

**TESTIMONY OF
JERRY CERASALE, SENIOR VICE PRESIDENT
DIRECT MARKETING ASSOCIATION
Before
THE SUBCOMMITTEE ON THE FEDERAL WORKFORCE, POSTAL
SERVICE AND THE DISTRICT OF COLUMBIA
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Chairman Lynch, members of the Subcommittee, I am Jerry Cerasale, Senior Vice President for Government Affairs of the Direct Marketing Association (DMA). I am pleased to be here today representing DMA and its member companies that market directly to consumers through multiple channels. DMA members collectively account for some 80% of the mail collected, processed, and delivered by our U.S. Postal Service. Founded in 1917, DMA represents more than 3, 500 companies from dozens of vertical industries in the U.S. and 50 other nations, including a majority of the Fortune 100 companies, as well as nonprofit organizations. Membership includes catalogers, financial service companies, charities, book and magazine publishers, retail stores, industrial manufacturers, Internet-based businesses and the service industries that support them.

Before I speak to the subject of today's hearing—an examination of the Postal Service's "Station and Branch Optimization Initiative" and its "Delivery Route Adjustments"—I want to take this opportunity to thank you and your colleagues on the Oversight and Government Reform Committee for favorably reporting HR 22, a bill that will provide the Postal Service a portion of the much needed financial relief by adjusting for three years the scheduled payments to the Retiree Health Insurance Fund.

As you can imagine, the current economic conditions have dramatically affected direct marketers. Orders for goods and services have declined, as have profits. This has led to layoffs and a significant reduction in advertising. Suppliers have been hard hit as

well with declining orders. One of DMA members' major suppliers, the Postal Service, is facing drops in advertising mail volume of 22%. This drop in advertising, however, does not signal the obsolescence of the Postal Service. Hard copy delivery of advertising and products will be a part of the multi-channel marketing for DMA members for the foreseeable future. We need a financially viable Postal Service—one that survives this economic recession in the short run and maintains its viability as a marketing channel in the long run. When the economy rebounds, mail volume will return, but not all of it. Newer channels of communication will continue to grow and new channels will emerge in the media mix that will still include the Mail.

The Postal Service has long faced the challenges to its financial well being presented by the changing communications landscape. It has withstood the challenges of the telegraph, the telephone, the advent of facsimile transmissions and, so far, the Internet. It has done so by offering a cost effective delivery service to every home and business in America. These economic times and the burden of scheduled payments to the Retiree Health Insurance Fund are forcing—actually requiring—the Postal Service to review its entire operation to make it more and more efficient without the benefit of any tax revenues. The Postal Service is aware that its customers cannot shoulder another postage increase without further damaging—perhaps fatally—their ability to use the Mail as a marketing channel. Mailers are very, very concerned—in fact, fearful—that they may face an exigent rate increase in 2010—one that is far above the CPI.

The Service is focusing on increasing mail volume and cost containment. DMA is a strong supporter of the Summer Sale, and we hope that the Postal Service will look to

offer another sale in the near future that will apply to all mailers who increase their use of the Mail.

On the cost containment side, although its cost containment efforts have been fairly successful over the past several years, an almost twenty five percent decline in mail volume over the past two years brought on largely by the economic downturn has forced the Postal Service to re-examine how it can best provide consistent, affordable and reliable access to services throughout the Nation.

It has already moved “network realignment”—the need to which Congress specifically spoke in the Postal Accountability and Enhancement Act [Section 302(c)]—from the drawing board to implementation. In the short-term these network changes will require commercial and nonprofit mailers to make adjustments to their business models and incur costs but will provide long-term savings for the Service and its customers, in turn.

The two matters before the Subcommittee today, delivery route realignments and the consolidation of stations and branches, are part and parcel of a broader and timely examination of other changes that may be required in order to ensure affordable and consistent universal service on a nation-wide basis for individuals, businesses, and nonprofit organizations.

Delivery Route Adjustments

The concerns of mailers, postal employees, and communities which may ultimately be affected by either of these initiatives is certainly understandable. However, I think it is important to keep in mind that while the scale may be greater than any time in the past, delivery route realignments are and always have been a part of operational

adjustments to accommodate changing workloads. I can attest to the fact from my time as Deputy General Counsel of the former House Post Office & Civil Service Committee that major complaints associated with these delivery route adjustments came from individuals and businesses that received their mail at a different time of the day than had previously been the case. As we all know, everyone cannot be the first delivery point on the route! Declining mail volume combined with new delivery stops requires a major readjustment. DMA is pleased that the Postal Service is undertaking this efficiency improvement. We are also encouraged that the Service is working closely with the National Association of Letter Carriers to effect these adjustments. All of us, citizens, mailers, employees, and management, have a vital role to work together to improve the financial footing of the Postal Service.

Station and Branch Optimization

Americans now have the ability to obtain postal “retail” services online or at kiosks. We can purchase stamps online, in the mail, and at the grocery store. The Postal Service station and branch optimization initiative is a review of stations and branches—not Post Offices—in urban—not rural—areas. As I understand the program, the Service will evaluate the station and branch network using the following criteria:

- Proximity of the station or branch to other stations and branches;
- Retail transaction trends at the station or branch;
- Impact on employees of consolidation of the station or branch with another;
- Concerns of the community and the customers;
- Savings that can be captured from a consolidation;
- Alternative access to postal services available to customers; and,
- Ability of a nearby station or branch to accommodate the retail traffic.

Following these criteria will provide the Postal Service with input from all who might be affected by a closing or consolidation of a station or branch retail outlet. This is an approach with which the DMA agrees. Citizens and businesses will have their opportunity to express their concerns and their fears. In turn, the Postal Service will have the opportunity to allay them. Employees will also have the same opportunity. In the best of worlds, this effort may not be necessary. Sadly, it is required today.

Once a decision to close a station or branch is made, however, the community still has an opportunity to appeal to the Postal Regulatory Commission (PRC) that the closing would eliminate a retail postal presence for the community. The PRC will determine whether it has jurisdiction and, if it so finds, any final determination on the fate of a station or branch will be made on the facts in each particular case. (See PRC Order No. 1480 in Docket No. A2006-1.)

Mr. Chairman, one issue that all agreed on during the consideration of the postal reform effort ultimately embodied in the Postal Accountability and Enhancement Act of 2006 (PAEA) was the need for increased transparency on the part of the Postal Service in its dealings with the mailing public, the public's elected representatives, and its regulator, the Postal Regulatory Commission. With respect to the matters before us today, I believe that the Postal Service is making a good faith effort to be more open. I commend you for calling this hearing and making the light a bit brighter.

In closing, I want to thank you again for the opportunity to participate in today's hearing and would be happy to answer any questions you may have.