



National Postal Policy Council

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Manager
Industry Engagement and Outreach
US Postal Service
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October 21, 2011

Dear Madam or Sir:

Re: Proposal to Revise Service Standards for First Class Mail, Periodicals and Standard Mail, 39 CFR Part 121, 76 F.R. 58433 (September 21, 2011)

The National Postal Policy Council (NPPC) is pleased to have the opportunity to comment on the concepts for adjusting service standards and the associated optimization and streamlining of the mail processing infrastructure set forth in this Advance Notice of Proposed Rulemaking (ANPRM).

NPPC not only recognizes that, given the staggering loss of mail volume in recent years and the projection for a continuing decline, it is imperative for USPS to restructure and rescale its size to match that projected volume, but also encourages thoughtful, aggressive approaches to do so. In general, the instant ANPRM constitutes such an approach. Therefore, NPPC offers the following 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.

NPPC is a trade association for large business users of letter mail, primarily in First Class. 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 a key to our members' business success. We are committed to helping the Postal Service achieve financial stability for the foreseeable future.

PROPOSED SERVICE STANDARD REVISIONS

Current delivery standards in First Class were developed in 2007, a time when mail volume was at its peak. With declining volume, the revenues generated under these standards have diminished below the means to support them as is. In principle, then, NPPC agrees 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. However, in NPPC's view, these changes need clarification, assurances and outreach to individual customers in order to not have them backfire by stimulating swifter withdrawal from the mail.

Distribution of Deferred Service

In the charts in the ANPRM demonstrating the redistribution of mail to two- and three-days of delivery, the current distribution is: 41.5% for overnight; 26.6% for two-day; and 31.6% for three-day. This will be redistributed to 0%, 50.6% and 49.1%, respectively. For many large commercial mailers, this distribution would be problematic.

Moving a substantial amount of mail out to three days expands windows that are not compatible with existing requirements, legal and otherwise, or processes for a number of mailers. For example, taking delivery windows to three days could be extremely challenging for insurance companies, which must comply with a wide variety of state laws for notifications, such as for cancelling a policy. Expanded delivery windows would also require extensive redesign of those processes' operating software, as well as training for personnel. For remittances, as well, the extra day's having to be built in for a large portion of previously overnight or second day mail could have significant consequences, financial, regulatory and otherwise.

NPPC strongly recommends that USPS vigorously reach out to individual customers 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.

Maintaining Service Standards

Also, there is concern that these expanded standards could become eroded as they are implemented and the reduction in the size of the network progresses. Managing the transition to a smaller network, and then servicing current volume from that reduced network size, will present their challenges. That could easily play out against delivery times. It would be very useful to the mailing community, and specifically for NPPC's members, if USPS would include a description of how it will maintain vigilance for such erosion under the downsized system, and ensure that it is halted. In other words, we believe USPS should at least append to its proposed rule the process by which it will hold itself accountable to observe these new standards meaningfully.

CHANGES TO MAIL PROCESSING AND TRANSPORTATION NETWORKS

As with the changes to service standards that would enable reducing the size of the network and the generation of substantial cost savings, NPPC recognizes that closing and consolidating mail processing centers represents a rational response to the challenges the Postal Service confronts. The several suggestions we make below, if adopted and executed, will help assure our members that they can continue to utilize 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.

At the same time, however, this reduction in infrastructure is a massive undertaking. It will, of course, require skill and dedication to implement successfully. While we are confident USPS has that requisite skill and dedication, the risk of confusion or misunderstandings -- both

within USPS and between USPS and its customers -- changes not completed on time or correctly, out-of-sequence changes, and much more, in any such transformative change is very high. That is particularly true during the transition to the smaller, streamlined system, but also during any “shakedown” period after it is completed. It raises substantial concerns about whether, and the manner in which, USPS will be able to manage service and maintain standards as it makes these sweeping changes.

As a result, NPPC submits that the Postal Service should provide its customers and other interested stakeholders with a detailed discussion of how it plans to maintain service throughout the transition, and in its short-term aftermath.

Remittance Mail Processing

Given the critical nature of remittances to the financial health of virtually every business, and not only those in NPPC, smooth and expeditious processing of this mail must continue. To be more specific, remittance mail must retain its current processing priority.

As a result, we are pleased to note that USPS has expressed an intent to maintain a separate processing stream for remittance mail and caller service. This would include opening a window at processing plants in the early morning hours. Expanded availability to remittance mail and caller service through longer and earlier periods of access to “lockboxes” for such mailers would prove to be very beneficial in sustaining the daily flow of such mail. Assuring that that flow continues to be robust is essential. Therefore, NPPC believes such a plan should be specified and incorporated into, or appended to, the proposal that USPS makes on network optimization.

NPPC would suggest, however, that the same level of urgency that drives the need for this welcome plan for the processing of remittances also applies to critical business documents, such as contracts, credit and credit card applications, and more. Therefore, we recommend that this mail processing segment be broadened to include such critical business documents, enabling companies to receive and begin to process them sooner, as briefly described in the next subsection.

One additional assurance would be helpful in this context: that any established postal transportation to or from mailer plants from surviving processing plants will not be eliminated. For many companies, that is a key element of maintaining the robust daily flow of remittances and critical business documents.

Critical Entry Times

Adjusting to new critical entry times (CETs) to support 2-3 day mail will prove reasonably costly to mailers which will have to alter their preparation times to comply, as well as add at least an extra day to forecast response times to mailed statements. For continuous statement and remittance mailers, that cost could be considerable. In general, these and other large commercial mailers often have legal or other obligations that require certain mail to be processed and entered into the mailstream the same day it is internally processed. If earlier

outbound CETs are established, this could prove quite expensive for mailers which will have to alter production schedules or purchase additional equipment. As an example of the expense involved in these changes, if a company has to purchase new inserting hardware to adjust to earlier CETs, the expense can be well over \$500,000 per unit.

In addition, mailers rely on early daily receipt of inbound remittance mail. Schedules for large numbers of employees are established to begin processing inbound mail as soon as it is available in the morning, in order to meet daily banking windows and business needs. These very same needs apply to critical business documents: contracts, credit and credit card applications, and more. The necessity for processing such documents promptly is as urgent as it is for remittances.

NPPC believes two clarifications when the proposed rule is issued would be helpful to mitigate some of that adverse cost impact. First, as USPS has noted in the ANPRM at pages 7 and 8, some commercial mailers which can enter their mail prior to the new 8:00 am CET may be able to receive effective overnight service by being incorporated into that day's delivery point sequencing and other processing steps. NPPC submits that this should specifically include metered mail. Clarifying that it will would be a helpful assurance to a wide range of NPPC members and other commercial mailers that the impact on their costs can be somewhat dampened.

Second, clarifying and confirming that there will be no change to CETs for second- and third-day service would be beneficial. That would rule out any further changes, and the costs associated with them, to preparations by mailers.

Redundancy in the Network

With a much leaner network, the system will be considerably more vulnerable to disruptions in service from, for example, natural disasters. In NPPC's view, the proposal on service standards and the network should outline how USPS plans to deal with any such formidable processing problem. In other words, mailers should be given a specific sense of the redundancy remaining 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.

UAA Secured Destruction

Although not discussed in the ANPRM, the secured destruction of undeliverable-as-addressed mail should be reconsidered through the lens of a revamped network. NPPC has long supported UAA SD as a win-win for mailers and USPS on three bases: security/privacy, cost and, perhaps most important over the longer term, a significant contributor to sustainability of the mail.

Should the network be streamlined more or less as USPS suggests in the ANPRM, or otherwise in a substantial fashion, economies of scale can be derived from processes at fewer AMPs with a higher concentration of eligible mail. Also, USPS can avoid the greater costs of

transporting the UAA mail back to the sender from those same fewer AMPs which, by and large, will be at longer distances from where the customers entered that mail.

NPPC proposes that USPS consider UAA SD as an integral part of network realignment. Should it choose not to, NPPC urges that it be studied and the cost/benefits measured separately at as early a date as feasible.

Five-Digit/Three-Digit Schemes

A potentially beneficial byproduct of network optimization is the opportunity for more 5D/3D schemes. NPPC members and other mailers have been able to utilize these schemes advantageously. With consolidation of facilities, the ability of USPS to process mail from different sorts should clearly be enhanced. This would be positive for USPS and mailers, who would both gain from the finer sort to 5-digit through reduced costs and greater discounts, respectively.

NPPC would ask that USPS confirm that this understanding is correct, and advise of its plans to proceed with these schemes on an expanded basis. Further, NPPC would appreciate some means of measuring how much progress would be being made nationally on 5D/3D.

Communications

One essential key to the success or failure of the network optimization plan under consideration through the ANPRM, or any other strategic change on a national level, is the breadth, effectiveness, and consistency of communications. That includes internal USPS communications, as well as between USPS and its customers.

Clear internal communications will, of course, assure that all key executives, supervisors and workers in the field can capably and consistently guide mailers in conforming their processes to USPS' new configuration. This has sometimes not been achieved for smaller changes than those that would be entailed in this sweeping realignment.

It is even more critical that USPS aggressively, and repeatedly, reach out to its customers not only in the formation, but in the implementation, of whatever plan eventuates from this process. That would be not only at the macro level, so that customers have a sure grasp of how the system has been reduced and reorganized, but for specifics. For example, clear, consistent communication about plant closures will minimize the impacts on labeling and palletization lists.

If USPS is to minimize or even avoid some of the inherent risks to service and customers mentioned above in this transforming change, then NPPC recommends an ongoing path of outreach that would involve confirming with customers periodically that they well understand, and are adjusting to, the changes involved to service, the network, and integrating them with the necessary reconfigurations of their own internal processing.

CONCLUSION

NPPC acknowledges the imperatives that are driving USPS to change service standards to help enable the consolidation and streamlining of its network. The simple and discouraging math involved with severely falling volumes and revenues leaves little choice. With some revising of the plan in accordance with our comments above, and intense focus on its execution to provide a well-managed transition with minimal, if any, disruption or dislocation of services, however, our members believe that the system can continue to work for the Postal Service, its customers and the mailing public.

Thank you for considering our comments.

Sincerely,

A handwritten signature in cursive script that reads "Arthur B. Sackler".

Arthur B. Sackler
Executive Director