

DISTINGUISHED TRUSTEES

Michael J. Critelli
Executive Chairman
Pitney Bowes, Inc.

Richard M. Hochhauser
President & Chief Executive Officer
Harte-Hanks, Inc.

John W. Irvin
President, Catalog and Internet
JCPenney

John P. Loughlin
Executive Vice President & General Manager
Hearst Magazines Division

Ann S. Moore
President & CEO
Time Inc.

Albert L. Perruzza
Senior Vice President
Global Operations and Business Redesign
The Reader's Digest Association, Inc.

Larry Sharnak
Executive Vice President & General
Manager of Consumer Lending & Ac-
quisitions
American Express Company

BOARD OF DIRECTORS

R. Craig Cecere
Director, Global Postal Affairs
The Reader's Digest Association, Inc.

Jerry Cerasale
Senior Vice-President, Government Affairs
Direct Marketing Association, Inc.

Robert J. Colucci
Vice President
Harte-Hanks

Laurel Kamen
Vice President
American Express Company

James R. O'Brien
Vice President, Distribution & Postal Affairs
Time Inc.

EXECUTIVE DIRECTOR

Robert E. McLean
2001 Jefferson Davis Highway, Ste. 1004
Arlington, VA 22202-3617
p 703-418-0390
f 703-416-0014
bmclean@mailers.org
www.mailers.org



MAILERS COUNCIL

TESTIMONY BEFORE THE HOUSE SUBCOMMITTEE ON FEDERAL WORKFORCE, POSTAL SERVICE, AND THE DISTRICT OF COLUMBIA

JULY 26, 2007

TESTIMONY OF
ROBERT E. MCLEAN, CAE

ON BEHALF OF THE
MAILERS COUNCIL

Good afternoon, Mr. Chairman, and members of the subcommittee. The Mailers Council appreciates the opportunity to testify on postal issues. My name is Bob McLean, and for the past decade I have been the Council's executive director.

BACKGROUND

The Mailers Council is the largest group of mailers and mailing associations in the nation. We represent for-profit and nonprofit mailers (large and small) that use the United States Postal Service to deliver correspondence, publications, parcels, greeting cards, advertising, and payments. Collectively the Council accounts for approximately 70% of the nation's mail volume.

The Mailers Council believes that the Postal Service can be operated more efficiently, supports efforts aimed at containing postal costs, and has the ultimate objective of lower postal rates without compromising service.

We welcome this opportunity to testify on the Postal Service's creation of delivery service standards and performance measurement systems. We also comment on plans for closing and consolidating postal facilities.

DELIVERY SERVICE STANDARDS AND PERFORMANCE MEASUREMENT SYSTEMS

The need for delivery service standards and new measurement systems are exceptionally important issues for the Mailers Council, whose members include corporations, nonprofit organizations and major mailing associations that collectively account for approximately 70% of the nation's mail volume. Delivery service standards and performance measurement systems were issues of singular importance to mailers who lobbied for their inclusion in the Postal Accountability and Enhancement Act (PAEA), the postal reform bill signed into law last December. Whatever differences mailers may have had on other sections of the bill, our members were, and are, unified in their support for standards and a meaningful performance measurement system.

A number of our members have submitted class-specific comments to the Postal Regulatory Commission on the topic of delivery standards. As an organization whose members encompass every mail class, our comments will be more general and reflect areas of concern shared by the majority of our members.

There are several reasons why mailers are so interested in new delivery standards. For example, many mail classes the Postal Service has delivery guidelines, not standards, and its measurement systems fail to measure the type of mail that comprises most of the volume it delivers.

Although Title 39 USC directs the Postal Service to operate like a business, in this area the Postal Service is doing quite the opposite. Private sector companies—including postal competitors—would not conceive of functioning without standards for one fundamental reason: Setting standards and measuring the organization's success in achieving them make the organization better. Only by measuring performance can an organization, whether in the public or private sector, identify where problems exist—and then correct them, and reward managers for their improvements.

As problematic, current postal measurement systems monitor general attitudes of individual postal customers and the Postal Service's success in delivering their mail, typically single-piece letters and cards. This approach monitors only one category of mail and overlooks mail sent by companies that produce more than two-thirds of postal revenue.

We believe that creating new delivery service standards and performance measurement systems can be done in a way that will satisfy mailers for four reasons.

First, because of improvements in the technology found at every postal mail processing facility, we believe that much of the data needed to determine delivery performance already exists. The Postal Service may, in fact, already be collecting much of it, although failing to share the data with its customers.

Second, data collection for delivery measurement in classes that affect most of the Postal Service's largest mailers can be developed without large new expenses. It is true that the current measurement systems (External First-Class Measurement System and the Customer Satisfaction Index) are costly. However, that cost occurs because a third-party vendor must be engaged to collect the data. We believe the Postal Service could collect, and in most cases already is collecting, the data mailers need, using its own systems.

Third, if there are additional costs they would be due to additional work created for postal employees. Such costs, however, would be an insignificant portion of the postal budget.

Fourth, mailers will dedicate time to working with the Postal Service to design a process for setting performance standards and measuring the Postal Service's success in meeting them because such processes will help management improve its efficiency. That efficiency, in turn, will help hold down postage rates.

Of course, one of the biggest reasons why some postal officials are concerned with new delivery standards is that once set, mailers would expect them to be met. We recognize that consistently meeting delivery standards creates numerous operational challenges for postal managers. Meeting standards could be especially difficult in high-growth areas, where postal managers already struggle to add thousands of new deliveries annually. But without reliable, consistent deliv-

ery, mailers who have the option of using alternative media, or alternative delivery means, will leave the postal system—permanently.

Now that you can appreciate the importance of these issues to our members, let me next focus on the features we expect to see in new delivery standards and performance measurement systems.

Many of our members are working with the Postal Service on delivery service standards as members of the Mailers Technical Advisory Committee, or MTAC. In those meetings our members have told postal officials that regardless of the class of mail under discussion, we need standards that are realistic and reliable. We also have emphasized the need to avoid lowering existing service standards in any significant way. We may agree on limited service changes, but will strongly oppose major downward service redefinitions without independent review.

Once the Postal Service establishes new delivery service standards, we look forward to new and more complete reporting of delivery performance. Mailers are interested in both the speed and consistency of delivery, so we need a system that will tell us if the Postal Service is achieving both goals.

More specifically, new delivery performance reports must have several qualities, none more important than timeliness. Infrequent performance reports handicap mailers from protecting themselves by changing their mail entry times or locations, and allow regional service problems to evade public scrutiny.

The data must be detailed by geographic location. Moreover, the performance reports should indicate not only the average time for mail delivery between two points, but the distribution of the variance from standard for the portion of the mail that is delivered late (sometimes referred to as the “tail of the mail”).

We understand that there may be situations where high growth or other factors temporarily skew postal performance. Absent these situations, which we believe represent a small percentage of all postal operations, mailers deserve to know if they are receiving the service for which they are paying. Today, no business can succeed without measurement systems. We believe the same approach must be taken by postal managers.

The Mailers Council opposes the concept of fining the Postal Service should it fail to meet delivery standards. Because the Postal Service receives 100% of its revenue from mailers, the imposition of a fine would actually be a fine on mailers. There are better forums for addressing such problems, most notably oversight hearings such as this one.

The Postal Service’s Board of Governors must encourage creation of new executive compensation systems that reflect senior management’s ability to meet those standards. These systems must offer greater compensation where consistent, on-time delivery is met. The PAEA has given the Postal Service some additional and much-needed latitude in the way it compensates its managers. We strongly encourage the Board of Governors to use the results of any new performance measurement system in determining who will receive the additional compensation the PAEA makes possible.

CLOSING AND CONSOLIDATING POSTAL FACILITIES

In its efforts to improve delivery performance, and in response to ongoing and future changes in mail volume and composition, the Postal Service will inevitably need to consider closing and consolidating some mail processing facilities. The Postal Service has already begun this process, so far with mixed results. However, we believe such situations can and will be handled more efficiently in the future.

First, the Mailers Council will support the Postal Service in realigning its mail processing and delivery network. Given the number of new deliveries in many cities, and the changes underway in the mailing industry, alterations to the network are the best possible way of containing postal rates without compromising service—which is the Mailers Council’s mission. Of course, these same changes may also require the construction of new facilities or the expansion of existing ones.

Any decision to close a postal facility is a difficult one because it affects the lives of many individuals. However, right-sizing the postal network as the mailstream changes is an essential step to keeping down the cost of postage. Therefore, we hope Members of Congress will support such decisions that are essential to improving the efficiency of the Postal Service.

Where consolidations have been handled successfully, postal managers communicated—with mailers, employees, and the public served—early and often. They also allowed sufficient time to plan related delivery and transportation changes. Where such consolidations have been handled poorly, postal managers have moved too quickly and failed to sufficiently discuss the implications with its customers and employees.

The Mailer Council’s members have spoken with postal officials at the highest levels, including Postmaster General Jack Potter, about its network realignment, expressing our concerns about how it will be handled in the future. As a result, we are confident that mailers will be brought into the process earlier, and that field managers will receive the time and resources needed to manage such difficult yet necessary changes. We believe mailers will be kept informed consistently so that we can plan changes to our own systems accordingly.

Mr. Chairman, thank you again for the opportunity to present our view on these important postal issues. I would gladly answer any questions you and your colleagues may have.
