



The Association of Business Media Companies

Presidential Commission Urged to Attack Previously Unchallenged Issues

February 2003

The Presidential Commission charged with reforming the US Postal Service will prove ineffective unless it tackles controversial issues that have previously been off-limits due to political pressures – issues like labor costs, plant closings and a reasonable definition of "universal service." These points are among those argued by American Business Media, the trade association for b-to-b media companies, in its statement submitted to the Commission today.

At the heart of the matter, argues American Business Media, is efficiency. The Postal Service has been powerless to control wages, adjust the size of its workforce and close duplicative facilities. To illustrate: even after investing tens of billions of dollars on automation, the Postal Service still spends around 75% of its total costs on labor.

"The suggestion of closing a small post office, with as few as a single employee, brings a firestorm of protest from Capitol Hill," said Gordon Hughes, President & CEO of American Business Media. "There are dozens of post offices on Cape Cod, for example. There are 800,000 postal positions and many of them are redundant. If Congress believes that this is as it should be, then Congress – not ratepayers – should fund these unnecessary costs." American Business Media also suggests certain changes in present labor policies: the imposition of area wage differentials, and replacing binding arbitration with mediation and, if necessary, determination by a Presidentially-appointed board.

American Business Media opposes the widely held viewpoints that the current USPS rate-setting system should be scrapped and the Postal Service given more pricing flexibility. "The current rate-setting system, although flawed, is not the cause of the Postal Service's ills, and discarding it is not the cure," said Hughes. In fact, there is historical evidence that increased pricing flexibility could be very harmful to smaller-circulation periodicals unless there is a strong regulatory safeguard. Instead of jettisoning the existing system, it should be improved, largely through empowerment of the Postal Rate Commission and continuation of aggressive cost-control measures initiated by the Postmaster General.

Another point of contention: If six-day-a-week delivery to every address is unsustainable without imposing unreasonable costs on mailers, then "universal service" should be redefined. The nation should not seek a postal system that provides a high level of service that no one can afford.

Finally, American Business Media recommends that new Board of Governors appointees possess the same degree of expertise and business knowledge that characterize the members of the Presidential Commission on the Postal Service, and that it be strengthened by giving it a professional staff independent of postal management. It also recommends elimination of the

salary cap for postal managers, in order to attract and retain the level of management expertise required to fill these crucial jobs.