

**Testimony presented to the
Committee on Oversight and Government Reform
Subcommittee on Federal Workforce,
U.S. Postal Service and Census**

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Mr. Chairman and members of the Subcommittee, I want to thank you for the opportunity to testify today on behalf of the members of the Association of Marketing Service Providers (formerly the Mailing & Fulfillment Service Association). My name is Ken Garner. I serve as President and CEO of AMSP, an organization comprised of 450 member companies that provide mailing, fulfillment, marketing, and consulting services for a wide range of clients nationwide. AMSP is a trade association that for over 90 years has addressed the needs of primarily small businesses serving local customers. Our members are typical of those businesses identified as “job creators.” Our members’ businesses are most sensitive to the economic circumstances impacting the hard-copy message industry, and the Postal Service in particular.

AMSP is more than an association and its members are more than just marketing service providers. We are a critically important part of an enormous U.S. supply chain that develops, markets, and sells products and ideas that help drive the nation’s economy. This supply chain, which employs roughly eight million people and contributes well over \$1 trillion to the economy, depends on the distribution of our products to the ultimate customer. To a significant degree that distribution depends on the U.S. Postal Service.

AMSP members also participate in the exchange of information, technology, and ideas in this supply chain. We are members of the Coalition for a 21st Century Postal Service that includes members from every part of the U.S. print and product distribution channel, the Mailers Technical Advisory Committee to the Postal Service and many other related organizations.

While there are many postal-related challenges about which we feel qualified to speak, we will confine our attention to the need for postal system infrastructure and operating cost reductions since this is the most critical part of the relationship of our industry to the Postal Service. More specifically, I will focus today’s comments on the following-

- Mail processing capabilities
- Mail delivery
- Retail

This need not be a complicated discussion. The fact is that the Postal Service's current processing, delivery, and retail infrastructure was created in a different time with far greater volume and different customer expectations. At its peak only a few years ago, mail volume topped 212 billion pieces annually. The Postal Service's volume projection for its current fiscal year is just slightly over 153 billion pieces. Between 2005 and 2012 mail volume declined by 28.9% with a corresponding revenue decline of 24.5% (even after seven rate increases). While we believe printed content will remain an important part of communication in the future, we know that mail volume will never return to anything resembling the peak volume years and continuing volume loss is probable. Quite simply, the current business model is not sustainable because the underlying financial and operations assumptions no longer exist. There are no \$500 million revenue streams that are readily available to tap. Though the Postal Service's approach to product innovation, sales, and marketing needs dramatic improvement, it's a topic for another discussion at another time.

While no enterprise can ensure its success through cost reduction strategies alone, and while it may be a fair criticism that the Postal Service reacted too slowly to the crises facing them, we believe that the its current focus is well placed. In the past couple of years, it has initiated a series of strategies to right-size its processing, delivery and retail components. Its network realignment strategy is well on the way to accomplishing its goal of closing or consolidating over 220 processing facilities. This will enable them to better utilize existing equipment investment and to reduce labor expense. To this point, the Postal Service has executed this strategy in an effective and efficient manner with minimal negative impact on customers and business partners.

The Postal Service also has worked to rationalize and optimize its retail infrastructure. There is a need to close post offices that are underutilized and represent expense that is no longer supported by customer demand. However, in the face of Congressional opposition, USPS leadership revised its approach and created its "POST" initiative that takes a somewhat softer but less effective approach. Rather than closing about 3,700 underutilized post office, the POST plan seeks to align operating hours with current customer activity at about 13,000 post offices nationwide. Even this plan has met community resistance but, given the availability of alternative forms of access, the perpetuation of traditional brick-and-mortar USPS-operated retail outlets is an outdated and inefficient use of resources to meet ever-decreasing customer demand.

Operational and logistical management represent a core competency of the current Postal Service leadership team. They have demonstrated the ability to make tough decisions and, *when allowed*, to execute their strategies with a high degree of competency. While some level of oversight is appropriate and necessary, an excessive and overbearing approach is not productive and only serves to waste precious time in a critical turn-around situation.

Of course, these infrastructure and cost reduction initiatives include service related consequences. All stakeholders must be prepared to participate in this process. We all must be prepared to recalibrate our expectations. The Universal Service Obligation and other service requirements were developed at a very different time with very different circumstances. We simply can't expect the Postal Service to reengineer its capabilities without a willingness on the part of its customers and partners to openly discuss a new

level of appropriate service expectations. Overnight delivery is an unfortunate, but necessary casualty resulting from changes in citizens' communications habits that make maintenance of the related processing resources unaffordable. The plan to modify 6-day delivery also is an unfortunate, but necessary move to reduce an operating expense level that is simply not sustainable. The Postal Service cannot continue carrying less mail to more places while generating less revenue per delivery. AMSP was the first trade association to announce its support of 5-day delivery, not because the move represented our preference, but because we believe it's a necessary part of an overall strategy to save the Postal Service. Again, all stakeholders need to be prepared to "put some skin the game."

The failure of the Postal Service was once an unthinkable possibility but, as recent history has taught us, no organization is too big to fail. As previously mentioned, the Postal Service is the heart of a supply chain that has supported millions of jobs and thousands of small businesses that represent the backbone of the American economy. Today, that supply chain is severely challenged. Over that past three years thousands of private sector jobs in the supply chain have been lost. Unlike displaced Postal workers, these workers had no "soft landing." These private sector losses, unlike job losses at the Postal Service, never appeared on the public or political radar because they occurred in small numbers as company after company cut back or ceased operations.

The central challenge facing the Postal Service is whether the Congress and citizens of the country will allow the Postal Service to make the necessary changes to survive. With 80 percent of the expenses of the Postal Service tied to personnel costs, all cost reduction decisions must include a discussion about the costs associated with labor. As the Postal Service is working to reduce its network and continue to provide service, it must also follow the lead of the rest of the supply chain and bring its total cost of operation in line with current and potential revenues.

In conclusion, the stakes are high and the consequences are significant. Time is not on our side. We need strong, decisive leadership that operates with a sense of purpose and urgency. This leadership must derive from an unprecedented level of collaboration by all stakeholders including the leaders of the Postal Service, the industry supply chain, postal labor, the legislative oversight bodies, and Congress itself. Success will depend on forward thinking open-mindedness and a willingness to set aside dated perspectives. We need a commitment to action. At the Association of Marketing Service Providers we are prepared to make this commitment, and I call on other leaders to join us in forging an effective solution.

Ken Garner – Bio

Ken Garner joined the Mailing & Fulfillment Service Association – now the Association of Marketing Service Providers - in November 2008 as its President and CEO after a 33 year career in the printing industry - all with the same company. He joined United Litho, a heatset web magazine printing company, after receiving his undergraduate degree. Working his way up the corporate ladder from janitor/delivery driver he held a variety of jobs including V.P of Operations and V.P. of Sales and Marketing. He spent the last 12 years of his printing career as United Litho's president. In 1994, he engineered the sale of the company to the Sheridan Group and became a member of its Leadership Team.

Most recently Ken led the successful re-positioning and rebranding of his association to increase its relevance to the members it serves. AMSP is a member of the Coalition for a 21st Century Postal Service. Ken is a member of its Executive Committee.

Ken is a frequent speaker at industry events and has authored numerous articles for a variety of trade publications. He has also been a featured guest on Fox News.

Ken has an extensive background as a volunteer leader serving as a Director on the Boards of the Printing Industry of Virginia, the National Association for Printing Leadership, and the Graphic Arts Show Corporation. He served as chairman of the Environmental Conservation Board, PIA's Executive Development Program, the Graphic Arts Education & Research Foundation, and NAPL. He is a member of NAPL's Walter E. Soderstrom Society. In 2002, he received the Walter E. Soderstrom Award.

He lives with his wife Mary in Fairfax Station, Virginia and spends much of his free time following his daughter's collegiate basketball coaching career.

Committee on Oversight and Government Reform
Witness Disclosure Requirement - "Truth in Testimony"
Required by House Rule XI, Clause 2(g)(5)

Name: KEN GARNER

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2010. Include the source and amount of each grant or contract.

NONE

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

ASSOCIATION OF MARKETING SERVICE PROVIDERS
PRESIDENT / CEO

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2010, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

NONE

J. K. Garner
I certify that the above information is true and correct.
Signature:

4/8/13
Date: