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United States Postal Service
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February 13, 2012

Dear Madam or Sir:

Re: Service Standards for Market-Dominant Mail Products, 39 C.F.R. Part 121

The National Postal Policy Council (NPPC) is pleased to submit these comments on this Notice of Proposed Rulemaking (NPRM) to revise the service standards applicable to market-dominant products, arising from the associated proposal to optimize and streamline the mail processing infrastructure.

NPPC is a trade association for large business users of letter mail, primarily in First-Class Mail. Our members are banking and financial institutions, insurance and telecommunications companies, mail service providers, and more. NPPC believes the postal system remains critical to commerce and communications in the economy as a whole, and vital to our members' business success.

NPPC recognizes that the staggering loss of mail volume in recent years and the projection for a continuing decline makes it imperative for the Postal Service to restructure and rescale its size to match that projected volume. Nonetheless, while we understand the virtually inescapable need for the Postal Service to take aggressive efforts to resize, we caution that those efforts must include adequate study of, and taking into account, the demands of communities and customers.

Indeed, the transformation now being contemplated by the Postal Service is literally unprecedented in American economic life. No closings or restructurings in other areas of commerce have ever affected every American and American business overnight, as would the changes being planned. By comparison, the BRAC military base closing process affected far fewer Americans than will the restructuring of the Postal Service.

Accordingly, the process by which the Postal Service rescales its network must be thoughtful, logical, and coordinated. It also must be one that recognizes the need to maintain quality service to its customers during a time of wrenching transition. Most importantly, it is essential that the Postal Service manage the transition to a smaller network in a manner that does not cause mailers to abandon the postal system. Poor service at any time will cause mailers to leave. To a

mailer, that poor service may be the result of a network restructuring process may be understandable, but it will not excuse the business's own resulting difficulty in meeting legal and other compliance deadlines.

The impact of the costs to customers to adjust to its new structure and service standards must also be considered. If mailers must make substantial additional investments in equipment, transportation, software or personnel to so adjust, it will also cause them to reduce their volumes. In a time of continuing constrained budgets and ready alternatives to the mail, added cost will not make the task of restoring financial balance to the postal system any easier. Added compliance costs, to mailers, are indistinguishable from rate increases: they both make it more expensive to mail.

We appreciate the Postal Service's response to our comments of October 21, 2011, on the Advance Notice of Proposed Rulemaking concerning the service standard changes. We also appreciate the Postal Service's continued willingness to discuss its plans and accommodate legitimate mailer concerns. Notwithstanding this openness, many questions remain from many mailers.

It will not be easy for the Postal Service to maintain service standards, honor service commitments, and deliver volumes in a timely manner while the mail processing system undergoes a fundamental restructuring. But a failure to do so will simply cause mailers to leave the system in frustration. NPPC offers these comments in the spirit of smoothing the transition for the major corporate customers that constitute our membership (and for mailers generally), and for reducing the potential for further significant volume loss from this restructuring.

PROPOSED SERVICE STANDARD REVISIONS

NPPC agrees that the current declining postal revenues are, and likely will continue to be, insufficient to support the current mail processing network. NPPC also agrees that changes must be made. We do not object to eliminating overnight delivery per se or, in general, the shift to two- and three-day delivery, so long as that does not become functionally four-, five-, or even six-day delivery. Strong efforts must be made to assure that a small "tail-of-the-mail" does not become a significant portion of the mailstream under the new standards.

Nonetheless, USPS must recognize that reductions in service standards come with a cost. NPPC believes that the Postal Service has underestimated the loss of volume in First-Class Presort mail that will occur due to this restructuring. Discussions with our members suggest to us that even greater volume declines than currently expected are likely. We write now to highlight several steps the Service must take to avoid even greater volumes declines that are inevitable if the process is not managed in a thoughtful, logical way.

Address Mailer Concerns

First, the Postal Service must recognize that its proposal to shift a very large amount of First-Class Mail from overnight to two- and three-day delivery will create many problems for large commercial mailers. In some cases, the resulting service standards simply will not be compatible with the legal requirements under which certain types of companies, such as insurance companies, for example, operate. This means that those companies must either find an alternative to the mail, incur substantial expenses in re-engineering their mailing operations (which may not always be possible), or some other arrangement must be made.

USPS has indicated a willingness to reach out to mailers on this point to see whether the redistribution to the third day can be reduced and, more generally, how to make this transition with the least disruption and cost to the systems its customers must manage internally. NPPC commends this receptivity, and urges the Postal Service to continue to meet with mailers to address their concerns.

Remittance Mail

The importance of remittance mail to commercial enterprises cannot be overstated. To manage daily banking and business needs, mailers often rely on early daily receipt of inbound remittance mail. For this reason, businesses will often set the work schedules for large numbers of employees so that they may begin processing inbound mail as soon as it is available in the morning. The necessity for processing such documents promptly is as urgent as it is for remittances.

Under the proposed service standards, much of remittance mail could take an extra day to be received. This may lead some companies to encourage electronic bill payments. For those remittances that remain in the mailstream, a large portion of mail that previously was delivered overnight or second day may shift to two- or to three-day. The extra day of receipt could, for many businesses, have significant consequences, financial, regulatory and otherwise.

With critical entry times (CETs) now planned to be set to 8:00 in the morning generally, and at noon for 5-digit, and 5-digit scheme mail, NPPC is encouraged that a substantial portion of remittance mail may still be timely for overnight delivery. We strongly support diligent observance of these CETs. Consistency here will reassure many larger customers, and help slow any reactive rush into alternatives.

In general, we have been encouraged by statements by Postmaster General Donahoe and other senior postal officers expressing their recognition of the vital importance of remittance mail. We applaud that recognition and the efforts it implies to preserve and bolster the remittance mailstream during and beyond restructuring.

Maintaining Service Standards

NPPC has seen little information regarding the risks that even the proposed service standards could erode as they are implemented and the network is reduced in size. Managing the transition to a smaller network, and then servicing current volume from that reduced network size, will present challenges.

As expressed above, NPPC remains greatly concerned that the “tail of the mail” could become unacceptably long. We have asked for, but the Postal Service to date has not provided, a clear description of whether, and if so how, the Service will monitor service performance vigilantly to detect and prevent service deterioration as the network is restructured. We are quite concerned that existing monitoring systems may not provide for adequate quality control, or will be sufficiently robust to trigger corrective action if service suffers.

Therefore, the Postal Service should explain the process by which it will hold itself accountable to observe these new standards meaningfully. That process should be transparent, accurate, and have teeth.

MANAGING NETWORK CHANGES TO PRESERVE MAIL

Closing and consolidating mail processing centers represents a rational, if unfortunate, response to the challenges USPS confronts. The Service’s restructuring will, of course, require skill and dedication to implement successfully. While we are confident that the Postal Service has the requisite dedication and determination, the risk is very high. The suggestions below are intended, if adopted and executed, to assure our members that they can continue to use the postal system extensively without great risk to their distribution. That would dampen any additional incentive to speed the shift of their First-Class Mail to the Internet.

Maintaining Clear Communications

The network optimization process is an enormous task that will affect every mailer and mail recipient in the nation. Given the scale, scope, cost, and immense complexity of the restructuring, it will be absolutely essential that the Postal Service communicate to its customers frequently, consistently, and accurately what it is doing, and when it will be doing it.

First, the Postal Service’s own internal communications must be clear. Executives, supervisors, mail processing clerks, drivers, carriers, and acceptance clerks all must understand what is happening, and be able to communicate that to mailers. Only if internal communications are clear will the Service be in a position to provide clear and accurate information to mailers, so that the mailers can adjust their operational processes accordingly.

Second, proactive communications by the Postal Service are an essential step to provide large commercial mailers with information that they will need in order to continue to rely on the Service.

Conversely, if USPS does not keep mailers informed, or develops a tendency to provide inconsistent information that conflicts with previous statements, mailer confidence in the Postal Service as a vendor will evaporate.

The Service's history of communicating with its customers has not always achieved the level of clarity that will be needed here. Given the magnitude of the changes, it is of the utmost importance that the Postal Service communicate clearly, and that it aggressively and repeatedly reach out to its customers not only in the formation, but in the implementation, of whatever plan eventuates from this process.

Third, for USPS to minimize or even avoid the risks to service as it proceeds with this fundamental restructuring of the system, ongoing outreach is necessary. The Postal Service should, if anything, step up its use of the many channels -- including but not limited to MTAC, Postal Customer Councils, webinars, press conferences, and, most importantly, its own supervisors and employees -- available to it to convey information. Inherent in this process should be efforts to confirm that customers understand the changes and are adjusting to them, so that they will continue to experience the quality service necessary for them to remain in the mail.

Managing The Process

NPPC members have expressed concerns that closings of particular facilities will not occur as scheduled, that the alternative "gaining" facilities with which they will be dealing may not be prepared to handle additional mail, or that changes will not occur in a logical, non-disruptive sequence. To address these concerns, the Postal Service should provide ample advance notice of the closings of particular plants, new entry locations and requirements, and changes to dropshipping practices. This will help ensure that service disruptions during the restructuring are minimized, and that mailers have ample time to prepare.

We appreciate the assurances to date from postal officials regarding Business Mail Entry Units. Where mail can still be entered at a BMEU at or near the former facility, the notice must be adequate to enable mailers to adjust as needed. But if a change requires a mailer to make new transportation arrangements or reconfigure its operations to adjust to earlier critical entry times at more distant locations, accurate notice is necessary much more in advance.

Redundancy in the Network

As the number of mail processing facilities and transportation routes diminish, the resulting leaner system will be more vulnerable to disruptions in service from, for example, natural disasters. If anything, the risks of service disruptions from disasters and Acts of God may be greatest as the transition is occurring. After the transformation is complete, the system will be more vulnerable than today simply because it will have fewer facilities, and therefore fewer backup options if a major disruption occurs.

NPPC urges the Postal Service to address how it plans to deal with any such formidable processing problem. Large commercial mailers that are dependent upon the mail system want to understand what redundancy will remain in the system, and how it would be deployed, to assure that any outage can and will be contained, and the flow of mail can continue through and beyond the affected geographic area.

In addition, although the Service currently is forecasting continued First-Class Mail volume declines for a number of years, it is certainly possible that these projections could prove incorrect and that actual volumes exceed current forecasts, or even current actual levels. In the context of redundancy, we would also urge the Postal Service to discuss how quickly it might be able to restore capacity to the system if mail volumes turn out to be more favorable than now expected.

CONCLUSION

A network restructuring process of this magnitude will not be easy. It inevitably will be messy and at times frustrating.

It is of the utmost importance that the process not drive even more volume from the system. NPPC hopes that its suggestion in these comments will help the Postal Service address mailers' concerns and enhance mailer confidence during this time of change.

Thank you for considering our comments.

Sincerely,



Arthur B. Sackler
Executive Director