

NPPPC

NATIONAL
POSTAL

POLICY
COUNCIL

2001

ANNUAL REPORT

POSTAL TRANSFORMATION

Comments of the National Postal Policy Council, Inc.

The Postal Service's lengthy "Outline for Discussion: Concepts for Postal Transformation" (9/30/01) touches on literally hundreds of central issues facing the USPS, the mailing community and the American public. And, the USPS is seeking comments from literally any and every American by November 1. While NPPC members are vitally interested in the hundreds of important issues that are at least briefly alluded to in the document, this response is intended to focus on very clear and succinct statements regarding the four or five prime questions raised. The determination of these prime questions will logically provide a policy framework for resolving many of the other issues facing the USPS. We have structured our points to the conclusion of the outline draft (pp. 52-54).

1. *Should the system provide "universal service" and what should that entail?*

NPPC believes that "universal service," at its heart, means hard-copy delivery to every American, and that this "obligation," or arguably, business strength, must be maintained. NPPC believes that it is inappropriate to consider reducing the number of days of delivery at this time. NPPC strongly feels, however, that delivery methodology must be changed dramatically, and other steps toward efficiency must be taken. For example, cluster boxes, as opposed to door-to-door or curbside, should become dominant, unless some even better approach can be conceived. Savings would be very significant.

NPPC believes that retail operations should be provided based on appropriate cost/benefit analysis.

2. *What should the "core" services of the future postal service be?*

Mail delivery should be the core service of the future postal service, as it has been since the time of Benjamin Franklin. The key service that the USPS provides is hard-copy "last mile" delivery to every American. The USPS also provides retail, processing and transportation services to mailers. These traditional services will undoubtedly continue as well, but the new Federal Express alliance and various work-sharing arrangements

NPPC 2001 MEMBER ROSTER

Allstate Insurance
American Express
ADP
Bank of America
Bank One
Bell & Howell
Certegy
Chase Manhattan
CIGNA Systems
Citibank
Fidelity Investments
First Data Resources
First Union Bank
Kern International
KeySpan Corporation
MBNA Bank
Mellon Financial
Metropolitan Life
Nationwide Insurance
Output Technology Solutions
Pitney Bowes
The Prudential
PSI Group
Regulus Group
RR Donnelley
Sears Roebuck
Sprint
State Farm Insurance
TIAA-CREF
Total System Services
The Travelers
Verizon



DEPUTY PMG NOLAN, THEN-COO POTTER SPEAK AT FEBRUARY NPPC MEETING & PRE-MEETING

The NPPC membership conducted its first meeting of 2001 in Arlington, VA on February 22. The first order of business was discussion of the session held on the prior afternoon, February 21, with then Chief Operating Officer Jack Potter and his top staff. It was agreed that the session with Potter and his top lieutenants had been most productive, and that the dialog should be continued through this joint association format.

NPPC hosted the meeting in conjunction with the Council membership session and provided meeting space for the event. Other groups participating were the Major Mailers Association (MMA) and the Association for Mail Electronic Enhancement (AMEE).

The action items from the session, to be given to the USPS, were also outlined:

- Examination of the possibility of adding business first class mail to the Pricewaterhouse Coopers EXFC tests.
- Making service standards available to mailers.
- Making service standard performance available to mailers from USPS sources.
- Gaining agreement on USPS acceptance

of mailer performance monitoring, through Planet Code data and/or other mutually accepted mechanisms.

- Commitment to developing an on-going mailer/USPS process for analyzing the data together and dealing with issues raised by the results.
- Commitment to working together to deal with Planet Code shortcomings, including mechanisms for expanding functionality and making a necessary expansion of the digits available.
- Follow up on the key issue of expanding the dialog begun at the meeting on speed vs. consistency, with recognition that if the USPS wants to maximize the value of First Class Mail, then this is a complex, rather than simple issue.
- Process for following up on Potter's recommendation that First Class Mailers tell the USPS what level of service is needed in order for the USPS to calculate the cost of such service and the tradeoffs that might be necessary.
- Follow up on quality of remittance mail performance today, and specifically firm holdout.

The membership next conducted its

organizational meeting for 2001, voting for officers and directors for the year. As is the regular tradition for NPPC, the current NPPC Board Secretary, this year Sue Bogden of Mellon Financial, presented a slate of candidates recommended by the outgoing NPPC Board, which had met the evening before.

The Board slate presented by Bogden was as follows: Laurel Kamen of American Express (Chair), Chuck Fattore of Donnelly Logistics (Vice Chair), Jim Cole of Verizon (Treasurer), Sue Bogden of Mellon Financial (Secretary), Ken Metroff of State Farm Insurance, John DePiazza of Output Technology Solutions, Mury Salls of Regulus, Ron Goglia of Cigna, and Larry Conyers of First Union Bank. The membership unanimously voted to approve the slate.

The membership then welcomed USPS Vice President (Pricing & Rate Design) Anita Bizzotto. Bizzotto discussed key issues facing the Postal Service regarding rate design in the future. While USPS executives could not discuss the impending rate filing, then rumored to be coming in July or July, Bizzotto told NPPC members that Postal Service leadership is looking for input from mailers to shape future strategies.

Bizzotto said that the outgrowth of the negotiated service agreement concept, namely niche classifications or customized agreements, and other ideas, are being studied by the USPS, and some movement on these approaches, or similar ones, could be expected in the near future. She also talked about more long-term structural changes that should be constantly evaluated by all segments of the postal community.

Following lunch, NPPC welcomed Deputy Postmaster General John Nolan. Nolan gave NPPC members a candid, off-the-record analysis of the serious problems challenging the Postal Service in 2001. He noted the impact of the slowing economy and other forces on the mail system, and made it clear that postal management was determined to work through the difficult issues that are facing the organization. The meeting ended earlier than scheduled due to the snowstorm that was hampering transportation out of the Washington area. ☒

MISSION STATEMENT

NATIONAL POSTAL POLICY COUNCIL, INC.

- NPPC promotes a continued and improved national postal system with quality service at an affordable price.
- NPPC views its mission as maintaining a trusted partnership with the USPS for the benefit of all Americans. This partnership between the USPS and NPPC seeks to drive continuous improvement.
- NPPC focuses primarily on its area of most expertise, First Class mail, viewed as part of a healthy overall system.
- NPPC believes that a key element for the members' business success for the foreseeable future is a healthy national postal system.
- NPPC will continue to pursue its traditional mission of partnership and its operational focus. As to competitive or "non-traditional" new initiatives, individual member companies will take positions and actions appropriate to their business interests.

Updated statement text, adopted July 1999, based on original NPPC mission statement approved at first Council meeting in March 1982.

USPS SENIOR VPS WILLHITE AND KANE SPEAK AT MAY MEMBERSHIP MEETING

The National Postal Policy Council conducted its second quarterly membership meeting of 2001 in Arlington VA on May 16. The meeting was called to order by Council Chair Laurel Kamen of American Express, who led the membership in a discussion of the array of dramatic developments in the postal world in early 2001.

As the first guest speaker of the day, NPPC welcomed USPS Senior Vice President (Future Business Design) Allen Kane. Kane, who has spoken at many NPPC meetings over the years in various capacities, began with an overview of the key dilemma facing the USPS, the growing gap between expenses and revenues and the requirement of filing rate cases to make up the difference unless other actions can be taken. He discussed the kinds of hard choices that the Postal Service and mailers are faced with when alternatives to rate increases are explored.

What should the USPS be in the future? Kane provided some probing questions that mailers need to consider. He also fielded a lengthy series of questions from the NPPC membership.

The next speaker of the day was Don O'Hara, USPS manager of classification & product

development. O'Hara, also a frequent guest at NPPC meetings over the years, introduced the product redesign initiative that he will head, a project that was first announced at the Florida National Postal Forum. NPPC was the first group that he met with to discuss the initial planning for the project, he said.

This will not be of the magnitude of the sweeping Reclassification filing of several years ago, O'Hara said, but it will examine some of the same kinds of issues and pick the best opportunities to do things better and more efficiently. The intention is to work these issues over the next 18+ months, and plan for a filing with the Rate Commission in perhaps early calendar year 2003 after an Omnibus Rate Case might be finished. Right now, O'Hara characterizes the project as in an early stage of discussion.

In line with the idea of creating efficiencies, O'Hara said, the USPS wants to investigate the impact of adding to the list of requirements to receive the highest work sharing discounts, although not necessarily cutting back discounts for current less rigorous preparation. In essence, O'Hara said, the current automation vs. non-automated division might more clearly be a 3-way split: small automated, large automated, or non-automated.

O'Hara went on to answer member questions about this early stage of product redesign and also concerning the impending omnibus rate filing. He left his e-mail address and phone number and urged NPPC input into the process.

The members then heard a presentation, led by NPPC member Mury Salls of Regulus regarding the Major Mailer Association delivery surveys, the first of which was completed several weeks ago and the second just underway.

Following lunch, the final senior USPS guest of the day spoke. Senior Vice President (Government Relations & Public Policy) Deborah Willhite addressed the Council membership for the first time.

Willhite provided the membership with a detailed status report on various aspects of postal legislation and oversight hearings being held on both sides of Capitol Hill. She described various issues facing the Postal Service under the current regulatory structure. During a lengthy discussion with NPPC members on key issues, Willhite agreed that there were certain issues raised by the membership that warranted further amplification by postal management. ☒

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that have evolved over many years suggest that creative partnership arrangements may be the heart of future opportunities in the retail, processing and transportation arenas. Non-core activities should not be focal points for the Postal Service as it moves to deal with future challenges.

3. *How should the nation structure a future postal service? And, should maintenance of affordable pricing be more important than improving service?*

NPPC respectfully submits that the challenge that every American business, government and non-profit organization is currently facing is the need to improve their product or service AND lower prices. The USPS must do the same or it will not survive.

On page 41 of the document, it is suggested that "eliminating overnight

delivery, adding days to current standards or reducing service commitments will ensure not only lower costs, but promote better consistency." We strongly question whether that is the direction that any viable entity can take. On the whole, the USPS should improve service and cut costs. That will be tough, but again, every other organization is facing the same thing in the years to come. We would suggest that the substantial savings that could be achieved through a range of cost-cutting steps, including the implementation of cluster boxes, to cite again just one example, represents a much better approach than delaying the delivery of the mail.

At some point, it is certainly possible that serious diversion scenarios could begin to take place. That is why the implementation of significant cost-cutting programs must be initiated quickly. Down the road, NPPC fully acknowledges, steps that do impact

service might have to be seriously considered, but much should be done first in the cost-cutting mode.

4. *Is it possible to design a government postal system that operates more commercially? Is the playing field uneven in favor of the public or private sector service provider?*

NPPC does not believe that the role of the USPS is to be "commercial." The role of the USPS is to serve the American public in the most efficient and effective means possible. With respect to the "level playing field" issue, it is important to remember that for the core of the Postal Service's mandate, letter mail, the USPS has a statutory monopoly. ☒

These comments were submitted to U.S. Postal Service management on October 27, 2001.



DEPUTY PMG NOLAN & USPS CONSUMER ADVOCATE FRANCIA SMITH ADDRESS JULY NPPC MEETING

The July 19 meeting of the NPPC membership in Arlington, VA again (*see February meeting article for details on kick-off meeting*) began with discussion of the successful joint associations pre-meeting session with top USPS Operations executives the afternoon before, this time hosted by the USPS at postal headquarters. USPS Vice President John Rapp and COO Pat Donohoe had again met with representatives of NPPC, MMA, AMEE and other First Class oriented associations, to talk about key issues including First Class volume trends, service performance and measurement.

USPS Vice President (Core Marketing) John Ward was the first USPS guest of the day for the NPPC meeting. Ward described for the NPPC membership the recent decision by newly appointed Postmaster General Potter to have a new and enhanced CONFIRM product in operation on October 1. Ward acknowledged that there are problems to resolve, but this work will be a top priority for the Service.

Ward went on to discuss the work of the Mailing Industry Task Force that was moving toward a mid-October presentation of recommendations at the Denver Postal Forum. Ward described the background of the task force and its makeup. He also detailed the committees that the group was employing to focus on key issues. Ward urged NPPC members to contribute any ideas they would have to the task force by contacting him directly.

The membership next welcomed USPS Consumer Advocate Francia Smith. Smith acknowledged that NPPC members, among the very largest of First Class mailers, are concerned about measurement of service performance for their mail, and that the USPS needs to move forward on providing better measurement for this critical segment of the mail-stream.

Smith touched on various work that her Consumer Affairs department does, but

focused largely on business mailer needs. She talked about issues including business mail recovery center disposal policies, and she noted that privacy issues also must be weighed by Consumer Affairs.

In the afternoon, the membership again welcomed Deputy Postmaster General (and former longtime NPPC Board member) John Nolan. Nolan focused on the significant financial deterioration the USPS is experiencing due to the national economic slowdown. He also argued that the decision by the PRC not to fully fund the rate request had further put the Service in the hole. Nolan noted that the mandated borrowing ceiling also adds to the complexity of rate case filing decisions. He talked about cost-cutting projects already announced, and said that more would be on the way. Nolan answered questions from the membership on the national account manager program, postal legislation, and operations issues. ✉

USPS CFO STRASSER, VP BARRANCA ADDRESS MEMBERSHIP AT NOVEMBER MEETING

The NPPC membership held its fourth quarterly meeting of 2001 on November 28 in Arlington, VA. The first USPS participant of the day was Nick Barranca, vice president of the newly constituted Product Development area. Barranca, whom NPPC has worked with for many years in his various leadership positions in the Postal Service, began by explaining that his new area includes the former responsibilities of Core Products, Packages, Corporate Business Development and eBusiness. There will be, however, substantially fewer staff resources than in the past, consistent with significant USPS Headquarters cutbacks, he explained.

Barranca presented a detailed overview of the USPS environment. He talked about new projects that will be considered in the Product Redesign effort, which his area is

undertaking led by Don O'Hara, and he raised the kinds of new projects that could be considered, including a remittance mail program that would be consolidated nationally.

Following Barranca, Janet Tonner spoke to the membership. Tonner is the USPS Acting Manager of Customer Satisfaction Measurement. She discussed possibilities for business measurement systems. A long and constructive discussion with the membership ensued.

The membership then welcomed USPS CFO Dick Strasser back to an NPPC membership meeting once again. Strasser has been participating in NPPC meetings since the group's founding in 1982. He began, of course, by laying out the dire situation facing the USPS financially. He noted the recently completed year's deficit (official numbers were then soon to be

announced) and the magnitude of lost volume and revenue since September 11.

Strasser said that the USPS is seriously discussing a rate settlement that would allow the Service to raise rates in June. If that settlement is not approved, he said that the USPS would most probably need to amend the financials of the pending case, which could potentially lead to a substantial change in the increase scheduled for the September timeframe.

He also talked about the evolving approaches for irradiation and detection of biological agents.

Following lunch, NPPC members discussed key issues, beginning with a lengthy review of mail security. Members shared insights on what steps their organizations were taking and experiences they have had in recent weeks relating to safety. ✉

NATIONAL POSTAL POLICY COUNCIL

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