



April 26, 2010

Lawrence H. Summers, Ph.D.
Director, National Economic Council
and Assistant to the President for Economic Policy
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20502-0001

Dear Dr. Summers:

This responds to your recent question about the viability of the U.S. Postal Service conducting a pilot test of delivering mail five days per week.

I appreciate this opportunity to respond to your question and to provide our view on the subject of a pilot test for five-day delivery service. I would first like to reiterate that adjusting delivery days to Monday through Friday is a key component of our Action Plan, *Ensuring a Viable Postal Service for America*, which we developed to address a host of difficult financial challenges that we are currently experiencing and which will become worse if our present course is not altered substantially. In this plan we note that we intend to reduce by \$123 billion a potential \$238 billion in cumulative losses by 2020 through cost-cutting and revenue-generation initiatives that we can achieve within the existing framework of law. To close the remaining \$115 billion in projected losses, the Postal Service needs the flexibility to pursue additional opportunities in seven key areas, one of which is in delivery frequency.

A number of independent public opinion polls conducted in 2009 and as recently as this March, along with market research conducted on behalf of the Postal Service last summer and fall, show broad support among the American public for five-day delivery as a means of preserving the financial viability of the Postal Service, as opposed to alternatives such as using taxpayer funds or raising postage prices. The plan to eliminate carrier delivery service on Saturday, which was carefully constructed over the past year by a cross-functional team at Postal Service Headquarters, would save the Postal Service a projected \$3.1 billion annually. On March 30 the Postal Service filed a request with the Postal Regulatory Commission for an advisory opinion on eliminating Saturday delivery to street addresses. Of course, in order for five-day delivery to be implemented, the annual appropriation bill rider, first added in 1983, requiring the Postal Service to deliver mail six days each week, would have to be absent from the Fiscal Year 2011 appropriations bill.

The savings that would result from a five-day delivery model, along with the scope of operations that would be in place as part of the model, are dependent upon the permanent, nationwide implementation of five-day delivery. As such, I believe a pilot test would not produce substantive results that could be used to decide whether to make the change nationwide or permanent. Our customers likely would, at best, find a pilot test to be confusing, and, at worst, costly and time-consuming. Many individual customers would be unsure as to when their mail would be delivered. Business mailers would not only face a similar uncertainty, but would, in some circumstances, have to spend additional money to change their mass mailings to accommodate a regional test or a test with a limited timeframe. Meanwhile, some mailers, knowing of the limitations of a pilot, may choose not to alter their mailing patterns at all, making the results of the test unrepresentative of a full-time, five-day delivery environment.

From an operational standpoint a pilot test conducted on a regional basis would increase some of our costs in the short term. For example, we either would have to make manual changes to mail processing sorting schemes and payroll or utilize information technology to program such changes for a limited time or geographic area. We believe that our information technology programming changes, estimated to cost \$10 million-\$12 million for a national, full-time implementation, would grow significantly to accommodate a test, as would administrative costs if we decided to forego programming changes in favor of performing manual processing for the defined test period. We also would have to communicate the pilot's parameters to the public and employees. During such a test we would be unable to make the permanent, necessary changes to our delivery workforce, transportation networks, and mail processing operations that would yield the projected \$3.1 billion savings. The largest financial impact of a pilot would be the fact that many career employees in the pilot area would have to be paid not to work or be relocated, while many of our non-career and part-time employees would see their wages reduced or eliminated. Any savings in wages that the Postal Service would realize during the test would immediately disappear at the test's conclusion.

It may be helpful for me to offer a distinct example of the internal challenges that a test would present. In City Letter Carrier operations, full-time, regular City Carriers generally are assigned to a single delivery route that they service five days per week. These Carriers are scheduled to have Sunday off as well as one other day of the week. A category of full-time Carriers, known as Carrier Technicians, also are scheduled to work five days per week; but instead of servicing the same route each day, they cover the day off—and the route—of five different carriers. The five-day delivery proposal anticipates the reduction of approximately 25,000 full-time City Carrier assignments and \$2.2 billion in annual savings in City Carrier operations. The savings are generated primarily by the fact that under a five-day delivery model, regular Carriers assigned to a single route would have Saturday and Sunday off, eliminating the need for the Carrier Technician and Relief Carrier assignments. We plan to transition full-time Carrier Technician assignments into Carrier positions (that cover a single route) that become available through attrition (a significant percentage of our current workforce is eligible for retirement between now and 2014). Under a pilot test we would be unable to carry out this Carrier alignment, and during the test itself, we would have a surplus of Letter Carriers for whom we would have to find productive work within their craft, and if unsuccessful, pay them to perform no work because our contract with the National Association of Letter Carriers guarantees full-time, regular Carriers a 40-hour work week. Under our national proposal for five-day delivery we intend to preserve the employment of our career City Carriers.

We would face similar, but more complex issues with respect to Rural Carriers because our collective bargaining agreement with the National Rural Letter Carriers' Association specifically addresses the need to negotiate the effects that any changes in the number of delivery days have on Rural Carriers.

Another example of a particular complexity that we would face in the implementation of a regional pilot test would be communicating with customers about the test. For instance, if the test was confined to a single state, the Postal Service would have to carry out extensive communications to inform those customers within that state that there will be no mail delivery to street address or mail collection services on Saturdays. Such communications pieces would include the issuance of news releases, the posting of notices in postal property and on our www.usps.com Web site, and at least two notifications mailed to each delivery point in the impacted area. The Postal Service also would have to inform customers in the rest of the nation about the test via many of the same communications channels, as many individual customers and businesses will send mail to and receive mail from the test state.

Businesses located outside of the test state but which plan to mail inside the test state likely would have to carry out their own set of communications with their customers to ensure that the impact of the test on any transaction was understood. Major mailers also would have to decide whether to incur the costs of reprogramming their information technology systems to take into account a pilot area or timeline or ignore the parameters of a test. This would be confusing for all involved.

A pilot test on a regional basis also would lead to questions about fairness and equity, as the region with five-day delivery would be receiving less service than the rest of the country. Such a situation may not be in accordance with our statutory mandate of providing universal service to the nation. Also, it would be challenging to select a community or region as the test location. It is not clear how we could select a community or region that would be representative of America. Lacking a representative community, if the Postal Service was to attempt a pilot program for the entire country for a limited time, I believe that it would be difficult to measure success clearly.

I do not take lightly our request for approval to adopt a five-day delivery schedule, as I realize that it represents a change to our customers and employees. I do, however, believe that we can implement five-day delivery successfully so that it is acceptable to the American people for the long term and serves as a pillar of our financial sustainability. A pilot test, with all of the challenges that would arise, would not demonstrate the efficacy in which we could perform five-day delivery moving forward, and thus, may raise doubt among the public of our ability to do so.

I sincerely appreciate your interest in the financial condition of the Postal Service. I look forward to continuing to work with Congress and the Administration to place the Postal Service on a firm financial footing for the years to come.

Sincerely,



John E. Potter