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THE ANNUAL REPORT OF THE POSTMASTER GENERAL

HEARING

BEFORE THE

INTERNATIONAL SECURITY, PROLIFERATION, AND FEDERAL SERVICES SUBCOMMITTEE

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

JULY 13, 2000

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THURSDAY, JULY 13, 2000

U.S. SENATE,
SUBCOMMITTEE ON INTERNATIONAL SECURITY,
PROLIFERATION, AND FEDERAL SERVICES
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:10 p.m. in room 342, Dirksen Senate Office Building, Hon. Thad Cochran, Chairman of the Subcommittee, presiding.

Present: Senators Cochran, Akaka, and Levin.

OPENING STATEMENT OF SENATOR COCHRAN

Senator COCHRAN. The Subcommittee will please come to order.

Today we have the pleasure of hearing from the Postmaster General of the United States, William Henderson, who is here to present the annual report of the U.S. Postal Service to the Congress, specifically to the Senate Subcommittee that has jurisdiction over the Postal Service.

In 1970, Congress converted, in the Postal Reorganization Act, the Post Office Department of the Federal Government to an independently managed U.S. Postal Service. Since that time, there has been a tremendous amount of growth in the Postal Service and in its activities. It now employs over 800,000 employees, and takes in more than $64 billion dollars in annual revenues.

One of the changes that has been most significant is that instead of a deficit operation, year in and year out, that was subsidized by the taxpayers of the United States, the U.S. Postal Service has made major improvements in its financial policies and management. It has reported a positive net income for 5 straight years, operating without the benefit of taxpayers' subsidies.

The Postal Service has also consistently improved its performance. It has become and is recognized as a dependable deliverer of mail to American citizens through the country and its territories.

Despite these impressive achievements, there are still some interesting challenges and problems facing the Postal Service. There is increased competition, technological changes, electronic communications, to name just a few of the developments in recent years that affect the operation of the Postal Service and its capacity to continue to operate without subsidies from the taxpayers.

We are pleased to have this opportunity to review with the Postmaster General the activities and problems of the Postal Service

and any issues that, in his judgment, should be brought to the attention of this Subcommittee.

We do hope the Postal Service will continue to pursue its fundamental responsibilities, providing universal mail service at affordable rates.

Mr. Henderson, we congratulate you on your performance during the time you have been in office. We look forward to hearing your report.

TESTIMONY OF HON. WILLIAM J. HENDERSON,[1] POSTMASTER GENERAL, U.S. POSTAL SERVICE

Mr. HENDERSON. Thank you, Mr. Chairman.

We were almost late for this hearing, because of the President's motorcade running around here. It has got all the traffic locked up.

Senator COCHRAN. Thanks for the warning. [Laughter.]

Mr. HENDERSON. I will submit my testimony for the record. I will not read back to you what you have already read.

I will try to summarize it. There are three fundamental issues facing the Postal Service in the future. It is true that the Postal Reorganization Act in 1970 was a huge success. It put modern business practices into an agency that desperately needed modern business practices.

Today, we face three big issues, as I said. The first one is affordability. We have to keep the price of postage down. That means that we have to undertake heroic cost cutting. That troubles me, as a CEO of an organization; not the cost cutting, but having the ability to do that, and to keep costs low.

Because the second issue facing us is growth. We are simply not growing at a rate that funds our infrastructure. Last year, we missed our revenue targets by $600 million. That was primarily due to migration of advertising mail to the Internet.

Companies have fixed budgets for advertising. When people saw the Internet as another channel, they took money out of direct mail, and prospecting with direct mail and First Class, and went to the Internet. The good news is, they did not get much out of it. Nonetheless, you can see the Internet as a channel that is going to be a potential substitute for advertising mail in the future.

This year, we are seeing about a $700 million to $800 million softening in our revenue, primarily due to consolidation of First-Class mail.

Let me explain that. The banks have consolidated their billings. They use duplex printing, which means they print on both sides of the paper, which means mail is lighter. That is having an effect.

In the future, we see the erosion in bills and bill payments. It is not a matter of if, but when; and $17 billion of the $64 billion in revenues that you mentioned are directly attributable to bills and bill payments. That puts the Postal Service, at some time in the future, in a crisis mode.

So growth is a very important factor for us, for the Postal Service to watch. Because as the revenues slow, then the only avenue you have, if you have done extensive cost cutting, is to raise prices.

[1] The prepared statement of Mr. Henderson appears in the Appendix on page 23.

Raising prices in today's world is not a smart thing to do, from a business perspective.

Second, we believe in the Postal Service that the Postal Reorganization Act of 1970 needs reform. It needs reform in the area of more pricing freedoms for the Postal Service, faster ability to move products to the marketplace. The speed of business today is accelerating, geometrically. We are locked into a much slower process than what we think is necessary to have a viable business.

Third, we would like some opportunity to use our investment monies in the marketplace to make investments, to have the freedom so that we can make money off those investments, as opposed to government securities.

Finally, we think the issue of resolution of disputes between labor and management needs to be examined, both by labor and by management. Something other than arbitration should be put in place.

These issues need to be looked at, and we look to the Congress for help in making those kinds of adjustments, because we think a healthy Postal Service is extremely important, for a long time to come, to America.

That concludes my summary, Mr. Chairman.

Senator COCHRAN. Thank you very much.

You mentioned the idea of reform of the Postal Reorganization Act of 1970. When I first assumed the responsibility as Chairman of this Subcommittee, I reviewed the proposal that was, at that time, pending in the House of Representatives for reform. It is H.R. 22, a comprehensive reform bill.

After a little analysis, we discovered that that was also very controversial. A lot of people were disagreeing with the proposal for various reasons. That bill is still pending in the House, and has not been enacted.

We decided to try to do a more modest proposed reform, targeting some individual subject areas for change that we thought might be noncontroversial. I introduced a noncontroversial, modest bill, which became immediately controversial. It was introduced. [Laughter.]

I came to the conclusion that there is no such thing as a modest, noncontroversial reform available for the Postal Service.

What is your suggestion about specific changes that we need to consider making in the Postal Reorganization Act?

Mr. HENDERSON. Well, the first one, as I said earlier, is pricing freedoms. The Postal Service needs the ability to adjust prices during the fiscal year to respond to changing business conditions.

It needs the ability to negotiate prices with large customers. We believe in universal service at affordable rates, but we need pricing flexibility.

Second, we also need the ability to go to the marketplace quickly to test products. When you have a full-blown hearing for 10 months on a product, it is not exactly innovative, by the time it gets to the marketplace.

Third, as I said, we need some investment income freedoms, so that we can make money off of our cash flow, the monies that we have.

Finally, we think we need a new model for resolving labor disputes, that does not put so much authority in the hands of one person, the arbitrator, since we are very labor intensive. Our customers need to be involved in this equation.

For our employees, we are not saying that labor is broken, by any stretch of the imagination, but we need a new resolution model. I think those areas will allow the Postal Service to stay healthy.

I might add that looking at other postal administrations and their reforms, most have come about because of a crisis, or some major economic change. Since we have not had a crisis, so to speak, and as you said in your opening remarks, we have been financially successful over the last 4 or 5 years, we are having a hard time generating the kind of interest in postal reform that we think should be there, if you actually looked at the tea leaves, 5 to 8 years out.

But postal administrations around the world are modernizing. They are becoming more commercial. The German Post, in the fall, is likely going to have an initial public offering, which will make it private, to some degree.

The German Post owns 51 percent of DHL International. They are the largest or one of the largest logistics organizations in the world. They still have a core mail business, and they have an express business. So the Germans are operating under a model.

The Deutsche Post bought TNT and became TPG. It is now a publicly traded organization. It is very aggressive in the world. So they are not only aggressive in their countries in Europe, they are also aggressive in the United States.

We look at ourselves as fairly outdated, compared to industrialized posts around the world. We do not think all of those models are wrong. We think that needs to be examined for the Postal Service.

Senator COCHRAN. I think it is part of the Reorganization Act that each class of mail has to stand on its own two feet, so to speak. In other words, you cannot use the revenues from one class to subsidize the operations of another class or character of service.

Does that present you a particular problem, and is there any proposal for change in that, that you would make?

Mr. HENDERSON. The answer is no. I think that you would create more controversy if you allowed, say, First-Class mail to subsidize standard A, or vice versa. I think that getting a consensus in the customer community would be nearly impossible, without those kinds of safeguards.

Senator COCHRAN. One of the criticisms that I have had brought to my attention from some who compete in the delivery of parcels and bulk items is in the international area, where they allege that there is just no way for you to actually carry the packages and the parcels the distances that you do, and not have some overhead expense paid for by other classes of mail or other operations of the Postal Service. Is that a fair criticism?

Mr. HENDERSON. No, sir.

Senator COCHRAN. If not, why not?

Mr. HENDERSON. Well, as you will recall, I think a couple of years ago, we had a hearing on that subject, maybe in this very

room. We committed to having an independent review of the cost coverage of international.

The conclusion was that domestic mail does not subsidize international mail. The Postal Rate Commission looks at that issue at every rate filing. So we are confident that our international mail is not subsidized by our domestic.

Senator COCHRAN. There is always concern that the price of postage is going to continue to go up, just for the reasons that we have both pointed out. The pressures from competition and technology, e-commerce, and the like, make it more and more difficult to do business at the same postage rates in the future.

What do you anticipate in terms of future rate increases for the various types of mail that you deliver? Is it inevitable that we are going to see prices continue to go up?

Mr. HENDERSON. Under the current regimen of 1970, I think it is inevitable that prices will continue to go up. They will continue to go up, fueled by things like internal inflation, the cost of fuel.

As you can see, for example, this year alone, the increase in the price of fuel for the Postal Service is costing us $240 million in unexpected costs. The rise in inflation in the United States, beyond what was predicted, is costing another $50 million.

Those kind of pressures, along with the pressures of labor, inevitably translate themselves into price increases. That is in spite of the fact that we have the highest labor productivity this fiscal year that we have had in a decade.

Senator COCHRAN. What do you anticipate will be your next increase in postage rates, and when will that occur?

Mr. HENDERSON. It will occur likely in January. It will be for First-Class postage, a one-cent increase. For the other classes of mail, it will vary, based on their individual cost cells.

Senator COCHRAN. There is some indication from a meeting that I had with postmasters and their representatives recently that there was concern that because of the arbitration clauses and the powers that the employee unions have, that salaries for some of the employees have gone up, because of those pressures, above the salaries that are paid to some postmasters.

There is some concern that that is unfair. Their responsibilities for managing and supervising and doing the things that are in the job definition of a postmaster justify higher salaries and wages than they are getting, compared with some of those who are working in the post office with them, and whose wages have gone up because of arbitration and other pressures.

Is that a legitimate concern; and if so, what is there that we can tell them that will be done by the management of the Postal Service that will respond to that concern?

Mr. HENDERSON. We periodically have consultation with our postmaster organizations to talk about wages, pay for performance, and those kinds of things. If you look at our smaller postmasters, I understand you are getting that complaint. I get that complaint, myself.

If you look at level 11, 13, and 15, those are the smaller rural offices, and the average salary and benefits are about $60,000 a year. We think that is fair compensation. But we are mindful of the differential for postmasters who have craft employees working for

them. We do not have situations, to my knowledge, where a postmaster has a craft employee working for him that makes more money than they do. I am not aware of any situations to that extent.

In smaller offices, where there are no craft employees, the postmasters are paid less; in other words, where the postmaster works on the window, or works, in essence, like a window clerk does, in a larger office. We look at those, as compared to the next higher level postmaster. We try to keep comparability in there.

Senator COCHRAN. There was a lot of pressure, at one time, about new rules for closing post offices, and getting public opinion of the local community, to be sure that everybody knows what the plan of the Postal Service is for a particular location.

Do you think the changes that have been put in place and the openness of the process now have served to alleviate the concerns? There was pressure to actually change the law, to put in specific requirements, by law, that you would have to follow, if you wanted to close or relocate a post office. Has that concern been satisfactorily addressed, in your opinion?

Mr. HENDERSON. Yes, we have a moratorium right now on closing post offices. If you go in and close a post office, by the time you close one that the community does not want closed, you have lost so much good will, in the eyes of the community, it is simply not worth it.

Most of the post offices that are closed now are really abandoned. There are post offices where the person retires, and has a post office in their grocery store or whatever, and they simply do not want to do it anymore, and we cannot find someone to serve it.

But we have been working with our postmaster organizations to identify any opportunities in these, what we call suspended post offices, and that is the postal term, to reopen them. But by and large, we have not closed any post offices now in a couple of years.

Senator COCHRAN. Speaking of suspension, we are going to have to suspend this hearing, because I am just advised that we have a vote occurring in the Senate, and there are only 5 minutes remaining to cast the vote. I have to go and do that. I will return and we will reconvene, as soon as I can get back. I apologize to everybody for that.

[Whereupon, at 2:27 p.m., the Subcommittee recessed to vote.]

Senator COCHRAN. The Subcommittee will come back to order.

We are pleased to be joined by the distinguished Ranking Member of the Subcommittee, Senator Akaka, and Senator Levin.

Senator Akaka and I have introduced a bill, S. 2686, which is intended to improve the process for establishing postal rates for nonprofit and reduced rate mailers. The bill would establish a structured relationship between nonprofit and commercial postage rates. Some of these nonprofit groups are worried they will see another substantial rate increase, unless the current rate setting procedure is changed.

Do you believe that changes in the law are appropriate to avoid unpredictable rate changes for nonprofit mailers, and would you support the adoption of S. 2686?

Mr. HENDERSON. Absolutely; we think it is essential for the health of nonprofits to have that piece of legislation.

Senator COCHRAN. I have one other question about the employment situation, and the number of employees. We understand that in the Postal Service, there is a plan to eliminate some 700 administrative positions. Are there plans to do this, and what specifically do you have in mind?

Mr. HENDERSON. The answer to your question is yes, and that is the beginning and not the end. We are going to eliminate 700 administrative jobs.

Essentially, we are reviewing the organization and its structure, to get rid of duplicate work. We are also looking at redesigning our processes to reduce the number of employees.

It is just the pressures of being in a competitive environment that make you constantly look at yourself and say, is there not a more efficient way to operate? This is simply the outcome of that.

Senator COCHRAN. I have had a chance to ask a number of questions. I am going to yield, at this time, to the distinguished Ranking Minority Member of the Subcommittee, Senator Akaka, for any comments or other questions that he would like to ask.

OPENING STATEMENT OF SENATOR AKAKA

Senator AKAKA. Thank you very much, Mr. Chairman, my good friend and great leader, Senator Cochran.

As the Ranking Member of the Subcommittee, I look forward to receiving the Postmaster General's testimony today from Mr. Henderson. The Postal Service enjoys a uniquely personal relationship with the American people. A new Gallup poll found that nine out of ten American households have a positive view of the Postal Service.

I applaud the dedicated career postal employees, who have earned their fellow citizens' appreciation, and Mr. Postmaster General, your leadership in this effort.

Right now, the Postal Service is analyzing its operation, products, and management in order to become a key player in the e-commerce area, and deal with revenue shortfalls. As these reviews are made and decisions reached, it is critical that the Postal Service's mandate of universal service and commitments to its employees are not compromised.

I am confident that under the leadership of the Postmaster General, the Deputy Postmaster General and the Board of Governors, the Postal Service will find answers to the diverse challenges that lie ahead, without sacrificing customer satisfaction or harming labor/management relations.

I wish to compliment the Postal Service on its recent decision to donate out-of-date, stand-alone computer systems to disadvantaged families without computers. As a former educator, I am pleased that the Postal Service is working toward closing that digital divide. I am well aware of the great community services performed by postal employees, and this is yet another example of the Postal Service enriching the lives of those it serves.

As the Postmaster General knows, I recently introduced. S. 2703, the Postmaster's Fairness and Rights Act, which is co-sponsored by 12 senators. I hope that you and I can work toward addressing the issues raised in this bill.

My remarks would not be complete without mentioning my interest in a U.S. postage stamp for Duke Kahanamoku, Hawaii's five time Olympic medal winner, and the father of modern surfing.

I have supported this effort for many years, and appreciate knowing that the proposed stamp remains under serious consideration by the Citizens Stamp Advisory Committee. The time has come to honor the Duke, who holds a unique place in surfing history, and whose Olympic skills are legend.

I thank you, again, Mr. Chairman, for this hearing. I look forward to reviewing the Postmaster General's report.

Thank you.

Senator COCHRAN. Thank you, Senator Akaka.

Senator Levin.

OPENING STATEMENT OF SENATOR LEVIN

Senator LEVIN. Thank you, Mr. Chairman.

Senator Akaka's statistics about the favorable rating of the Postal Service and its employees really is quite stunning. Nine out of ten have a favorable view is a close second to the view of the U.S. Congress. I just want to commend you for not overtaking us. We really appreciate that. [Laughter.]

Mr. HENDERSON. Does that mean we cannot wear the yellow jersey?

Senator LEVIN. You have to work harder. If you are No. 2, you just try harder, that is all. [Laughter.]

As you know, Mr. Henderson, our sweepstakes legislation went into effect in April of this year. This was an effort to end the abuses that exist in the area of sweepstakes, the mail that comes too often to our houses, telling us we won something when we did not, and with screaming headlines saying you have won a whole bunch of money, when in fact we have not, and other kinds of come-ons that mislead so many people, and have caused so much injury and economic hardship and misery in this country.

We have some good news and some bad news, since April, when this new law went into effect, and, as you know which this Subcommittee had a great deal of involvement in making the law.

I guess the bad news first would be this sweepstakes notice from *McCalls* Magazine. You have a copy of it in front of you now. This is an urgent message, in big headlines here. It says, "Urgent Message for 'L,' you have been declared one of our million dollar winners. We are waiting for you to claim your prize money." That is in big print.

Now there is a little print right above it, which is the hook. That says, "No, you have not." The big headline says, "You won a million." Then in these big headlines down here, it says "K, W, and L have been declared million dollar winners. We will pay the next million dollars to the people names, and them alone, but only if you respond to this notice."

This is the same kind of a come-on and misleading brochure and sweepstakes notice that existed before the law changed. The new law makes it very clear that it is illegal for any material to go out which "represents that an individual is a winner of a prize, unless that individual has won such prize."

I would like you to look at this. I am not going to ask you to do that today, unless you would like to. But I would like you to take this back to the office, give it to your folks in charge of this, and let us know immediately whether, in your judgment, that come-on complies with the new law. Because that is exactly what we intended to put out of existence with the new law.

Senator Collins is not here. She was very, very active in this law. It was the Collins/Levin initiative, with Members of this Subcommittee, by the way, our Chairman, Senator Akaka and others, being very actively supportive of it. So we are all familiar with this issue.

I cannot speak for any other Senator, but I think it is fair to say, we had looked forward to a significant change in the behavior of the sweepstakes folks. So we need to know from you whether or not our law made a difference.

If this is the kind of junk that is going to continue to bombard our mails, with these kinds of misleading statements that are going to deceive too many of our people, especially seniors, then we are going to get back to the drawing board. So please let us know on that.

Now there have been some changes, however, which I think we want to acknowledge. That is in a *Reader's Digest* notice that went out, and there is a copy of that in front of you.

This one does show a real change in the approach of the *Reader's Digest*. Instead of saying, "You have won," it says it is a "winners selection process." That is a lot different from saying that you have won. This is done a lot more carefully, in a number of respects.

However, if you will look at the fine print down on the back, you will see it says, "No purchase or payment necessary to enter or win." That was required by our new law to be prominently displayed.

We need your folks to tell us whether or not that tiny little print is prominently displayed, in your judgment. I must say, it is not in mine; but let us know.

Then it is interesting, because one of the things that we fought very hard to get into the new law was a very prominently displayed statement that says, "A purchase will not improve an entry's chance of winning." That statement is even in smaller print, not as bold, and further down.

Mr. HENDERSON. Yes, I found it.

Senator LEVIN. You found it?

Mr. HENDERSON. Yes.

Senator LEVIN. You have your magnifiers on, then. [Laughter.]

So if you could have your experts take a look at both of those statements, and tell us whether or not, in your judgment, they comply with the new law, that would be very helpful to us.

If you would comment, I would be happy to just stop there, and let you have a chance to respond.

Mr. HENDERSON. Well, as you know, we supported the legislation. We think things had gotten out of hand. Hopefully, the new law will curb these industry practices, and the industry has been cooperating. To date, we have only received three requests for subpoenas to look at the information.

Senator LEVIN. When you say you have received subpoenas, what do you mean?

Mr. HENDERSON. Our General Counsel has issued three administrative subpoenas.

We will look at this and get back to you tomorrow.

Senator LEVIN. That would be great.

The number of complaints, then, has gone down since the new law had gone into effect?

Mr. HENDERSON. Yes, and I would add that the industry, from my perspective, has really cooperated in trying to stamp out those deceptive practices.

Senator LEVIN. Have you had any information sessions with sweepstakes promoters, to educate them about the new law?

Mr. HENDERSON. Yes, we have.

Senator LEVIN. Do you know anything about the status of the requirement to allow persons to be asked to be taken off the mailing lists of sweepstakes promotions?

Mr. HENDERSON. Not off the top of my head, but I will be happy to supply that for the record.

RESPONSES TO SENATOR LEVIN'S QUESTION ON THE SWEEPSTAKES 1–800 NUMBER AND THE *McCall's* AND *Readers' Digest* MAILINGS

1–800 Number

Regarding the status of the 1–800 number for sweepstakes, Title 39, U.S.C. 3017, *Nonmailable Skill Contests and Sweepstakes Matter,* requires that the sweepstakes promoters establish and maintain a notification system to include an 1–800 number. The requirement is to provide individuals the opportunity to request that their name be removed from sweepstakes and contest mailing lists. The requirement is not mandatory until December 12, 2000.

The Postal Inspection Service will monitor mailings in an effort to ensure companies are providing a notification system as required by Sec. 3017.

Readers' Digest and *McCall's* Mailings

Postal Inspection Service officials have contacted *McCall's* magazine and the *Reader's Digest* to obtain copies of the complete mailings. Postal Service lawyers are reviewing the mailings to ensure compliance with the Deceptive Mail Prevention and Enforcement Act. The mailings are still under review. Also, Inspection Service officials are arranging meetings with officials from both publications to discuss their compliance with the law. I understand Inspection Service officials have been in regular contact with Senator Levin's staff on the status of this review.

Senator LEVIN. Has the volume of sweepstakes solicitations that go through the mail been affected by the new law, if you know?

Mr. HENDERSON. Yes, it has. I cannot give you a hard number, but sweepstakes have dropped off dramatically. I might add, that is not just necessarily because of the law. It is because of the publicity that surrounded deceptive practices. Sweepstakes took a hit to their brand. I use that word as people begin to look at them in a different light, and they have not recovered today.

Senator LEVIN. Well, in my judgment, I would have said that it was a well-deserved hit. If they comply with the law, its letter and its spirit, that will be fine.

If we see that key information, that a purchase does not improve your chances of winning, if that is prominently displayed, as the law requires, it seems to me then, and only then, can the sweepstakes solicitations be justified.

Otherwise, it seems to me, they are deceptive. But more important, you are the experts. We need you to tell us whether or not the examples I gave you fit or violate the prohibitions, in your judgment.

If so, if they do violate them, then take proper enforcement. If they do not, let us know, because I think then we are going to have to tighten up the law, again.

Should I keep going, Mr. Chairman? I have just a couple more questions.

Senator COCHRAN. Sure, please proceed.

Senator LEVIN. I do not want to go beyond my allotted time. I just have a couple of questions about semipostals.

We have had a lot of discussion about this issue. We have seen some data on the breast cancer research semipostal stamp and we still need some of the cost information, which you are working on.

But the fundamental question which the Congress really has to face is whether or not we should be authorizing semipostals—additional stamps that raise funds for various charities. We have had about 15 semipostal bills now introduced to raise funds for various charities and groups.

By the way, although I voted against it in the first place, I think it is clear that we should reauthorize the breast cancer stamp, because we have a huge number apparently printed.

It has already been authorized once. Although I don't think we should be issuing these stamps as a matter of principle. It would make sense to utilize all the balance of the stamps that are printed.

Putting aside that issue, the reauthorization of the breast cancer research stamp, should either we or you, through your Citizens Stamp Advisory Committee, be issuing or recommending to the Postal Service, additional semipostals? If the answer is yes, in your judgment then, should we be doing this?

This gets us into all kinds of political issues as to which of the very important charitable causes we should favor, politically. Should your Citizens Stamp Advisory Committee be doing it? Who should be doing it, if we should do more of this at all?

Mr. HENDERSON. First, let me say that the breast cancer stamp has been something that has created just an incredibly positive view towards the Postal Service, but I think that is unique.

Senator LEVIN. When you say the view, you mean that particular cause?

Mr. HENDERSON. Yes. We are not in favor of semipostals. They are very difficult to select. I do not know what criteria you would use.

The Citizens Stamp Advisory Committee does not want any part in that, and you know they are volunteers. They want no part of trying to select which charity over another ought to receive the support of the Postal Service. We are not interested in administering that, or being a part of that at all.

I do not know what the reaction would be of the Citizens Stamp Advisory Committee if they were forced to do it, but I suspect it would be very negative. I know today, they are just not equipped, and we are not equipped. I am in the business of running the Post-

al Service. I am not in the business of trying to figure out which charity over which charity, or which cause over another cause.

Our job, in my view, is if the Congress feels that a semipostal ought to be issued, that it directs the Postal Service, as it did with the breast cancer stamp. Then we will do the best job we possibly can at making the intent of Congress a raving success.

Absent that, we do not want to be in a position to issue one semipostal a year or two or whatever. We just think that would be a disaster for our organization. I will not attempt to tell the Congress what I think they ought to do. But I do not believe semipostals ought to be issued.

I think it is very difficult. I think you raised a very valid point. How do you select them? I mean, they are all good causes. Prostate cancer is a very legitimate cause. It affects millions of males. There are just a thousand subjects that really are worthy. What screening you do to put them on a stamp and raise money for them, I just do not have a clue.

Senator LEVIN. When you say that you should not be issuing, what you are saying is, you do not want to do the selection, your Citizen Stamp Advisory Committee. But is it not also a fair statement that you hope that Congress does not authorize additional ones. Is that right?

Mr. HENDERSON. That is right. That is exactly right.

Senator LEVIN. Thank you.

Senator COCHRAN. Thank you very much, Senator.

Postmaster General Henderson, you have mentioned the possibility of expanding the products and services of the Postal Service, and getting into the e-commerce area, as well. How does offering e-commerce products promote the core mission of the Postal Service?

Mr. HENDERSON. Well, e-commerce becomes another channel for customers of business and consumers to get at postal products. It can be as simple as looking up a ZIP code or ordering a priority label; or in the case of the private companies, where PC postage is offered, getting postage off a computer.

It is true that the activities we have taken to date relate to our information platform, which we are building for internal reasons to enable us to cut real time costs, to build an activity based accounting system, and to offer our customers a window into the mail stream, so they can see where their mail is; that is the major driver, and simply for convenience.

We have an electronic bill payment offering: We carry bills today, and they are in the mail. You have got your bill, you mail it back. We are offering a service to do that electronically. We have had about 75,000 people go to that link. About 10 percent of them have actually signed up. But that is just a service we are offering our consumers.

So we see this as really an extension of our core products. Just another analogy is, we used to move mail exclusively on trains. Now we use airplanes and trucks and other things. But we are not getting out there into areas that are completely foreign to us. It is all tangential to the mail.

Senator COCHRAN. You mentioned the e-bill payment program. Are there any other new initiatives that are considered important

for the Postal Service, and what do you expect to achieve in these areas?[1]

Mr. HENDERSON. Well, they are very similar to what we do today, as a matter of our core mission. For example, we have PosteCS, which is a secure document transmission system, that is a partnership between the Canada post, the French post, and the United States post. It is a service that we offer around the world. It is just the ability to send a secure document.

The reason for my market research that folks will chose the Postal Service, is because they have trusted the Postal Service with their documents forever. This is just a natural extension.

But we have several things that we are looking at. I will be happy to supply for you a listing of the products and an explanation of them, and how they relate to our business.

Senator COCHRAN. Do you expect these products and services will cover their costs and make a contribution to the overhead of the Postal Service?

Mr. HENDERSON. Absolutely, but we do not think that they will substitute for the $65 billion business that we manage on a day-to-day basis. In many instances, they are conveniences for our customers. It is just another way to access the Postal Service.

Senator COCHRAN. Last year, you announced the service you referred to, PC postage, as an innovative way for customers to purchase and print postage, through their personal computers. Is this a program that is gaining in popularity? What is the status of it? How many customers are using it?

Mr. HENDERSON. They have purchased about $26 million worth of postage. There are currently, I believe, 16 organizations. When I testified before, there were four. Now it has grown. It gets mixed reviews in the marketplace, but customers are going to PC postage.

Senator COCHRAN. In the current rate case, the providers of PC postage are seeking a discount for consumers who use PC postage to prepare their mail, because it provides cost savings to the Postal Service. What is the Postal Service's position on this request?

Mr. HENDERSON. We do not agree with that. To think that we could incrementally take the costs out of one stamp being purchased at a retail unit or vending machine versus a computer is not understanding the Postal Service's business model.

It is just an added convenience, but it has not, as of yet, made any difference. We have 7 million people a day that walk into postal lobbies. So it has not really had an impact. They just handed me the numbers. There are 302,293 customers using PC postage today in the United States.

Senator COCHRAN. The Postal Service is also developing a program to provide a secure electronic mailbox for every American household. What is the status of this program, and can you tell us how the service would work?

Mr. HENDERSON. It is on the drafting board. Essentially, it would allow you to access the Postal Service and some of its special products through a secure mailbox. You could go in and you could click on, for example, a post office.

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[1] List of the Postal Service's electronic commerce initiatives requested by Senator Cochran appears in the Appendix on page 29.

Then electronically, you could confirm where a letter happened to be, if it had been read through one of our sorting machines. You can buy special services. It is an opportunity for you to visit an environment that is secure in a Postal Service.

Senator COCHRAN. Do you have to go to the Board of Governors to get permission for each individual new e-commerce type activity, or do you get a blanket kind of approval? What is the process that you use in interfacing with the Board of Governors on this?

Mr. HENDERSON. It is actually both. We have a by-law that requires us to go to the governors on anything that, in their view, would be controversial. So we have chosen to take these initiatives, either in writing or in person, to the governors, and they decide whether or not they want to vote, or whether they just want to let us continue.

We keep them apprised, on a regular basis. We have a strategic planning committee, which is a sub-group of the governors, in which we discuss on a monthly basis all of our initiatives and what progress we have made.

Some we get on the drawing boards, and if we decide they will not fly, we scratch them. But we have a group of people looking, as is every business, I think, in America, and every institution, looking at how this new channel of the Internet, what it means to your business, and how it can affect your business. So we have a group that is just doing that.

Senator COCHRAN. The Postal Rate Commission is called on to approve any requests and changes or increases in postal rates. Are any of these initiatives in the e-commerce area subject to the approval of the Postal Rate Commission?

Mr. HENDERSON. Some have been mailing online for example, and it was subject to the Postal Rate Commission's review. Others are not. Traditionally, some services have gone to the Postal Rate Commission for setting rates. Some, we have set fees, independently of the Postal Rate Commission. It varies. If it's a core product, all of them go to the Postal Rate Commission.

Senator COCHRAN. Senator Akaka, do you have any other questions?

Senator AKAKA. Yes, Mr. Chairman, I do.

I would like to ask the Postmaster General about the selling of postal collectibles on E–Bay, one of the most popular Internet auction site.[1]

There are currently 34 items that have been put online by the Postal Service, as of this afternoon.

For instance, one of the items says that the auction starts on July 7 and ends July 17. The price is $500. The item is a Barbie stamp. I have a list here of the 34 items.

Mr. Henderson, who in the Postal Service approves putting postal products up on E–Bay? Was the Board of Governors involved in this decision or consulted?

Mr. HENDERSON. I do not know. I think we told the governors about it, but they would not approve something like that. We would do that in management.

[1] E–Bay website pages submitted by Senator Akaka for the record appears in the Appendix on page 31.

We are using E–Bay as a part of World Stamp Expo, which is going on in Anaheim, California, where we have 150 foreign postal administrations displaying stamps. We have collectors from all over the world, and we put collectibles on E–Bay.

But from time to time, we have gone on these home shopping networks, and have sold postal collectibles. It has been everything from stamps signed by astronauts, and so on.

It really is a way of keeping that kind of item that we have, that people are interested in buying, out of the post office, so that it does not interfere with the people who want to come in and mail packages. I think most of these are stamp-related items or in connection with that. This particular E–Bay site is in connection with the World Stamp Expo.

Senator AKAKA. As the Postal Service looks at an eventual downturn of revenues, you have said that the Postal Service will work with the Office of Personnel Management on early retirement procedures. I have several questions relating to that issue.

Is the Postal Service talking to OPM now about procedures, and do you have any timeframe as to when the cuts will actually take place? Also, will the Postal Service target specific categories of employees or specific geographic locations?

Mr. HENDERSON. The answer to the first part of the question is yes, we have talked to OPM, and we are talking to them now. We will be targeting functions, not categories of employees, but functions. As I said, 700 positions is the beginning. We are looking at redesigning the work that we do to make it more efficient. To the degree that we have to run a reduction in force, we are prepared to do that.

At the present time, I see the impact as not being significant. However, we have 771,000 career employees, and 700 is not much of a dent. Later on, down the road, we are looking at a longer term process, as I said, of trying to change all the work. I can just give you an example.

Every employee on travel has to submit a voucher. That travel voucher is in writing, or in some instances, it is done by a secretary. There is no reason to have that piece of paper floating around.

The subject of requisitions, a form that we have to ask for supplies, in today's world, you should not have to write that on a piece of paper. You ought to be able to use the Internet to communicate.

I was talking to Lou Gersner at IBM. He said that in their purchasing department alone, which is about the size of ours, that over a 4-year period of time, by taking paper out, he saved a billion dollars.

So that is the kind of thing that we are looking at, just practices that we have kind of taken for granted for 30 years. I am very familiar with a form that is called 7381, that you requisition supplies on. I might be lost if I did not have one. But nonetheless, there is no reason to do that anymore.

So we are trying to be more modern. That reduces administrative jobs. We feel we have too much administrative overhead, given the communication channels that we have available to us on the Internet.

We are not trying to slash and burn. This is not about saying that a person who is sitting at a desk doing a job, that suddenly we are going to get rid of them because we do not like them. We are trying to really affect the work that is being done.

Senator AKAKA. Senator Lieberman, the Ranking Member of the Full Committee, is unable to join us today. However, he has asked me to pose the following question relating to the Postal Service e-commerce initiatives.

The question is, how can the Postal Service ensure that it does not use its governmental authority to provide a competitive advantage; not just to its own products, but also to the products of its marketing partners? The second question is, how can Congress ensure the Postal Service does not regulate and compete with the private sector?

Mr. HENDERSON. I think that we would say to the last part that we absolutely do not believe that you can regulate and compete in the same business, and we would not do that.

To the part about being competitive, if you look at our competitors, and a playing field that is not level, we are on the bottom side of that playing field, not on the upper side of it. If you are in the business of selling products, and you do not have pricing freedoms, which we do not on packages, and we do not on Express Mail, you are at a disadvantage.

It is like selling cars. Every other dealer can negotiate a price and you cannot. You know which dealer, for the most part, that people are going to flock to. So we are all for this concept of a level playing field. We think that begins by giving us some pricing freedoms.

Senator AKAKA. Mr. Henderson, I would like to focus on diversity within the Postal Service. I know there is a commitment by management to ensure that the diversity within our communities are reflected within the Postal Service.

I am sure you are familiar with the just-released GAO supplement to its 1999 report about the representation of women and minorities in the Executive and Administrative Schedule of management positions in the Postal Service.

The supplement focuses on employees in EAS levels, 16 through 26 positions, including postmasters and managers of customer service and managers of postal operations.

Hawaii and Puerto Rico were not included in the GAO reports, since these districts have a more specific classification system.

Because the GAO report only compared women and minorities with white males, in preparation for this hearing, I asked for a breakdown, based on aggregate percentages for White, Black, Hispanic, Asian, Indian/Alaskan males; and White, Black, Hispanic, Asian, Indian/Alaskan females. Hawaii and Puerto Rico Postal Districts are not included in these aggregate percentages.

The figures worked out by GAO indicate that White males make up 50 percent of the EAS levels 16 through 26, and White females comprise 18.5 percent.

When African males and females were added, these four groups comprised a cumulative 90.9 percent of all EAS levels 16 through 26 employees. The remaining 9.1 percent are Hispanic, Asian and Indian/Alaskan EAS employees.

Overall, the Postal Service is doing a good job to ensure that the Postal Service better reflects the communities it serves. However, as the Postal Service continues to reduce its labor force, I want to make sure that the commitment to diversity is not diminished, and that the Postal Service does not lose sight of the progress made over the past decade.

I want to ensure that appropriate training programs are in place to further career development and bolster recruitment efforts for all minority groups, including Asian/Pacific Americans, American Indians, and Alaskan Natives.

My question is: Do you have any comments on either the GAO report or what steps the Postal Service is taking to train the diverse populations within the communities it serves?

Mr. HENDERSON. Well, the Postal Service, for some time, has considered its diversity a very distinct, competitive advantage in the market place. It has worked very hard to continue its diversity.

As you may know, it was recently recognized. *Fortune* Magazine published the 50 best companies in America, or organizations in America. They said companies, but they included us. We ranked ninth for all minorities in terms of the best place to work. We ranked fourth on that same list for African Americans.

We also received a Hammer award for our efforts in affirmative action, and were recognized as one of the best in class in government.

So we take diversity seriously. As we go through reductions, we are very mindful of the fact that when our employees and our community look at the Postal Service, they want to see a reflection of themselves. To the degree that that is humanly possible, we are committed to that.

Senator AKAKA. Thank you.

Mr. Chairman, may I ask one more question?

Senator COCHRAN. Yes, go ahead.

Senator AKAKA. Mr. Henderson, in addition to the challenges that the Postal Service is facing on the domestic front, I know that the international mail scene is providing challenges, as well.

In testimony before the House Postal Subcommittee, you expressed support for H.R. 22, Representative McHugh's Postal Reform bill, based in part on your belief that it could have an impact on the Postal Service's international mail business. How would postal reform address the Postal Service's concerns relating to competition and international business?

Mr. HENDERSON. Well, let me preface my comment. H.R. 22, we are supportive of it, but it is a compromise. You cannot take just pieces of it. In the case of international, it is re-regulated in H.R. 22, more like the domestic. But in the domestic mail, we had pricing freedoms in H.R. 22, which we do not have today.

We are opposed, individually, to putting us again on a lower playing field by regulating our international activity. I think I have testified in this hearing on that. We have committed to not having a cross-subsidy. While H.R. 22 does re-regulate international mail, it has to be taken in the context of that total bill.

We realize that in order to get pricing freedoms, in order to have product freedoms, in order to have investment freedoms, you have got to give up something. That is the nature of the beast that we

understand. But we do not get anything if you just regulate international mail.

Senator AKAKA. Well, thank you very much, Mr. Chairman.

Senator COCHRAN. Mr. Postmaster General, I have heard from some who mail periodicals that they are very concerned about the proposed double digit rate increase. Is this something that is planned? Can you tell us more about it?

Mr. HENDERSON. Well, the process that exists today is that once you select the price for First-Class mail, and in this case, the rate increase is a penny, which is a modest 3.6 percent, then a costing study that has been going on throughout the year is finalized and validated. That is looking backward. That is one of the problems.

Obviously, each class and category of mail, each class of mail, must cover its cost. In the case of periodicals, the coverage was 92 percent, so there was a big increase. It has a one point mark-up, which means that it ranges from 13 to 15 percent, which is a lot different from 3.6 percent for First-Class mailers.

When we saw those cost studies, we began working with the magazine publishers, to try to identify strategies to reduce costs. We think we have been successful with about $150 million in costs identified.

But there is a problem for the future, if we do not figure out a way to eliminate those costs. These costs are going to recur. So it is not over with just lowering the rates in this rate case. It has to be what I would describe as a Herculean joint effort, or it is not going to happen.

By law, all categories or classes of mail are required to cover their costs. Unless we have pricing reform, that is going to be the future.

Senator COCHRAN. There are a couple of issues that have been brought to my attention from my State. I wanted to mention them to you.

At Mississippi State University, for example, they have had two Postal Service Centers on the campus. They want to consolidate those into one facility.

I received a letter just recently on this issue, and a matter of fact, this is e-commerce, it was faxed to me. Anyway, they want to relocate and expand the post office. Is this going to be caught in the moratorium that you talked about, closings and relocations?

Mr. HENDERSON. No, sir.

Senator COCHRAN. Is this going to be a problem for Mississippi State University?

Mr. HENDERSON. No.

Senator COCHRAN. Well, I hope somebody will look at this and see if they can help expedite it. The State of Mississippi, as I understand it, has already appropriated some money that the university is authorized to use to plan how they are going to do this.

This is on state property. They will use that money to compliment any Federal funding that is needed to support the post office relocation and renovation of these facilities. They require the students to have a post office address. They cannot deliver mail to everybody's dorm room.

Mr. HENDERSON. It is expensive to do that.

Senator COCHRAN. It would be a tough challenge.

So they have, it seems to me, a meritorious suggestion. If we pass this on to you, I hope you will have somebody in your organization look at it, and try to be responsive to their request.

Mr. HENDERSON. Absolutely.

Senator COCHRAN. One other thing, just to pass on, the tenth largest city in my State is a relatively small community near Jackson, Mississippi, called Pearl. I used to think it was a small community. Now it has become the tenth largest town in the State of Mississippi.

They have been wanting their own ZIP code, because they have had this Jackson, Mississippi ZIP code all these years. They are independent and they are doing well.

So I bring this to your attention, and ask for your help. I think I was going to ask for your help. Maybe I am just thanking you. Let me look to be sure I have got the right piece of paper.

Mr. HENDERSON. I hope you are thanking me. [Laughter.]

Senator COCHRAN. Do you get many complaints from communities like this, that are unhappy with their ZIP code boundary? Do you have a criteria that you use to establish ZIP codes for neighboring cities? How does that work?

Mr. HENDERSON. Well, it is a density criteria. In other words, you have to have so much mail in order for us to allow a ZIP code to be used.

There is an ongoing issue in every region in the United States over prestige ZIP codes. For example "90210" in Beverly Hills is prestige ZIP code. Every community has one, and property values are affected. They want this street moved or that street moved. It is one of the things that makes life difficult, if you are in a line management position in the Postal Service.

But when ZIP codes were carved out, they were not perfect. Nobody had a crystal ball and would know economically what was going to change. So it naturally creates problems.

Senator COCHRAN. Well, the good news about this was that the Mayor of Pearl is happy with the efforts of the local Postal Service officials so far. They have been cooperative and responsive to the concerns of the people of Pearl, Mississippi. [Laughter.]

So we wanted to bring this to your attention, and let you know we were not just going to complain. [Laughter.]

We are going to congratulate you when things go right, as well. So we thank you for the good work you are doing.

Is there anything further, Senator Akaka?

Senator AKAKA. Yes, Mr. Chairman, may I ask my final question?

Senator COCHRAN. Sure.

Senator AKAKA. And I also ask that I may be able to submit additional questions for the record.[1]

Senator COCHRAN. Absolutely, without objection, it is so ordered.

Senator AKAKA. I understand the Customs Service and the Postal Service are working together on several issues relating to international mail. The cooperative efforts in stopping the illegal shipment of contraband across our borders is commendable. However,

[1] Questions and responses for Mr. Henderson from Senators Cochran, Domenici, Lieberman, and Akaka appear in the Appendix on pages 38–50 respectively.

I know that the lack of an electronic manifest system by the Postal Service is of concern to the Customs Service.

My question is, what steps are being taken to implement automated manifest information in the interest of greater enforcement efforts?

Mr. HENDERSON. If it is an outbound piece, and the shipper is known, they do a manifest now. If it is an inbound package, which is part of what the controversy has been around, we do not have any requirement for a manifest, because we are not the shipper. We do not have any control over it.

We are working with Customs. I think the issue of contraband in the mail is a significant one. We are working with Customs to see if we can figure out a compromise so that we can assure that the Postal Service is not a shipper of contraband.

Senator AKAKA. I want to thank the Postmaster General for his responses, and thank you for being with us today.

Thank you, Mr. Chairman.

Senator COCHRAN. Thank you, Senator.

We do appreciate very much your cooperation with our Subcommittee, and your attention to our concerns and our questions. We congratulate you on the excellent job you are doing as Postmaster General of the United States.

Mr. HENDERSON. Thank you.

Senator COCHRAN. Thank you very much.

The hearing is adjourned.

[Whereupon, at 3:28 p.m., the Subcommittee was adjourned, to reconvene at the call of the Chair.]

APPENDIX

PREPARED STATEMENT OF SENATOR CLELAND

Thank you Mr. Chairman for giving me the opportunity to speak at today's hearing and address the Postmaster General, Mr. William Henderson. As you know, the U.S. Postal Service (USPS) was established by the Postal Reorganization Act of 1970 and replaced the U.S. Post Office Department. The USPS was chartered to perform as a business enterprise, with sufficient market freedom, including providing "non-postal services," that it could deliver the mail to all parts of the country as reliably, quickly, and inexpensively as possible. In that same reform legislation, the USPS was mandated to operate on a self-supporting, break-even basis, with particular emphasis on restraining postal rate increases and providing "honest, efficient, and economical management."

During the past year, the U.S. Postal Service has delivered more than 200 billion pieces of mail to 130 million households and businesses, the most in their history. Everyone from America's established business community to its emerging dotconis continues to rely on USPS' ubiquitous presence and universal service to promote their images, improve their sales, and secure their revenues. Competition from small businesses that prepare mail for delivery, office supply companies, and increased use of the Internet has had a significant impact upon the revenues generated by USPS. Mr. Postmaster General, I am extremely concerned that despite improved performance and customer satisfaction, the introduction of technology and automation, and the availability of products and services in modem retail outlets, you forecast a potential shortfall of $700–$800 million in total operating revenue for the year.

I would like to address a couple of challenges facing the U.S. Postal Service in the coming years and hope that you can offer feasible and practical solutions during your remarks to this committee. First, the Postal Service must address the issues that are most important to your customers, the ones who utilize your services and buy your products on a daily basis. Sure, the price of a first class stamp is important to them and yes, they care about whether the Postal Service makes a profit. However, the one issue relating to the Postal Service that I hear about more than any other is the lack of customer service and how long it takes for USPS to respond to customer inquiries on numerous topics from the long lines at post offices to the time of day that mail is delivered to homes and businesses.

In addition, you may or may not be surprised to know that I receive hundreds of telephone calls and letters each year regarding the location of postal facilities in my state. Prompt responses from the Postal Service would certainly go a long way in settling some of the issues surrounding location of facilities and would increase consumer confidence in USPS. Therefore, I would like some assurances from you as Postmaster General that the Postal Service will re-commit itself to serving the needs of its customers by acting promptly on matters involving postal facilities. For example, among the most critical current postal issues in Georgia is the proposed facility in Perry, Georgia due to the length of time that it has taken for completion of the building's construction. Perry and the Postal Service have been trying to build a facility since the days of my predecessor, Senator Sam Nunn. Construction has been continuously delayed due to breach of contract by two separate contractors and little progress has taken place. The current date for completion of the project is Summer 2001. 1 would like to receive assurances from you that your office will monitor the status of this post office and keep in constant contact with local USPS officials in order to prevent any further delays.

Other Georgia postal issues that I wish to bring to your attention include Rome, which needs additional space to sort the mail; Hartwell and Monroe, which have experienced delays in the placement of new facilities; Blackshear and Pine Mountain, which are in the process of determining adequate locations for their facilities; and

Euharlee, Fort Oglethorpe, Stilson, and Centerville, which have requested postal facilities for their growing communities. I would hope that these issues, which are important to me and my constituents, receive prompt attention from your office and swift resolution in the near future.

Secondly, it is important that the postal service provide high-quality, low-cost products and services. I understand the financial and economic pressures faced by the Postal Service but, I also realize that you must adhere to your basic mission which is to deliver letter mail to all parts of the country at reasonable and uniform postal rates. I think the Postal Service does a great job especially considering the volume of mail that it handles each year, every day in fact and with the price of first-class stamp at only 33 cents. Remarkable! However, I would like some assurances that postal rate increases will be restrained and not always considered first, before other options, as a means to increase revenue.

Recently, USPS started to diversify its services and products in order to raise revenue from "non-traditional" sources. Currently, the Postal Service sells money orders, packaging supplies, phone cards, and retail merchandise. As long as these services do not interfere with your primary mission to deliver mail, keep postal products and services affordable for the public, and secure jobs for your workers, the idea of expanding revenues without increasing taxpayer subsidies is a good one. The Postal Service has acknowledged that this becomes more challenging as the revenue base from traditional first class mail service faces increasingly effective competition from electronic messageing, fax, electronic funds transfer, and bill payment, as well as other telecommunications methods. Therefore, postal merchandising programs must be well-managed, subject to a system of accountability, and above all, must contribute in a logical manner to the success of USPS's basic mission.

Thank you for the opportunity to speak to you about my concerns. I look forward to your report and working with you in the future on these and other important issues.

Statement of
William J. Henderson
Postmaster General and Chief Executive Officer
United States Postal Service
before the
Subcommittee on International Security, Proliferation, and Federal Services
Governmental Affairs Committee, U.S. Senate
July 13, 2000

Mr. Chairman and members of the Subcommittee, I am pleased to be here today to discuss the performance of the United States Postal Service and the very challenging environment we face in the modern communications marketplace. The insights and support of this Subcommittee are of great value to us as we work to deliver the benefits of universal mail service to a growing and more diverse society as it contends with historic technological change.

When I spoke before this Subcommittee last September, I reflected upon the enormous progress that postal employees had made during the last decade of the 20th century in terms of service performance, financial results, product value, and system modernization.

I said then, and it is true today, that the Postal Service begins this century with the best performance, planning, technology, and management systems in our history. To that I can add that we began this century with some of the most favorable circumstances in our history. Low inflation, high employment, and the longest economic expansion in American experience have created precisely the kind of environment that has proven over the years to be most beneficial to healthy mail volume growth. In addition, the real price of postage has declined over the past six years, thanks to consecutive rate increases well below the rate of inflation.

Taken together, these circumstances might well have been expected to drive a surge in volume, revenue, and income. The truth is they have not. In fact, the latest revenue figures place the Postal Service more than $400 million short of our $100 million net income target for the year. This is directly attributable to a weakness in demand. Although postal products today are a better value in terms of service, features, and price, we now forecast a potential shortfall of $700-800 million in total operating revenue for the year.

As I indicated in my testimony last year, the cause of this difficulty lies in our constrained ability to respond to two historic forces that are changing the face of 21st century communications and our industry. The constraints lie in our three-decade-old charter -- the Postal Reorganization Act. And the forces are the explosive growth of competition and the revolutionary change brought about by electronic communications and the Internet.

Since 1995, the Postal Service has been seeking to modernize the law that governs our operations. We have worked closely with John McHugh in the house to develop a fair, meaningful reform bill. We believe strongly that the time to implement reform is now, while the Postal Service is healthy, and before the forces of change create the type of calamity that precipitated reform in the 1960's.

Competition continues to grow at a remarkable pace. This includes new inroads from traditional competitors, a profusion of start-up delivery firms associated with the Internet, liberalized foreign posts that have opened offices in the United States and purchased American subsidiaries, and the accelerating growth of electronic alternatives to the mail.

A similar dynamic exists with the technological erosion of our flagship First-Class Mail product. This is exemplified by the action of the federal government, which has been aggressively promoting electronic payments to vendors and social security recipients, and the use of electronic filing and payments for taxpayers. There appears to be unanimous agreement that this trend will continue and it will accelerate. The only questions are, "How much?" and "How fast?". So far this year, First Class Mail has grown just 1.4 percent. This barely keeps us at parity when you factor in population growth that results in a million or more new customer delivery points being added to our network each year. We anticipate little change in year-end First-Class Mail volume growth, continuing a decline in growth that has increased in the last decade. These results are consistent with projections that show First-Class Mail may begin to decline within a few years and that total mail volume may top out well before the end of this decade.

I should note that the scenario of a sustained decline in mail volume presents a huge management challenge for the Postal Service. Since the Postal Service was

created in 1971, we have only experienced two declines in total yearly mail volume, both as a result of economic downturns and large postal rate hikes. Sustained declines would require a major adjustment in the way we do business, which would be compounded by the fact that many of our costs are fixed and cannot be readily reduced. For example, although mail volume might decline by five percent, we would not be able to make similar reductions in the number of trucks or post offices, nor could we immediately adjust staffing levels. At the same time, we expect the size of our universal delivery system to continue to grow in line with growth forecasts for the population. As a result, we must plan now to deal with growing cost pressures that will be exacerbated by a shrinking revenue base.

The Postal Service has adopted three strategies to deal with our very tough competitive challenge. Our first priority is cost containment. For the immediate and foreseeable future, the most important strategy for the Postal Service is to maintain our affordability. This is particularly difficult as rising fuel prices, up-ticks in inflation, and arbitrator-mandated wage increases will add the better part of a billion dollars to our costs in the coming year.

In reality, cost control has always been a focus for the Postal Service. We have saved billions of dollars over the years by substituting technology for labor and streamlining our operations. In the last two years alone, through local and national efforts, we have squeezed more than a billion dollars out of our budget. Nevertheless, slow growth and shrinking margins continue to threaten our progress, our competitiveness and our future.

After a careful review of our operations, we have formulated a multi-year Breakthrough Productivity Initiative, which we are now putting into effect. In the areas of transportation, purchasing, administration, and operations, we are reengineering work processes and employing technology to achieve savings.

Our workforce must get smaller. As much as possible, we intend to accomplish this through attrition. For some months, we have refrained from filling administrative vacancies and we are seeking early retirement authority from OPM. However, if needed, we will use reduction-in-force procedures to reach needed

staffing levels. We are committed to maintaining high customer service levels and minimizing disruption for employees as we go about this process.

Our second strategy is to increase revenues by helping our industry grow. As I have indicated, this is no easy job. Every product line faces competitive pressure.

Customer service is central to this strategy. We have in place a comprehensive customer support network that reaches from our largest customers right down to the neighborhood consumer. Our Business Service Network serves nearly 15,000 major mailers who account for more than half of all Postal Service revenue. Across the country, we have approximately 300 Postal Customer Councils (PCCs) serving nearly 200,000 customers who represent small and medium size businesses. Each year since 1995, we have hosted a national PCC meeting by satellite to communicate critical service and policy messages to these customers.

We also have hundreds of Consumer Advisory Councils nationwide that provide a voice for communities and residential customers in local postal affairs. Additionally, we have a network of Consumer Affairs professionals located at headquarters and our 85 performance clusters who each year respond to hundreds of thousands of customers inquiries and engage in significant customer outreach programs. Customers also have access to around-the-clock support through the Postal Service's award-winning web site and 1-800, toll-free, service line. The web site receives more than 3 million hits a day and the phone service responds to more than 5 million inquiries annually.

I should also note two important umbrella efforts that have contributed very significantly to the overall success of the Postal Service. We support the long established Mailers Technical Advisory Committee, which is a joint mailing industry and Postal Service task force dedicated to improving the mail system. More than 60 member associations representing all major mail-related industries in each class of mail work with us to resolve problems, improve systems, and spur innovation. Each year we also host two National Postal Forums that bring together thousands of mailing professionals for a premier industry trade show and educational seminars. Suppliers showcase the latest in mailing technology and Postal Service experts and

officers provide insights on the direction of the Postal Service and on how to get the most out of the mail.

We are proud of these efforts to advance the professionalism and efficiency of the mailing industry and to better serve the American people through an extensive partnership that keeps us in touch with their needs. The knowledge we gain from these initiatives guides us in our modernization programs.

We are employing technology to improve performance, add value, and make it easier for customers to do business with us. We are partnering with private sector companies to create new customer solutions. This is particularly important in the international arena and the domestic parcel market, where we have significant handicaps compared to foreign posts and commercial competitors. We are working with customers at all levels to improve performance and tailor our services to their needs.

We are also introducing new features and products to meet emerging customer requirements. When I met with you last September, the Postal Service had just introduced PC postage that allows customers to purchase and download postage over the Internet. This year, we have continued our transition to the Internet Age with three other traditional services. It is too early to tell whether these ventures will be successful. They are small steps into an already crowded pond. However, it is vital that we get our feet wet, as the Internet increasingly will consume ever-larger portions of our business. Furthermore, we believe that we bring unique value to this space. It is the trust, security and ubiquity that we have built up over the past 226 years of serving the American people. We can help them cross the bridge to the 21st century and across the digital divide as we have bridged so many other differences over the years.

As we have seen in past transitional periods, controversial statements have been made about our involvement. At different times from the same sources, we are either omnipotent or incompetent. We are trusted Uncle Sam or feared Big Brother. We are out of our league or we are out to dominate. The truth is we have our hands full trying to stay relevant in the face of historic and unrelenting change. The General Accounting Office is now doing a study of these initiatives, which we expect to be completed later

this summer. We look forward to that report and hope that it will bring needed perspective to this issue.

Our third strategy is the pursuit of legislative reform, as I have already mentioned. We need a 21st century charter that recognizes our need to respond to how rapidly the modern world and customer needs are changing. It remains to be seen if a consensus for reform can be developed now. But the need for reform will assuredly keep growing.

In short, these are the best and worst of times. We have achieved record performance and now we have to improve upon it. We have recorded record budget surpluses and now we have to tighten our belts and economize like never before. We have improved the quality and value of our products, but the rules of the marketplace have changed and we must change with them simply to remain viable.

What has not changed, in our view, is that we have a responsibility to the American people to ensure a healthy and meaningful postal system. What's at stake is not just the continuation of perhaps the most visible and personal of all federal services, but the endurance of a delivery system that touches every American, helps bridge our vast distances and differences, and binds our nation together.

So, despite our challenges, the Postal Service is committed to meet the challenges of the 21st century and to build on our legacy of service to our nation. We look forward to working with this subcommittee to assure that the American people can continue to rely on the Postal Service for high-quality, low-cost mail services.

Thank you, Mr. Chairman, that concludes my statement.

# # #

Response to Chairman Cochran's request for a list of the Postal Service's electronic commerce initiatives:

Our electronic commerce initiatives are designed to provide easier access to postal information and services, and create logical extensions of our existing services that will improve service to our customers. The Internet is not only about new opportunities for new businesses, but about increasing the value of our existing products and services, making them more convenient and easier for people to do business with us.

We have been dealing in money, messages and merchandise from the beginning. We were the first to use the trains commercially, the first to use airplanes commercially, and now we're using the Internet technology to offer communication services to our customers. It is just a move to a different technology. We can offer services, based on our research, that are of real value to the American people.

We intend to facilitate the growth of e-Commerce by promoting our trusted-third party status and ubiquity to enable customers to use the Internet securely for important business or personal purposes.

Electronic Commerce Initiatives

Stamps Online

Stamps Online provides Internet access to stamps, stamp-products, pro-cycling gear, USPS phone cards and limited retail merchandise such as stationery items and computer paper via the Stamps Online website. These products are accessible from the URL www.stampsonline.com. Using credit cards, customers may purchase these products and receive the ordered merchandise via Priority Mail from the Stamp Fulfillment Service center in Kansas City, MO. This application is being recast using Broadvisions one-to-one e-Commerce software and is tentatively scheduled to launch on September 4.

USPS eBillPay

USPS eBillPay, launched in April 2000, enables customers to receive, view, and pay their bills electronically via the postal service's web site. Partnering with Checkfree to offer this service, it is believed the trusted brand of the U.S. Postal Service will encourage consumers to try this innovative service without fearing their personal information will be used for any other purpose than for what it's intended.

USPS Electronic Postmark

The Postal Service has developed the Electronic Postmark (EPM) as a value-added security service for electronic commerce initiatives. The EPM service provides a trusted time and date for electronic correspondence analogous to an ink postmark stamped on physical mail. The service substantiates the time and date that an electronic file is received by the Postal Service (a trusted third party) and detects the existence of any

changes in the file after the file has been postmarked. The Postal Service will use EPM as a value-added feature to enable and differentiate targeted suites of internal electronic products and services as well as products of other organizations with which the Postal Service partners. In offering the EPM service ubiquitously through multiple applications, the Postal Service will give customers choices in serving their needs, while translating legal protections and its status as a trusted third party in physical correspondence to the electronic world.

POSTeCS

Post Electronic Courier Service -- POSTeCS -- launched in April 2000, is an international, Internet-based message delivery service that provides confidentiality, privacy and integrity to electronic messages by offering an official electronic postmark, tracking and tracing, proof of delivery, sender and receiver authentication, account management and sender mailing list management.

Mailing Online

Mailing online will allow mailers to electronically transmit their documents, correspondence, newsletters, and other First-Class Mail and Standard (A) mail, along with their mailing lists, to the Postal Service. Electronic files are then securely distributed to printing contractors who print the documents (which are presorted electronically by the Postal Service), insert them into addressed envelopes, add appropriate postage, and transport the mailing to the post office for processing and delivery. This is considered a hybrid service -- an electronic service that results in hard-copy mail. Mailing Online was reviewed and approved by the Postal Rate Commission and an expanded 3-year experiment will begin this fall.

MoversNet.com

MoversNet.com is the electronic equivalent of the physical movers guide designed to offer increased help to consumers before, during, and after they move to a new location. Currently, customers are able to enter change of address (COA) information online. The old and new address information is standardized and ZIP+4 coded. The consumer then prints the COA form at their local printer, signs it, and mails it to , or drops it off at their local post office for inclusion into normal COA processing. Future enhancements to MoversNet.com include the full electronic submission of COA with identity validation, as well as an enhanced selection of move-related products and services.

NetPost Certified (eProof)

NetPost Certified provides secure Internet-based document delivery for electronic transactions. This service has been successfully tested by the Social Security Administration.

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POSTAL SERVICE AND EBAY
JOIN FORCES FOR HISTORIC EVENT
Limited-Edition Philatelic Collectibles to be Offered Online

WASHINGTON – Providing a unique online opportunity, the U.S. Postal Service today announced it would be selling one-of-a-kind philatelic collectibles on the Internet next month. The historic event, which kicks off World Stamp Expo 2000, in Anaheim, CA, and runs the 10 days of the show, will be on eBay, the world's leading person-to-person online trading community.

The online sale, scheduled to begin July 7 and end July 17, will consist of many unique and limited-edition philatelic items that are framed and numbered.

World Stamp Expo 2000 will be held July 7-16, at the Anaheim Convention Center. The Expo will consist of numerous exhibits, including some of the world's rarest postage stamps, a 3-D "Space Discovery Theater" and a World Kids' Congress.

World Stamp Expo 2000 represents only the second time the United States Postal Service has hosted an international philatelic conference. The other was held in Washington, DC, in 1989.

Below is the listing of the items up for bid. To view, simply click on the ITEM NUMBER in the first column!

Good Luck & Happy Bidding!

Listings

Item	Start	End	Price	Title	High Bidder
376542753	Jul-07-00	Jul-17-00 06:00:06	**$500.00**	Limited Edition BARBIE Stamp Cachet #40/5000	willpmurray@cs.com (99) ☆
376542759	Jul-07-00	Jul-17-00 06:00:07	**$250.00**	CIVIL WAR Stamp Uncut Press Sheet -Signed/#53	willpmurray@cs.com (99) ☆
376542763	Jul-07-00	Jul-17-00 06:00:08	**$250.00**	CIVIL WAR Stamp Uncut Press Sheet -Signed/#54	willpmurray@cs.com (99) ☆

376542772	Jul-07-00	Jul-17-00 06:00:09	**$260.00**	CIVIL WAR Stamp Uncut Press Sheet -Signed/#55	mjenni4723@aol.com (1)
376542775	Jul-07-00	Jul-17-00 06:00:10	**$700.00**	Framed & Autographed LANCE ARMSTRONG Poster	omahabruce (110) ✯
376542780	Jul-07-00	Jul-17-00 06:00:11	**$700.00**	STAR TREK Stamp SIGNED by Shatner Nimoy #5000	bismarck@erols.com (0)
376542777	Jul-07-00	Jul-17-00 06:00:11	**$955.00**	MARILYN MONROE Stamp Uncut Press Sheet-Signed	asico99 (320) ✯
376542784	Jul-07-00	Jul-17-00 06:00:12	**$334.00**	TRANS-MISSISSIPPI Uncut Sheet - Signed/#1200	fahytom (30) ✩
376542787	Jul-07-00	Jul-17-00 06:00:13	**$200.00**	SPACE ACHIEVEMENT & EXPLORATION Signed !	dscruton@twcny.rr.com (0)
376542791	Jul-07-00	Jul-17-00 06:00:14	**$205.00**	LEGENDS OF THE WEST Uncut Sheet Signed #51	asico99 (320) ✯
376638525	Jul-07-00	Jul-17-00 09:48:08	$150.00	SPACE DISCOVERY Stamps Uncut Press Sheet #92	No Bids Yet
376638532	Jul-07-00	Jul-17-00 09:48:09	**$655.00**	STAR TREK Stamp SIGNED by Shatner Nimoy #1701	citrome (93) ✩
376638537	Jul-07-00	Jul-17-00 09:48:10	**$200.00**	LEGENDS OF THE WEST Uncut Sheet Signed #54	prince87 (19) ✩
376638543	Jul-07-00	Jul-17-00 09:48:11	**$200.00**	SPACE ACHIEVEMENT & EXPLORATION Signed !	sherriminesreynolds (39) ✩
376706094	Jul-07-00	Jul-17-00 11:47:09	**$300.00**	LimitedEdition BARBIE Stamp Cachet #5000/5000	willpmurray@cs.com (99) ✩
376706101	Jul-07-00	Jul-17-00 11:47:10	**$151.53**	MARS PATHFINDER Framed Uncut Souvenir Sheet	dsi-tim (119) ✯
376706097	Jul-07-00	Jul-17-00 11:47:10	$250.00	CIVIL WAR Stamp Uncut Press Sheet -Signed/#51	No Bids Yet
376706113	Jul-07-00	Jul-17-00 11:47:11	$175.00	SPACE DISCOVERY Stamps Uncut Press Sheet #50	No Bids Yet
376706130	Jul-07-00	Jul-17-00 11:47:12	$175.00	SPACE DISCOVERY Stamps Uncut Press Sheet #52	No Bids Yet

376706122	Jul-07-00	Jul-17-00 11:47:12	$175.00	SPACE DISCOVERY Stamps Uncut Press Sheet #51	No Bids Yet
376706136	Jul-07-00	Jul-17-00 11:47:13	**$200.00**	LEGENDS OF THE WEST Uncut Sheet Signed #55	mcknightcompany (113)
376706144	Jul-07-00	Jul-17-00 11:47:14	**$510.00**	SUPERSONIC FLIGHT Stamp - Signed CHUCK YEAGER	bigmac62@aol.com (0)
376706154	Jul-07-00	Jul-17-00 11:47:15	**$202.49**	SPACE ACHIEVEMENT & EXPLORATION Signed !	jaminid (0)
376797751	Jul-07-00	Jul-17-00 14:11:50	$250.00	CIVIL WAR Stamp Uncut Press Sheet -Signed/#52	No Bids Yet
376797742	Jul-07-00	Jul-17-00 14:11:50	$600.00	Limited Edition BARBIE Stamp Cachet #1/5000	No Bids Yet
376797767	Jul-07-00	Jul-17-00 14:11:51	**$800.00**	JAMES DEAN Stamp Uncut Press Sheet-Signed/#66	asico99 (320)
376797761	Jul-07-00	Jul-17-00 14:11:51	$225.00	CIVIL WAR Stamp Uncut Press Sheet -Signed/#97	No Bids Yet
376797773	Jul-07-00	Jul-17-00 14:11:52	**$500.00**	STAR TREK Stamp SIGNED by Shatner Nimoy #1966	captain*u (1)
376797790	Jul-07-00	Jul-17-00 14:11:53	$200.00	LEGENDS OF THE WEST Uncut Sheet Signed #53	No Bids Yet
376797783	Jul-07-00	Jul-17-00 14:11:53	$200.00	LEGENDS OF THE WEST Uncut Sheet Signed #52	No Bids Yet
376797803	Jul-07-00	Jul-17-00 14:11:54	**$250.00**	SPACE ACHIEVEMENT & EXPLORATION Signed !	nagagila (1)
376797798	Jul-07-00	Jul-17-00 14:11:54	**$250.00**	SPACE ACHIEVEMENT & EXPLORATION Signed !	suecgram (62)
376797815	Jul-07-00	Jul-17-00 14:11:55	$175.00	SPACE DISCOVERY Stamps Uncut Press Sheet #54	No Bids Yet
376797810	Jul-07-00	Jul-17-00 14:11:55	**$175.00**	SPACE DISCOVERY Stamps Uncut Press Sheet #53	jerryl168 (19)

POSTAL SERVICE AND EBAY JOIN FORCES FOR HISTORIC EVENT

FOR IMMEDIATE RELEASE
June 14, 2000
Release No. 50

POSTAL SERVICE AND EBAY JOIN FORCES FOR HISTORIC EVEN
Limited-Edition Philatelic Collectibles to be Offered Online

WASHINGTON — Providing a unique online opportunity, the U.S. Postal Service announced it would be selling one-of-a-kind philatelic collectibles on the Internet month. The historic event, which kicks off World Stamp Expo 2000, in Anaheim, runs the 10 days of the show, will be on eBay, the world's leading person-to-pers online trading community.

"We are delighted to be working with eBay to give the Internet community an opp to own some of the unique items that will be made available online," said Deputy Postmaster General John Nolan. "Stamps are miniature works of art and we beli event will not only showcase our exceptional stamp program but draw attention t Stamp Expo -- where the actual pieces will be displayed."

The online sale, scheduled to begin July 7 and end July 16, will consist of over 4 and limited-edition philatelic items that are framed and numbered. All items can b previewed online beginning Monday, June 19, on both www.usps.com and www.ebay.com. Highlights of the offering include:

- A full press sheet of Marilyn Monroe stamps signed by the stamp designer
- A full press sheet of James Dean stamps signed by the stamp designer
- An enlargement of the Supersonic Flight stamp image with a plate of four signed by Chuck Yeager
- Two Star Trek stamp cachets (#1/5000 and #1701/5000) signed by Leona Nimoy and William Shatner (1701 was the Enterprise's number)

"We are proud to work with the Postal Service to bring one-of-a-kind philatelic col to the eBay community," said Brian Swette, chief operating officer for eBay. "Sta collecting is a very popular activity on eBay, and this exclusive sale provides an opportunity for everyone to get involved, from the serious philatelic enthusiast to t novice stamp collector."

World Stamp Expo 2000 will be held July 7-16, at the Anaheim Convention Cente Expo will consist of numerous exhibits, including some of the world's rarest posta stamps, a 3-D "Space Discovery Theater" and a World Kids' Congress.

In addition, the show will feature first day of issuance ceremonies for the first holo circular and pentagonal stamps in U.S. history.

World Stamp Expo 2000 represents only the second time the United States Post Service has hosted an international philatelic conference. The other was held in Washington, DC, in 1989.

Information pertaining to the Postal Service, stamp collecting, the online sale, an Stamp Expo 2000 can be found at www.usps.com. Information on eBay can be f www.ebay.com. Additional information regarding the Postal Service's philatelic pr and World Stamp Expo 2000 can be obtained by contacting Cathy Yarosky at (20 268.2126.

http://www.worldstampexpo.com

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JAMES DEAN Stamp Uncut Press Sheet-Signed/#66

Item #376797767

Coins & Stamps:Stamps:United States:Sheets

Description

Currently	**$800.00** (reserve not yet met)	First bid	**$800.00**
Quantity	1	# of bids	1 bid history | with emails
Time left	**4 days, 5 hours +**	Location	**Washington, DC**
		Country	**USA**
Started	Jul-07-00 14:11:51 PDT	mail this auction to a friend	
Ends	Jul-17-00 14:11:51 PDT	watch this item	

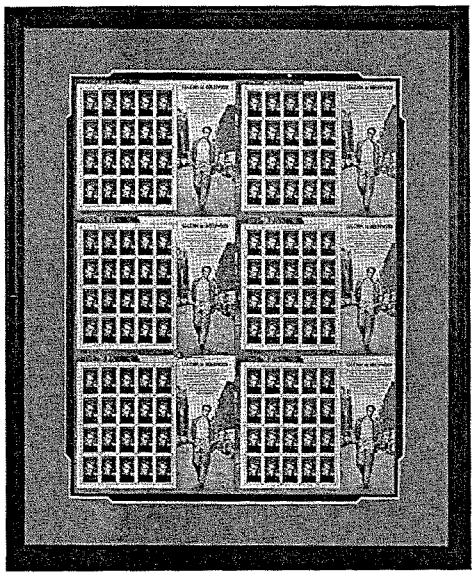
Bid

Seller (Rating)	**iauction@email.usps.gov** (0) me view comments in seller's Feedback Profile | view seller's other auctions | ask seller a question	
High bid	**asico99** (320)	
Payment	Visa MasterCard, American Express, Discover, Money Order/Cashiers Checks, Personal Checks	
Shipping	Buyer pays actual shipping charges. Will ship to United States only	

Watch is now located below item location

Seller assumes all responsibility for listing this item. You should contact the seller to resolve any questions before bidding. Auction currency is U.S. dollars ($) unless otherwise noted.

Description



Item Description:

JAMES DEAN Stamp Uncut Press Sheet - Signed/#66

Uncut press sheet, number 66 of only 15000 signed sheets, six up, 120 stamps
Scott Number: 3082
Mint Not Hinged
Superb Condition

Based on a photograph by Roy Schatt, the James Dean stamp depicts the actor in front of foreboding skies in the role that fixed his image forever in American culture, that of the brooding teenager Jim Stark in 1955's "Rebel Without a Cause". Personally autographed by stamp designer Michal Deas, with certificate of authenticity included.

1" matte black metal frame with a slick design, double matted in a medium gray suede mat and a black mat with a red bevel. Protected with plexiglass and ready to hang.

Click here for larger, high-resolution image.
(Will open a new window)

Seller appreciates the enthusiastic interest in USPS Online Auctions. To help ensure a smooth auction process for all participants, Seller may contact bidders via within 24 hours of their bids to verify any bid of $500 or more. Please be available to receive an email at the address associated with your eBay User ID in order to verify your bid. If Seller cannot verify your intent to bid, your bid may be removed. Contacting high bidders before the end of an auction to verify their intent to bid is an extra security measure many eBay sellers employ, especially those with high-priced or unique items. Thank you for your support!

Bidding

JAMES DEAN Stamp Uncut Press
Sheet-Signed/#66
Item #376797767

Current bid: $800.00 (reserve not yet met)

Bid increment: $10.00

Your maximum bid:

(Minimum bid: $810.00)

Review bid

eBay will bid incrementally on your behalf **up to your maximum bid**, which is kept secret from other eBay users. The eBay term for this is proxy bidding.

Your bid is a contract - Place a bid only if you're serious about buying the item. If you are the winning bidder, you will enter into a legally binding contract to purchase the item from the seller.

How to Bid

1. Register to bid - if you haven't already. It's free!
2. Learn about this seller - read feedback comments left by others.
3. Know the details - read the item description and payment & shipping terms closely.
4. If you have questions - contact the seller iauction@email.usps.gov *before* you bid.
5. Place your bid!

eBay purchases are insured.

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- How do I place a proxy bid? It looks like I can only place a maximum bid.
- Why doesn't my bid show up?
- What does "reserve not yet met" mean?
- How can I change something or cancel my listing completely?
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Senator Thad Cochran

Questions for the Record
for Postmaster General William Henderson
Subcommittee on International Security, Proliferation, and Federal Services
Hearing on the Annual Report of the Postmaster General
July 13, 2000

1. Earlier this week the Postal Service announced the results of a report, which indicated that the Postal Service failed to meet its revenue goals for the latest fiscal quarter. There is some concern that the Postal Service will not be able to achieve its targeted net income goal of $100 million for this fiscal year.

Why was the Service unable to meets its financial goals for the latest fiscal quarter?

Two major factors contributed to the Postal Service being below its year-to-date net income budget: (1) a shortfall in revenue; and (2) unplanned inflationary impacts on our costs. Although we experienced a positive growth in revenue over last year, it was at a declining rate and short of our plan. Fuel increases and cost of living adjustments hindered our ability to reduce costs to completely offset the revenue shortfall. Combined, these factors added about $100 million to Quarter III expenses and we expect them to add about $300 million for all of FY2000. Despite these additional expenses, and as the result of a number of cost reduction efforts, expenses were only $3 million over plan.

What steps will the Service take to improve its net income in the next quarter?

We have initiated several measures designed to improve our Quarter IV operating results. Both Headquarters and field organizations are reducing discretionary expenses and initiatives are being delayed until FY2001.

Do you think you will be able to achieve your goal for the year?

This year has presented numerous financial challenges. A revenue shortfall combined with unanticipated expenses in the areas of fuel, cost of living adjustments and workers' compensation have presented obstacles to our progress. However, we are making every reasonable effort to attain our net income goal for the year, but we will not do it at the expense of service to our customers.

What do you anticipate the outlook will be for next year's financial performance?

We do not foresee any relief from these financial pressures next year. Although additional revenue will be generated by new postal rates, anticipated to be implemented in January 2001, our projections of expense increases for next year indicate that any bottom-line operating margin will be extremely slim.

2. You mentioned in your written statement that, in an effort to contain costs and keep mail affordable, the Postal Service has developed a multi-year Breakthrough Productivity Initiative. As I understand it, the current goal of this initiative is to reduce expenses by at least $4 billion over the next four years.

Can you please elaborate on this project?

How do you plan to reduce costs so significantly?

What specific areas do you plan to cut?

What are the implications of achieving breakthrough productivity for the postal workforce?

The Breakthrough Productivity Initiative (BPI) is a comprehensive and integrated method for accomplishing productivity improvement and over $4 billion in cost reductions in the following areas over the next four years:

- **Administration ($400 million)**
- **Purchasing ($425 million)**
- **Transportation ($280 million)**
- **Mail Processing and Post Office Operations ($3.15 billion)**

The overall objective of BPI is to provide a systematic corporate focus on reducing costs by improving productivity. The BPI approach, which is common to all the initiatives, is as follows:

- **Identify current common causes for poor productivity (Poor Practices)**
- **Provide a methodical approach to implementing standard improved practices and methods**
- **Provide diagnostic and corrective tools**
- **Define new metrics to identify cost reduction opportunities based on internal and external benchmarks**
- **Adjust budgets based on identified opportunity**

Specific Tactics by Initiative:

Administration
- **Reduce paper transactions through use of electronic technology**
- **Eliminate unnecessary transactions and combine redundant transactions**
- **Centralize administration by creating shared services organizations**

Purchasing
- **Supply chain management**
- **Strategic sourcing**
- **Leveraging size for better prices**
- **Revising purchasing methods using 21st Century technology**
- **Motivating suppliers to compete**
- **Web-based purchasing through electronic catalogs**

Transportation
- **Improve use of existing surface transportation**
- **Revise modal decision process**
- **Leverage size for transportation purchasing**
- **Revise purchasing method using new technology for both services and equipment**

Mail Processing & Post Office Operations
- **Implement Standard Complement Planning and Tracking Processes**
- **Provide standard scheduling tools to optimize workforce utilization**
- **Implement a national Operations Performance Measurement and Management System**
- **Identify and implement standard proven methods and practices**
- **Identify critical knowledge shortages and correct through aggressive supervisor and management training**

Implications for the Postal Workforce

- **Complement will decline over time with the planned cost reductions and consistent with changes in workload**
- **Current attrition rates of career employees will generally be adequate to accomplish the planned cost reductions, although some employees may need to be repositioned**
- **All tactics for reducing the employee workforce are currently available through our labor contracts and Federal law**
- **We do not anticipate the need for major layoffs to accomplish this initiative**

3. The Postal Service has continued to improve its delivery performance for overnight First-Class mail. Will the Postal Service be able to maintain current service levels while reducing costs?

The Postal Service has demonstrated that it can sustain service performance while containing costs. Evidence of this can be found over the past three years. Overnight service performance scores of 93 percent or higher have been achieved in the past 11 consecutive postal quarters. In addition, we have attained a 94 percent on-time rate in four of five most recent quarters.

4. A serious challenge to the Postal Service is the prospect of declining First Class Mail volumes due to the growth of electronic bill payment and other electronic communications.

   How steep of a decline do you anticipate and what are the implications for postal operations and postal rates?

   Are you concerned that the Postal Service may have to curtail some aspects of its services to meet its universal service obligation?

   How is the Postal Service planning to increase revenues to help make up for the loss of billions of dollars from expected declines in First Class Mail?

Bills, statements and remittances are a large part of the Postal Service's revenues and volumes and half or more of its total contribution toward institutional cost (the excess cost over our marginal cost of doing business, which represent the benefits of our economies of scale.) There is no way to project precisely the speed at which new technologies may be adopted. Consequently we continue to monitor trends both in postal volumes and in use of alternatives. The Postal Service is concerned about the slow growth of First Class Mail during this Fiscal Year. It is difficult to anticipate the timing or rate of diversion and decline in First Class Mail. At this time we have no plans nor do we anticipate the need to develop a plan to alter or curtail any of our existing service offerings. The Postal Service is developing and implementing new products, such as Mailing Online and eBillPay, which will allow us to augment our traditional services. These services will provide additional revenues to help cover our current costs and provide a portion of the revenues lost if and when traditional mail volumes begin to erode.

5. The Postal Service is required by statute to provide adequate and reasonable differentials in rates of pay between employees in the line workforce and managerial personnel.

   What steps has the Postal Service taken to achieve appropriate pay differentials?

As required under the Postal Reorganization Act (39 USC 1004a), the Postal Service maintains an adequate and reasonable differential in rates of pay between employees in the clerk and carrier grades in the line work force and supervisory and other managerial

personnel. This is accomplished through pay consultations with the recognized management associations, also required by the PRA (39 USC 1004 b). During the last decade, formal pay consultations occurred in 1991, 1995, 1996, and 1999. More frequent discussions of pay matters also occur during the regular meetings with the management associations. During the pay consultations, the issue of adequate and reasonable pay differentials has been discussed in great detail. The discussions have included detailed reviews of pay levels and pay practices among the craft and supervisory/managerial personnel. Further, independent compensation studies have been made with the cooperation of the management associations to assess the predominant levels of pay and pay differentials in the private sector.

Are there any Post Offices where a Postmaster gets paid less than the craft employees? If so, how common is this occurrence?

In most cases, the salary for a postmaster will be higher than the rate of pay for any craft employee working in that post office. This holds true for over 14,500 Postmasters in Executive and Administrative Schedule (EAS) grades 15 and above. However, this may not be true for an EAS grade 13 Postmaster in a very small post office with one or more rural carriers assigned to it. Most rural carriers, because of the nature of their salary compensation system, have overtime built into their salary schedules. Depending on the type of rural route and hours per week required of the carrier, the carriers' salary, with the built-in overtime, could on occasion exceed that of the postmaster. The frequency of occurrence is expected to be a small subset of less than 5,800 EAS grade 13 Postmasters. Approximately 6,200 Grade 11 and part-time Postmasters do not supervise craft employees.

6. The Postal Service is required by statute to consult with managerial personnel regarding pay and benefit issues. Do you believe this process is adequate?

Yes, the consultative process that was developed by the Congress as part of the Postal Reorganization Act is effective. The Congress did not grant full collective bargaining rights and interest arbitration to postal managers, supervisors, postmasters and administrative personnel; rather, the Congress reserved those rights for labor unions and created consultation rights for postal management associations. Any expansion of union-like rights to the management associations would severely upset this balance in the statutory framework.

7. Has the Postal Service had any difficulties in attracting and retaining qualified Postmasters?

A recent poll of our area offices revealed that we are not experiencing difficulties attracting and retaining qualified postmasters. We believe that our commitment to providing career developmental opportunities to our employees has contributed to this position. One of the key strategies that the Postal Service continues to pursue is a focus on leadership development.

8. The Postal Service's most recent financial report shows that international mail volumes and revenues are declining this year compared to the same period last year.

Can you explain why this is the case?

Letters are declining and have declined over the past six years. Letter class mail represented 32 percent of total international revenue and 36 percent of total volume in FY 1999. Since letters have declined, international revenue and volume have declined.

We believe that letter volume and hence revenue have declined because consumers and

businesses are sending fewer hard copy letters internationally and because competitors, particularly from foreign postal administrations, have diverted business from the Postal Service.

What is the long-term outlook for this area?

We believe that consumers and businesses will continue to use more and more electronic means to communicate and will send fewer hard copy letters. Given their sales and advertising efforts in the United States, competitors, particularly foreign posts, will continue to divert mail volume.

We think that this downward trend will be offset to some extent by increases in bulk letters through our service called International Priority Airmail and increases in packages driven by the emerging global economy.

9. Recently the Postal Service announced some new partnerships and strategic alliances in the international mail market.

Can you explain the benefits of these new arrangements?

The Postal Service will now be able to provide global business customers who want to reach businesses and households in the United States with a seamless end-to-end service. Global business customers will be able to access the service either by contacting the United States Postal Service or our global partner. It will now be easier for business customers around the world to access the quality services of the United States Postal Service.

Is the Postal Service relying less on foreign postal administrations?

The Postal Service continues to rely on foreign postal administrations for the delivery and receipt of traditional international mail products and services. The Postal Service, with its extensive network of retail outlets combined with the foreign postal administrations' broad delivery coverage provides consumers with a highly reliable communications channel.

10. What progress has the Postal Service made over the past year in improving labor-management relations?

The 1998 negotiated agreements with the American Postal Workers' Union (APWU), and the National Postal Mail Handlers Union contain several contract provisions aimed at improving labor-management relations. One of those provisions is the agreement to develop a joint contract interpretation manual with both unions. These manuals will clarify key terms of the agreement and provide supervisors and stewards at the local level with information on agreed upon national positions. This will ensure contract compliance and eliminate the need to file unnecessary grievances.

We also agreed to streamline the grievance procedure with the APWU and to pilot a revised process with the Mail Handlers Union. These procedures will enhance accountability when handling disputes at the local level. We recently negotiated a revised dispute resolution process with the National Association of Letters Carriers (NALC) that focuses on training and education for the purpose of eliminating grievances and improving contract understanding and compliance.

We agreed to modify disciplinary processes with the APWU and the Mail Handlers Union during the 1998 negotiations. Suspensions of 14 days or fewer are deferred with the APWU until final adjudication is reached in the grievance/arbitration procedure, and suspensions of 14 days or fewer are no-time-served suspensions with the Mail Handlers

Union. These modifications place the focus of the corrective action on employee behavior change and away from monetary loss and punishment.

It is anticipated that these measures will contribute to a reduction in grievance activity as well as general improvement in the work environment, employee attitudes and ultimately overall performance and productivity.

Additionally, two initiatives are being used as Voice of Employee (VOE) indicators for the Economic Value Added (EVA) variable pay program to drive desired behaviors. The first initiative is the VOE Survey Index, which has been introduced to improve understanding of and response to employee issues and concerns. This index incorporates six components of the VOE survey relating to recognition/rewards and treatment by supervisors. Improvement targets are set for each Performance Cluster. The second initiative is the Safety Program Evaluation which is an overall average score for a facility's safety and health program evaluation, which incorporates the dimensions of leadership and employee participation, hazard prevention and control, training, workplace accident and record analysis.

Finally, the Grievance/Arbitration Tracking System (GATS 2.0) will be fully operational, providing reliable and quantifiable reports each accounting period on grievance activity by district and union. It will also serve as a refined tool to assist management in identifying and analyzing trends in workplace disputes.

11. The Postal Service's Performance Plan for this fiscal year set a goal of increasing overall productivity by 3.1%.

    What progress is the Postal Service making towards this goal?

The Postal Service is on plan to make the overall productivity goal.

The FY 2000 preliminary productivity plan of +3.1 percent, stated in the question, was developed in July 1999 using projected data for FY 1999 year-end. The FY 2000 productivity plan was revised in January 2000 using actual FY 1999 data. Because of the Postal Service's financial and operational success in FY 1999, the actual productivity improvement estimated to be required to achieve its FY 2000 net income plan of $100 million was revised to 2.1 percent. FY 2000 productivity for the year-to-date through accounting period 11 is 2.1 percent.

12. What is the status of the addressing regulations concerning Commercial Mail Receiving Agencies (CMRAs)?

The final rule regarding the secondary address designation that may be used in the delivery address of private mailbox holders at CMRAs was published in the Federal Register on August 16.

QUESTIONS OF SENATOR PETE V. DOMENICI
JULY 13, 2000

Hearing on Oversight of the United States Postal Service
before the Senate Governmental Affairs Committee,
Subcommittee on International Security,
Proliferation and Federal Services

Question for Postmaster General William Henderson

RE: Albuquerque Processing and Distribution Center project

Q: Postmaster Henderson, the Postal Service announced some time ago that it intended to replace the existing Processing and Distribution Facility in Albuquerque with a new, larger facility. I want to thank you for this decision.

I visited the old facility earlier this year and listened to the concerns of the workers and the community about the mail center. As you know, the mail workload in Albuquerque has outgrown the facility-it is overcrowded and poorly designed to handle the Service's current needs in New Mexico.

I understand the Postal Service has been in the process of reviewing potential property sites for the new facility.

Has the USPS made a final decision regarding the location of the new facility?

The decision is not yet final. A site was selected on July 29. It was approved for funding by the headquarters Capital Investment Committee on August 15. The project is in the final review process.

If so, which site has been chosen?

The site we have under control is the property owned by Schwartzman Properties, Inc., located on Broadway, just north of Rio Bravo.

When will the purchase of the property occur?

If final approval is received in August, closing is expected to take place within 90 days, providing time for the owner to comply with the provision in the offer to sell and other legal matters regarding the sale to be finalized.

Does the USPS intend to begin this project in this fiscal year or wait until next?

At the present time, construction is scheduled to begin in Fiscal Year 2003. This is based on priorities of all major projects, status of the project, and available capital funding.

If the USPS must wait until next fiscal year to begin the project, will you agree to move it forward as early as possible?

Yes.

QUESTIONS FROM SENATOR JOSEPH I. LIEBERMAN FOR POSTMASTER GENERAL WILLIAM HENDERSON

1) As you have acknowledged, improving efficiency, reducing costs and keeping postal rates down are critical factors in maintaining the Postal Service's competitiveness. I understand that in 1998-99 the magazine publishers worked with the Postal Service on a joint study that identified operational improvements in the cost of processing magazines. The study recommended a number of actions that both the periodicals mailers and the Postal Service should undertake to reduce these costs. You testified before the Governmental Affairs Committee on July 13, 2000, that these actions were projected to save at least $150 million.

Do you believe that the savings reflected in this study should be used to decrease any proposed rate increases for periodical mail?

Has the Postal Service identified all of these savings? If not, when will these efforts be completed?

You commented in your testimony that these savings were "not enough." What did you mean?

I understand your concern regarding the level of Periodicals costs and its impact on the Periodicals industry. The Postal Service has been working closely with the industry to reduce costs for this mail. The results so far have been unprecedented. We have identified a number of measures that will reduce costs in the next year and have introduced them into the current rate proceeding. At the same time, in response to requests from the industry, and in a manner unparalleled during the litigation of a rate proceeding, we reexamined our costing approaches and have introduced refinements. We believe both the cost reductions and refinements will improve our costing system and reduce the size of the Periodicals rate increase.

The Joint Industry/Postal Service Task Force generated a variety of recommendations. Many of these recommendations are for the longer term and are not included in the savings that are part of the rate case. At the same time, the rate case now has a substantial amount of savings that the Task Force had not contemplated.

I recognize the desire to demonstrate the highest amount of cost savings possible for Periodicals in the rate case. This desire must be tempered by two practical considerations. First, postal rates in this rate proceeding are based upon data for the 2001 fiscal year. This means that we must be able to demonstrate the savings will occur in the near term. Some of the programs identified in the Task Force report are longer term. Second, the Postal Service does not want to initiate savings programs unless it can be assured that service will not be impaired.

However, as I alluded to in my appearance, we are not finished. We are still looking for savings opportunities for this case. And in order to prevent future large rate increases for Periodicals customers, we are aggressively pursuing a long-term savings program. This includes implementing recommendations from the task force plus identifying other opportunities.

2) I have heard from several of my constituents who have raised concerns that the Service's regulatory authority over new e-commerce markets could affect the competitive environment within these markets. Companies that bring these products to market are

required to first obtain Postal Service approval.

I assume that your constituents are referring to PC Postage™ products that are developed by private industry in accordance with criteria established by the United States Postal Service's Information Based Indicia Program (IBIP). PC Postage products allow customers to print evidence of postage payment, know as Information Based Indicia (IBI), using their own desktop PCs and printers.

The first PC Postage products became commercially available in August 1999 with the launch of two products by two product service providers. Now, in August 2000, there are six products commercially available to our customers from four product service providers. There are six additional product service providers and a total of 16 products in various stages of development. This is quite a remarkable short history.

The legal authority to provide for the payment of postage is vested in the United States Postal Service under 39 U.S.C. §404 (a) (2) (4) and (5). PC Postage products and traditional postage meters, collectively known as postage evidencing systems, provide for the evidence of postage payment. These systems are therefore regulated in accordance with that authority.

How can companies be sure that the Postal Service consistently applies its standards of review to all applicants within a comparable timeframe?

To ensure consistency, the Postal Service has developed and published its criteria or "standards" with input from the industry, academia and the general public; primarily through the Federal Register process. These standards, *Postage Evidencing Product Submission Procedures*, *Beta Test Strategy*, and the *Performance Criteria for Information-Based Indicia and Security Architecture for Open IBI Evidencing Systems* provide a consistent process that each company must follow. These documents are available on our webpage, www.usps.com/ibip.

Since PC Postage products allow customers to print their own postage and printing postage is just like printing money, the standards published by the Postal Service are primarily concerned with the security of the postage evidencing systems. The Performance Criteria address "what" must be achieved, enabling private enterprise to propose "how" the criteria can be achieved. This leads to different security approaches and architectures being proposed by various companies.

Time frames for product review are often driven by multiple drivers including 1) The specific business model for a product, 2) Level of product sophistication, e.g., integrated into other products like Microsoft Word or Quicken, 3) Level of experience of the company in developing Postal related products or experience with new technologies, e.g., "dot.com" startups versus traditional suppliers, and 4) Level of product development efficiency, e.g., number of attempts required to meet published Performance Criteria.

The Postal Service makes every effort to consistently and equitably apply its standards of review for all companies participating in the product test and evaluation process. But given product security architecture differences and dependency on the responsiveness of industry participants in submitting documentation, developing products and obtaining test customers, establishing a comparable timeframe is not feasible. To achieve our ultimate goal of product security, our test and evaluation process is not time driven, but event driven.

More generally, in today's digital marketplace, bringing a product to market quickly is important since products can become obsolete very quickly. What can be done to streamline the approval processes to ensure that Postal Service review does not impede

timely introduction of new products?

We fully concur and that is why the Postal Service's strategy is to encourage commercial companies to develop products that meet market demands since they can often be more nimble and innovative. The Postal Service strives to approve products as quickly as possible to meet both customers' mailing needs and the business needs of the companies developing the products as well as the revenue security requirements of the Postal Service. We do our best to achieve a balance of these sometimes-conflicting interests.

As the Postal Service and the industry gain experience in developing, testing and evaluating these products, we believe the time to market will be reduced. The Postal Service has already taken some very positive steps to streamline the approval process. We are increasing our staffing to provide responsive service as the number of participants grows and we have reduced the number of test customers required for each phase of testing.

Recently, the Postal Service, in conjunction with the product service providers, formed an industry-working group. This group has already met twice with a third meeting planned for the near future. These two-day working sessions address issues and concerns of interest for all participants. There are two co-chairs for these meetings, one selected by the industry and one from the Postal Service. The industry-working group provides an excellent forum to discuss ways to further streamline the approval process.

As demonstrated above, we make every effort to continually evaluate our test and evaluation procedures to find ways to streamline the process without jeopardizing the security of the products and therefore Postal Service revenues.

Additional Questions for Postmaster General Henderson
Submitted by Senator Daniel K. Akaka
Postal Oversight Hearing

QUESTION 1:

I know the Service is committed to extending training and mentoring programs to craft employees. However, I also know that one of the most obvious effects of the tightening of budgets within the federal government has been the drastic reduction of funds for training programs.

What training programs are in place for interested craft employees to prepare them for first line management jobs and will these programs be protected as the Service reduces expenses? In addition, what training programs are available for supervisory personnel such as Postmasters and Supervisors?

The purpose of the Associate Supervisor Program is to attract, select and train the best possible candidates for first line supervisory positions. The structured selection process is designed to screen applicants based upon specific knowledge, skills, and abilities required for the success of postal supervisors. The 16-week training program provides the trainees with the critical knowledge and skills necessary to become highly effective supervisors for the United States Postal Service. This program is open to craft employees and is available in all of the performance clusters. It is funded at the performance cluster level but is maintained by headquarters. Senior management at headquarters continues to see a need for this program and expects the field to use it, regardless of the budget constraints. They communicate this expectation to the field on a regular basis.

There are various training programs available to supervisors and postmasters. In terms of leadership skills, we offer the Career Management Program and the Advanced Leadership Program. We also offer a supporting curriculum that covers topics that range from communication to labor relations to safety. Along with these classroom-based programs, we also offer a wide variety of courses via the postal satellite networks. We have partnered with NTU- PBS The Business and Technology Network to provide interactive distance learning opportunities live from 12 noon to 5 p.m. Monday through Friday. Since we have taping rights to these programs, the courses are available 24 hours a day/ 7 days per week.

QUESTION 2:

The Service projects that first-class mail volume will increase over the next three years and then begin to fall flat. An estimated $17 billion is expected to be lost through other avenues, including bill payment and presentation. The Service's third-quarter statement indicates that first-class mail revenue continues to be under planned amounts.

I know the Service is struggling with replacing this lost revenue, and I would be interested to learn what steps are being taken to protect the universal service mandate in light of falling revenues? At this time, is there any thought of seeking legislated changes to the universal service mandate?

We have no intention, at this time, to seek specific legislation related to changes in the universal service mandate.

The legislative flexibility the Postal Service has been seeking addresses our desire to become more effective at generating new revenue through more effective and responsive participation in the market (new product development, etc.). The new revenues thus

generated are intended to cover the increasing costs of providing deliveries to new households and businesses.

QUESTION 3:

At the hearing, you and I discussed the steps being taken by the Service to work with Customs on the issue of automated manifests for inbound packages. You advised the Subcommittee that a compromise is being sought.

Would you explain in greater detail what issues the Service and Customs are in agreement and those areas where there are disagreements?

US Customs and the USPS do not disagree that automated manifest data for inbound packages would help Customs fulfill their revenue collection and enforcement mission and potentially expedite the clearance of packages entering the US. In fact, both agencies are cooperating to make this a reality to the extent possible.

Because of the nature of mail as compared to other types of shipments, manifesting presents certain obstacles. For inbound mail, if data are to be captured and transmitted to Customs, it is essential to capture this information at origin. There is generally no advance data available on individual shipments sent to the USPS or Customs but we do share what information we do receive and are working with Customs to provide more advance data (see below). Other considerations include:

- **Given the various levels of development and technical capability of the countries that we are required to accept mail from (under the UPU Acts), it is impossible to require these administrations to send advance data for Customs. Even for developed countries, data on all packages would be impossible and cost-prohibitive to capture and it could cause delays.**
- **Military mail provides a vital, personal link between US military personnel and other Americans posted overseas and their families. The mail consists of personal shipments and, as with civil international mail, is cleared based on a standard customs declaration affixed by the sender. Any manifesting at the piece level would be unacceptable to the military (Department of Defense) from a cost, resource, and service perspective.**
- **The universal service that the USPS provides (compared with the solely profit – driven traffic handled by the couriers) would be jeopardized since we would have to change the way we do business. We would have to consider, for example, refusing all items whose details were not pre-advised to Customs or returning items with missing, incomplete, or illegible customs forms.**
- **If we refused certain mail (i.e. a particular class or from some countries), those UPU members affected and the UPU itself would certainly complain to the US Government. It is likely that the situation would also result in higher level action on the part of the countries concerned, perhaps through the UN. Another potential and more serious consequence might be that certain countries would retaliate against the US and refuse our outbound mail, which would deny universal mail access to the American public.**

To tackle the issue of data provided to Customs, we have initiated a number of pilot programs that have been successful. We are also working to establish a consistent, all – encompassing system at all Customs International Mail Branches (Imbues), but this initiative has been put on hold due to budget constraints.

We are now both partners in the International Post Corporation (IPC) – sponsored Single Administrative Message for Postal Enterprises (SAMPLE) project. This project, funded entirely by the European Commission (EC), will specify and develop open – standard procedures and supporting systems for the efficient customs clearance of letters and

parcels shipped to or exported from Europe. The systems will transmit data describing mail shipments from the exporting postal administration to the importing postal administration and national customs authority.

The Postal Service and US Customs are joining the postal and customs administrations of the UK and Finland as partners in SAMPLE. We view this as a way to introduce firm goals and timelines for establishing an electronic postal – customs interface in order to expedite customs clearance; Customs sees it was a way to work more efficiently since pre-advised data will help them target their risk – assessment and enforcement activities.

For the last two years, we have been working with Customs on establishing a comprehensive mail information system at all International Mail Branches. We have also been playing a lead role in establishing international standard EDI messages for postal traffic in conjunction with the Universal Postal Union (UPU) and World Customs Organization (WCO). SAMPLE will help us achieve both of these objectives.