

**STATEMENT OF**  
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**PRESIDENT, JAPS-OLSON COMPANY**  
**&**  
**CHAIRMAN, MAILING & FULFILLMENT SERVICE ASSOCIATION**  
*before the*  
**SUBCOMMITTEE ON FEDERAL WORKFORCE, POSTAL SERVICE, AND**  
**THE DISTRICT OF COLUMBIA**  
**COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM**  
**U.S. HOUSE OF REPRESENTATIVES**

**July 30, 2009**

Mr. Chairman and members of the Committee, I want to thank you for allowing me an opportunity to appear before you today to discuss some of the challenges facing the mailing industry and the Postal Service. My name is Michael Murphy. I am the President of the Japs-Olson Company of St. Louis Park, Minnesota. We are a family business that has been in operation for more than 100 years. Our primary business is printing and mailing for customers of all types. Our company will print and mail more than 600 million pieces of mail this year. Needless to say, the Postal Service is a vital partner in our business.

I am also here today as Chairman of the Board of the Mailing & Fulfillment Service Association. Our association is the only trade association representing the mailing industry, with approximately 600 members who are printers, mailing service providers, document and product fulfillment companies, and suppliers to the trade.

I know that members of this committee are quite familiar with postal operations, but some of the issues we are discussing today are not frequent topics of hearings, so I would like to outline to you some of the issues we face in working with the Postal Service and how actions of the Postal Service affect our business.

First and foremost, we are economic partners with the Postal Service. Our customers and clients need a cost effective and efficient postal system to get their products and messages to their customers. With that in mind, we believe it is important that the Postal Service have the complete support of Congress to manage its retail, processing, and delivery networks efficiently, and to scale its infrastructure, including processing facilities, delivery routes, and retail stations and branches in proportion to its business needs. We believe this is also consistent with the intent of the postal reform legislation passed by Congress in 2006.

I suspect every witness appearing before you today shares the view that growing the mail is a very important objective. However, I must emphasize that the Postal Service's customers – the retail and commercial ratepayers who choose to use the mail – are directly influenced in their choice by the costs of using that service. Accordingly, the more cost effective and efficient the Postal Service is, the more its rates are affordable, and the more likely companies and individuals will continue to use the mail.

Our industry is facing a crisis. The current economic downturn has taken billions of pieces of mail out of the system as companies have changed the amount and frequency of advertising and altered how they bill and communicate with customers. Advertising mail volume is down 22 percent. This is consistent with the percentage of advertising reduction we have seen in print media during this difficult period of time. A similar drop has occurred in the volume of correspondence and transaction mail, a major contributor to postal revenue. In many cases, companies that were significant customers of the Postal Service have disappeared.

We have no real experience with a market decline of this nature, but it is reasonable to assume that much of this lost volume is not going to return to the postal system. In the past, this was not true. Previously, a growing economy meant growing mail volume; however, in 2009, the options for communication and advertising are extensive. Individuals and companies can communicate electronically. We know that bills can be paid on line and we know that many companies that send these bills are encouraging their customers not to use the mail for remittance. We know that advertising on the internet is growing. Email advertising is getting more sophisticated. We also know that mail continues to be a preferred means of communication for a segment of the market and a very effective advertising tool. But what has happened in recent years, and especially during this recession when cost controls are essential, is that originators have found less expensive alternatives to hard copy mail, and their use of those alternatives likely will continue after the recession eases. As I stated earlier, mail volume lost this way is not coming back, and less will return if Congress does not fully empower the Postal Service keep in check those costs which it must recoup through postage.

So what does all of this have to do with routes and facilities?

The Postal Service provides at least two important functions in the United States. First, it is the primary distribution and delivery service for a wide range of products and messages, most of which are printed. The other is that it is a tangible presence and source of identity in every community and touches virtually every household six days a week. The problem that must be addressed is that if the Postal Service is not enabled to perform the first function efficiently, it cannot afford to continue doing the second.

In our opinion, all of us in this room need to be advocates for growing the mail. It is equally important that all of us involved with the Postal Service – paper companies, printers, mailing service providers, publishers, advertisers, employees of the Postal Service and elected officials – recognize that we have a role to play in assuring that the system is cost effective, efficient and well managed so that it can perform the functions

we have given it. Accordingly, we need to accept the premise that, if we are to hold postal management accountable for the viability of the agency, we must afford them the necessary latitude to run it. Indeed, given that we've charged them with operating in a business-like manner, we must empower them to use business principles and make business-like decisions, including those difficult decisions that need to be made when its business becomes smaller. We would expect the management of a private company to adjust its size to fit its operating needs so, if we are true to the principle of operating the Postal Service in a business-like manner, we cannot expect it to support excess capacity while maintaining the mandated level of efficiency.

As tempting as it is to manage the Postal Service through the political process, our company and MFSA members urge the Congress to allow the leaders of the Postal Service to do their jobs, and to manage their public institution with the same goal of efficiency as that of private industry. The Postal Service's Board of Governors, the Postmaster General, and the agency's senior executives must be given the latitude to make the decisions necessary to return the postal system to profitability. Those decisions include the necessary measures, such as restructuring retail, processing, and delivery networks, that are essential to cost control and, in turn, postage rate control and volume growth. The public discussion of the Postal Service's current condition cannot be parsed to disconnect cost control from the agency's ability to provide affordable service to the nation.

The full economic significance of a nationwide delivery system is not often understood. The Postal Service is a huge public institution, but it is also a vital piece of the U. S. economy. Paper is produced in mills throughout the country for products entering the mail system, 47 percent of print is intended for postal distribution and over 90 percent of magazines are delivered by the U.S. Postal Service. Printing and mailing are performed by businesses large and small all over America. Failure of the postal system will create economic disruption in each of these industries as well as many others.

We hear some suggest that many of the messages carried by the Postal Service can be diverted to electronic distribution. To the extent that is true, the nation needs to prepare itself for hundreds of thousands of jobs that may be lost in the industries that depend on this distribution system; in just the current recession, thousands of jobs have already been lost in the supply chain that relies on the mail. Our association's experience over the past 18 months suggests that, from just those companies that have gone out of business or suffered significant economic reverses, at least 1,500 jobs have been lost. Extrapolating that to the industry as a whole, we believe that the industry has lost about 15,000 jobs over that period. And, I would think this is a conservative estimate. Even with the challenges we have been facing, there are still more than eight million people whose employment is affected by the postal system. We owe it to these people to assure that system the firm financial footing to be a viable public service in the future.

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