



Total Package Production for Direct Marketers

James N. Andersen
President & Chief Executive Officer

Phone: 952-470-6405
Fax: 952-470-6420

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Via email pcusps_final@do.treas.gov

Mr. James A. Johnson
Mr. Harry J. Pearce
President's Commission on the United States Postal Service
1120 Vermont Avenue, NW, Suite 971
Washington, DC 20005

Dear Mssrs. Johnson and Pearce:

The Instant Web Companies (IWCO) is one of the nation's leading service providers in the direct mail industry. We offer clients a single source, integrated solution for direct mail package production. Our clients include leading financial services, travel, membership and publishing companies who market their products to customers and prospective customers through the United States Postal Service. The continued viability of reliable and affordable postal services in the United States is essential to our business and to many other businesses.

As your Commission reaches the end of its deliberations, we encourage you to go beyond recommending incremental change, instead recommending the bold, comprehensive reform that will result in a strong US Postal Service well into the twenty-first century.

Five key areas must be addressed to effectively reform the US Postal Service:

- Business model
 - The USPS should remain a governmentally sponsored public service enterprise. However, to the extent that the USPS takes on costs and obligations for the public good, those costs should be borne by general governmental appropriation, *not* by ratepayers.
 - Incentives should be provided to make the USPS more results-oriented, customer-focused and collaborative.
 - The USPS should be allowed to retain a reasonable level of earnings to facilitate investment in its infrastructure and other capital needs and to reduce its reliance on debt to finance these needs.
- Regulatory model
 - As has been recommended by Rep. John McHugh and Sen. Thomas Carper, the Postal *Rate* Commission should be expanded into an independent Postal *Regulatory* Commission.
 - This regulatory body should have the authority not only to review rates and classifications, but also to set and enforce compliance with measurable and transparent service standards.

- The regulatory body should also be charged with ensuring transparent financial reporting by the USPS and fair competition in those areas, such as package delivery, where the USPS competes with the private sector.
- Flexibility
 - The USPS needs a much more flexible rate making process that will allow it to respond quickly to market demands, particularly in the areas of negotiated service agreements and experimental rates.
 - Although rate making needs to be subject to suitable regulatory review, the USPS should be allowed to set rates based on the marketplace with the regulator reviewing rates once they have been put in place. (A model that has worked well in other regulated markets.)
 - The USPS also needs the ability to manage its infrastructure without undue outside influence. This includes realigning one of the largest logistics networks in the United States to meet present needs, optimizing and automating workflow through its processing plants, and streamlining its transportation management systems.
- Private sector partnerships
 - As was noted by Anita Bizzotto in her testimony before your commission, the USPS is the “world’s leading postal administration in implementing worksharing.” Worksharing has allowed the USPS and the mailing industry to leverage each other’s strengths leading to lower *combined* costs for delivering the mail.
 - In addition, worksharing stimulates growth in mail volume, creates new private sector businesses and provides postal customers with more mailing options – keeping more hard copy mail in the system.
- The importance of advertising mail
 - The mailing industry accounts for almost \$900 billion in commerce annually and employs nine million Americans.
 - Advertising mail pays its own way. There is no subsidy of Standard Mail rates by First-Class Mail.
 - As the mail stream has evolved away from personal correspondence and toward more advertising mail, the USPS has become increasingly reliant upon advertising mail to provide the volume needed to sustain universal service throughout the United States.
- Workforce
 - The USPS needs effective labor/management relationships and support systems to build employee morale and reduce grievances.
 - Compensation for both management and craft employees should include incentives linked to productivity and customer satisfaction.
 - The USPS should align *total* (management as well as craft) payroll costs with comparable market-based compensation from the private sector.
 - The collective bargaining model presently used by the USPS and its labor unions needs thorough review. Would models other than conventional interest arbitration provide more generally satisfactory outcomes? Many models have been proposed to your commission and should be explored as alternatives.

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We have been impressed with the comprehensive way in which the President's Commission has been addressing the many issues facing the U.S. Postal Service. We look forward to the vision articulated in your final report becoming the basis for the ongoing policy debate in the Congress and the impetus for real postal reform in the near future.

Kind regards,

A handwritten signature in black ink, appearing to read 'JNA', with a stylized, wavy line extending to the right.

James N. Andersen
President and CEO

JNA:ds

cc: Gene del Polito, Association for Postal Commerce
Maynard Benjamin, Envelope Manufacturers