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**Vendor Directory and Resource Center****Harry's**  
**corner****Charles Darwin Has a Point - by Harry Stephens***"It is not the strongest of the species that survive, nor the most intelligent, but the ones most responsive to change." ?? Charles Darwin*

I think this quote is very fitting for all of us in business, but particularly a very applicable point of reference for the USPS. I just received a copy of a comprehensive report, Assessment of U.S. Postal Service; Future Business Model, put out by the Government Accountability Office.

(You can read the report by going to  
<http://www.usps.com/postallaw/futurebusinessmodel.htm>.)

In essence, it tells us that the Postal Service is facing the most urgent financial challenge in its history. We all are aware that this is a business in dire financial straits. It ran deficits of \$2.8 billion in FY 2008 and \$7.6 billion in FY 2009, and it projects a 2010 deficit of at least \$7 billion. Wow.

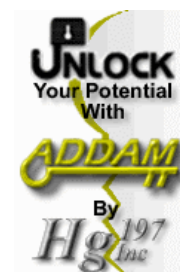
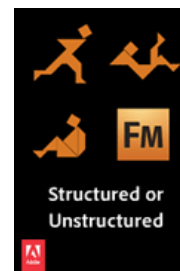
The main cause of these deficits is, of course, a sharp decline in mail volume—from approximately 30 billion pieces to date and a projected 11 billion pieces in the year ahead. That, coupled with the large increase in the payments that USPS must make to a fund for its future retirees' healthcare, creates a situation that not just needs change, it's crying for it.

Now it isn't that the USPS isn't trying to adjust its business model, and it isn't that its customers aren't trying either. When the USPS first focused on reducing costs by finding new ways to automate and streamline operations, we got on board. We invested in the new technologies, followed the rules (or paid the fines), and worked to change our businesses to fit new requirements. Some of us have taken the time to attend meetings and special Board of Governors' luncheons held specifically to hear ideas from business mailers on ways to work toward eliminating these deficits and enacting change.

The good news is we have provided suggestions that have been acted on. On October 15th of this year, Postmaster General Jack Potter announced that the Postal Service would not increase prices for market dominate products, including First Class Mail, in 2010. He went on to say that promoting the value of mail and encouraging its continued use is essential for jobs, the economy, and the future of both the Postal Service and the mailing industry. And I couldn't agree more.

Additionally, there have been some financial successes. Since 2002, the USPS has achieved cost reductions averaging more than \$1 billion annually. It reduced costs by \$2 billion in 2008, and it has reduced 2009 costs by an impressive \$6 billion. But it's still not enough, and definitely not fast enough to impact the speed of the decline in revenue.

With 80% of the USPS' cost being labor, and with the fact that the production side of the USPS' staff has been cut to the bone, it only makes sense to turn to the carriers. Here, a change in business model that moves carriers from a six day work week to five days would save a predicted \$3.5 billion. But even if it makes sense, it's not going to happen any time soon because, after all, it is an election year. Anything that changes the way the USPS does things has to be voted on by Congress. However, many of our Congressional representatives already have an ax on their heads with other issues that the public is upset about, so I highly doubt they will risk taking away their constituents' mail too.



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So where does that leave things? Well, based on the borrowing the USPS has undertaken in the last four years, the scary truth is that, with today's deficits, the USPS is only \$1.8 billion short of the \$15 billion statutory limit on its borrowing capacity with a cash flow that is turning negative. Something will have to be done—and soon. However, politics will potentially create a problem when it comes to acting quickly enough.

But what we don't want is to be forced to toss billions of dollars to save the Postal Service when its fiscal year ends on September 30, similar to what happened with General Motors. Bailouts cost us all money. What we must do is what concerned citizens have always done to enact change in our country: keep on top of the issue and keep our voices heard.

Don't just watch it play out. Because Charles Darwin was right. Strength and brains have been tried. The only way out now is change.

Until next time,

*Harry*

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*Harry Stephens is President/CEO, and founder of DATAMATX, one of the nation's largest privately held, full-service providers of printed and electronic billing solutions. As an advocate for business mailers across the country, Stephens is actively involved in several postal trade associations. He serves on the Executive Board of the Greater Atlanta Postal Customer Council, Major Mailers Association (MMA), PCC Advisory Committee (PCCAC), and National Postal Policy Council (NPPC). He is also president of The Imaging Network Group (ING), an association for electronic service bureaus. As an expert on high-volume print and mail, he has frequently been asked to speak to various USPS groups, including the Board of Governors, about postal reform and other issues affecting business mailers. Find DATAMATX at [www.datamatx.com](http://www.datamatx.com).*

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