Drake
13 themselves were considered pioneers in the cataloging
14 industry.

15 Catalogers have a great story to tell. We
16 provide an important service that is enjoyed by
17 millions of people.

18 In closing, we truly understand that the
19 U.S. Postal Service must get more efficient in the
20 future. We recognize that costs are increasing, but
21 they must be managed to allow a business like ours to
22 exist in the mail.

23 As a postal customer with significant growth
24 potential, working with us to help us grow our
25 business will have a positive impact on the U.S.

1 Postal System volumes, and it is fair to say that we
2 do have a common goal.

3 Despite that, the catalog industry has not
4 been particularly involved in policies in the past.
5 Catalog companies rely heavily on the U.S. Postal
6 Service and its success.

7 For our part, Miles Kimball Company is
8 committed to improve the partnership with the U.S.
9 Postal Service and greater participation in the
10 policy debate.

11 The fact that I'm here today before you is a
12 really great start. Thank you.

13 CHAIRMAN BLAIR: Thank you, Ms. Updike.

14 Mr. Mitchell, welcome.

15 MR. MITCHELL: Thank you. It's an honor for
16 me to be here this morning before the Postal
17 Regulatory Commission and to offer my perspective and
18 also a little bit of the industry perspective on
19 universal service and the postal monopoly.

20 Harvey Mackay, who's a noted author, founded
21 Mackay. It was Mackay Envelope in 1959. I joined
22 the company in 1993 as CEO. It's now MackayMitchell
23 Envelope Company. Harvey and I have been business
24 partners since 2000, and we're joined at the hip.

25 Our mission is to be in business forever.

1 It's as simple as that, which I'm sure is a mission
2 that's probably shared by the USPS, and that drives a
3 lot of our decisions.

4 Our sales are over \$100 million. They've
5 tripled since 1993, but, interestingly, we have 50
6 less employees than we did in 1993. We have 430
7 people in three facilities located in Iowa,
8 Minnesota, and Oregon, and we have sales offices in
9 ten states.

10 We manufacture approximately 25 million
11 envelopes every day. If you do the math on that, in
12 our state-of-the-company meetings, we say we'd like
13 to get to the point where we can do one for every
14 person on earth, about 6 billion per year.

15 Direct mail is approximately 75 percent of
16 our business. Statement mail and niche products for
17 the photo industry are the remaining 25 percent.

18 I think it's important here that we focus
19 just for a second on the people in our company, and I
20 brought four of our factory workers with us today,
21 and I'd like to have them stand as I introduce them,
22 so you get a feel for the people that are behind this
23 industry.

24 The first, and if you'd remain standing, is
25 Warren Anfang. Warren joined MackayMitchell at age

1 20. He's is a 31-year employee. He runs the
2 sheeter. He cuts paper on the factory floor that are
3 produced and manufactured into envelopes, and we
4 always kid some of our prospects and customers that
5 Warren is also in charge of collections every now and
6 then, after over 120 or 180 days.

7 We have Mark Russell. Mark is a 32-year
8 employee. He started at age 23. He's an envelope
9 technician. He started out as a stock hauler with
10 Mackay.

11 We have Joyce Ringer, who is a supervisor of
12 operators. Joyce began as an operator. She's a
13 37-year employee. She started out at age 18.

14 And we have Wendy Hanson, who's quality
15 coordinator, who started out as an operator. She
16 started at age 20. She's a 38-year employee.

17 So the reason I bring these up is these are
18 the people -- some of the people that are behind
19 these 8.4 million jobs that we've got in our
20 industry, and I just thought it would be important.
21 Thanks.

22 Incidentally, they're all four union
23 workers, and they've made significant concessions
24 over the years to keep us in business and to make
25 sure that we were afloat.

1 In addition, we're a family business. My
2 wife, Sheila, is here. Sheila, if you'd stand up.
3 She's on the board. She's a consultant to us.

4 And my sons. Four of my eight children are
5 in the business. David Mitchell, who's in marketing;
6 Teddy, who's in purchasing; Nathan, who's in
7 pre-press, and, incidentally, a union member in the
8 typographical union.

9 And Mike, who's a trucker. Mike is a
10 Teamster, so you can imagine union negotiations have
11 taken on a different light.

12 Thank you very much.

13 So now we have both a business that has got
14 a long tradition of employees that have been here for
15 a long time, as well as, if you combine that with our
16 mission of being in business forever, you can see our
17 future. We're pretty focused and dedicated on
18 envelopes. That's all we make.

19 In addition, we're a member of the Envelope
20 Manufacturers Association. I was former chairman of
21 that association. Also the Global Envelope Alliance.
22 And we have familiarized ourselves with the workings
23 of various international posts, and our members work
24 tirelessly on various mandates.

25 And, very briefly, you're aware that we've

1 provided our views on the subject of universal
2 service and the postal monopoly for many years
3 through our foundations. We've provided papers to
4 the President's Commission on Postal Service. We're
5 far from experts, and I'm far from an expert, but I'd
6 like to give you a little perspective on our company
7 in the Midwest.

8 Number one, paper costs and prices have
9 increased so dramatically over the last year that it
10 has really, really taken a huge bite out of our
11 revenue stream.

12 Where paper used to comprise 48 percent of
13 our sales dollar, it now compromises 55 percent of
14 our sales dollar. And it's not anything that we're
15 going to be able to do something about, but it does
16 affect our end customers in terms of their ability to
17 pass on those costs. It's very, very difficult, if
18 not impossible, to pass it on.

19 The Postal Service -- as you know, we depend
20 upon the sanctity of the mail, and we believe that it
21 has to remain a separate entity from other delivery
22 providers.

23 We have a saying that says, "We can give
24 away a pail of milk, but we never want to give away
25 the cow." We can lose a pail of milk, but never lose

1 the cow.

2 And mail is both picked up and dropped off
3 once daily, and for most people, that offers a strong
4 sense of security. If the mailbox is open to every
5 delivery company, individual carriers would have to
6 spend time sorting through the mail to determine what
7 he or she needed to pick up. And I think that that
8 value proposition that the USPS gives in that final
9 mile is something that is really, really, really
10 important to conserve.

11 It's imperative that we provide a means for
12 funding the universal service obligation mandate, if
13 we choose to ratify one. We must keep in mind the
14 large costs associated with the implementation of
15 these statutes.

16 We differentiate universal service from a
17 universal service obligation; whereas one is simply
18 the ability to transmit mail across the country, the
19 obligation entails government responsibility over the
20 need to provide universal service.

21 And as far as their definition of universal
22 service, we agree with the criteria that you
23 provided.

24 If the current trends, however, continue,
25 the cost of household delivery will increase.

1 There's going to be, obviously, a requirement for
2 cost-saving opportunities. Unfortunately, we can't
3 cut our costs, cut our way to growth. It's
4 impossible to cut our way to growth, and,
5 significantly, we cannot raise our prices to fuel
6 growth either. So we understand we're between a rock
7 and a hard place on a lot of these issues, and
8 there's going to be compromises that are going to
9 have to be made.

10 But, again, we don't want to give away the
11 cow. We'll lose a pail of milk here or there, and we
12 may have compromises that we have to make. Even on
13 the retail level, it's possible. We may have to make
14 those compromises on delivery schedules. We may have
15 to alter those. Maybe it's five-day delivery areas
16 for high-volume areas and scaled back to a different
17 level for other areas.

18 In addition, we may have to do some
19 collaboration on the delivery system, but there's
20 sacrosanct areas of that delivery system that we
21 don't want to give up. Again, the cow.

22 But other parts, we may be willing to
23 collaborate with other outside -- other entities that
24 may do it better and may preserve our value that we
25 provide to that customer.

1 Most Americans, as it's been said today, do
2 not have Internet access and still rely heavily on
3 the Postal Service. We feel it's very important to
4 maintain the Postal Service as an affordable means of
5 communication. We think that it will continue to be
6 an important communication medium across all of our
7 society and social strata as we go forward.

8 In conclusion, we all know that the Postal
9 Service plays an important role as a physical
10 representative of the United States government in
11 many communities, and it's the end point for the
12 delivery of government services for those who do not
13 have a computer or a bank account, and it acts as an
14 important conduit between the government and the
15 citizens for voting.

16 People rely on the functionality and ease of
17 use of the postal system much more than they trust
18 the Internet.

19 Incidentally, I'd tell you that the
20 Internet, if you change your name -- and maybe you
21 all know this, that if you change your name from
22 Scott Mitchell to Sam Mitchell and keep your same
23 address, you'll oftentimes get an increase in mail to
24 Sam Mitchell at that address. So a lot of companies
25 are using the Internet as a complement to the mail

1 stream, where it actually drives the mail in the
2 direct mail arena.

3 I would be remiss if I didn't say one final
4 consideration that I'd like to bring to you, which is
5 the discrepancy in prices charged for mailing an
6 envelope versus a post card.

7 My understanding is that the processing fees
8 are equal for both mail pieces, yet postcards enjoy a
9 much more favorable rate for postage. And I just --
10 as envelopes, I believe, are the life blood of our
11 industry, our respective industry, that are in the
12 faces that you've seen today, I'd like to ask that
13 you re-examine this stance in future meetings.

14 I do want to thank you very deeply for
15 visiting Minnesota and the Midwest and coming out and
16 seeing the people. I really appreciate it, and I
17 think it's wonderful. I think it's very smart. And
18 it will give you a perspective that is extremely
19 unique.

20 Thanks a lot.

21 CHAIRMAN BLAIR: Thank you, Mr. Mitchell.
22 You fielded a whole team here today.

23 MR. MITCHELL: Yeah.

24 CHAIRMAN BLAIR: So I appreciate you --

25 MR. MITCHELL: Trying to outnumber you.

1 CHAIRMAN BLAIR: And you were counting.

2 Mr. Puppe, thank you for coming. I guess I
3 should call you "Officer," since I guess you're now a
4 police officer?

5 MR. PUPPE: Yes, I am.

6 CHAIRMAN BLAIR: Do you want to enlighten
7 everyone that, after you're a retired postmaster,
8 you're in law enforcement?

9 MR. PUPPE: I've been a police officer for
10 almost 33 years. I have to go to work at 1:00
11 o'clock.

12 CHAIRMAN BLAIR: We'll get you out of here
13 on time.

14 MR. PUPPE: Thank you.

15 CHAIRMAN BLAIR: Thank you.

16 MR. PUPPE: Mr. Chairman and distinguished
17 Commission members, my name is Lyle Puppe, and I'm
18 the retired postmaster of Cottage Grove, Minnesota,
19 and I happen to live about less than fifteen minutes,
20 in St. Paul, from this beautiful building.

21 I'm testifying at your invitation, at the
22 request of Halma Mayor Shane Olson. Mayor Olson
23 would have appreciated the opportunity to appear here
24 today; however, he was unable to attend. With his
25 permission, I would like to submit a letter from him

1 for the hearing record.

2 Halma is located in the northwest corner of
3 Minnesota, about 25 miles south of the Canadian
4 border. 80 American citizens live in the town, which
5 supports eight businesses. One of Halma's past
6 mayors is the former postmaster.

7 Indeed, the town and the post office are
8 intertwined. Halma needs a universal postal service
9 and its post office to bind this isolated community
10 and our country.

11 My relationship with Halma began in late
12 April, when NAPUS was notified of the Halma Post
13 Office suspension. I entered the process by virtue
14 of my responsibilities as the Minnesota
15 representative of the NAPUS Committee on Post Office
16 Closings and Consolidation.

17 I have served in that capacity for the past
18 two years but have helped rural Minnesota communities
19 save their post offices for the past two decades. I
20 grew up in a small farm community located in
21 southeast Minnesota, where the post office is
22 everything.

23 The Closings and Consolidations Committee
24 comprises retired postmasters from throughout the
25 country who offer their expertise to communities

1 desiring to save their post offices.

2 NAPUS publishes a pamphlet that educates
3 communities whose post offices are under siege: "The
4 Red Book - a NAPUS Action Guide for Preventing the
5 Closing or Consolidation of Your Post Office." With
6 your permission, I would like to submit The Red Book
7 for the record.

8 Please let me make clear that the committee
9 does not intervene when a community accepts the
10 closure or consolidation of its post office.

11 I know that the Commission appreciates the
12 devastating effect that a post office closure,
13 consolidation, or suspension can have on a community.
14 It drives a stake through the heart of it.

15 In many instances, the post office is the
16 only spot where residents and business leaders can
17 congregate on a regular basis, and it is a source of
18 pride. Also, it's the sole governmental presence.

19 The post office is official recognition that
20 a town exists. A town loses its character when the
21 post office closes. This may not mean much to big
22 cities like Minneapolis, St. Paul, or Fargo in North
23 Dakota, but it means everything to small towns like
24 Halma, Viking, Angle Inlet, and Pisek, North Dakota.
25 Without their post offices, they would be erased from

1 the map.

2 When the Postal Service notifies a community
3 that their post office will be terminated, it's
4 usually for one of three reasons: The building is in
5 disrepair, the lease has ended, or the Postal Service
6 alleges that it is unable to hire a qualified
7 employee to fill a postmaster vacancy.

8 Facility issues occur when the Postal
9 Service or the property owner fail to maintain the
10 building or when the lease expires and the Postal
11 Service asserts that there are no alternative post
12 office locations.

13 I believe that in most instances the Postal
14 Service did not use due diligence in locating
15 substitute quarters and, even worse, the Postal
16 Service rebuffs community efforts to locate other
17 sites.

18 In some cases, the Postal Service offers and
19 tries to pacify residents with a contract station.
20 However, these operations are not enduring because
21 communities are not offered due process rights
22 against arbitrary closures. In addition, facility
23 accountability has been an issue with contract
24 stations.

25 Similar problems occur with regard to

1 lackluster efforts to recruit replacement of vacant
2 postmaster positions. These vacancies can be years
3 old. For example, Viking, Minnesota has suffered a
4 vacancy of a postmaster since February of 2002, and
5 Angle Inlet since September of 2005.

6 Mr. Chairman, I would like to illustrate the
7 necessity of a post office and of the universal
8 service to an isolated community like Angle Inlet,
9 Minnesota, which is the same reference that
10 Postmaster Larson was talking about in his
11 presentation, and here is a map of that particular
12 area.

13 The Angle is the only part of the United
14 States besides Alaska that is north of the 49th
15 parallel. Moreover, the 152-resident community is
16 contiguous to the United States only by water.
17 So without a post office, Angle Inlet residents
18 seeking postal service would be forced to boat across
19 the approximately 20-mile-wide narrows of Lake of the
20 Woods or cross into Manitoba, Canada and then back
21 into Minnesota. Besides the mileage, the difficulty
22 is compounded by four U.S. Customs Service crossings.
23 Closing the Angle Inlet Post Office would most
24 definitely cut off the community from the rest of
25 this country.

1 All these problems are manifested in the
2 Dakotas District by the Postal Service's imposition
3 of a de facto hiring freeze. This policy undermines
4 efforts to fill postmaster vacancies. As a result,
5 the drought of qualified postal employees is a
6 self-fulfilling prophecy. The Postal Service is
7 tenaciously applying a tight tourniquet on its small
8 post offices, guaranteeing there are no qualified
9 employees.

10 Nonetheless, the Postal Service has the
11 authority to hire non-career employees to staff small
12 post offices. These employees are called postmaster
13 reliefs, or PMRs. Unfortunately, the Dakotas
14 District postal management has refused to consider
15 PMR candidates for a number of vacant post offices.
16 It is preferable to retain qualified postmasters, but
17 PMRs have been used as a stopgap.

18 The Postal Service has offered rural
19 delivery to replacement post offices; however, rural
20 delivery is no substitute. Rural delivery does not
21 safeguard a community's identity and, just as
22 important, rural delivery is a reduction of service.
23 While rural delivery is an important component of
24 universal service, it is not a post office
25 replacement.

1 Please let me explain. In rural areas such
2 as Halma, businesses and residents need to pick up
3 and deposit mail at their town's post office for
4 flexibility, regularity, and certainty. The mail
5 entrance and exit point to town is the post office.
6 Consequently, the arrival time and the departure time
7 are regular and predictable. Postal customers visit
8 the post office at defined times to transact postal
9 business. They know that their mail will be in their
10 post office box at a particular time. They do not
11 have to wait for the rural carrier at their rural box
12 for the carrier to reach them. This is important for
13 certified mail or the purchase of postal money
14 orders.

15 In fact, in many small towns there is no
16 bank, so the post office serves as the financial
17 institution.

18 In addition, if no one is home on the farm
19 when the carrier arrives, postal transactions have to
20 occur miles away, at another town's post office. In
21 fact, one Halma's business -- one businessman
22 complained to the Postal Service that it would be
23 financially harmful to close his shop and travel to
24 the Karlstad Post Office to conduct his postal
25 business.

1 Ironically, rural delivery does not mean
2 home delivery. It could mean delivering to a
3 centrally located cluster box. I do not know many
4 rural customers who congregate at a cluster box
5 awaiting mail arrival or lingering to send or receive
6 accountable mail.

7 Undeniably, rural delivery, notwithstanding
8 the Postal Service's claims, is not a substitute for
9 a post office. The absence of a post office
10 undermines the postal equity that universal service
11 provides to rural America.

12 One of the most distressing facts about post
13 office closings, consolidations, and suspensions is
14 the cavalier attitude the post officials take when
15 contemplating such actions.

16 For example, Mayor Olson was notified of the
17 suspension, by letter, on May 6th, a mere seven days
18 to termination.

19 Mockingly, the U.S. Postal Service letter to
20 the Halma residents was addressed to Halma, North
21 Dakota, not Halma, Minnesota. There is no Halma in
22 North Dakota.

23 Furthermore, the suspension date was
24 scheduled for May 13th, the same day that the Postal
25 Service invited the community to meet with postal

1 officials about the suspension, and the meeting was
2 scheduled for 10:00 a.m., a time when virtually
3 everyone was at work.

4 In an attempt to save their post office, the
5 town suggested three qualified individuals who could
6 serve as a PMR. Regrettably, the Dakotas District
7 deemed all unqualified without even speaking with the
8 candidates or reviewing their resumes.

9 Universal service is too important for a
10 town such as Halma to be treated this way. This is
11 not the way to run a government service, a service
12 for which there is a government obligation.

13 Commission members, universal postal service
14 still means something to the nation. It means
15 nondiscriminatory treatment to those communities that
16 need a post office most.

17 While the U.S. Postal Service claims as its
18 mission universal service, and Congress mandates such
19 service, one has to question the Dakotas District's
20 commitment to the undertaking and the law.

21 Closing post offices negatively affects the
22 quality of mail service to America and compromises
23 the very existence of rural communities.

24 I thank you for permitting me to share my
25 views with you today.

1 CHAIRMAN BLAIR: Thank you very much.

2 I see a difference of opinion here. You
3 said -- Ms. Updike, you said earlier that 37,000
4 retail outlets -- or I don't want to put words in
5 your mouth. It seemed to be too much.

6 MS. UPDIKE: (Indicating.)

7 CHAIRMAN BLAIR: And Mr. Puppe just
8 testified as to the value of -- of the value of local
9 post offices to these rural communities.

10 There seems to be a rub in here. Is
11 there -- is there a solution or a compromise or is
12 there -- is this a difference? I mean, is this a
13 difference?

14 MS. UPDIKE: No. I completely agree with
15 the statements. I am not in favor, when the post
16 office is in such a rural community, and that is such
17 an important piece of the community.

18 My facts -- I live in a small town in
19 Wisconsin, and there are three post offices within a
20 five-mile radius. That is where I'm saying that some
21 of those consolidations can happen, not in the rural
22 communities where it is very important.

23 MR. PUPPE: My point was made.

24 COMMISSIONER GOLDWAY: Could I just follow
25 up with you on that?

1 In the marketing that your company does, how
2 much of your marketing goes to these very rural
3 areas? Is that an important part of your customer
4 base or is it less important because they're rural
5 and may not have as much money? And I don't mean to
6 be biased.

7 MS. UPDIKE: No, the rural is important
8 because they don't have access to retailers, the
9 larger retailers, and they have less options. So the
10 rural delivery is important to us.

11 CHAIRMAN BLAIR: One aspect that we're
12 looking at is cost of the universal service
13 obligation, and one of the movements out there right
14 now is a movement called "Do Not Mail."

15 MS. UPDIKE: Mm-hmm.

16 CHAIRMAN BLAIR: And for many people, they
17 don't want to be receiving any more catalogs; they
18 don't want to be receiving standard class
19 solicitations -- they don't want to be receiving
20 solicitations through the mail.

21 MS. UPDIKE: Right.

22 CHAIRMAN BLAIR: They're concerned about the
23 environmental impact. They're concerned -- they have
24 a number of concerns. They feel that there are
25 privacy issues and a whole host of concerns.

1 MS. UPDIKE: Mm-hmm.

2 CHAIRMAN BLAIR: How do you think that these
3 concerns rub up against the idea of providing
4 universal service?

5 How does it impact on the Postal Service's
6 ability to provide universal service?

7 Do you all have any opinions on that?

8 MR. MITCHELL: Well, I think one thing is,
9 the deeper you look into that -- into the issue, the
10 more false the supports are in terms of the "Do Not
11 Mail" campaign.

12 In other words, there's a lot of splattering
13 against paper and against the envelope, for example,
14 and against packaging, that it isn't a recyclable
15 product, when, in fact, it is.

16 The trees are -- that we're cutting down
17 trees every single time we have envelopes and that
18 we -- and I don't know how many people in America
19 really understand that paper is a recyclable product,
20 that it is a sustainable industry, and that trees are
21 a crop, and that trees are a crop like broccoli is a
22 crop, and that we do -- and that it's got -- so I
23 think there's some education that has to go on, and
24 what I would -- I just read Jack Potter's latest
25 speech to the Direct Mail Association, or I think it

1 was to the Direct Mail Association. It was just an
2 outstanding speech.

3 I think what the post office could do more
4 is help educate America on really, really what
5 consumption is and what the recyclability options
6 are.

7 So I think that rather than -- than play
8 dead bug on it and hope we don't get stepped on, I
9 think we should take the offensive on that and say,
10 "Hey, this is a recyclable, sustainable industry
11 that uses a wonderful product, and that we're not
12 killing the" -- you know, "the real forest, huge
13 redwoods, when we do this." It's a logical process
14 that has been certified in terms of the manufacturing
15 process.

16 So I'd go back after it. That's what I'd
17 do. I don't think we need to confuse it with any
18 kind of -- necessarily with any kind of moderation,
19 in my opinion.

20 MS. UPDIKE: I agree with -- I agree with
21 the P.R. effort. I do believe that there is a good
22 story to tell.

23 I very much support the "Do Not Mail." I do
24 not want to mail catalogs to customers who don't want
25 to receive them. I suppress all of those lists, and

1 anytime a customer of ours asks not to be mailed, we
2 never mail them again.

3 I spend hundreds of thousands of dollars a
4 year to ensure that that doesn't happen. It's a
5 waste for me too.

6 But that is the minority of the population.
7 There is still a large group of customers and of
8 citizens that enjoy receiving a catalog, and we want
9 to find them and we do want to continue mailing
10 catalogs to that group of customers.

11 MR. MITCHELL: And I think America is -- to
12 hitchhike on what Vicki said, we have the opportunity
13 to exclude ourselves right now from receiving
14 particular types of mail.

15 The obvious damage would be is that if
16 people had to opt in versus opt out, and we have the
17 opportunity to opt out right now, and we want to
18 respect the priv -- you know, the privacy of those
19 individuals. I agree with her.

20 MR. PUPPE: I'm of the opinion that I don't
21 want to block -- I don't want to get onto the "Do Not
22 Mail" list.

23 I retired over sixteen years ago, and I love
24 seeing that stuff come into my mailbox, and I feel
25 that if the company that mails that merchandise to me

1 can afford it and sends it to me, I want it, and then
2 I'll recycle it.

3 I just feel that it is something that I -- I
4 wouldn't go onto that "Do Not Mail" list for
5 anything. I'll go on the "Do Not Call" list, but I
6 don't want to go on the "Do Not Mail" list.

7 CHAIRMAN BLAIR: I'm with you on that one.

8 COMMISSIONER HAMMOND: Well, while we're on
9 this subject, Vicki, or Ms. Updike, you said you
10 support "Do Not Mail," but what you're referring to,
11 I assume, is those -- the voluntary list that
12 associations and organizations maintain which you all
13 are actively involved with, but not -- you're not
14 referring to legislation which would begin a
15 government "Do Not Mail" list. Is that what you're
16 talking about. Right?

17 MS. UPDIKE: Correct.

18 COMMISSIONER HAMMOND: Yeah. Okay.

19 MS. UPDIKE: Thank you for the
20 clarification.

21 CHAIRMAN BLAIR: We will conclude this
22 hearing at noon today or a little bit after that.

23 What are the things you think that we should
24 take back, as a Commission, as we begin our -- not
25 begin it, because we've started on work on this

1 universal study and the postal monopoly study. But
2 if we had some takebacks with us from the panel
3 today, what would you say that your most significant
4 takeback for us would be?

5 And I'll start with you, Mr. Puppe.

6 MR. PUPPE: Make sure that we have a Postal
7 Service forever. I can't see private delivery
8 companies going into the business of acting like
9 postal carriers, postal clerks.

10 I want my mail in my mailbox. I don't want
11 somebody else putting that mail into that mailbox. I
12 don't want somebody sifting through it to figure out
13 what goes in and what goes out.

14 The sanctity of mail has to remain and the
15 Postal Service has to remain intact for as long --
16 it's not affecting my pay anymore. I've been retired
17 over sixteen years, so what comes into that post
18 office over the counter as far as revenue doesn't
19 affect me. But it was good to me for thirty-three
20 and a half years, and I want to see it stay.

21 CHAIRMAN BLAIR: Mr. Mitchell?

22 MR. MITCHELL: You know, if I were tactical,
23 I would ask you again to -- the mail moment was
24 fostered because of the envelope. That's what people
25 really fostered there. And receiving packages and

1 other material, but the envelope is really what
2 started it all.

3 And if I were tactical and probably really
4 selfish, I would say -- again, that last comment on
5 the postcards, I'd really like to have you take a
6 hard look at.

7 But if I were strategic, I would say that
8 there's tough decisions that have to be made. I
9 mentioned that we grew our volume and our people were
10 less, by fifty people.

11 There's very, very, very difficult
12 decisions, but we've always said--and our mission is
13 to be in business forever--is that we have to
14 understand what our value proposition is and make
15 sure that that's continually enhanced--our value
16 proposition is continually enhanced--and potentially
17 there's going to be some expense and tough, tough
18 decisions that are made that are going to keep you
19 awake at night, but that our value proposition
20 remains the same, and that's what keeps us in
21 business forever.

22 Part of that value proposition is the
23 emotional tug of a small rural post office that harks
24 back to, you know, World War II. I mean, it really
25 does.

1 And what I would say there is that we should
2 be really making sure that we don't have technology
3 that helps us do some consolidation before that last
4 mile, and so maybe we don't affect that last mile and
5 keep the unanimity at the postal -- at the retail
6 level, but we use technology in terms of cutting our
7 costs prior to that point.

8 So my big thing is, let's not -- we'll lose
9 a pail of milk; don't lose the cow. Be in business
10 forever, the value proposition, and remember
11 envelopes versus postcards.

12 CHAIRMAN BLAIR: Ms. Updike?

13 MS. UPDIKE: Well, I want to reiterate, you
14 have an industry, a catalog industry, that wants to
15 push more volume. We want to raise your revenue.
16 Work with us.

17 There are opportunities. You know, it's
18 important to control costs, but we can start driving
19 actually more revenue through the U.S. Postal Service
20 system, so -- and this will help absorb a lot of
21 overhead. I'd just ask that we work together to try
22 to make those things happen.

23 CHAIRMAN BLAIR: Thank you. Mr. Acton?

24 VICE CHAIRMAN ACTON: I have a couple
25 questions, Mr. Chairman. Thank you.

1 Ms. Updike, I'm wondering if your -- if
2 Miles Kimball is a member of the organization that
3 represents Spring Trust [phonetic] in Washington.

4 MS. UPDIKE: Yes.

5 VICE CHAIRMAN ACTON: Which is that?

6 MS. UPDIKE: The ACMA.

7 VICE CHAIRMAN ACTON: American Catalog
8 Coalition? Hamilton Davison?

9 MS. UPDIKE: Yes.

10 VICE CHAIRMAN ACTON: And how long has your
11 affiliation lasted with that?

12 MS. UPDIKE: We've been affiliated for about
13 a year.

14 VICE CHAIRMAN ACTON: You mentioned in the
15 course of your testimony that you would endorse the
16 Postal Service assembling a team to deal exclusively
17 with catalog concerns, and I'm wondering what you
18 would anticipate that that team would do that isn't
19 presently being done well.

20 MS. UPDIKE: Well, I look to the U.S. Postal
21 Service, as any other marketing partner that I work
22 with, and I have many, and I look for them to
23 understand my needs, to help me increase our business
24 as well as increase their business.

25 I am willing to work with them, you know, as

1 long as the economics work, to make catalogs a more
2 productive sales vehicle.

3 I ask that the U.S. Postal Service
4 understand what that is and work with us on
5 innovative ideas to drive improvements and increases.

6 VICE CHAIRMAN ACTON: Okay. Thank you.

7 Mr. Mitchell, I guess the Commission would
8 probably like to thank you for helping to personalize
9 the experience today in bringing your family.

10 MR. MITCHELL: We've got to get them back to
11 work yet today.

12 VICE CHAIRMAN ACTON: You included among
13 your testimony a report on the liberalization and
14 privatization efforts on the overseas post.

15 Your organization has a global presence in
16 that type of involvement, and I'm wondering, as I'm
17 hearing your testimony, if you're saying that what is
18 happening in the international post is a good or bad
19 thing, or something that we should be bringing ashore
20 here, or something we should be looking to as a
21 cautionary tale, or perhaps a little of each.

22 MR. MITCHELL: I think so. And I think that
23 what's really nice about that, these other posts --
24 and their circumstances are different. They don't
25 necessarily have the tenure that we've got or the

1 experience level or the history, and it hasn't bound
2 their countries together like ours has.

3 But what I do -- some of the considerations
4 that are before the Commission or have been before
5 the Commission have been tried in different
6 situations, with varying results, and with some --
7 with some breakage, you know, in terms of -- you
8 know, for everything they're tried, there's been a
9 result, an effect that's come back.

10 So I would just use our experiences in
11 particularly our industry, and particularly our
12 current President, Maynard Benjamin, has written
13 papers on this and is very, very familiar with the
14 studies. It's just interesting to see what has
15 happened in the liberalization of different posts
16 across the world.

17 VICE CHAIRMAN ACTON: Okay. Thank
18 you.

19 One last question, Mr. Chairman, for
20 Mr. Puppe.

21 Just so I'm clear on your testimony, sir, it
22 seems to me that you're saying that you don't
23 necessarily object to an effort by the Postal Service
24 to rationalize its arrangements to increase its
25 efficiency.

1 Your largest objection goes more to their
2 efforts to exercise due diligence, including the
3 local communities, and how that decision is coming
4 about and conveying a good level of communication to
5 the individuals who are impacted most.

6 Am I understanding that properly?

7 MR. PUPPE: That is correct. The process of
8 suspending the service in this case was followed.
9 The community was notified, but the reasoning behind
10 the suspension was not legitimate.

11 The basis for the suspension was that there
12 was no qualified people to fill into that position,
13 and that's not true. Plain and simply, it isn't
14 true.

15 The process, we don't -- as an organization,
16 we don't object if the Postal Service decides they're
17 going to suspend service or they're going to close
18 the post office. We don't go running out and saying,
19 "You can't do that."

20 If that community wants to have their post
21 office remain open, we'll give them guidance and
22 support in what they should do to try to -- you know,
23 to keep their post office open. But the process was
24 not followed correctly at all, and it was just like a
25 deaf ear was turned on.

1 VICE CHAIRMAN ACTON: Thank you. Thank you
2 all.

3 CHAIRMAN BLAIR: Ms. Goldway? Mr. Hammond?
4 Commissioner Hammond.

5 COMMISSIONER HAMMOND: I'll be brief. I did
6 want to make one comment on Mr. Mitchell's testimony.
7 I really did appreciate you including this
8 information on universal service in other nations and
9 all.

10 We are going to be receiving soon, in part
11 of what we're doing now, studies and other
12 information which is similar, a comparison of the
13 postal services, and it's very difficult to do with
14 other nations. And I know I've discussed it with
15 Burke Berkeley [phonetic] that you're in -- there
16 from Kansas City. In times past, he's been quite
17 active in, you know, all of that.

18 But have you seen, with your looking at
19 it -- when we do try to compare, people will say,
20 "Well, the United States should be like Poland," or
21 Belgium, or China, or whatever; you know, that's the
22 information that we're going to be getting.

23 But have you seen, with other postal
24 services around the world, that it is difficult to
25 compare with the United States, much because of the

1 geography, but also because what we consider postal
2 services in the United States is not exactly what
3 some other nation may consider to be their postal
4 services?

5 And your comments on that?

6 MR. MITCHELL: Yeah, I mean, you're right on
7 the money.

8 The key word is fabric, and the fabric that
9 the Postal Service -- that the USPS has within our
10 country goes far, far deeper than just processing
11 transactions.

12 There is a relationship with the mailbox.
13 There's a long-term relationship that goes back.
14 People are very used to purchasing through the mail.

15 The databases are getting more
16 sophisticated, so we know more about the people that
17 are there that -- in terms of what their interests
18 are, in terms of hunting, et cetera. So the types of
19 advertising that they're receiving is more pointed.

20 But in other countries, what happens, we
21 believe, is that -- and that's why you just kind of
22 have to take a look at each one of them -- is that
23 they're not -- there's not the same emotional tie-in
24 that we have with the mailbox, and it's more a -- and
25 there's certainly the process and transacting

1 business, and they do it differently in different
2 countries, you know.

3 And there certainly isn't the universal
4 service obligation, for example, in large geographic
5 countries like China, but the process is looked at so
6 much differently.

7 And the moves that they make, although
8 they're good ones to study, it isn't close in terms
9 of the fabric that the USPS has had in terms of our
10 country.

11 But I would tell you this, that it's -- you
12 know, when you start and stop at the end of the day,
13 it's a business proposition, and that's what we're
14 struggling with.

15 We've got a business proposition where we
16 want to continue to put value across America, and we
17 don't want to lose it. We want to be in business
18 forever.

19 And so the tough choices that you're going
20 to have to -- and we're the best post, obviously, in
21 the world -- that those business -- I think
22 everybody's behind it, to make those tough decisions,
23 but to not lose that fabric, if you will, across our
24 country. That's what I'd say.

25 COMMISSIONER HAMMOND: Thank you.

1 CHAIRMAN BLAIR: Commissioner Goldway?

2 COMMISSIONER GOLDWAY: Thank you. I want to
3 apologize. I have this cough, and it's gotten the
4 better of me this session. But I have been listening
5 intently to everything.

6 I guess what I'd like to ask of Mr. Puppe is
7 whether the National Association of Postmasters has a
8 list of the current rural post offices that are under
9 suspension or have been closed recently.

10 I think, in reviewing this issue on a
11 national basis for the context of our study, we would
12 want to have an overview of what the situation is now
13 and what your take is on what it has been over the
14 last year or two so that we can see what the trends
15 are to determine whether there's something that might
16 be relevant in our study to respond to.

17 MR. PUPPE: I'm not aware that we have a
18 list, but the list can be gotten. There is no doubt
19 that it can be gotten.

20 It's not a widespread notification of
21 consolidation and closings. The particular area that
22 we're in right here now, Mr. Williams' area, I hear
23 nothing. We're dealing with it very much in the
24 Dakotas District in the northwest corner of
25 Minnesota, and of course the Dakotas District goes

1 into North Dakota. In North Dakota, that area is
2 dealing with the same thing.

3 COMMISSIONER GOLDWAY: I was just wondering
4 whether there are problems in other rural areas of
5 America so we could see whether that's a particular
6 problem in this region or whether it's something
7 that's system-wide that needs to be addressed.

8 Do you think you could ask --

9 MR. PUPPE: The only --

10 COMMISSIONER GOLDWAY: -- the association --

11 MR. PUPPE: Yeah, the only contact I have
12 had is with the Dakotas District of Minnesota, and
13 they're -- because of the longstanding vacancies of
14 those postmaster positions in northern Minnesota, the
15 likelihood of something happening the way it has
16 happened at Halma and then others that are there in
17 the vacancy position, you know, I guess I can't
18 answer. Is there more of it going to occur?

19 COMMISSIONER GOLDWAY: Yeah.

20 MR. PUPPE: But if they're not hiring and
21 they're not making postmaster replacements, they
22 certainly can make that happen.

23 COMMISSIONER GOLDWAY: Maybe Mr. O'Neill can
24 help with that information as well.

25 MR. PUPPE: I would say he probably he

1 couldn't. I don't know.

2 COMMISSIONER GOLDWAY: You don't think it's
3 available?

4 MR. O'NEILL: I don't know of any lists
5 around.

6 I do know that, in the Northland District,
7 in Mr. Williams' district, we had, in years past,
8 some longstanding officers, but I have to be fair in
9 saying that in the last few years there's been a huge
10 effort, and I am thinking it's probably due to
11 Mr. Williams' leadership or whatever.

12 But there have been many, many of those
13 vacancies filled, and they now are not being operated
14 by an OIC, which is an officer in charge, which is
15 your interim postmaster, but they actually are filled
16 with postmaster positions.

17 COMMISSIONER GOLDWAY: So that's hopeful to
18 hear that.

19 MR. O'NEILL: And as far as the Dakotas
20 District --

21 COMMISSIONER GOLDWAY: If you can help us
22 get any more of that information on a national
23 basis --

24 MR. PUPPE: Our national office would be
25 able to help out on that.

1 COMMISSIONER GOLDWAY: Yeah. Okay.

2 MR. PUPPE: And it also involves our state
3 president.

4 COMMISSIONER GOLDWAY: And then I did want
5 to thank Ms. Updike for her comments on -- I know
6 we've had meetings with the Catalog Association
7 previously and have heard their concerns about the
8 price increases that went into effect. They were
9 under the old law, where every product had to meet
10 its cost, and the Postal Service was in a business
11 proposition where it was increasing volume in a
12 product where it was losing money, which didn't make
13 much sense. So the price increases were something
14 that were inevitable, I think.

15 But now we're in a different world, and I
16 certainly hope that you can find people in the Postal
17 Service who will work with you on innovative product
18 configurations, pricing strategies, that improve
19 catalogs. I certainly love my catalogs, and I want
20 to be sure that they continue.

21 And I do think that if your association has
22 suggestions that fit into our universal service
23 obligation review about how the Postal Service should
24 be functioning to work with different categories of
25 mailers that come up with new products, I think we

1 would like to hear about that.

2 We're really not in the business of setting
3 prices anymore, or setting rates, like we were
4 before, so some of your concerns really have to go
5 directly back to the Postal Service.

6 But to the extent to which we have some kind
7 of big-picture policy directions that we can
8 implement here, I'd really appreciate specific
9 suggestions on those.

10 And I think our representation from a family
11 is just -- and workers is really wonderful. We
12 certainly haven't had this before in our hearings,
13 and it's a great testament to your dedication to your
14 testimony and to your family that you brought these
15 people here today.

16 Maybe we'll do a site visit to your --

17 MR. MITCHELL: Oh, we'd love to.

18 COMMISSIONER GOLDWAY: We'd love to see how
19 do you things.

20 I want to compliment the Global Envelope
21 Manufacturers Association, because at exactly this
22 time last year I was at a conference in Berlin where
23 you presented -- the organization presented this
24 remarkably sophisticated overview of the state of the
25 mails in the world --

1 MR. MITCHELL: Mm-hmm.

2 COMMISSIONER GOLDWAY: -- and I really think
3 it was a wonderful education. I'm sorry the other
4 commissioners didn't hear it, because you did go
5 country by country, region by region, on the
6 advertising, on the paper, on the regulatory issues.

7 So the Envelope Manufacturers Association
8 really has got a lot of information to provide to us,
9 and we'll look at all of the papers that Mr. Benjamin
10 has provided to us.

11 MR. MITCHELL: Thank you.

12 COMMISSIONER GOLDWAY: And I again want to
13 thank you all. This was a wonderful presentation,
14 with so many different and interesting groups.

15 Thank you, Mr. Chairman.

16 CHAIRMAN BLAIR: Thank you, Commissioner
17 Goldway.

18 I want to thank you all for coming out today
19 and taking your time and spending your efforts and
20 resources in providing us with the best information
21 possible in order to allow us to do the best that we
22 possibly can.

23 We have a lot to take back with us. I
24 appreciate your help. And I think punctuality is
25 important. We're going get you to work on time,

1 Mr. Puppe. We said we'd conduct the hearing from
2 10:00 until noon, and I think we have maybe a minute
3 to spare.

4 So on that note, thank you all very much. I
5 want to thank the first panel witnesses and I also
6 want to thank our Postal Service folks from
7 yesterday, as well as Mr. Larson, Ms. Larson, and
8 Mr. Williams. Thank you all very much. This has
9 been very productive trip for us. The more that we
10 get out and see the operation of the mail, it just
11 further increases our understanding of the business
12 and makes us much more effective and able to reach
13 our decision that much better.

14 Thank you very much. And I didn't get to do
15 it on the opening, but recessed (striking gavel).
16 Thank you.

17 (Whereupon, the proceedings were recessed
18 at approximately 11:59 o'clock a.m.)

19 * * * * *

20
21
22
23
24
25

