

# POSTAL NEWS

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## 1. Postal Service faces challenge

Disruptive changes may be needed for survival of deeply rooted service

Updated: March 05, 2010, 6:36 am / 10 comments

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It's been clear for a long time that the Postal Service is facing severe financial challenges. Like many industries, its business model has been upended by the Internet and weakened by the global recession. A new report underscores how precarious its position is and makes clear that changes will have to come. Nothing, including eliminating Saturday mail deliveries, can be off the table.

The reports, produced by consultants on the post office's operations and outlook, forecast a \$7 billion deficit this year, leading the way into a cumulative loss of \$238 billion over 10 years. The problem is loss volume as communications, bill paying and other activities move into the electronic realm. The number of items handled by the post office fell to 177 billion last year from 213 billion in 2006. Volume is expected to shrink to 150 billion by 2020.

Clearly, some intervention is required.

The post office already has announced that it will raise the price of stamps. While such increases must usually stay within the rate of inflation, higher increases may be allowed in extraordinary circumstances, such as the current recession and drop in mail volume. Thus, rates could rise by 3 percent this year and 10 percent next year. That would increase the price of a first-class postage stamp, now 44 cents, to about 50 cents. And that, of course, would drive even more communications to the Internet—risking an exacerbation of the problem that's driving these changes.

More significantly, the post office is renewing its effort to drop Saturday mail deliveries, though post offices could remain open on Saturdays. That would be a major change—and an unwelcome one for many Americans—but it should be thoroughly evaluated and given serious consideration. Canada's postal service made that change long ago.

The U. S. Postal Service, which already has curtailed hours at many of its facilities, also may consider closing or limiting more post offices.

One change that should definitely be made is to give the Postal Service more authority over its own operations, rather than have Congress act as a massive board of directors. The post office has received no taxpayer subsidies since the early 1980s, yet it is handcuffed in responding to shifting economics. That doesn't mean the post office should be fully privatized—some governmental responsibility and oversight remain necessary—but it needs to be much more nimble than it is to function competitively.

The Postal Service has renewed its push to be allowed to restructure retiree health benefits—converting to a “pay as you go” system closer to that used by other federal agencies—and to be allowed to address overpayments to its pension system. Potential cash-flow benefits from the retiree health benefits restructuring are estimated at \$5.6 billion per year, and the two biggest changes—that restructuring and five-day delivery—would save \$90 billion through 2020, the service believes.

This is a new age in human history. In many ways, we may not fully understand how the Internet has changed the way we live, just as the Industrial Revolution did. Many businesses, and even entire industries, are having to adapt to forces beyond their control or risk collapse. The post office is one of them. It needs to be able to respond accordingly.

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## **2. Dollars & Sense**

March 05, 2010 1:11 PM  
Josh Roe

Possible three day work week for mail carriers

The postal service wants to end mail delivery on Saturdays to cut costs, but a new proposal goes even further.

A consulting firm has proposed delivering mail just three days a week.

The postal service doesn't like the idea.

Mail volume is expected to drop by as much as 20% over the next decade.

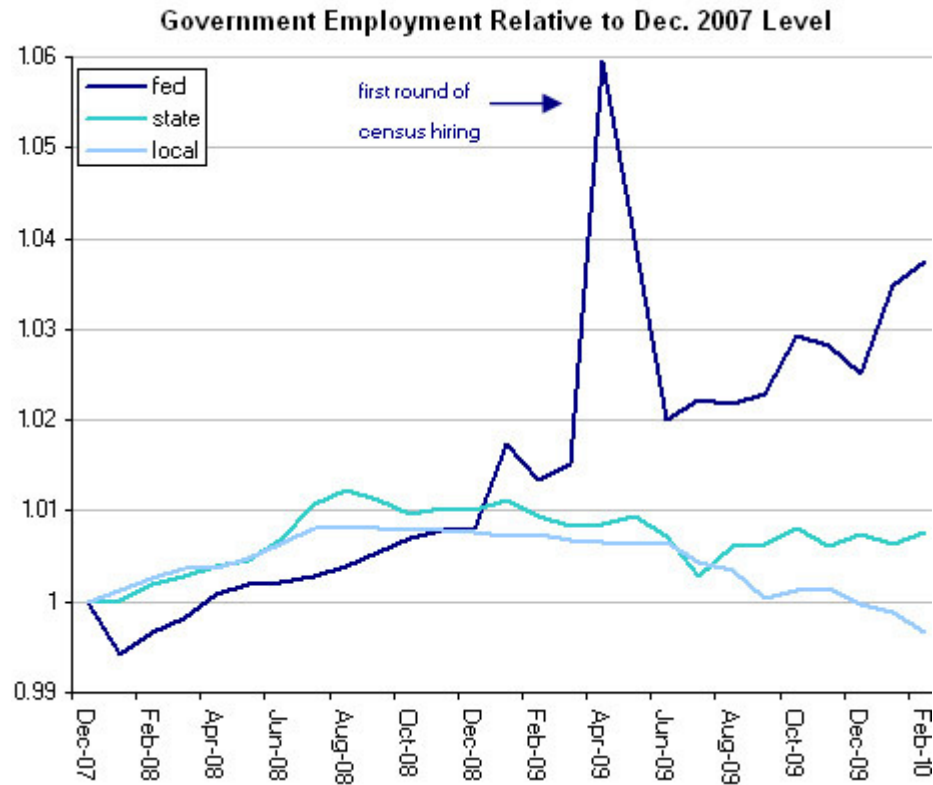
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March 5, 2010, 1:08 pm

### 3. Uncle Sam's Payrolls

By CATHERINE RAMPELL

Local government may be shedding workers, but the federal government is growing.

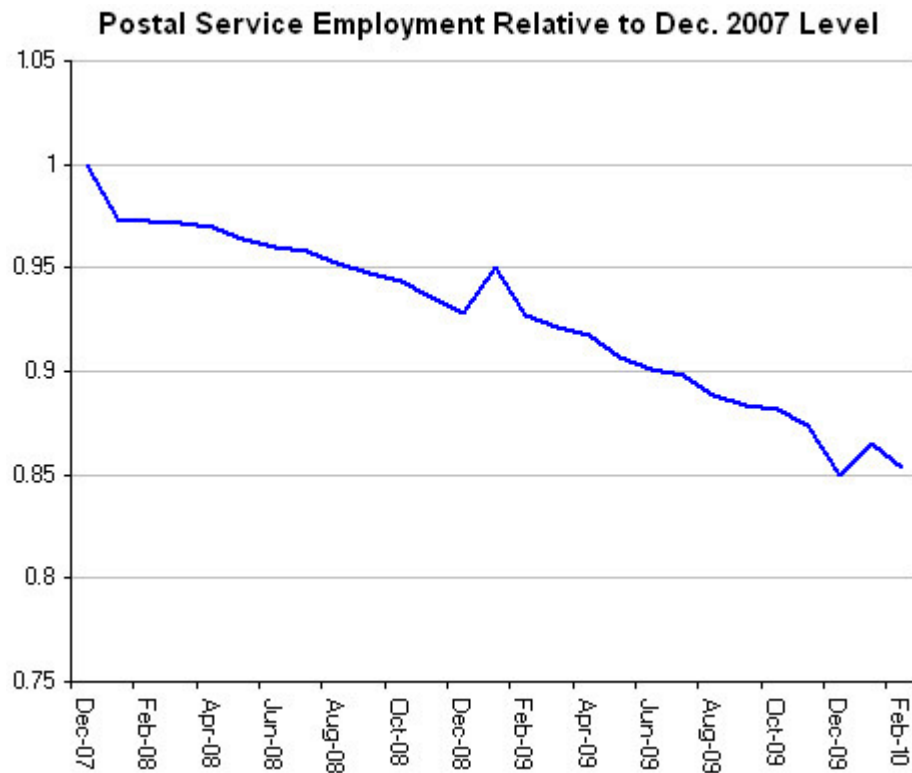


Bureau of Labor Statistics

The chart above shows federal, state and local employment relative to levels in December 2007, when the recession officially began.

All three segments generally grew for the first year of the downturn. Since then, however, federal employment has shot up (thanks largely to hiring for the 2010 Census); state jobs have stayed relatively flat, with a few losses; and local governments, the biggest employer of public sector workers, have been laying off employees pretty steadily.

Not everything is hunky-dory for federal workers, though. Since the recession started, the United States Postal Service has eliminated 114,300 jobs, or 14.6 percent of its payroll:



Bureau of Labor Statistics

Those job cuts probably reflect a longer-term structural decline in the Postal Service, which has been cutting staffing since the late 1990s. Recognizing its own decline, the Postal Service has also [proposed](#) eliminating Saturday delivery, among other services.

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#### **4. Industry Watchers Question Legality of 2011 Exigent Postal Increase**

Mar 5, 2010 3:32 PM, By Jim Tierney

As mail volume is predicted to keep plummeting, Postmaster General John E. Potter said in an address earlier this week that a modest exigent postal rate increase will be proposed for 2011.

But some industry watchers questioned if an exigent price increase early next year would be legal, based on the interpretation of the circumstances needed to qualify for exigency.

"The mention of an exigent price increase, and saying it will happen definitively in early 2011, is very disturbing," says Joe Schick, director of postal affairs for printer Quad/Graphics. "I'm also not sure an exigent price increase is legal, based on the interpretation of the circumstances needed to qualify for exigency."

Don Landis, vice president of postal affairs for catalog printer Arandell Corp., says he believes an exigent price increase can only be implemented under unusual

circumstances like a natural disaster, not during a downturn in the economy or a decrease in mail volume. “I have heard rumblings about the possibility of challenging the legality of an exigent price increase,” Landis says.

Postal Regulatory Commission Ruth Goldway says that the law provides that the U.S. Postal Service may seek a rate increase beyond the rate of inflation “due to either extraordinary or exceptional circumstances.”

It’s no surprise that mailers concerned about higher rates might challenge whether “extraordinary or exception” circumstances exist, Goldway says. “Should that issue be raised, the commission will evaluate all parties’ arguments and make a decision.”

The concern that the current situation does not meet the requirements for an exigent rate increase was discussed before the PRC on Feb. 23, says Jerry Cerasale, senior vice president of government affairs for the Direct Marketing Association. “So we will argue that again once USPS files its request, which we expect in September or October,” he says.

Cerasale says several mailer groups would make their case before the PRC against the legality of an exigent price increase given current circumstances. “Even if not successful, it would lay the groundwork for fighting any future exigent case,” he says.

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Collected by Chairul Anwar, Bandung, Indonesia.

E-mail address : [chairulanwar49@operamail.com](mailto:chairulanwar49@operamail.com), [uyungchairul@plasa.com](mailto:uyungchairul@plasa.com).