COALITION FOR A
21st CENTURY
POSTAL SERVICE

Statement of

Arthur B. Sackler

On behalf of the

Coalition for a 21st Century Postal Service

Before the

Subcommittee on Federal Workforce, U.S. Postal Service
and Labor Policy

Committee on Oversight and Government Reform

U.S. House of Representatives

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Statement of
Arthur B. Sackler
On behalf of the
Coalition for a 21st Century Postal Service
Concerning
"Pushing the Envelope: The Looming Crisis at USPS"

Good afternoon, Mr. Chairman and Members of the Subcommittee. The Postal Service remains an indispensable medium of commerce and communications in the 21st Century but, as such, it is the last link of a chain of distribution for, and a supplier to, a nearly $1 trillion industry that employs more than 7.5 million people. That industry runs the gamut of paper communications: from those who grow the trees through paper companies, printers, technology providers and on through companies which create mail of every type. This includes financial houses, telecommunications, insurance, utilities, mail order merchants, small businesses and the many other companies which place bills and statements into the mail, magazines and newspapers, advertisers and cataloguers, parcel shippers, new technology and business model providers, and more.

There is far more at stake in how the Postal Service fares than the Postal Service itself: the future of an industry roughly fifteen times the size of postal revenues, the huge number of jobs it supports, and the substantial impact that industry has on the economy as a whole. And, we believe insolvency, which could happen as early as the end of this Fiscal Year without action, may well have consequences: not only for the Postal Service, but possibly for the nation.

My name is Art Sackler, and I am one of two coordinators of the Coalition for a 21st Century Postal Service. I am also Executive Director of the National Postal Policy Council, an organization of large business users of First Class Mail, and a member of the Coalition. The thirty-one trade association and corporate members of the 21st Century Coalition span the entire spectrum of the enormous industry outlined above, positioning them to provide you with views that are broadly representative of that spectrum.

The Coalition greatly appreciates the opportunity to testify in light of the critical financial and structural issues confronting not only the Service, but the entire industry that relies upon it, and to present our views on how those challenges might be addressed.

Given the state of the industry, and the looming insolvency of the Service, the Coalition believes it is imperative for Congress this year to correct one of the core elements of the postal financial imbalance: by eliminating the hidden tax assessed on postal ratepayers for decades that was used to reduce the deficit and effectively subsidize the retirements of non-postal federal retirees, and repatriating that money to underwrite the prefunding of retiree health benefits required previously by Congress. The $50 billion or more in overpayments to the Civil Service

Retirement System (CSRS), and the nearly $7 billion more to the Federal Employees Retirement System (FERS), constitute a vast hidden tax that would, if redirected over time, dramatically improve the position of the Service, and consequently the industry and public generally which it serves.

Some believe that repatriating this money would amount to a "bailout" of the Postal Service. With great respect, we emphatically disagree. While we believe these overpayments were made because of a good faith misapprehension of applicable actuarial standards, they were nonetheless paid. Make no mistake: USPS has virtually no money of its own; it nearly all comes from user fees in the form of postage, and 90% of that comes from businesses. So, having collectively funded the bulk of these overpayments, we believe the right and just outcome is to put the money to use in a way that will benefit the Postal Service, and those in business and among the general ratepaying public who depend upon it.

The alternative is insolvency. On September 30 of this year, facing the choice of paying the Treasury $5.5 billion to prefund retirees health benefits, as required by the Postal Accountability and Enhancement Act (PAEA), or paying its employees and keeping the lights on, the Postal Service quite sensibly will opt for the latter. When it does so, there will be no legal or other consequences for USPS or its managers. But it will be in default of an obligation. Questions about its longer-term reliability and predictability will arise for those who do business with it. Of perhaps greater concern, are observers and holders of U.S. bonds and securities, especially overseas, going to see this as the first string peeling away toward unraveling the nation's financial ball of yarn? What will that do to the cost of borrowing: interest rates and yields for Treasuries? After all, it remains the *United States* Postal Service. Insolvency must be avoided.

And if it isn't, the obligations to postal retirees for pensions and health prefunding will not simply go away. To the extent that the financial shortfalls for USPS eventually overtake it, those obligations will fall to Congress. Then, there will be need of an actual bailout.

The Challenges Facing the System and the Industry

Despite the Manifest Value of the Mail, Mailers will Make Objective Business Judgments about Use of the System

Mail remains one of the great values available not only to mail users, but to the public generally. Even in its current, fragile state, the American postal system remains approximately eight times larger than any other system worldwide; it is more pervasive, efficient, effective (with on-time deliveries hovering generally in the mid-90%s for First Class), and cheaper, than its overseas colleagues. Whether mailing a piece sealed against inspection, a magazine or newspaper highly prized by readers, or seeking the best return available from a promotion via any advertising delivery system, its reliability and security are unmatched.

Yet despite these outstanding attributes, directly challenged by disruptive technology and the ongoing retrenching resulting from the recession, our postal system is in a struggle that could be nearly existential. Business mailers who contribute 90% or more of the Postal Service's volume and revenues, and their suppliers, have undergone traumatic changes over the past two years that have transformed the industry and required dramatic restructuring. Mailers and suppliers have collectively endured hundreds of thousands of lay-offs, the shuttering of numerous businesses, and other such dislocations. The result has been unprecedented pressure from within to reduce the costs of distribution.

It is a truism that nonetheless should be stated: no one can force anyone to mail. Mailers have choices. Primarily because of the Internet, First Class, the cash cow of the postal system, contributing nearly three times its cost of moving mail from point A to point B, has become virtually competitive. (For comparison, it takes three pieces of promotional mail to equal the contribution from one letter.) Even in our now recovering economy, as promotional mail rebuilds somewhat, First Class continues to sink like a stone – off another more than 6% in the latest financial report from the Postal Service. And, its effect is multiplied: for every, say, bank account that switches from paper to electronic, USPS loses a dozen statements, a dozen payments, and from six to fifteen promotional pieces a year. Still accounting for more than half of the Service's revenues, the continued decline in First Class is ominous, and threatens the financial stability of the system going forward.

The impact on other classes of mail is significant. When prices rise, even in as relatively small an increment as next month's indexed increase, given the razor-thin margins of the post-recessional world, the effect is magnified. The result from these increases is more pressure on catalogs, other advertisers, and periodicals to use alternatives, decrease the weight and size of their mailings, and take other steps that will reduce their exposure to the mail, and slow postal revenues. Adding to that having to make up the steep fall-off in First Class contributions may be a bridge too far for some of these businesses to survive, let alone thrive and create jobs.

The concomitant effect on the supply chain to mailers will be just as significant; reduced pieces of mail mean less business and fewer jobs for paper companies, printers, technology suppliers and more. Together, the shrinkage implicit from these prices will have implications for jobs and business not only in the paper communications sector, but in the economy as a whole.

It is a strange juxtaposition for mailers and suppliers that have been unable to raise prices, in some cases for at least a decade, to confront a system that operates as if it can. For mailers, by far the largest part of paper distribution costs, greatly outstripping paper, ink, printing and more, is postage. For example, for catalogs, postage makes up well over 50% of the cost of distribution. Postage is now the prime target of attempted cost savings in the distribution area.

The bottom line here is no matter how attractive this medium, mail users will make cold, clear, business-based decisions about how to distribute their products or their bills. That puts a premium on holding mail prices down while maintaining excellent service by, and providing innovative products and pricing from, the Postal Service. Mailers would like to continue to take full advantage of a proven system, but simply will be unable to if those conditions cannot be met.

The Problems Confronting USPS

The problems confronting USPS are well-known, but warrant a brief review. They fall into three categories: financial, structural and innovative. They overlap and, regrettably, to some degree are mutually reinforcing of a slide in fiscal stability.

Financial

- The prime financial cause of USPS' breathtaking losses since 2008 is the $5.5 billion annual payment to prefund postal retirees health benefits. According to USPS, absent that payment, it would have been in the red only approximately $500 million. When the payment was required in the Postal Accountability and Enhancement Act of 2006, the Service was flush with volume and revenue. No one predicted that the floor would drop out from under both, rendering the payment a currently unaffordable luxury. Moreover, the continued decline in postal employees has not been factored in, so the $5.5 billion annual payment now appears to constitute an overpayment, as well. And by contrast, few in the public sector, and even fewer in the private sector, prefund at all – let alone when there is already nearly $40 billion in this particular till.

- The proportion of USPS costs still hovers around 80% for wages and benefits to its employees. Notwithstanding extensive automation, and quite aggressive costcutting over the past two years, that proportion stubbornly does not move. It is far too large to simply ignore. It would have been heartening to see a focus between USPS and its unions and management associations on addressing the crisis confronting them mutually in a joint and constructive way. Unlike with the auto and, before them, other industries, such as airlines or steel, there was no reopening of contracts and examination together of what could be done.

- The Coalition wants to praise both USPS and its employees for the huge $10 billion in cost cuts -- including reduction of head count through attrition, and revision of some work rules, such as for longer carrier routes -- they have achieved over the past two years. Unfortunately, it has not been enough – not nearly enough. And we say "unfortunately" with deliberation. The wrenching changes in employment and budgets throughout the industry since 2008 makes us very empathetic to the plight in which postal management and labor find themselves. But it was only through those wrenching changes that the industry was able to adjust to new financial realities.

Structural

- The postal system is vastly overbuilt; by some estimates by a factor of nearly 100% based on current and foreseeable volumes. In a situation such as this, any private sector company would close and consolidate outlets, and redesign its distribution network to become more efficient. USPS does not have this latitude; it is severely inhibited in its ability to manage down and restructure for a new reality. The law currently prohibits USPS from closing a post office based solely on financial reasons. If it does decide to close a post office or other facility, it encounters extensive opposition, including through a formal appeals process to the Postal Regulatory Commission, from affected communities. It also runs into strong opposition in Congress from those representing the districts and states encompassing the affected areas. Last year's plan is a perfect example, when the number of potential closings dwindled from in the four-figures to less than one hundred.

- Work rules are another problem. In order to restructure, USPS needs the latitude to efficiently reassign employees, and redesign what they may be required to do. Current work rules largely prevent transfers among crafts or other such changes that would be necessary to help slim down and streamline the system. Moreover, mailers essentially subsidize inefficiencies in the postal system. This plays out in a number of ways. For example, in the case of magazines, extra and unnecessary personnel are diverted to processing those periodicals, which distorts and expands their costs and contribution to overhead.

- USPS also does not have sufficient flexibility in the area of nonpostal services. While the Coalition believes USPS should not be permitted to compete with the private sector outside the direct postal sphere, it should have more authority to partner with the private sector, through more worksharing and retail opportunities.

<u>Innovation</u>

- The Postal Service has taken steps over the past two years to innovate, with mixed success. The flat rate box for Priority Mail has been a hit, but the various "Sales" for certain Standard and First Class mail have met with modest success, at best. One problem is that there is a major emphasis on preserving every cent of revenue. USPS conditions access to these sales and other incentives on adding volume in a sometimes complex formula. When there is a healthy business, that kind of effort to drive up volume is a good strategy. But when the business is hemorrhaging volume at a record rate, first stop the bleeding. Remove the complex conditions and try to retain volume and market share; then build. To the extent that some First Class Mail, for example, which might otherwise have been removed by a mailer, stays in the system, it is worth a multiple to USPS, as outlined previously.

- Similarly, USPS has been far too conservative on pricing. As far as we know, the Service has not experimented with the notion of simply reducing prices in a category of mail, even temporarily, in a bid to regain market share. There are reasons for this, such as Sarbanes-Oxley compliance, or PAEA's pricing factor that mail must cover both attributable and some contribution to institutional costs, pointed to by USPS. Nonetheless, when cost coverages are well more than attributable costs, there is easily some room for reduction, notwithstanding these requirements.

- Relatedly, the Service has, with increasing frequency, imposed substantial additional costs upon mailers to prepare, qualify and verify mailings. For large mailers, these compliance costs can range into the 7- and 8-figures. For smaller mailers, the proportion can be similar. These are costs which are not compensated for in worksharing discounts. They are simply additional expenditures on hardware, software, personnel and training that constitute an unfunded mandate to mailers. Examples include the booklet rule change of 2009, the pending folded self mailer rules, Move Update requirements, and the implied (soon to be mandatory) rule changes for preparation and sorting of flats for the new Flat Sequencing System (FSS). A change as simple as redirection of drop shipments because of postal plant closures or processing changes can affect a great deal of mail and add costs; in many cases a logistics provider does not learn of such changes until a driver arrives at a USPS plant.

- Negotiated service agreements in the Market Dominant (MD) area have stagnated. NSAs are quasi-contracts that permit some individuation of service and pricing. Encouraged by PAEA, the process to achieve them through the Postal Regulatory Commission is too cumbersome, time-consuming and expensive. A potentially fertile ground for innovation is being choked off. Not only have there been relatively few MD NSAs, but some that had been achieved are not being renewed.

- Relatedly, Commission regulations label both market dominant and competitive rate agreements as "Negotiated Service Agreements." This causes some confusion and is inappropriate, in our view, as these two types of agreements are quite different and subject to very different statutory and regulatory requirements. We urge the Commission to distinguish between the two. We suggest competitive product agreements be labeled "Contract Pricing Agreements." A key feature of the PAEA was to enable the Postal Service to negotiate prices for these services with its customers. This has worked reasonably well, but regulations that deem each contract a separate product and a statutory provision requiring approval of every contract by the Postal Service Board of Governors are cumbersome and generally dissimilar to practice in the private sector. We believe the Postal Service will make specific recommendations to address these shortcomings, and we expect to support those

Recommendations to Address the Challenges to the Postal System and the Industry

Following are a number of recommendations for change endorsed by the Coalition, which we respectfully commend to Congress. They address the urgent issues confronting the system and the industry, as well as some matters of lesser importance where change would nonetheless prove beneficial.

<u>Pension Fund Overpayments Must Be Restored to the Benefit of the Postal Service</u>

As discussed earlier in this statement, pension fund liabilities have been greatly overpaid through the years. Through an independent actuarial evaluation by the Segal Company, and the PRC's report on the matter, as well as a study by the Hay Group for the Postal Service's Inspector General, it is clear that there has been at least $50 billion in overpayments to the Civil Service Retirement System (CSRS) Fund. And, now, we understand it has been established that an overpayment exists to the Federal Employees Retirement System (FERS) Fund, as well. We strongly urge Congress to direct that both be repatriated to the beneficial use of the Service in addressing its financial issues, much as has been contemplated in at least three bills introduced last year: H.R. 5746, S. 3831and S. 4000, and importantly this year by Senator Susan Collins in section 101 of her bill, S. 353.

Specifically, we recommend that:

- The current CSRS overpayment be transferred from that Pension Fund to the Retiree Health Benefits Fund to fully prefund that obligation, as imposed by PAEA. Such prefunding could be amortized, or paid in lump sum. Should any funds remain, they should go first to postal debt reduction, and then to retained earnings. The Coalition firmly believes that there should be no room for discretion or interpretation in this provision. The money must be returned.

- A similar approach should be taken for the repatriation of any overfunding for USPS in FERS. Whether amortized or in lump sum, that money should be returned to USPS. Moreover, given the ongoing overfunding, no increase in USPS' contribution should be required at this time.

There should not have to be any intervention by Congress, however. Section 802(c) of PAEA provides a process for assessing, analyzing and adjusting any surplus or liability to the CSRS Fund. The Service and the Commission carefully followed the requirements of Subsection 802(c)(1)(A) and (B), respectively. The result was a confirmation of the huge overpayment to the CSRS Fund. Under Subsection 802(c)(2), it was incumbent on the part of the Office of Personnel Management to "reconsider its determination," and "make appropriate adjustments." Nonetheless, despite the mandatory language of Congress – "shall" reconsider, "shall" make – OPM has declined to make the adjustment necessary to comport with the Segal Company's findings and the Commission's report. Evidently, a provision that many observers, including this Coalition, find to be crystal clear, needs to be sharpened. As a result, we specifically recommend that:

- Section 802(c)(2) be revised expressly to require OPM to change its determination or redetermination consistent with any report issued under subsection (c)(1)(B), provided that, should OPM disagree with the Actuary's findings, it be given an opportunity to present its views to the Commission publicly prior to the issuance of the Commission's report.

The Postal Service Should Have Much Greater Latitude to Manage Its Facility Inventory

As previously noted, the Postal Service is consistently inhibited, if not outright prevented, in any attempt to systematically reduce the number of post offices and other postal facilities to reflect the realities of today's mail volumes. Post offices may not be closed for purely financial reasons (39 USC Sec. 101(b)), and the closures of both post offices and other facilities frequently draws substantial opposition from communities, Members of Congress, and others. While we understand the concerns underlying that opposition, and under other, financially advantageous conditions, would continue to recognize the need to balance fully the requirements of USPS with those of other interests, such is not the case today. We have an urgent financial situation which must be addressed. One way to do so is to loosen restrictions on USPS' ability to adapt, while still taking into account the concerns of its customers – both commercial and the mailing public. Therefore, the Coalition recommends:

- USPS should be permitted to close mail processing centers and post offices or related facilities based upon business needs, but founded on five principles:

    - Clarify that customers' and USPS' business needs both be addressed
    - Provide a business impact statement
    - Provide a cost/benefit analysis with respect to customers
    - Add support for providing other retail alternatives
    - Maintain community identity by retaining all ZIP codes.

The Postal Service Should Be Able to Provide More Nonpostal Services

The Coalition agrees in general with other postal stakeholders that one key to a path to financial recovery for the Service is to provide more services that the public wants or needs. While we do not believe that blanket relief on this score would be productive, we recognize the need to give the Postal Service some additional ability to seek new sources of revenue. New postal products that meet the changing needs of the marketplace stand a better chance of retaining or attracting business. Given the severe budget limitations that governments at all levels face, the Postal Service, with its widespread retail network, is a natural place for government agencies to work with the public.

At the same time, we would be concerned should the Postal Service move too far afield from its core mission. Unrestrained venturing into private sector offerings may have counterproductive effects such as cannibalizing business and jobs from affected industries, or exposing all postal customers to losses from any such ventures in the start-up phase or from simple failure. Those same concerns are manifestly not present for the offering of additional governmental services at every level of government. The convenience factor should be a powerful marketing force for USPS on this approach. Hence, we encourage changes that would:

- Expand authority for nonpostal services to cover a full range of governmental services at every level. With perhaps some severely limited exceptions, that authority should not extend to services provided by the private sector. Mailers should not be exposed to risk of cross-subsidization for startup costs or failure of any nonpostal ventures. One proviso: that opposition does not extend to actions USPS may be able to take under existing law concerning advertising on vehicles, in post offices, building naming rights, and related opportunities.

The Collective Bargaining Process Should Be Updated to Reflect Changes Recommended by the Presidential Commission on the Postal Service

The collective bargaining process is both integral to the relationship between the Postal Service and its employee organizations, and a means for mutually addressing problems confronting the institution. The Coalition recognizes its importance, but also recognizes that its current design is not as adaptable to the potentially existential financial issues facing the Service as it could and should be. The current system has resulted in such recent counterproductive or even disconnected results as: a large cost-of-living increase in 2009, one of the worst financial years for the Postal Service in memory; when it is more important than ever that the parties agree on fixes to stabilize USPS, the Postal Service and the two unions with which it is currently bargaining are at impasse; and work rules inhibit inter-craft transfers and other options that would give USPS more flexibility to address its structural problems.

For reasons such as the above, the Coalition believes the collective bargaining process is in need of adjusting and updating. The Presidential Commission on the Postal Service reviewed the matter of collective bargaining in-depth, and made a number of recommendations to improve it. We believe those recommendations continue to have merit, as they would help encourage the parties to reach agreements without going to arbitration, and would narrow the issues whenever arbitration is unavoidable. Thus, we recommend that:

- The collective bargaining process be modified. The industry supports the proposal of the 2003 Presidential Commission generally, and recommends further rigorous exploration of interest arbitration that incorporates a "Last Best Offer" provision. We support the following:
    - Basic Process – a negotiation process, beginning 90 days prior to the expiration of an existing agreement, followed by a 30-day mandatory mediation process and, if mediation fails, an immediate 60-day interest arbitration process.
    - Mandatory mediation and "Med-Arb" – The 30-day mandatory mediation process would be conducted by a mediator who would become a member of the arbitration panel should mediation fail. The purpose of the mediation process would be to either reach a negotiated settlement or to narrow the range of issues to be submitted to interest arbitration.
    - Interest Arbitration – The 60–day interest arbitration process recommended by the Presidential Commission was to have a three-person arbitration panel comprised of three neutral arbitrators, one having served as mediator. The interest arbitration process would incorporate the Last Best Offer mechanism and a 10-day period during which the parties would have a final opportunity to reach a negotiated settlement prior to the arbitration panel's final award.

- The Coalition also believes that, as proposed by Senator Collins in section 102 of S. 353 and by Senator Tom Carper in subsections 3(e)(3)(B)(i) and (ii) of the postal bill he introduced last year, S. 3831, arbitrators should also be required to take into account the financial condition of the USPS and the provisions of PAEA. Those inclusions seem indispensable to reaching a solution that makes sense for the system on a global basis. And the provision is fair: in challenging economic times, it favors the Postal Service. In better economic times, it favors the employee organizations.

- Finally, the Coalition believes that pay comparability is a complex issue. The entire mailing and supplying community can and should provide some elements of appropriate comparability. Therefore, the Coalition suggests measurement be expanded to include the entire mail supply chain; an amalgam of businesses could be used to reach what we believe would be equitable results on a broader base of jobs invested in or dependent upon the postal system.

<u>Workers Compensation Rules Should be Revised to Provide a Switch to Retirement Benefits Upon Reaching the Requisite Age</u>

As admirable and appropriate a system for assisting injured or disabled workers as workers compensation is, it is intended to come to the financial aid of workers who can no longer fulfill the requirements of their jobs. But just as workers who retire change from regular compensation to retirement benefits, so it should be for those who are receiving workers compensation. When they reach 55 or whatever the prescribed retirement age is, benefits should be changed to those from retirement systems. The workers compensation burden for the Postal Service is enormous, and far larger than it should be or is sustainable under current conditions. Therefore, the Coalition recommends:

- Workers compensation, like compensation from employment itself, should not be guaranteed for life. Rather, there should be an orderly transition to retirement benefits as there is for workers not disabled.

<u>The Postal Service Must Take into Account Compliance Costs on Any New Requirement for Mailing</u>

As discussed above, the Postal Service often adjusts rules concerning qualification, verification and the like of mail. Initiatives such as the CASS Cycles, Move Update and the Intelligent Mail Barcode (IMb) require major investments in money, staff time and other resources of mailers to comply. These additional expenses, ranging into the 7- and 8-figures are not, or are inadequately, compensated for through discounts or otherwise, and precipitate substantial budgetary pressures on mailers. That is true for any given change, and particularly so with respect to cumulative effect. There is no requirement to obtain comment or undertake a comprehensive cost/benefit analysis, as USPS currently is not subject to the Administrative Procedures Act or Executive Order 12866 and its requirements for cost/benefit analysis of any proposed rule change, although we would not support subjecting the Service to either or both.

Nonetheless, the Coalition believes that the impact of compliance costs has become so severe that it must be addressed. Therefore, we recommend that:

- In order to ensure that there is adequate input concerning impact by those affected to USPS whenever it contemplates rules changes respecting qualification, entry, verification of the mail and otherwise that do not require review by the Commission or are not de minimis (to be defined), USPS should be required to:
    - provide notice in the Federal Register and at least 30 days for comment; and
    - provide a cost/benefit analysis with respect not only to USPS, but to its affected customers.

<u>The Negotiated Service Agreement (NSA) Process Should Be Streamlined and Made More Flexible</u>

As we've noted throughout these comments, the circumstances of USPS have severely changed in a relatively short period of time. These changed circumstances dictate that more aggressive ways to retain and, optimally, recoup volume must be considered. One means of encouraging more volume is through individually tailored agreements with mailers. The current process for NSAs in the Market Dominant classes is not user-friendly; it is too long and too expensive, heavily contributing to the relative dearth of new agreements and the failure to some of the older ones.

We believe the PRC, in consultation with USPS and mailing interests, and, of course, with input from any other postal stakeholders wishing to comment, should assess what could be done to streamline the process. From a legislative standpoint, the requirement of extending the same conditions to mailers "similarly situated" (39 USC Sec. 3622(c)(10)) should be loosened to enable more individuation of these agreements. Such individuation would, in our judgment, have a considerably better chance of fostering more agreements and retaining or building volume for USPS. Therefore, the Coalition recommends:

- The process for NSAs should be streamlined. We believe the current process is too long and too expensive. Plus, some flexibility should be introduced into the definition of "similarly situated," in order to give USPS more freedom to develop innovative approaches.

- A proposal such as that of Senator Collins to similar effect in section 103 of S. 353, also should be pursued.

<u>USPS Should Be Authorized to Deliver Wine and Beer</u>

USPS is today not able to deliver wine and malt beverages ordered by customers. Deliveries of these products are subject to state regulation, and can be made in some states and not in others, as well as being subject to varying restrictions. It is not an uncomplicated subject that would need to be worked out. However, the Coalition believes that a general authorization such as proposed by Senator Carper in section 3(d) of S. 3831, subject to some collaborative work with the states, would be a first step. Therefore, the Coalition supports:

- Permitting mailing of wine or malt beverages by a licensed winery or brewery, under regulations to be issued by USPS and taking into account state restrictions.

An Annual State-of-the-Industry Report Should be Required

Senator Collins, in section 106 of S. 353, proposes that an annual report on the mailing industry be conducted by the Commission. We believe the Senator's proposal is an important notion that would give all stakeholders an up-to-date profile of the industry, and help guide decisions on operations and policy. We would, however, define mailing industry to include all suppliers, so that the entire spectrum of this major industry worth, again, nearly $1 trillion, would be profiled.

Thus, we recommend that:

- An annual report on the state of the mailing industry, to be defined as including mailers and suppliers, be required.

Conclusion

The Postal Service and the nearly $1 trillion industry and 7.5 million jobs that depend upon it are at a crossroads caused largely by the recession and the application of disruptive technology. Changes rippling through the industry as a result have begun what may be an irrevocable effect not only on the industry, but on the Service. Absent quick and thoughtful action by Congress, the Service is likely to continue to decline and lose market share. Down that road lies insolvency and, eventually, a bailout.

Mr. Chairman, the Coalition is prepared to work with the Subcommittee, the rest of Congress, and other postal stakeholders to avoid those outcomes and preserve the ubiquity, effectiveness and affordability of a still essential medium of commerce and communications for the 21st Century.

Thank you again for the opportunity, and I will be happy to respond to any questions from Members of the Subcommittee.

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Mr. Sackler is the principal of Sackler Policy Services, LLC, a full-service public policy firm. He has spent more than twenty-five years focusing on postal affairs, among other subject matter areas, such as intellectual property, and travel and tourism. He is Executive Director of the National Postal Policy Council, an organization of large business users of First Class mail, and a Coordinator of the Coalition for a 21st Century Postal Service.

Prior to founding his own firm, he was Vice President, Law and Public Policy of Time Warner Inc. (TW), spending an 18-year tenure managing a wide variety of public policy issues, including those related to IP, trade, marketing and distribution, privacy and electronic commerce generally, as well as postal affairs.

He has served on a number of government advisory panels, and in conjunction with NGOs. These include membership on: the U.S. Government's Industry Sector Advisory Committee on Services, the Federal Trade Commission's Advisory Committee on Online Access and Security, and the U.S. Delegation at the World Intellectual Property Organization Diplomatic Conference which negotiated digital copyright treaties, as well as principal staffing on the Global Business Dialogue for e-Commerce, the Internet Tax Commission, and the Transatlantic Business Dialogue.

He has regularly participated in postal rate and classification cases, legislative issues and regulatory, legal and operational matters. While at TW, he helped found and was Executive Director of the Mailers Council, a postal coalition of FORTUNE 500 corporations and trade associations. He is a member of the Postmaster General's Mailers Technical Advisory Committee.

Before TW, he was General Counsel to the National Newspaper Association, where postal affairs were the chief public policy issue.

He has a BA and JD from Syracuse University, and an LL.M. from Georgetown.

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