



Mark Fallon

Reform, Rates and Responsiveness

The U.S. Postal Service received slightly more media coverage than usual in late 2005. The stories focused on the attempts in Congress to pass Postal Reform, the impending increase in postage rates and how the USPS responded in the wake of Hurricane Katrina.

Acting as the keystone of a \$980 billion dollar industry employing over nine million people, the USPS has a tremendous impact on the nation's economy. However, discussion of Postal Reform was pushed from the front pages by more important stories — the war in Iraq, the Supreme Court appointments and Tom Cruise's love affair with Katie Holmes. Fortunately, there was some room on the inside pages of the business section to cover the USPS.

The industry press took notice when the Chief Financial Officer of the USPS, Richard Strasser, said he thought the current bills before Congress would be bad for the agency. He added that his comments were not official, but his personal opinion — even though his statements were made to the Mailers Technical Advisory Council at the USPS' headquarters in Washington, DC.

Shortly after Strasser's unofficial comments, the USPS Board of Governors sent an official letter to Congress criticizing the reform bills. The Board felt the proposed "Postal Regulatory Council" was too powerful and would hamper efforts of the USPS to remain flexible in an increasingly competitive environment. Several congressmen and certain mailers' groups decried the timing and content of the Board's letter. Critics argued that any issues with the bills should have been raised earlier. With reform so close to passing, why upset the apple cart?

While I don't agree with all the points raised by the Board of Governors, I'm glad they sent the letter. There are flaws with the House and Senate Postal Reform bills. It doesn't make sense to force bad reform on the USPS. There's no crisis demanding immediate action. Through the Transformation Plan, the USPS has decreased operating costs and improved service. Congress, the USPS and the mailers should take the time to craft better reform bills. As those same critics point out, without reform, postage rates will go up in 2006 and 2007. Given the significant increase in fuel prices, rates have to go up, regardless of reform. And I'm okay with that, too.

I don't subscribe to the "death spiral" theory of postage rate increases. According to this theory, if postage rates go up, companies will divert messaging to other media, especially the Internet. With lower volumes and more addresses created every year, the USPS will need to increase rates again, pushing more people to other media. And the cycle continues until there are only two people sending letters through the Postal Service — probably me and my father.

What's most interesting about the "death spiral" theory? It's proposed by the same people who publish studies that prove that mail is the most effective media for communicating with customers and prospects. Mail is a fraction of the cost of television and print ads, more effective than telemarketing and not blocked by anti-SPAM e-mail programs. And we're supposed to believe that a five percent rate increase will change that?

Mail is a fantastic bargain. In a world where people pay \$3 for a cup of coffee, even a 50¢ First-Class stamp would be a great deal. The predicted diversion of all mail to the Internet hasn't occurred. Yes, many people pay bills online. Many more don't, and say they never will.

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With stable rates for several years, many managers have become lax about managing their postal expenses. Faced with the rate increases, mail managers have begun to search for methods to reduce the overall costs of their operation. Lately, I've seen companies take pro-active steps, like better address management, improving the design of statements or bills and investing in new equipment. More people are attending industry educational events to learn what else they can do. No one can afford to be complacent, and that's a good thing for the industry.

Many people will disagree with my stance on Postal Reform and increasing rates. But it will be hard to argue with how

well the USPS responded during the natural disasters this fall, especially Hurricane Katrina. While the mainstream news media focused on the disastrous errors made by local, state and federal officials, the Postal Service quietly went about successfully restoring operations and finding ways to service the displaced victims.

The USPS began enacting its disaster recovery plans even before the storms hit. Management diverted mail and prepared for the worst. When the worst did occur, the first step was to make sure employees were safe. Then the USPS set up temporary sites for survivors to pick up their Social Security checks, sending a powerful message: The mail would get through.

In late September, I was scheduled to speak at the Gulf States Mail Symposium in Biloxi, Mississippi. After reading

about the damage, I knew the event would be cancelled. A USPS manager who works with the Mississippi Postal Customer Councils, Fonda Gantt, sent me an e-mail a few weeks later confirming the cancellation and apologizing for the delay in letting me know their post offices were destroyed, hundreds of thousands of people temporarily dislocated, and she was still following up on details. That's the mark of a professional.

The USPS is full of professionals like Fonda Gantt. The work done on reform, rates and responding to natural disasters is a result of their professionalism. We should all be proud to be associated with this great organization.

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