Appendix J

APPENDIX J — Stakeholder Outreach — Process and Results

Summary

Outreach

Stakeholders of the United States Postal Service were asked to comment on postal transformation through an outreach program that included discussion proposals, Web-based and traditional mail channels, focus groups and public surveys, stakeholder group meetings, and employee surveys.

Described by the General Accounting Office (GAO) as a "divided community of interests," stakeholders nevertheless were able to find consensus on several broad themes:

- Postal Service transformation is necessary and desirable.
- Transformation should get underway as soon as possible.
- The Postal Service should take a leadership role, rather than wait for others to resolve its issues.
- Universal service must be maintained, though not necessarily in its current form.
- The Postal Service should continue to emphasize secure, accessible, and affordable delivery.
- There is no clear mandate for full privatization of the Postal Service.

The Outreach Process

To ensure that stakeholders had ease of access and a context for commentary, the Postal Service published two notices in the *Federal Register* and disseminated a report titled *Outline for Discussion: Concepts for Postal Transformation*. The Postal Service provided a Web-based communications channel as well as that of traditional mail, conducted consumer and small- and medium-sized business customer focus groups throughout the nation, facilitated Board of Governors-directed panel discussions, sponsored a national telephone survey, and presented a transformation questionnaire to postal executives. As a result of the events of September 11 and the anthrax incidents, the deadline for the stakeholder comment period that began September 2001 was extended from November 1, 2001, to January 31, 2002.

Stakeholder Feedback

Postal stakeholders—business mailers, Postal Service employees, consumers, Postal Service suppliers, policymakers, the General Accounting Office and the Postal Rate Commission (PRC)—were posed a series of questions on postal transformation. The questions solicited opinions on the broad concept of transformation and on its specific components: universal service, core services, productivity and affordability, financial challenges, human capital, commercialization, and privatization.

In addition to the areas of agreement noted earlier, stakeholder groups found consensus in other areas.

Mailers urged the Postal Service not to underestimate the seriousness of the problem; to be bold and explicit in its recommendations; to move quickly to implement proposed actions in the near term; to hold the line on large and frequent rate increases; to work to raise its debt ceiling and address the issue of its unfunded liabilities; to pursue cost-cutting measures; and to strive to increase productivity. Some of them also recommended the creation of a presidential commission mandated to bring about postal transformation.

Employees—executives, as well as managers, craft, and the organizations representing them—generally agreed that universal service must be preserved; that the Postal Service should do everything it can to introduce new products and increase revenue; that change should be made quickly and boldly; and that flexibility should be created to allow the organization to become more competitive and experience new growth.

Consumers said they are generally satisfied with the current service and structure of the Postal Service. These consumers recognized the service improvements the Postal Service has made over the last several years, and fully expect further incremental improvements to be made. When told that greater financial pressures would be confronting the Postal Service, consumers expressed a surprising willingness to entertain tradeoffs, such as changes to the laws that govern the Postal Service, modifications to the universal service mandate, and modifications to service levels.

A unanimous opinion voiced by suppliers was the need for the Postal Service to recognize the need for transformation and a desire that the Postal Service act quickly. Suppliers were concerned also about Postal Service reductions in spending on capital.

Policymakers, who include policy institutes and other independent observers, responded to the *Outline for Discussion* by publishing articles, white papers, and other documents containing reform proposals which, while not directly submitted to the Postal Service's transformation planners during the stakeholder comment period, were reviewed and taken into consideration.

In addition to commenting on the questions posed in the discussion document, stakeholders also offered comments on mail safety and security, customer service, new products and services, labor/management relations, rates and pricing, and other topics.

The GAO Perspective

In February 2002, the GAO issued a report that summarized its commentary and recommendations on postal transformation. The report, titled, *U.S. Postal Service: Deteriorating Financial Outlook Increases Need for Transformation*, followed two documents containing testimony on the need for transformation that were presented to the Congress by the GAO in April and May 2001.

The February 2002 report expressed a sense of urgency regarding the need for postal transformation. The GAO renewed its request for Congress to revisit the statutory framework under which the Postal Service operates.

Focus Groups and Surveys

The Postal Service conducted consumer and small- to medium-sized business customer focus groups nationwide and separately surveyed both the American public and postal executives on postal transformation and its implications.

Analysis of the focus group results revealed distinct segments that differ in their views about the government's role and freedoms the Postal Service should have. The two largest groups—where the majority of consumers appear to fall—are legislative reformers and operational improvement seekers. Legislative reformers seek changes that will make the Postal Service operate more like a business, but at the same time, ensure that universal service is preserved. Operational improvement seekers are opposed to privatization; they simply feel that better management will ensure the Postal Service's continued viability.

The focus group analysis concluded that finding a universally acceptable proposal will be difficult, if not impossible. Working toward, but not skipping immediately to fundamental transformation, will be most palatable.

A survey of postal executives indicated a significant number believe that revisions are necessary in the definition of universal service, the network of post offices, and the products and services offered by the Postal Service. They believe that new funding sources need to be explored and do not believe that productivity alone will be enough to fund an expanding universal service mission.

Additional Input

Postal modernization and reform issues have been discussed since the introduction of H.R. 22 (a bill developed to modernize postal law in the United States, which was not passed) in Congress several years ago. There are many comments already on the public record, including congressional hearings, testimony, articles, and publications. This additional material represents the positions of many stakeholders on the key issues that were addressed by the transformation outreach program and were reviewed during the outreach process.

Report on Stakeholder Outreach – Process and Results

The Postal Service stakeholder community is generally thought of as being comprised of several constituencies: the Congress, public policymakers, the General Accounting Office and the Postal Rate Commission, postal employees and the organizations that represent them, consumers, business mailers (including small, medium-sized, and major mailers), and suppliers/business partners. Both before and after the publication of the *Outline for Discussion: Concepts for Postal Transformation* on September 30, 2001, a range of commentary was received from these groups. The official comment period ended on January 31, 2002. Additional inputs—comments in magazines, newspapers and industry journals; discussions at industry meetings and other forums; reports and presentations—were also considered during the development of this plan. The stakeholder input confirmed that there is a lack of consensus about many specific aspects of postal transformation.

There was, however, broad stakeholder agreement on the following themes:

- Postal Service transformation is necessary and desirable. Stakeholders largely agree that the current state of the Postal Service will not serve its stakeholders in the future.
- Transformation should get underway as soon as possible. Stakeholders felt the Postal Service has identified many problems it could have already addressed within its current mandate and policy environment.
- The Postal Service should take a leadership role, rather than wait for others to resolve its issues. Many stakeholders believe that the Postal Service can do more to improve, and should move forward boldly.
- Universal service must be maintained, though not necessarily in its current form.
- The Postal Service should continue to emphasize secure, accessible, and affordable delivery.

There is no clear mandate for privatization of the Postal Service. While there were some proponents, the majority of stakeholders did not call for privatization.

There was considerably less agreement on the extent of structural transformation, its timeline and milestones, where legislative action is called for, and how the mandate for universal service might be reinterpreted.

In the following sections, the stakeholder input is catalogued in greater detail, and the outreach process is fully described.

The Outreach Process discusses the process of requesting, collecting and analyzing all stakeholder input during the transformation planning process.

Stakeholder Feedback-Categorized by Group summarizes the findings of the outreach process in terms of each of the five large stakeholder groups—business mailers, postal employees, consumers, suppliers/business partners, and public policymakers. A selection of representative commentaries is included in this section on a group-by-group basis.

The GAO Perspective discusses the input received from the General Accounting Office on postal transformation.

Outline for Discussion Commentary describes written comments sent to the Postal Service following the publication of the *Outline for Discussion* on September 30, 2001.

Focus Group and Public Survey Results lists the results of two national rounds of consumer and small-and-medium-sized business customer focus group meetings.

Postal Service Executive Survey Results describes the results of a strategic direction survey conducted with postal executives.

Additional Input discusses other comments reviewed by Postal Service transformation planners.

Stakeholder Comment Excerpts presents a range of verbatim stakeholder opinion and comments on all transformation issues raised during the outreach process.

The Outreach Process

As a critical component of its transformation planning process, the United States Postal Service solicited, received, and analyzed comments and recommendations concerning postal transformation from a broad cross-section of its stakeholder community. The Postal Service has heard from Congress and the General Accounting Office, the mailing industry, Postal Service employees and executives, postal policymakers, union officials, major mailers, the Postal Rate Commission, management associations, postal coalitions, postal trade associations, and the American public.

To ensure that stakeholders had ease of access to the Postal Service and its transformation planners, the Postal Service published two notices in the *Federal Register* in addition to the *Outline for Discussion*, provided a Web-based communications channel as well as that of traditional mail, conducted customer and business mailer focus groups throughout the nation, facilitated Board of Governors-directed panel discussions with postal labor/management associations and major mailers, sponsored a national telephone survey, and presented a transformation questionnaire to its postal executives. Industry reports, discussions, and presentations relating to transformation were also reviewed. In addition, those responsible for the development of the plan met with and made presentations to an array of postal interest groups and individuals.

The process of conducting stakeholder outreach is ongoing. Stakeholder input is continuously sought, particularly in conjunction with the preparation and publication of the *Five-Year Strategic Plan FY 2001-2005*, and during the past year, specifically on how the Postal Service should plan for long-term transformational success in a challenging and complex business environment.

Stakeholder engagement has been managed in two steps. In the months prior to the publication of the *Outline for Discussion*, stakeholder input from Congress, the General Accounting Office, the mailing industry, and other constituencies of the postal community directly contributed to the development of the *Outline for Discussion* document, its analysis of the challenges facing the Postal Service, and the description of the structural models then under consideration by the Postal Service and its transformation planners.

Since publication of the *Outline for Discussion*, the second step has included a notice in the *Federal Register*, directing interested parties to a Postal Service Web site set up to accept public comments. Focus groups of small- and medium-sized business owners and employees and consumers were convened, and postal employees were reached through internal communications and surveys. Additional meetings were conducted with representatives of postal unions, management associations, the General Accounting Office, major mailers, and others. The extensive additional input received by the Postal Service has supported its efforts in refining its analysis and modeling and in shaping the final plan.

The unanticipated events of September 11, 2001, and the anthrax incidents the following month led to a heightened focus on mail safety and security for both the Postal Service and its stakeholders. Because of these occurrences and the amount of time senior

Postal Service management was spending on the issues these incidents had raised, Congress approved the Postal Service's request to postpone the filing of the *Transformation Plan* from December 31, 2001, until March 31, 2002. As a result, the deadline for the comment period for the *Outline for Discussion* was extended from November 1, 2001, to January 31, 2002.

In February 2002, the General Accounting Office published its comments and recommendations on postal transformation in a report titled *U.S. Postal Service: Deteriorating Financial Outlook Increases Need for Transformation*. The GAO assessment and recommendations, summarized in the GAO Perspective section of this appendix, followed two GAO reports, presented as testimony to the Congress, published in April and May 2001. All three reports argued forcefully on behalf of postal transformation, citing the Postal Service's significant operational, financial, and human capital challenges.

The Postal Service, in both the *Federal Register* notices and in its *Outline for Discussion*, suggested a framework for stakeholder comment by posing several questions. One question asked stakeholders to recommend what, if any, structural change the Postal Service should undergo. Other questions prompted stakeholders to comment specifically on the Postal Service's universal service obligation; its core services; its organizational objectives of productivity, efficiency and affordability; its financing mechanisms; its human capital requirements; greater commercialization; and the possibility of privatization. Telephone surveys, hard copy questionnaires, focus group sessions and other forum discussions, including meetings of groups like the Mailers Technical Advisory Committee, employed all or many elements of this framework.

Despite the framework, there was consensus on only the broadest transformation topics. This is not surprising, given the nature of what the General Accounting Office described as "the divided stakeholder community" in its February 2002 report. Nevertheless, as noted earlier, the Postal Service will continue to solicit comments on its transformation strategy.

Outreach Statistics

Customer Outreach Mechanism	Details
Consumer Survey	2,021 interviews conducted
Postal Service Executive Survey	272 completed surveys
Comments on the *Outline for Discussion*	143
Focus Groups	14 consumer focus groups conducted 8 business customer focus groups conducted
Two Meetings of the Supplier Quality Council	20 supplier representatives
Mailers Technical Advisory Committee	170 mailing industry association representatives
Board of Governors Panel Session with Customers	6 major mailer customer representatives
Board of Governors Panel Session with Unions and Management Associations	6 postal labor/management representatives

Stakeholder Feedback — Categorized By Group

Using the framework created by the questions posed in the *Outline for Discussion* and in the *Federal Register* notices, areas of agreement and areas of no clear consensus can be noted. No stakeholder group spoke with a single voice. The summaries in this section reflect the predominant viewpoints obtained in the stakeholder outreach process encompassing input on the *Outline for Discussion*, focus groups, surveys, papers and reports, and meetings and discussions with a range of stakeholder representatives.

The questions posed by the *Outline for Discussion* were:

- To best serve the needs of the American people and the American economy in the 21st century, what should America's postal system be like (or transformed to) in the next decade?
- Should America's postal system provide universal service, and what should that entail?
- What should the core service of the future Postal Service be?
- How should the nation structure a future postal system to be as productive and efficient as possible and to ensure that consumers pay only what they wish to pay, for as much service as they can afford?
- Can the Postal Service continue to provide universal service under the current financial arrangements if volume slows or declines significantly? Are there other financing mechanisms needed?

- What steps should be taken today to anticipate the human capital requirements of the future postal system in a manner that embodies core values of respect, dignity, and diversity while providing incentives to encourage continuous service improvement?
- Is it possible to design a government postal system in the United States that operates more commercially and still serves important social obligations, including universal coverage?
- How should a privately-owned postal entity or entities perform against public expectations for postal services? Are there other models that may do a better job for the American people?

The responses, segmented by stakeholder group and their areas of concern, follow.

Business Mailers

Business mailers have been engaged in an ongoing discussion with the Postal Service regarding transformation. Additionally, many business mailers provided written comments to the *Outline for Discussion*. Small- and medium-sized business customers were also included in focus groups and surveys. The Postal Service Board of Governors facilitated a panel session with six business mailers to discuss transformation, and approximately 170 members of the Mailers Technical Advisory Committee (MTAC) were engaged during two of their quarterly meetings at Postal Service Headquarters.

As a whole, the business mailing community acknowledged the need for transformation and felt that the Postal Service should: 1) not underestimate the seriousness of the problem, 2) be bold and explicit in its recommendations, 3) move quickly to implement proposed actions in the near term, 4) hold the line on large and frequent rate increases, 5) pursue cost-cutting measures, and 6) strive to increase productivity. Several said that the universal service mandate should be reviewed and modified. Others said the *Outline for Discussion* failed to convey a sense of urgency. Some business mailers recommended that a presidential commission be established to respond to the long-term problems of the Postal Service. Others said that the unreasonable funding of the Postal Service's retirement and health costs needed to be dealt with.

Universal Service

- There was consensus within the business mailing community on the need for universal service, but not on what, if any, changes should be made to its definition.
- Some said the Postal Service should continue to deliver to every address. Others felt that the Postal Service should leave it up to Congress to define.
- Some felt that the Postal Service should propose some modifications, such as offer for a fee, delivery options that would provide more quality of service for those willing to pay for the service.
- Some suggested selective reductions in delivery frequency.
- Some said that postal retail operations need to be reformed and recommended the closure of uneconomical or unnecessary post offices. Suggestions also included more franchising of retail operations in grocery stores and pharmacies.

Core Services

Generally, the input received did not suggest that the Postal Service should venture into new non core services.

Productivity, Efficiency, and Affordability

- Many said that the Postal Service should use existing authority to implement near-term changes.
- Some business mailers felt that there should be a new emphasis placed on productivity and business-building.

Financial Challenges

- Some business and government mailers suggested that rate increases be more moderate, predictable, and below the rate of inflation.
- Others argued that the Postal Service should move immediately to implement negotiated service agreements or that the Postal Service should recommend statutory changes to allow it to enter into such agreements.
- A group of business mailers said that service agreements are not permissible.
- Others argued that the existing discount structure for all classes of mail must be redesigned.
- Many recommended that the debt ceiling be increased and that the unfunded liability not be met exclusively by ratepayer revenues.

Human Capital Requirements

- Some business mailers recommended that the employment model be restructured.
- Several asked that the Postal Service develop more effective methods to manage labor costs.
- Business mailers requested that incentives be tied more closely to productivity.
- Business mailers recommended the organization work to build a more harmonious and productive workplace environment.

Commercialization

- Business mailers said if the Postal Service remains a government organization with a monopoly, it should focus on reducing costs and improving service.
- Many business mailers feel the Postal Service should be allowed to operate in a less restrictive, more commercial fashion, particularly in relation to pricing.
- Some business mailers said a commercialized Postal Service should be able to:
  - Have improved relations between labor and management;
  - Use market-based pricing;
  - Operate under a modified salary cap; and
  - Achieve network optimization.

Privatization

Some business mailers said the Postal Service should privatize, but most felt that privatization should not be an objective of current transformation planning.

Sample Comments from Business Mailers

(For more comments, see The Stakeholder Comment Excerpts Section)

Let's Roll

[We] cannot stress how imperative it is for the Postal Service to move quickly in....the short and long term. Phase One should already be in full bloom. We stand ready to work with the Postal Service on transformation. We need it. For the Postal Service to miss this chance at transformation would be tragic. Our economy cannot withstand a $900 billion per year disruption. Nine million Americans need their jobs. Stealing a phrase used by President Bush, "Let's roll. The time for action is now."

—Mailing Industry Association

Be Bold

As you proceed with the transformation project, we urge the Postal Service in the strongest possible terms to be bold in its approach. At this critical juncture in postal history, leadership, vision, and courage on the part of the Postal Service, its Governors, and its senior officers are imperative. This is no time for a risk-averse approach, or the mere compilation of options of others.

—Mailing Industry Association

Volume Addition is Unsustainable

An underlying assumption we perceive in the *Outline for Discussion* is that, with the exception of times when the economy is in recession, mail volume will continue to increase. We believe that this assumption is extremely dangerous. The transformation plan must allow for the possibility, if not the likelihood, that mail volume will decline because of the inevitable intrusion of electronic communication and commerce. Escalating postage rate increases have also proven to dampen volume. Therefore, any transformation plan must address how the Postal Service, if it must, would substantially reduce its infrastructure. We believe the Postal Service's volume addition is unsustainable.

—Mailing Industry Association

Transformation Principles

Coping with the challenges facing the Postal Service demands adherence to the following core principles: The Postal Service should remain a public service available to all Americans. It should not favor or discriminate among mail users. It should be required to operate as efficiently as possible and be held accountable if that standard is not met. The goal of the Postal Service should be to fulfill its primary mission of serving as a delivery system for the nation's correspondence, periodicals, newspapers, etc. that efficiently delivers to every town, city, and state in the country…It should not lose focus and divide the nation by the initiation of new competitive ventures in the private sector.

—Mailing Industry Association

Presidential Commission
In preparation for . . .the long term . . . of postal transformation [there] should be the appointment of a presidential commission to provide an even-handed assessment of the Postal Service's problems and a comprehensive plan for achieving a solution. In the absence of a commission, we run the risk of never achieving postal reform or of achieving only minor changes that fail to address the key issues.

—Major Mailer

Don't Sacrifice Service to Cut Costs
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.

—Mailing Industry Association

Employees

A number of individual employees, including managers and executives, as well as craft employees and the organizations that represent them, chose to comment on the *Outline for Discussion*. A survey of Postal Service executives was conducted on the topic of the strategic transformation of the Postal Service, and efforts were made to get the views of mid-level managers and Advanced Leadership Program (ALP) enrollees and graduates. Additionally, the Postal Service Board of Governors facilitated a panel session with the presidents of postal unions and management associations to collect first-hand the input of these stakeholder groups.

Employees—executives, as well as managers and craft—generally agreed that universal service must be preserved; that change should be made quickly and boldly; that strategic initiatives should be introduced to promote growth; and that flexibility should be created to allow the organization to become more competitive. Following are their opinions, in greater detail, on the issues.

Universal Service

- Most managers, executives, and craft employees felt that universal service should be maintained in some form.
- Some managers and executives supported a revision to the definition of universal service. This was linked to changes in the postal network, products, and services.
- Craft employees were more likely to support the current definition of universal service as a core value.

Core Services

- Many managers, executives, and craft employees recommended that the Postal Service develop products and services that drive new volume growth.
- Many managers, executives, and craft employees supplied ideas for new products and services that they would like to see become core services. However, the most common suggestion was for Internet-based services.

- Most managers, executives, and craft employees viewed the universal service obligation as a core service.

Productivity, Efficiency, and Affordability

Managers, executives, and craft employees were in agreement that transformation needed to be implemented quickly. Many employees, both in management and craft, urged the Postal Service to move boldly to address its current and future challenges. Major themes from employee feedback regarding an efficient future postal system included:

- Increased pricing flexibility; and
- Less government regulation and oversight.

Financial Challenges

- Managers and executives were in general agreement that the Postal Service cannot continue to improve productivity enough to finance ever-expanding universal service, particularly the increase in delivery points.
- Managers and executives were interested in exploring alternative funding mechanisms driven by the expected flattening of future mail volumes.
- As a group, craft employees are committed to preserving universal service, but had no consensus on how it should be financed.

Human Capital Requirements

Human capital issues were a main concern among employees. Many of the respondents chose to focus on this issue.

Managers and executives believe that reform is necessary throughout the Postal Service in the areas of compensation, recruitment, and the tasks to be performed, and strongly believe that the current collective bargaining process will not yield this reform. Executives suggested the following:

- Pay for performance for all employees.
- Results-driven collective bargaining.
- Removing the executive salary caps to retain top talent.
- Faster and easier resolution to contractual disputes.

Some organizations representing employees also thought reform in labor-management relations was necessary.

Craft employees expressed concern over possible job loss and the issues of fairness and equality of treatment by supervisors and managers.

Commercialization

Managers and executives were optimistic about the Postal Service's ability to compete with the private providers and would be even more so with less governmental oversight and/or regulatory reforms designed to provide more flexibility and market freedoms.

- Despite the desire for less governmental oversight, executives believe that a government-sponsored Postal Service is the best way to provide universal mail service.
- Craft employees also agree that a government-sponsored Postal Service is the only way to ensure universal mail service.

Privatization

- Some managers and executives supported privatization, however, it was not a pervasive theme.
- Craft employees felt that a privatized Postal Service could compromise the universal service mandate.

Sample Comments from Employees

(For more comments see the Stakeholder Comment Excerpts section)

Improve Labor Relations
Any serious effort to address postal transformation must include concrete steps to heal this [labor-management] relationship and individuals within the managerial structure must be held accountable for its resolution.

—Postal Labor Organization

Make Postal Service Employees Accountable for Results
The Postal Service must improve the collective bargaining process to include accountability for results…A fair evaluated route system would resolve many, if not all, of the divisive issues between city carriers and their supervisors.

—Postal Management Association

Close Inefficient Offices
Closure of some of these offices is necessary to reduce the fixed cost burden and provide a more efficient network. Some alternative retail locations may need to be provided, perhaps in storefront or non postal retail locations, but overall cost savings can be significant.

—Manager/Executive

The Wrong Goal
Privatizing the Postal Service would be subjugating its important mission to the bottom-line.

—Postal Labor Organization

Make Tough Choices
Our future direction needs to be clear. We can no longer be everything to everyone. We need to get off the fence and make the "tough" decisions. Once the direction is established, we need to recognize that implementation is equally important to strategic direction. Therefore, we must simultaneously develop the means and methods of carrying out our strategic plan. If we are serious about privatization, we must consider the possibility of dismantling the system and rebuilding the structure from ground zero. Those of you who advocate we continue along the governmental path, make your opinions known through appropriate channels. It's time to get off the proverbial fence.

—Manager/Executive

Recipient Pays For Delivery
What if the recipient were the one paying the delivery cost? There could be a rate for those types of delivery where the carrier must leave the road and walk to the customer (this might include the losses from dog bites). There could be a lower rate for individual curbside delivery. There could be a still lower rate for grouped mailboxes. The lowest rate could be for the standard post office box where the customer gets the mail from the postal facility to the customer's own location.

—Postal Employee

Employee Ownership
I applaud the effort and would be thrilled to be personally involved in any way possible to assist in the "Structural Transformation" plan which has been suggested to recreate this organization into the premier entity it can be. For more than a decade, I have preached that we need to be an employee-owned business, concerned with the bottom line, and not afraid to think. Yet it will take the combined efforts of many to make this a reality. I have never been afraid of privatization, for I believe that the competent, creative, productive employee will always be in demand.

—Manager/Executive

Consumers

Consumer input was obtained through nationwide focus group meetings, and through the publication of the *Outline for Discussion* and its accompanying request for comment.

Generally, consumers said they wanted everything to stay the way it is. While the Postal Service could be marginally more efficient, overall they like the service they receive. However, when told that greater financial pressures would be confronting the Postal Service, they expressed a willingness to entertain such things as changes to the laws that govern the Postal Service, modifications to universal service mandate, and modifications to service levels. The general conclusions to be drawn from consumer comments are as follows:

Universal Service

- Consumers largely support universal service.
- When it was explained to them that the Postal Service's finances could be at risk, some said they would be comfortable with minor adjustments in the definition of universal service, particularly if it precluded taxpayer subsidies or unreasonable postage rates.

Core Services

- Some felt that the Postal Service should refocus only on its core service—delivery of hard copy letters and packages.
- Many were unaware of the backlash from the private sector when the Postal Service begins to offer non postal-related products.
- When it was explained that the revenues from non postal-related products offset the need for higher rates or service reductions, some said that the Postal Service should venture into that arena.
- Mail safety and security should be a core service of any future postal service.

Productivity, Efficiency, and Affordability

- Some feel that the Postal Service does not have an incentive to be efficient. In their view, a future Postal Service should address this issue by having managers pay more attention to the bottom-line.
- Some expressed surprise that the salary of the Postmaster General was capped at Executive Level I. They felt that perhaps the Postal Service could get better people at the top and that those in the top positions would have a greater incentive to be more efficient if they were paid comparable wages to those paid in the private sector.

Financial Challenges

- Universal service was stated as a necessary function of the Postal Service, and that through aggressive transformation a viable postal system could be maintained.
- Although some consumers were aware that the Postal Service was self-sufficient, many consumers still think the organization receives tax support. Generally, the break-even requirement is not understood.
- Although consumers readily acknowledge the impact that the Internet, e-mail, e-banking, e-commerce, and competitive package delivery are having on the Postal Service, there's a lack of consensus on the severity of the financial problem or what should be done to deal with it.

Human Capital Requirements

- Some consumers feel that employees are not motivated or productive because they have no incentive for increased productivity. These consumers suggest a future Postal System should make efforts to bring union-represented employees closer to the management of the organization.
- Generally, consumers were more troubled with the level of service they receive from window clerks rather than the service they recieve from letter carriers. It seems that many of those responding had frequently experienced long lines at post office windows.

Commercialization

When designing a future Postal Service, consumers feel that small operational and managerial changes are best. These types of changes will ensure that the organization will serve its important social obligations.

Privatization

Consumers fall into four opinion groups regarding privatization:

- The largest group, legislative reformers, do not support privatization but do seek legislative changes that will make the Postal Service operate more like a business.
- Operational improvement seekers, estimated to be a fairly large group, are opposed to privatization; they simply feel that better management will ensure the Postal Service's continued viability.
- A small minority are government-endorsing traditionalists who believe privatization will not ensure that universal service is maintained and thus are opposed to Postal Service transformation.
- Also a small group, free-market enterprisers, believe fundamental change is necessary and that market forces will ensure that all American households and businesses that want delivery will receive it.

Sample Comments from Consumers

(For more comments, see The Stakeholder Comment Excerpts Section)

Most consumer comments were collected by means of focus groups and through telephone surveys.

Let Postal Service Set Prices

The Postal Service should be allowed to set the price of a First-Class Mail stamp on its own… The United States Postal Service should not be privatized. Privatization would be a total disaster. The United States Postal Service is doing its job, and doing it well.

—Residential Consumer

Rural America
As a customer in a rural area, I would like to say that the Postal Service needs to continue to provide SERVICE, SERVICE, SERVICE. Business customers sometimes seem to forget that the average American customer needs help and does not have access to the technology that business customers do. There are many U.S. citizens who do not own a computer and many that are illiterate. We still need post offices in small rural towns to give them identity, and because it is the American way.

—Rural Consumer

Saturday Delivery
In this year, your organization considered the elimination of Saturday mail deliveries. This proposal was sensibly dropped. In your new Plan, my input is to notify you that I want included the delivery of mail on rural routes on Saturday, to those like me, who do not have it, and never have had it.

—Rural Consumer

Suppliers

While some suppliers commented on the *Outline for Discussion*, the main source for supplier feedback has been meetings with suppliers and the Supplier Quality Council. The purpose of the Supplier Quality Council is to provide a forum for suppliers to converse with the Postal Service to enhance performance and operations. The council is made up of postal executives and suppliers.

A unanimous opinion voiced by suppliers was the need for the Postal Service to recognize the need for transformation and a desire for the Postal Service to act quickly. Suppliers also were concerned about the reductions in spending on capital. The main topic of discussion at these meetings was the strategic direction of the Postal Service. Specifically, suppliers were concerned about buyer/supplier alignment, and easing the path for suppliers, or making it easier for the Postal Service to do business with its suppliers.

Universal Service

Most suppliers did not directly comment on the universal service obligation.

Core Services

- Suppliers felt that delivery should be the priority of the Postal Service.
- Suppliers also felt that the safety of the mail should be a primary concern of the Postal Service.

Productivity, Efficiency, and Affordability

- Some suppliers felt that an important way to structure an efficient future postal system was to continue with the Supply Chain Management (SCM) initiative. SCM involves internal cost reductions, enhanced productivity, the removal of non-value-added activities, and streamlined business processes.

- Suppliers want continued capital investments to fuel Supply Chain Management improvements.
- Suppliers offered ideas to help the Postal Service make its supplier relationships more efficient, including:
  - Longer-term contracts;
  - Rewards for previous performance success; and
  - Improved communication.

Financial Challenges

Some suppliers made the point that maintaining overall volume levels does not ensure the financial well-being of the Postal Service.

Human Capital Requirements

Some suppliers felt that it was important for the Postal Service to improve its labor relations and organizational culture.

Commercialization

Suppliers feel that it is possible to design a viable government postal system. They believe that this can be accomplished using short- and long-term approaches, however, the phases must be done in parallel.

Privatization

A few suppliers suggested that the Postal Service be privatized, but this was not a pervasive theme. Most suppliers did not directly comment on this issue.

Sample Comments from Suppliers

(For more comments, see The Stakeholder Comment Excerpts Section)

Current Model Will Not Work
Unfortunately, we would have to agree with the other stakeholders that this current model is “not sustainable in the long term” in light of the continued financial uncertainty caused by mail volume declines due to the economy, diversion, and now mail security.

—Supplier

Total Factor Productivity
The Board of Governors abandoned the volume-per-workhour measure of productivity in 1985 because it is inaccurate. The discussion should be rewritten in terms of workload versus resource use total factor productivity (TFP). TFP drives the Postal Service’s financial situation. Had TFP grown at the rate of mail volume-per-workhour, the Postal Service’s financial situation would be significantly better today.

—Supplier

Cost and Service

Clearly the events of September 11, 2001, the recent biological anthrax attacks, and a weakened economy have all been contributors to these challenges. However,...there are fundamental issues which have contributed to the Service's weakened financial state. Two of these issues mentioned...relate to airmail transport. They include cost containment and service quality.

—Supplier

Policymakers

Policymakers, who include policy institutes and other independent observers, covered the subject of transformation through a series of papers, articles, testimony, books, and other discussion documents since the Postal Service was called upon in the spring of 2001 to initiate transformation planning. An annotated bibliography at the end of this appendix includes some of the policy institute publications that were considered in the planning process. As the bibliography indicates, there are no overarching trends in the comments the policy community offered other than that the Postal Service is facing major challenges and must make substantial changes to respond.

Given the lack of commonality across the policymakers' reports, and that these are publicly available, the summaries below present selected viewpoints of specific policy organizations that focused on the questions raised in the *Outline for Discussion*. These selected viewpoints provide a cross section of policymakers' input.

Universal Service

- One policy-making group reported that the statutory responsibility to bind the nation together requires more clarity.
- Another policy-making group stated that a key objective of reform should be preserving universal delivery.

Core Services

- One policy-making institute reported that recent terrorist activities call for a rethinking of the authentication function of the Postal Service.
- Another policy-making institute has undertaken a multiyear study of the global mailing industry. It reports that postal administrations around the world will have to choose between scaled down roles as universal deliverers of paper-based messages at a set price or expanding into value-added services.
- A federal agency conducted an inquiry on the effectiveness of electronic mail in the delivery of records, as compared with the delivery of records via the United States Postal Service and private express mail services. Its report concludes that both methods of transmission are critical to a fully developed economy and that traditional mail will remain an effective communications channel for consumers and businesses.

Productivity, Efficiency, and Affordability

One policy-making group reported that the Postal Service is at the center of a dynamic business ecosystem, and that by tapping opportunities within this ecosystem, along with a reduction in its product portfolio, the Postal Service can creatively respond to operational challenges.

Financial Challenges

Another policy-making group submitted a paper outlining a plan for complete privatization of the Postal Service. In this plan, a privatized post would raise funds in the capital markets like other private corporations.

Human Capital Requirements

In the plan mentioned directly above, the employees would own 10 percent of the privatized corporation and would have the right to strike. The plan envisions legal protections for employees, including a law that would guarantee there would be no layoffs for unionized personnel with five years tenure, at least for the duration of the next five years.

Commercialization

- One policy-making group reported that the Postal Service is extremely limited in its role as a government organization.
- Still another policy-making group recommended that a transformed Postal Service be neither a small change from the status quo nor a completely privatized organization.

Privatization

- Another policy-making group generally supported privatization of the Postal Service and opening the postal system to greater competition. The group generally favored market-based solutions and did not support permitting the Postal Service greater market freedoms in its current form.
- The Mailing Industry Task Force recommended that the mail channel be made more competitive.

Sample Comments from Policymakers

(For more comments, see The Stakeholder Comment Excerpts Section)

Benefits of Privatization

Under the current regulatory system, the Postal Service is given little incentive to be efficient for much of its business and its overall performance has been mediocre… The main benefit of privatization likely will be the resultant market forces (such as the oversight of shareholders) that discipline the Postal Service's operations.

—Policymaker

Different Vision

[We propose]...a plan that represents a third way between propping up the status quo and privatization. It would preserve the Postal Service monopoly on "last mile" delivery while opening up the acceptance, transport, sorting, and processing of the mail to much greater competition. In our vision, customers will be able to send mail from local stores instead of the local post office, private companies will sort and transport the mail faster and more cheaply, and customers who put more effort into preparing their mail will get discounts on postage. All the while, Postal Service mail carriers will deliver to American homes and businesses.

—Policymaker

The GAO Perspective

In February 2002, the General Accounting Office issued a report that summarized its commentary and recommendations on postal transformation. The report, titled *U.S. Postal Service: Deteriorating Financial Outlook Increases Need for Transformation* followed two documents containing testimony on the need for transformation, that were presented to the Congress by the GAO in April and May 2001. In his testimony last year, Comptroller General David Walker asked the Postal Service to "develop a comprehensive plan" for its transformational efforts, one that addressed the organization's long-term outlook. The report suggested that, in its April 2001 testimony, the GAO should offer a "reassessment" of the Postal Service's financial options and operating plans. In Walker's May 2001 testimony, the GAO recommended eight areas to address in the transformation planning process, and called for broad-based stakeholder engagement. The eight areas were:

- The Postal Service's mission and its universal service definition;
- Whether or not the Postal Service should be mandated to break-even financially over time;
- Governance;
- How the Postal Service is regulated;
- Workforce planning;
- Performance management;
- Operational improvement; and
- Network optimization.

The February 2002 report expressed a sense of urgency regarding the need for postal transformation stating that "The Postal Service's basic business model…is increasingly problematic since mail volume could stagnate or decline further, and the Postal Service has difficulty in making and sustaining productivity increases."

Noting that "postal stakeholders often have diverging views on postal issues," the GAO report recommended that the Postal Service develop a near-term approach to transformation, stating "the actions it can take;" and "what incremental legislative changes are necessary;" and a long-term approach that relates "what additional

comprehensive legislative changes are needed." The GAO report indicated support for both incremental and comprehensive legislation and suggested that Congress "consider…establishing a commission" to facilitate any legislative action.

The February 2002 GAO report reiterated the need for the Postal Service to undertake whatever operational improvement initiatives were possible in the current environment. The report also restated its recommendation that transformation planning focus on several specific areas, which might include: mission and role; public/private provision of postal services; accountability and transparency; the postal monopoly; the break-even mandate; the rate-setting structure; network operations; and human capital challenges.

"A comprehensive transformation of the Postal Service is needed to ensure its financial viability," concluded the GAO report, "and fulfill its mission in the 21st century in the dynamic communications and delivery sectors."

Outline for Discussion Commentary

The principal stimulus for stakeholder community input was the publication, on September 30, 2001, of the *Outline for Discussion*: *Concepts for Postal Transformation*. This document was an interim step toward the *Transformation Plan*. The *Outline for Discussion* reviewed the need for transformation and described the framework that the Postal Service used to prepare the plan. It included a summary of the challenges and opportunities for change.

Many industry and interest group meetings held in the fall and winter of 2001 - 2002 used the content of the *Outline for Discussion* as a framework for their own discussions, and shared the outcome of those discussions with postal executives and planners.

Both the *Outline for Discussion* and accompanying *Federal Register* notices invited—but by no means required—stakeholders to frame their comments as answers to questions posed in the *Outline for Discussion* and the *Federal Register* notices. Most respondents elected not to address specific points within the *Outline for Discussion*. Instead, they chose to use the comment process as a vehicle to express general concerns about the future of the Postal Service. In alphabetical order, those concerns are summarized below.

Customer Service

Several respondents elected to comment about customer service. In general, they observed what they described as a declining quality of customer service. Many of those who commented on this theme also indicated their belief that the declining quality of customer service is influencing the Postal Service's financial situation.

Labor-Management Relations

A few respondents chose to comment specifically on labor-management relations within the Postal Service. Most recommended increased efforts to bring union-represented employees closer to the management of the organization. They also suggested that continuing labor grievances are a prime reason for the state of labor-management relations. All of the respondents who commented on this issue urged the Postal Service to improve the collective bargaining process.

Mail Safety and Security

In light of the events of fall 2001, many respondents expressed a desire that the Postal Service take steps to ensure the safety and security of the mail, even though this topic was not originally addressed in the *Outline for Discussion*. Specific suggestions for improving safety and security were few, although respondents who commented on this theme universally expressed support for the Postal Service as it confronts this crisis. All respondents who commented on this issue expressed their hope that the Postal Service will move quickly to protect the mail and its recipients.

Postal Operations

Several respondents offered comments on how the Postal Service could improve its operations. Among the responses received, there was general recognition that "business as usual" will not prepare the Postal Service for the coming years. Among the suggested operations changes were advice to eliminate Saturday delivery, close unproductive offices, and increase productivity within the Postal Service.

Mapping the Stakeholder Responses

A wide range of stakeholders submitted written comments to the *Outline for Discussion:*

Comments Received In	Numbers
Electronic	120
Hard copy	23
Total	*143*

Stakeholder Type	Numbers
Employee (including Craft, Managers, and Executives)	55
Consumer	31
Mailer—Business Customer	27
Mailer—Mailer Association	17
Mailer—Government Customer/policymakers	7
Postal Labor Organization or Management Association	3
Supplier/Business Partner	3
Total	*143*

The table shows the themes raised and the number of times each theme was discussed. *Note*: Some stakeholders elected to address more than one theme.

Different Themes Mentioned	Numbers
Business Environment	5
Cultural Transformation	4
Customer Service	7
Decline to Comment	1
Human Resources	28
Improved Core Services	28
Labor Relations	10
Mail Safety	14
Mission and Goals	2
New Products and Services	23
Postal Operations	27
Postal Privatization	13
Postal Transformation	38
Productivity	2
Public Perception	2
Rates and Pricing	19
Regulatory Reform	13
Stakeholder Education Question	2
Universal Service	24

The following table combines the information from the previous two tables, showing the number of instances in which a stakeholder group raised a particular issue.

ISSUES RAISED BY STAKEHOLDER CLASSIFICATION

Theme	Employee	Consumer	Mailer-Business Customer	Mailer-Mailer Association	Policymakers Government Customer	Union or Mgmt	Supplier	Total
Business Environment	1			2	1		1	5
Cultural Transformation	4							4
Customer Service	4	3						7
Decline to Comment			1					1
Human Resources	19	4	2	1		2		28
Improved Core Services	6	7	9	6				28
Labor Relations	3	1	2	1		2	1	10
Mail Safety	3	4	2	3	1		1	14
Mission and Goals	1			1				2
New Products and Services	10	5	6	1	1			23
Postal Operations	13	6	1	7				27
Postal Privatization	3	3	4	2	1			13
Postal Transformation	5	3	13	12	4		1	38
Productivity			1				1	2
Public Perception	1			1				2
Rates and Pricing	4	4	6	4		1		19
Regulatory Reform	6		1	3	2	1		13
Stakeholder Education Question		2						2
Universal Service	6	4	7	6		1		24

Focus Group and Public Survey Results

The Postal Service commissioned a market research firm to obtain the opinions of both consumers and small and medium-sized business customers concerning how, if at all, the Postal Service should be transformed. Specifically, the research had four objectives: 1) identify any misperceptions of the Postal Service's structure, funding, and operations; 2) obtain input on the challenges facing the Postal Service; 3) determine explanations for the differing attitudes toward Postal Service reform; and 4) gauge business customers' and consumers' reactions to potential structural and operational changes.

The resulting report, *Customers' Attitudes Towards Postal Service Reform & Transformation*, is summarized below.

Methodology

The Postal Service project team accomplished its four objectives by conducting both focus groups and a survey of the general public. The focus groups provided a more intensive venue for consumers and business customers to express their viewpoints. Moreover, the focus groups afforded the Postal Service a chance to clarify any misperceptions and ensure meaningful discussion of the objectives. Meanwhile, the survey of the general public provided a context of initial public sentiment to the issue of transformation. The focus groups and the survey were intended to work in concert with one another; however, they had different research methodologies.

The focus groups, split into consumer groups and small- and medium-sized business customer groups, were conducted across the United States using materials developed in close collaboration with the Postal Service project team. The table below provides a breakdown of the distribution of focus groups by geographic location.

DISTRIBUTION OF FOCUS GROUP BY GEOGRAPHIC LOCATION

Type of Respondent	Total	Atlanta GA	Denver CO	Chicago IL	Houston TX	Lancaster PA	Little Rock AR	Los Angeles CA	Miami FL	Washington DC
Consumers	14	2	1	2	1	2	2	1	2	1
Business Customers	8	1	1	1	1			1	1	2
Total # of Groups	22	3	2	3	2	2	2	2	3	3

The focus group effort was divided into two stages. In the first stage, ten focus groups were conducted October 15–24, 2001, and focused on a broad range of consumer types and customer groups. Specifically, the first stage split consumer groups by community type and business customers by size. In the second stage, consumer groups were stratified by mail volume, income, and community type, while business customers were

split by product usage characteristics. In this stage, twelve groups were conducted January 17–24, 2002, and focused on more specific types of consumers and business customer groups. Despite the differences in the two stages, the focus groups returned similar themes that are detailed below. The focus groups facilitated interaction among participants, which the survey could not.

Under the direction of the Postal Service, the survey of the general public was conducted by a market research firm via a weekly TeleNation survey. In all, a total of 2,021 telephone interviews were completed October 19–21, 2001. The interviews were conducted across a random sample of adults who had either sole or partial responsibility for handling the household's mail. The interviews consisted of non-competing client-specific questions and a shared set of demographic questions with transitional phrases between survey segments.

Results

The combined results are summarized in the Stakeholder Feedback—Categorized by Group section. The focus groups and the general public survey tended to have similar conclusions to the objectives. However, the focus groups provided a more probing examination of the issues, while the general public survey allowed for an assessment of initial public opinion of the objectives. Participants' initial perceptions are as follows:

- Awareness and knowledge about the Postal Service's current structure, funding sources, and its internal operations are limited and often misconstrued.
- Whatever type of organization they think it is—governmental agency, quasi-governmental entity, or private company—some believe the Postal Service is poorly organized, not well-managed, and generally inefficient.
- Similarly, there is a perception that postal employees who are retail associates are not highly motivated or productive, largely because they are part of a bureaucracy that offers little or no incentive for increased productivity.
- Although business customers and consumers readily acknowledge the impact that the Internet, e-mail, and competitive package delivery are having on the Postal Service, few believe that its financial situation is as precarious as it seems.
- Nevertheless, both consumers and business customers feel that the Postal Service offers a good product at good value, even if its customer service tends to be lacking.
- In addition to providing good value, consumers and business customers alike believe the Postal Service is the backbone that propels the nation's vital communications network and its commerce.

Three key dimensions emerge from the analysis as drivers of consumers' and business customers' attitudes toward transformation of the Postal Service—current perceptions, social responsibility, and privatization. The intersection of these dimensions yields four distinct segments that differ in their views about the government's role and freedoms the Postal Service should have.

- Legislative reformers. The largest group, legislative reformers seek changes that will make the Postal Service operate more like a business, but at the same time, ensure that universal service is preserved.

- Operational improvement seekers. Operational improvement seekers, estimated to be a fairly large group, are opposed to privatization; they simply feel that better management will ensure the Postal Service's continued viability.
- Government-endorsing traditionalists. A small minority is government-endorsing traditionalists who believe privatization will not ensure that universal service is maintained and thus are opposed to Postal Service transformation.
- Free-market enterprisers. Also a small group, free-market enterprisers believe fundamental change is necessary and that market forces will ensure that all American households and businesses that want delivery will receive it.

Notwithstanding the sentiments of free-market enterprisers, complete privatization would face significant opposition, due to perceptions that service would deteriorate and prices would rise.

The study also focused on attitudes toward specific reforms. Furthermore, when asked specifically about their agreement or disagreement with possible changes, as many disagree as agree with almost every proposal.

- Almost without exception, both business customers and consumers affirm that it is essential that mail delivery be universal.
- There is some divergence of opinion on the issue of mailbox access. Some feel the sanctity of the mailbox must be maintained, while a few are open to providing access to other reputable organizations.
- The in-depth focus group discussions indicated that reducing delivery to five days would be generally accepted; more severe reductions, however, would be strongly opposed.
- As for post office closings, when the financial implications and proximity of other offices are discussed by participants, many agree that such closings would be acceptable.
- Many consumers and business customers are opposed to the concept of zoned First-Class Mail pricing (a First-Class equivalent to zoned parcel post) primarily due to the anticipated confusion it would create.
- While some—particularly rural and suburban consumers—recognize that added pricing flexibility may be beneficial, many prefer the perceived protection that the current process provides for First-Class Mail service.
- Considering the perceived inefficiencies that currently exist, many participants believed that the Postal Service should have wider latitude to increase or decrease the size of its workforce.
- Generally, consumers and business customers would like the Postal Service to have greater flexibility to pursue expanded business opportunities.
- In general, suburban and upper income urban consumers tend to be most supportive of possible reforms. Trade-off exercises conducted in the focus groups confirm that most consumers and business customers prefer rate increases over tax subsidies, and favor giving the Postal Service added flexibility to compete with private industry.

- In mild contrast, the survey results indicate that the general public is not in favor of most changes, especially those that would alter the universal service mandate.

CONSUMER/BUSINESS CUSTOMER ISSUE COMPARISONS

Issue	Consumers	Business Customers
Type of Organization	More believe it is governmental	Likely to think it is quasi-governmental
Customer Service	Okay; generally forgiving as it is seen as improving	Okay at best; not forgiving because improvements are generally not seen
Employee Motivation & Productivity	Perceive that they are not highly motivated	Consider them wasteful, burned out, and mismanaged
Funding Problems	Not too serious; bailout is likely	Result of inefficiencies; skeptical that problems are real
Product/Value	Good and affordable	Not as good as competition, especially expedited services
Universal Service	Most supportive of maintaining it	More willing to support legislative reform and private enterprise
Reduced Delivery Days	Willing to accept	Less willing to accept because they want consumers to receive their mail and to be able to process mail received every day
Mailbox Exclusivity	Are particularly in favor of maintaining exclusivity	Might like it reduced to be able to take advantage of alternative delivery options
Retail Access	Reluctant to endorse post office closings at first	Supportive of post office closings from a business perspective, but concerned about effect on service
Pricing Flexibility	Willing to support higher First-Class Mail rates in order to maintain the special relationships they have with their letter carriers and in order to maintain universal service	Want business freedoms, within reason, to avoid huge and unpredictable pricing fluctuations

The study concluded that finding a universally acceptable proposal will be difficult, if not impossible. Working toward, but not skipping immediately to, fundamental transformation will be most palatable.

- The extremes—fully regulated governmental agency or fully privatized company—will satisfy few and antagonize many.
- Modest service improvements and legislative reforms will be attractive to most of the general public; many perceive service improvements as the first logical step, with legislative reform naturally following, if necessary.
- Universal service—to everyone, everywhere—and preservation of mailbox sanctity are critical.
- Additionally, other costly endeavors could be changed and new services developed and promoted, albeit with opposition from a small portion of current customers.
- Selected post offices could be closed, while investing in the remainder to provide better customer service.
- Delivery days could be reduced as needed or basic service could be offered at no cost. Premium services could be offered for a fee.
- "Quick response" employee management and pricing policies that serve the public's interests could be put in place, but some stakeholders would like to see the Postal Service follow private sector business practices.
- Effective communications will be necessary to inform the public about the Postal Service's products and services and why changes are mandated.

Postal Service Executive Survey Results

The Postal Service conducted a Web survey of its Postal Career Executive Service (PCES) executives on the topic of the strategic transformation of the Postal Service. The survey consisted of a ten-minute online questionnaire that covered a number of topics. They included: awareness of strategic issues, universal service, challenges facing the Postal Service, structural transformation, and mail safety and security. The survey also included a section on demographics that was used to tabulate the results of the survey, and to determine a demographic composition of the sample. The results of the survey have been incorporated into the employee summary in the Stakeholder Feedback—Categorized by Group section. Specifically, they are, in alphabetical order:

Financial Challenges

Costs and funding sources are clearly important concerns for Postal Service executives. They believe that new funding sources need to be explored and do not believe that productivity alone will be enough to fund an expanding universal service mission.

- Seventy percent of executives believe that universal service should be more narrowly defined in order to reduce overall costs.
- There was near unanimous agreement among the executives regarding the need to explore alternative funding mechanisms.

- Sixty-nine percent of executives believe the Postal Service cannot afford to make necessary investments to improve productivity and enhance services.

Human Capital Challenges

Three issues are clear in this section.

- Executives believe that reform is necessary throughout the Postal Service in the areas of compensation, recruitment, and the tasks to be performed, and strongly believe that the current collective bargaining process will not yield this reform.
- There is very strong support for the ideas of performance-based incentives throughout the organization and the removal of salary caps to retain talented executives.
- Executives also see a need for more outsourcing of Postal Service functions in the future.

Operational Challenges

There appears to be a mixture of opinion on cost and operational issues.

- Most executives who participated in the survey do see opportunities for cost reduction that do not adversely impact service quality.
- However, many of them also question the idea of meaningful cost reduction because of regulatory hurdles and difficult prospects for enough cooperation with the mailing industry.
- Nearly 90 percent of executives agree that significant cost savings can be achieved with network redesign.
- Over 60 percent of executives agree that costs can be reduced without impacting the quality of service.
- Executives are divided on the question of whether significant improvements can be made without regulatory reform.

Structural Transformation

- Executives are generally upbeat about the Postal Service's ability to compete with private providers and would be even more so given less governmental oversight and/or regulatory reforms designed to provide more flexibility and market freedoms.
- Just over 70 percent of executives feel that a publicly-owned Postal Service should compete with private providers.
- Eighty percent of executives believe that current performance measures and targets are not sufficient to ensure success in the market.

Universal Service

- Postal executives generally question the current state of the universal mail service.
- Significant percentages of executives appear to believe that revisions are necessary in the definition of universal service, the network of post offices, and the products and services offered by the Postal Service.
- A majority of executives feel that if the current universal service mission is to be carried out, a government-sponsored Postal Service is best suited for the task.

Additional Input

Postal policy has received considerable recent attention, especially since the debate over H.R. 22, a bill developed to modernize postal law in the United States, which was not passed. A number of papers and books have been published that represent the positions of many stakeholders on the key issues addressed by the transformation outreach program. This section includes an annotated bibliography on postal policy, or a list of the relevant works referred to in constructing postal policy as well as an explanation of each source. The purpose of this bibliography is to reflect the range of material and thought reviewed by transformation planners during the planning process. Specifically, the annotated bibliography includes pertinent meetings, hearings, media, and articles from 2000, 2001, and 2002. The following pages lists the many important input sources accompanied by a brief summary of each source.

Mail at the Millennium: Will the Postal Service Go Private?
Edward L. Hudgins (editor), CATO Institute, Washington, D.C., 2000
Based on a conference held in December 1998, the CATO Institute supports privatization of the Postal Service and opening the postal system to greater competition. The Institute favors market-based solutions and does not support permitting the Postal Service greater market freedoms in its current form.

> **Comment**
> "The United States should not move into the 21st Century with a Postal Service born in the 18th, operating on a monopoly model established in the 19th, and found wanting in the 20th…the U.S. Postal Service should be privatized and its regulatory and monopoly model repealed to create an efficient and cost-effective system for the new century."

Forecasting the Consumer Direct Channel: Business Models for Success
Peppers and Rogers Group, 2000
The Peppers and Rogers Group, with the Institute for the Future, has been conducting a major multiclient and multiyear study of the challenges facing the online shopping industry. They have conducted numerous interviews, focus groups, surveys, and literature reviews to assess the context in which retailers, manufacturers, and logistics providers, such as the Postal Service, will have to operate.

> **Comment**
> "By 2010, the Consumer Direct channel will account for more than one-tenth of all retail sales, one of the largest scale shifts in economic history. Even more impressive, it will have a much larger impact in altering consumers' entire shopping experience…clearly, one of the keys to success for any consumer direct model is building a scalable, efficient logistics system…"

Report to Congress: Electronic Signatures in Global and National Commerce Act, National Telecommunications and Information Administration
U.S. Department of Commerce, Washington, D.C., 2001
Congress directed the Commerce Department to conduct an inquiry and report on the effectiveness of electronic mail in the delivery of records, as compared with the delivery of records via the United States Postal Service and private express mail services. The Department sought extensive public comment.

Comment
"Based on our analysis at this time, the Department concludes that both methods of transmission are essential to a fully developed economy…both electronic mail and traditional mail delivery are, and will continue to remain, an effective method of communicating for consumers and businesses..."

United States Postal Service at a Cross-Roads: Insights and Questions
Strategic Decisions Group, Washington, D.C., 2001

Comment
1) Recent events call for a rethinking of the authentication function of the Postal Service.
2) The statutory responsibility to bind the nation together requires clarity.
3) The Postal Service is at the center of a dynamic business ecosystem.
4) The long-term outlook for the Postal Service business portfolio is worrisome.
5) The Postal Service is extremely limited in its role as a government agency.

"In addition to meeting the immediate challenges, the Postal Service needs to creatively examine the emerging, untapped opportunities in the overall postal ecosystem, rigorously scrutinize its current portfolio of products and services to eliminate (or trim down) the white elephants, and systematically determine what new growth opportunities it can create from existing platforms—and what institutional mechanisms need to be established to assure continued business innovation."

The Rise of Global Delivery Services,
James I. Campbell, Jr., Washington, D.C., 2001

Comment
"In the United States…postal reform has lagged behind Europe and other industrialized countries by five years or more…One way or another, the United States will be forced to address postal reform…the technological and commercial trends which have persuaded other industrialized countries to reform their postal laws are at work in the United States as well."

Seizing Opportunity: The Report of the 2001 Mailing Industry Task Force,
Michael J. Critelli and John M. Nolan, Co-Chairs, Washington, D.C., 2001

The Mailing Industry Task Force was led by the chief executives of eleven leading companies and the Deputy Postmaster General of the Postal Service, and worked for six months to develop recommendations.

Comment

The Task Force is continuing its work, focusing on three recommendations:
1) Respond to today's customer environment;
2) Make the mail channel more competitive; and
3) Unify the mailing industry.

U.S. Postal Service: Deteriorating Financial Outlook Increases Need for Transformation, GAO-02-355 (www.gao.com)
The General Accounting Office, Washington, DC 2002

Comment

The General Accounting Office reported, in February 2002, that the Postal Service's worsening financial outlook created a sense of urgency about postal transformation. In this report, the GAO proposed a three-phased transformation plan.

In the first phase, the GAO recommended that the Postal Service state "the actions it can take" without legislative reform. In the second, the Postal Service was told to describe the "incremental legislative changes necessary" to succeed. In the third phase, the GAO suggested that the Postal Service *Outline for Discussion* "more comprehensive legislative changes needed" in order to remain viable. The GAO report indicated support for both incremental and comprehensive legislation, and suggested that Congress "consider …establishing a commission" to facilitate any legislative action.

The President's Management Agenda, FY 2002
Office of Management and Budget, Washington, D.C., 2001

Comment

"Federal managers are greatly limited in how they can use available financial and human resources to manage programs; they lack much of the discretion given to their private sector counterparts to do what it takes to get the job done. Red tape still hinders the efficient operation of government organizations; excessive control and approval processes afflict bureaucratic processes. Micromanagement from various sources—congressional, departmental, and bureau—imposes unnecessary operational rigidity."

The Administration will sponsor a three-part "Freedom to Manage" initiative to clear statutory impediments to efficient management:
1) Statutory clean-up;
2) Fast track authority; and
3) Management flexibility and authority.

USPS: Information on Retirement Plans
GAO-02-170 (www.gao.gov)
General Accounting Office, Washington, D.C. 2001

Comment
This report identifies long-term structural or operational issues that may affect the U. S. Postal Service's ability to provide affordable universal postal service on a break-even basis. One key issue is the Postal Service's retirement costs and future liabilities. The Postal Service had a net loss of $199 million in fiscal year 2000 and recently announced a $1.7 billion net loss for fiscal year 2001.

USPS: Update on E-Commerce Activities and Privacy Protections
GAO-02-79 (www.gao.gov)
General Accounting Office, Washington, D.C. 2001

Comment
Management of the U.S. Postal Service's e-commerce program has been fragmented, and implementation of e-commerce initiatives has varied at different business units. Overall, the Postal Service's performance in this area has fallen short of expectations. Last year, the Postmaster General announced a sweeping management restructuring that changed both the reporting structure and program managers. The Postal Service also revised its procedures for approving and implementing new Internet initiatives, including e-commerce.

USPS: Financial Outlook and Transformation Challenges
GAO-01-733T (www.gao.gov)
General Accounting Office, Washington, D.C. 2001

Comment
The U.S. Postal Service faces major challenges that collectively call for a structural transformation if it is to remain viable in the 21st century. This testimony discusses the Postal Service's current financial outlook, actions that the Postal Service has taken or planned to take, and the transformation issues that will need to be addressed. GAO concludes that structural transformation is essential if the Postal Service is to overcome its financial, operational, and human capital challenges. It is at a growing risk of being unable to continue providing universal Postal Service at reasonable rates while remaining self-supporting through postal revenues. Although the Postal Service has announced steps to address its mounting problems, it lacks a comprehensive plan to address its various financial, operational, or human capital challenges.

USPS: Transformation Challenges Present Significant Risks
GAO-01-598T (www.gao.gov)
General Accounting Office, Washington, D.C. 2001

Comment
This testimony discusses the challenges facing the U.S. Postal Service. Overall the Postal Service faces major challenges that collectively call for a structural transformation if it is to remain viable in the 21st century. The Postal Service's financial outlook has worsened, and it is not clear how the Postal Service will address its mounting financial difficulties and other challenges. These challenges include: 1) reduced net income, 2) increased debt, 3) increased competition, 4) management-labor relations problems, and 5) statutory restrictions. Because of the Postal Service's rapidly deteriorating financial situation, GAO is placing the Postal Service on its high-risk list. GAO believes that several actions need to be taken to address the Postal Service's continued problems. Such actions include: 1) developing a comprehensive plan to address the financial, operational, and human capital challenges; 2) providing quarterly financial reports to Congress and the public; and 3) identifying, in conjunction with GAO and other stakeholders, improvement options that will cut costs and improve productivity.

USPS: Major Management Challenges and Program Risks
GAO-01-262 (www.gao.gov)
General Accounting Office, Washington, D.C. 2001

Comment
This report, part of GAO's performance and accountability series, discusses the major management challenges and program risks facing the U.S. Postal Service. To be successful in providing affordable universal service, the Postal Service must address formidable challenges in the following areas: 1) self-support, 2) cost-control, 3) human capital, 4) performance information, and 5) legal issues.

Opening the Mail – A Postal System for the New Economy
(www.ppionline.org) ***Shane Ham and Robert D. Atkinson,***
Progressive Policy Institute, Washington, D.C., 2001

Comment
The objectives of any postal reform effort are relatively straightforward: cut costs by bringing the benefits of competition to the postal system to the greatest extent possible, while maintaining service and preserving universal delivery. The Progressive Policy Institute believes that this cannot be achieved either by small changes to the status quo or by completely privatizing the Postal Service. Instead, it offers several proposals to reform the postal system.

The Posts: A Decade of Challenge, Report of the Future of Global Mail Program
Institute for the Future, Menlo Park, California, 2002.
The Institute for the Future has been managing a multiyear study sponsored by a number of foreign postal administrations, major mailing industry suppliers, and the U.S. Postal Service. In the 2001 program, the Institute conducted in-depth interviews with global experts in the mailing industry, paper, printing, and related industries. The Institute sponsored an expert panel, an online conference, and conducted secondary and original research.

> **Comment**
> "The posts that succeed in the coming decade will have to decide between two mutually exclusive paths: accepting a modest, scaled-down role as the efficient universal deliverer of paper-based messages at a set price; or expanding into a new marketplace by adding new services…even in the more modest delivery role, successful posts will have to transform themselves…in either role – improving household delivery or building value-added services – the posts will have to change the way they do business in the next decade. Neither approach will be easy."

Stakeholder Comment Excerpts

Excerpts from selected stakeholder comments are transcribed below to demonstrate the broad range of opinion collected by the Postal Service during its stakeholder comment period.

Transformation in General

Transformation of Foreign Posts
As you move forward, I also encourage you to explore and analyze the various transformation efforts undertaken by postal services in other nations, particularly New Zealand, the Netherlands, Sweden, and most recently Germany. Over the past decade, each of these nations has experimented with different approaches to regulation and competition, organizational structure, and the integration of their postal service into the rapidly evolving and increasingly diversified communications and transportation marketplaces. There is always much to be learned from the experience of others.

—Federal Agency

Supports Legislative Change
We support the need to change legislation in order to encourage competitive pricing and alternate delivery methods.

—Federal Agency

Study Commission
[We have] long advocated a high-level commission to examine these major, and to date politically controversial, issues and reiterate that suggestion here. The formation of such a commission is the one action that could hasten postal transformation. The Postal Service should incorporate such a suggestion in its final report.

—Mailing Industry Association

Critical Need
We have discussed core items in critical need of resolution in order to solve the impending crisis, a crisis that will affect employment across a swath of the USA. We look to the Postal Service to present a clear strategic plan answering the vital vision question—what should the post office be. We look to the President and the Congress to show leadership and courage…and put the Postal Service on the road to a long and successful future. Let's not wait until we hit the wall. Let's try to find a way of agreeing on the basic steps we need to take to successfully move the Postal Service structure into the 21st century.

—Mailing Industry Association

Postal Service Needs to Reorient
If the Postal Service is to maintain the public's patronage and support—with the postal monopoly and the very substantial contributions to overhead that comes with that support and patronage—then it must reorient its future planning to serve the household mailer and mail recipient. If the Postal Service undertakes that reorientation, we are confident it can maintain and increase patronage.

—Mailing Industry Association

Transform Boldly
As you proceed with the transformation project, we urge the Postal Service in the strongest possible terms to be bold in its approach.

—Mailing Industry Association

Make Tough Choices
Our future direction needs to be clear. We can no longer be everything to everyone. We need to get off the fence and make the "tough" decisions.

—Postal Employee

Products and Services

Mail Tracking
It is very important to our customers to be able to track their orders.

—Major Mailer

Internet Services
Customers are also looking at using the electronic billing and payments. With the government's help, the Postal Service could provide additional Internet services.

—Postal Employee

Human Resources

Labor Costs
[We] appreciate the opportunity to comment on this very important effort. This association has always considered itself a partner of the Postal Service and has usually supported efforts to modernize and improve postal operations. Our membership views the viability of the Postal Service as essential for its survival. Therefore the membership has given much consideration to this Transformation Plan. Notwithstanding the previous comments, (we) firmly believe that any postal transformation must include a fully developed, detailed plan to deal with the estimated 76 percent of postal costs that are related to labor. The plan must include annual total factor productivity increases and corresponding hiring restrictions and right-sizing. The plan must provide every opportunity for worksharing by mailers so that total combined costs may be efficiently reduced. The plan must include the Postal Service's plans to improve its labor climate as well as proposals to reduce inflationary wage increases resulting from binding arbitration.

—Mailing Industry Association

Reduce the Number of Employees
We must pursue the reduction of craft positions through attrition and operational improvements.

—Postal Employee

Mail Safety and Security

Address Mail Safety Issues
Transformation-planning efforts should address actions for preventing the use of the postal service as a vector for chemical or biological terrorism and the safety of postal employees and mail recipients.

—Federal Agency

Mailbox Monopoly
To protect customer privacy and ensure security, the Postal Service should retain exclusive rights to the mailbox.

—Postal Employee

Postal Operations

Reduce Costs
The transformation plan must demonstrate concrete, specific ways in which the Postal service will reduce its escalating costs. Additionally, the Postal Service must have a plan for decreasing its costs as its volume declines. This is just as important as planning for volume increases when times are good for the Postal Service.

—Mailing Industry Association

Reconsider Saturday Delivery
As the Postal Service addressed most recent and projected challenges, perhaps now is the time to reconsider Monday – Friday delivery.

—Postal Employee

Fundamental Problems with Postal Operations
A blurring of the basic mission, failure to restrain costs and outdated statutory restraints on postal operations have created fundamental problems for the Postal Service and the American public.

—Mailing Industry Association

Reduce Facility Network
The Postal Service needs to quickly assess and reduce the size of its facility network. It is apparent that there is excess capacity in the system today. If retaining the current network is a matter of public policy, then it should be paid for with public funds. If Congress is unwilling to fund the cost of the network, then it should step aside and allow the Postal Service to make the changes necessary to bring its network into line with financial realities.

—Major Mailer

Close Inefficient Offices
Closure of some of these offices is necessary to reduce the fixed cost burden and provide a more efficient network. Some alternative retail locations may need to be provided, perhaps in storefront or nonpostal retail locations, but overall cost savings can be significant.

—Postal Employee

Improve Efficiency
Delivery methodology must be changed dramatically, and other steps toward efficiency must be taken.

—Federal Agency

Core Services

E-Government Infrastructure
Postal Service has been saying for years that it intends to be the leader in providing the national infrastructure to support e-Gov.

—Federal Agency

Stay with Core Mission
Eliminate electronic commerce, telecommunications, financial service and other Postal Service ventures in the private sector that are not part of its core mission.

—Mailing Industry Association

Transform, but Continue to Provide Core Services
Looking forward, we envision a Postal Service that is able to adjust to a rapidly changing marketplace, able to identify and understand its customers' needs and provide the services all of its customers have come to expect.

—Major Mailer

Focal Points Should Not Be Non-Core
Mail delivery should be the core of the future Postal Service, as it has since the time of Benjamin Franklin. The key service that the Postal Service provides is a hardcopy "last mile" delivery to every American. The Postal Service also provides retail, processing and transportation services to the mailers. These traditional services will undoubtedly continue as well, but the new Federal Express alliance and various work-sharing arrangements that have evolved over many years suggests that creative partnership arrangements may be the heart of future opportunities in the retail, processing and transportation arenas. Noncore activities should not be focal points for the Postal Service as it moves to deal with future challenges.

—Policymaker

Focus on Core Business
An effective postal transformation plan must focus more intentionally on the Postal Service's core business: delivering the mail. Accordingly, Postal Service should define specific, aggressive objectives and metrics for each of the "five points on the star": cost management, people management, service measurement and performance, revenue growth and reform.

—Major Mailer

Universal Service

Universal Service is Most Important
Of the issues discussed in the *Outline for Discussion*, the most important to federal agencies is universal service. Federal agencies would be comfortable with minor adjustments in the definition of universal service, but maintaining universal service in a form quite similar to the present is critically important to almost every federal agency.

—Federal Agency

Maintain Universal Service
A transformed postal system will continue to have a "universal service obligation." For our company, America's long-standing policy commitment to universal mail service is synonymous with the Postal Service's statutory charge to "bind the nation together." Transformation will not—and should not—change that obligation.

—Major Mailer/Business Partner

Change May be Required
If the Postal Service is unable to continue operating under its current business model, changes in the definition of universal service may be required. The *Outline for Discussion* fails to address the topic of universal service or to offer alternatives.

—Mailing Industry Association

Keep Six-Day Delivery
[We] firmly believe that universal six-day delivery must be maintained. We do believe that the current retail operations policy should be reviewed to determine if more cost-effective policies can be implemented, including the closing of unneeded postal facilities.

—Mailing Industry Association

Continue to Deliver to Every Address
[We strongly believe] that the Postal Service should continue to be charged with a mandate to deliver to every address currently served.

—Major Mailer

Leave it to Congress
The larger questions surrounding the definition of "universal service" or the description of "the public service obligations" must be left to Congress. Especially for those members of the nonprofit and charitable community who rely upon the mails to raise funds for important social causes or disseminate information to the nation – the concepts of "universal" and "public" service strike to the heart of our mission.

—Mailing Industry Association

Public Responsibility
The Postal Service must continue to serve every address, whether it is rural, urban, or suburbs. [We] believe new strategies can be developed to better serve all mail customers, but the Postal Service has a public responsibility to carry out this obligation. We are ready to assist in the process to redefine and improve the concept of universal service.

—Mailing Industry Association

Postal Service Needs to Redefine
Another troubling aspect of the *Outline for Discussion* is its treatment of the universal service obligation. The *Outline for Discussion* indirectly recognizes but avoids expressly stating that the term "universal service" is not in fact used in any applicable law. The term "universal service" is a term the Postal Service uses to describe what it sees as it obligation under the current law. However, the *Outline for Discussion* fails to effectively acknowledge and address the fact that the term can and probably should be redefined by the Postal Service. Indeed, it is my understanding that it has been asked to do so by the Congress but has not done so.

—Mailing Industry Association

Universal Service is the Postal Service's Reason for Being
Universal service to every address in America, every day, is the core value upon which the Postal Service was built. It is why we work and the predominant means with which we reach our customers. To diminish or reduce that level of service would have a detrimental effect upon the Postal Service's value and utility as a service provider in the eyes of the American public.

—Postal Employee

Postal Privatization

Privatization is Inevitable
The worldwide trend does appear to favor privatization at some time in the future, and our comments are geared toward helping prepare the Postal Service for that eventuality.

—Major Mailer

No Turning Back
It is hard to imagine the Postal Service turning its back on fundamental free market principles, bucking the world trend towards capitalism, and creating a new socialized state owned company that will enter the marketplace to compete against the private sector.

—Mailing Industry Association

Postal Service Needs to be Privatized
The imperative is clear for the Postal Service to become privatized. The Postal Service needs to emphasize its core mission, and to help accomplish that, it needs to be able to operate like a private-sector business rather than a quasi-governmental entity favored with special privileges.

—Major Mailer

Re-federalize the Postal Service
The Post Office should be an agency of the government providing a legally mandated service to the citizens of the United States…Let's go back to being a government agency and use some tax dollars to shore us up when we're in trouble.

—Postal Employee

Commercialization is the Wrong Goal
[We do] not believe that the role of the Postal Service is to be "commercial." The role of the Postal Service is to serve the American public in the most efficient and effective means possible.

—Policymaker

Regulatory Reform

No Consensus on Regulatory Flexibility
One important reason for the lack of consensus about flexibility that exists within the current regulatory framework may be the Postal Service's reluctance to push hard to determine just how much flexibility it does or does not have.

—Major Mailer

Give the Postal Service Flexibility in Setting Rates
We would not object to changes that would give the Postal Service more flexibility in adjusting rates.

—Federal Agency

The Postal Service Needs Reform to Raise Capital
As a government agency, the Postal Service is different from a private corporation with respect to raising financial capital because it cannot issue equity to private shareholders. At the same time, Congress refuses to infuse it with any capital, and the Postal Service is mandated by the governing statute to operate at financial breakeven. Practically speaking, this means that it is constrained from earning and retaining any profits in excess of its original equity capital.

—Major Mailer

Reform to Create Jobs
Congress must be convinced that legislation needs to be passed in order to allow us to operate and meet the needs of the American public efficiently. Laissez-faire should be recognized by private industry and allow us to join the competitive arena if it will improve service, maintain faith and the image of an icon and create more competition and jobs.

—Postal Employee

Reform Needed to Maintain Universal Service
I believe if we are to remain a universal service, we need to introduce regulatory reform.

—Postal Employee

Debt Ceiling
The *Transformation Plan* does not describe what the Postal Service will do if it reaches its statutory borrowing limit of $15 billion. In this situation it would be better to deal with this issue now while there is a cushion, rather than wait until the eleventh hour.

—Mailing Industry Association

Debt Ceiling
Raise the borrowing limitations while preserving the long-term break-even mandate.

—Mailing Industry Association

Unfunded Liability
The Postal Service and the Congress must also come to grips with the problem of unfunded pension and retiree health care costs, which are rapidly escalating out of control.

—Major Mailer

Improve the Rate-Making Process
We would welcome a streamlined rate-making process which may allow for more moderate and predictable rate increases.

—Major Mailer

Unfunded Liability
In 2001, the Postal Service paid $3.8 billion to the government toward retirement liabilities and interest at 5 percent imposed by Congress. The debt service for annual retirement liability payments will increase to $16 billion by 2010. A business charged by its shareholders to make normal returns could not meet this bill, never mind a business charged with breaking even. Congress has saddled the Postal Service with liabilities it simply can never meet. The Postal Service has not focused on this inequity and only recently realized it has been overpaying interest.

—Mailing Industry Association

Give the Postal Service Price Flexibility
The Postal Service must have pricing flexibility.

—Postal Management Association

Let the Postal Service Set its Prices
The Postal Service should be allowed to set the price of a first class stamp on its own.

—Residential Customer

Customer Service

Customer Service Getting Worse
I work in customer service and know and hear every day, what is angering our customers, and it only seems to be escalating.

—Postal Employee

Cost-cutting Efforts Misdirected
We keep cutting corners in all the wrong places and wonder why we are losing business and revenue.

—Postal Employee

Labor Relations

Improve Labor Relations
Any serious effort to address postal transformation must include concrete steps to heal this relationship [labor-management] and individuals within the managerial structure must be held accountable for its resolution.

—Postal Labor Association

Change the Culture of the Postal Service
Given the record of labor grievances, the Postal Service should, unconditionally, address the culture of the organization, irrespective of changes in the Postal Service's market.

—Supplier