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Sent: Monday, May 11, 2009 4:37 PM
To: Anderson, Shelly
Subject: Emailing: Print Article.htm



Issue Date: May 2009 e-news, Posted On: 5/1/2009

The USPS – Saving It Before It Becomes Dire

By Harry Stephens, President and CEO of DATAMATX

It's virtually impossible for any business to escape the worldwide economic difficulties today — and the United States Postal Service (USPS) is no exception. To offset the increasing expenses of daily business operations, the USPS is once again raising the cost of mail services, beginning May 11, 2009. Any company facing a \$2.8 billion loss in one year — and possibly losing as much as \$6 billion in this fiscal year — might describe its situation as close to dire. All of us in business know that tough times in a business call for tough decisions — and creative solutions.

As business mailers, it is time we look at ways to help the USPS remain a viable enterprise. We may be a little late, but things are not going to get any better by waiting. Back in 2001, T.L. Righter wrote an article for PostalMag.com, an online newsletter for postal employees, where he discussed the fact that mail volumes were declining, labor costs were rising, and delivery points were increasing daily. In a nutshell, eight years ago the USPS needed to find a middle ground to handle these three factors in a profitable and reasonable manner — before they became dire.

This fiscal year, there is a predicted volume decline in mail of 12 to 15 billion pieces. Much of it is due to the reduced mail volume that banks and credit card companies used to mail to less than qualified candidates, as well as the effect of reduced advertising budgets on promotional and direct mail. With a decline of this magnitude, it is clear something needs to change. The USPS is forced to look at new ways to balance the budget. Postal reform calling for increases based on the CPI will not do it.

In 2008, Postmaster General Jack Potter challenged — and warned — the mailing industry that it was critical to seek new sources of growth, to adapt to new technology driving the marketplace, and to approach business in a whole new way. He was right. We now know we need to do just that.

Businesses and Consumers Must Be Part of the Solution

It's easy to be critical of the plight of the USPS, but the reality is we need to participate in coming up with a solution. In the aforementioned article, Righter suggested ending Saturday mail delivery as the first step to finding a solution. On June 25 of 2008 Rep. Jack Kingston (R-GA) added language to the Fiscal Year 2009 Financial Services Appropriations bill, requiring the US Postal Service to study "the cost-effectiveness and fuel consumption of a five-day delivery system and consumer demand of Saturday postal delivery." Kingston has proclaimed that he has been trying to eliminate Saturday mail delivery for years.

But while this sounds like a good solution, what about those businesses that produce direct mail? Direct mailers like the mail to come in at the end of the week. And they surely don't want to give up Saturday delivery. They want people to have time to read the mail and go online, or call for more information, reacting to the marketing pieces they receive in the mail. Saturday is the perfect day for this. Plus, eliminating Saturdays would really complicate the mail production. The USPS can't store mail effectively, making

Monday with an overflow of mail for the carriers a disaster. The USPS is set up to get the mail in and just as quickly get it out. Tuesday would not be a good option, due to the fact Monday is when most holidays fall, again causing an overflow on Tuesdays. So one solution is that we let the USPS carriers only (not close the post office) take Wednesday's off.

Most likely, ending Wednesday mail would not greatly affect a business financially. Lock box operations, as well as the internal processing of mail would continue. But in doing so, the USPS would realize substantial savings in labor costs, drastically reduce overtime, and save on fuel and vehicle maintenance costs and distribution clerk hours. In fact, recently Jack Potter reported the USPS would save \$3.5 billion per year just by eliminating delivery one day a week.

Looking at the USPS Like the Business It Is

At last count, there were approximately 37,000 individual post office locations throughout the U.S. The USPS business model of relying on the sale of postage, products, and services to pay for operating expenses is simply failing. So is the plan of assuming that rising mail volume will cover rising costs and mitigate rate increases. People can now get postage stamps from vending machines, grocery stores, and even rural letter carriers.

Perhaps just like any business, the USPS needs to consider changing its model to survive, just as many other popular businesses have, such as Starbucks did by closing several locations, or McDonalds with the opening of its McCafe to compete with Starbucks and Dunkin Donuts. We need to take a hard look at whether universal delivery is still a practical concept; and whether shutting down non-performing post office locations—where service can be provided by other stations— makes sense. Closing little-used post offices would certainly save money. Selling the concept to the general population, however, might be difficult, unless we look at it differently.

Going to the post office today is not always a good experience. With staff cuts, you can be assured of long lines and slow service. Perhaps a better way to operate would follow the business model of the "Super" stores like Wal-Mart or Target. We could have Super Post Offices. While there wouldn't be as many, and you might have to drive a little further, given the cost of gas it would fold into what all of us are starting to do now—making "smart trips." Staffed appropriately to reduce those long lines, the Super Post Offices could offer more automation and vending options and generally deliver all the convenience of one-stop shopping super stores are known to deliver.

Or maybe smaller stations could be placed in government buildings such as court houses or city halls to save money.

A Fair Solution

It is no secret that the American public loves its post office and wants it to survive. And as business mailers, we do too. The prevailing attitude is "don't close my post office, close yours."

In any case, a possible closing of any post office will create many calls to congressional representatives of that district requiring Congress to act on any proposed changes to the USPS.

A possible solution is for the USPS to work with each congressional district (there are 435) to determine which post office locations should be closed. To be fair, a minimum of five per district might be a viable number after the study is made. This would reduce the 37,000 post offices to about 35,000, a formula that may help balance the budget, or the deficit.

Let's Avoid the Ripple Effect

The term dire hasn't been used to describe the economic climate since the Great Depression. But it has been used to describe our most recent economic and financial condition. And I predict it will be used to describe the USPS—and the impact on business mailers—more than once if we don't come up with solutions for change. How can business mailers expect to get more discounts when the USPS is going broke? Our businesses depend on a postal system that is healthy. We don't want to go back to depending on tax money to operate the USPS. We want—and need—to keep moving forward. It's in our best interest to be good partners with the USPS and collaborate in ways that make sense with the organization that continually works as hard as we do.

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