

Delivering the Future:  
a Balanced Approach

Five-Day Delivery  
is Part of the  
Solution

March 2010





# Contents

- Chapter 1  
Aggressive plan to ensure future viability . . . . . 1
  
- Chapter 2  
Listening to customers and stakeholders. . . . . 7
  
- Chapter 3  
Most customer concerns addressed . . . . . 9
  
- Chapter 4  
How five-day delivery would work . . . . . 13
  
- Chapter 5  
Financial implications . . . . . 19
  
- In Closing . . . . . 25
  
- Appendix A  
Initial public reaction . . . . . 27
  
- Appendix B  
Estimated greenhouse gas (GHG) reductions from five-day delivery . . . . . 37



# Executive Summary

The United States Postal Service proposes to end regular Saturday mail delivery to street addresses as part of a comprehensive plan to ensure that it can continue to deliver affordable service to the American people.

Technology is reshaping how Americans communicate and conduct business. Many activities formerly done by mail are now accomplished online, and as a result, the volume of mail delivered has plummeted, from 213 billion pieces in 2007 to 177 billion pieces in 2009. Volume is expected to continue to fall to 150 billion pieces by the end of the decade.

The sharp decline in volume has profound implications for the continuation of universal mail service in the United States. The Postal Service is not funded by taxpayers. It is directed to operate as a business does, funded entirely by revenue from its products and services.

While the drop in mail volume has dramatically reduced revenue, postal costs are largely fixed because carriers still stop at each address even if that address receives fewer pieces of mail. The result is a large and growing gap between revenues and costs. Without fundamental changes, this gap will grow every year, producing cumulative losses of \$238 billion by 2020.

Under the Postal Service plan for five-day delivery:

- Mail will not be delivered to street addresses on Saturday, and mail will not be collected from blue street collection boxes or Post Offices on Saturday. Also, there will be no Saturday pickup of mail from homes and businesses.
- Mail addressed to Post Office Boxes will continue to be delivered on Saturday.
- Post Offices will remain open on Saturdays. No Post Office will be closed as a result of the change to five-day delivery.
- Express Mail will continue to be delivered seven days a week.
- Outgoing mail may still be dropped off at a Post Office or in a collection box on Saturday, and will be canceled and processed on Monday.
- Bulk mail acceptance that now takes place on Saturday and Sunday will continue.

The Postal Service does not take this change lightly and would not propose it if six-day service could be supported by current volumes. However, there is no longer enough mail to sustain six days of delivery. Ten years ago the average household received five pieces of mail every day. Today it receives four pieces, and by 2020 that number will fall to three. Reducing street delivery to five days will help rebalance postal operations with the needs of today's customers. It also will save about \$3 billion a year, including reductions in energy use and carbon emissions.

Most customers will accept a switch to five-day delivery to support the Postal Service's financial stability. It is clear from market research and multiple opinion polls that customers appreciate the need for the change and are prepared to adapt.

In formulating its plan, the Postal Service conducted extensive outreach across business and consumer groups. The meetings were invaluable for the Postal Service to understand customer concerns clearly and adapt its plan as necessary. Many key elements of the plan were made as a result of these consultations. The Postal Service will continue to work closely with customers to prepare for five-day delivery, and will provide at least six months notice prior to implementing the change, which would not occur until mid-2011 at the earliest.

In order for the Postal Service to make this change, Congress must agree not to enact legislation that would require that mail be delivered six days a week after the end of FY 2010. The Postal Regulatory Commission also must be given an opportunity to issue an advisory opinion.

If permitted to move forward with five-day delivery, the Postal Service expects a smooth transition. It is developing detailed plans for every area of postal operations. Moreover, it has years of experience delivering five days on those weeks that contain a federal holiday, about one week in five.

# Chapter 1

## Aggressive plan to ensure future viability

### Five-day delivery part of the solution to declining revenue, volumes

The Postal Service is facing unprecedented volume declines and a projected \$238 billion loss during the next decade.

Profound technological and social changes have altered the way Americans communicate. For many, electronic media have replaced the letter as the primary means of social and business communication. Revenue from First-Class Mail — the Postal Service's longtime bread-and-butter product — continues to decline as the use of electronic mail and the Internet increases.

Electronic diversion and the recession were significant contributors to a continuing decline in mail volume in FY 2009. Nearly 13 percent of total volume was lost, bringing Postal Service revenue down by nearly \$7 billion. Current economic conditions have also caused severe financial stress for the largest users of the mail. The trends underlying these declines will only continue.

Because the Postal Service receives no taxpayer funds to pay for its operations, and must cover its costs with the revenue it receives for postal products and services, fundamental changes are needed to help close the growing gap between revenues and costs.

To ensure that America continues to have a viable Postal Service that can finance universal service, the Postmaster General has introduced a comprehensive plan including revenue generation, cost cutting, increased productivity, and legislative and regulatory changes that will form the necessary foundation for a leaner, more flexible Postal Service.

Five-day delivery is one of the fundamental changes laid out in the plan that will help the Postal Service better respond to changing customer needs.

### Rationale for this plan

In March 2009, in response to sharp declines in volume, changes in customer mailing practices and a worsening economic recession, the Postmaster General directed that a cross-functional team be organized to study five-day delivery.

The team looked at the feasibility, economic value, and business risk of eliminating one day of delivery. It included subject-matter experts in delivery operations, mail processing, retail operations, transportation, engineering, employee and labor relations, financial analysis, customer relations, information systems, service measurement, market research,

government relations, strategic planning, corporate communications, sustainability and law.

The team was asked to develop guiding principles for a five-day model that would generally eliminate delivery to street addresses on Saturday, while preserving access to Post Offices. It also was asked to gather relevant data and solicit input from stakeholders, including the public, mailing industry, and postal unions and management associations.

The team also was to assess the impact of five-day delivery on costs involving facilities, transportation, fuel, information technology, employees, and implementation.

It looked at legal, legislative and contractual elements that could affect implementation, and it performed market research to assess possible changes in customer mailing behavior, impacts on customer loyalty, effects on brand recognition, and shifts in the Postal Service's competitive position in the marketplace.

Finally, the team projected impacts to revenues and contribution caused by a change to five-day delivery.

## **Five days of delivery, six days of service**

While several steps must be taken to fully address the revenue gap, five-day delivery is one of the Postal Service's best options to reduce costs and partially offset unprecedented mail volume and revenue declines, with Saturday being the best day to eliminate carrier delivery to street addresses.

Why Saturday? It has the week's lowest daily volume, and more than a third of U.S. businesses are closed Saturday. Most businesses and households surveyed in a national Gallup Poll indicated Saturday would be the least disruptive day to eliminate mail delivery. That opinion was reinforced by recent Postal Service market research.

It also would be less disruptive and more efficient for the Postal Service and its customers if mail were delivered five consecutive days, followed by no delivery on two consecutive weekend days, rather than to close on a day during the typical work week.

Since Post Offices will remain open on Saturday, customers will have the same access to products and services they do today.

And by eliminating Saturday delivery to street addresses, the Postal Service can capture annual savings of about \$3 billion. This savings projection factors in a reduction in mailings as a result of the change.

The Postal Service has not rashly pursued a change to five-day delivery. It is a critical and necessary change that will result in substantial savings in work hours, fuel, and maintenance costs, without compromising customer service.

## **Delivery days must be reduced to match volume**

Unfortunately, postal delivery network costs have increased this past decade while mail volume and revenue have significantly declined. On average, carriers now deliver fewer pieces of mail daily to each delivery stop. Postal operations, and by extension, postal operating costs, should align with the demand for mail. As volume and customer preferences change, the Postal Service must adapt.



The network of postal delivery points will continue to expand, and mail volume will continue to decrease well into the future. This presents the Postal Service with a difficult choice: continue with business as usual, or pursue significant structural changes in response to the reality of much lower mail volumes.

There is no longer enough volume to generate the amount of revenue necessary to support the current six-day delivery system, and there won't be enough volume in the future. The Postal Service business model is based on the assumption that mail volume and revenue will grow at least at the same pace as new delivery points. That is no longer happening.

Last year's 25.6 billion piece mail volume drop brought total volume to 177 billion pieces, a level last seen in 1994, when there were 124 million delivery addresses, not the current 150 million.

A shift to five-day delivery would reduce expenses by adjusting the delivery network to accommodate reduced mail volume.

The Postal Service must have the flexibility to adapt quickly. These changes are permanent. No one anticipates renewed demand for hard-copy correspondence and remittances — particularly First-Class Mail — in the future.

## There is ample precedent for five-day delivery

Many posts worldwide currently have five-day delivery. In the early 1970s, Australia Post initiated five-day delivery to most of Australia. In 1982, Canada Post also reduced delivery to five days a week. Several European posts now deliver fewer than six days per week, and others are considering changes in delivery frequency. In May of this year, Singapore's post will become the latest to stop Saturday collection and delivery service in response to declining mail volumes.

In the United States, almost one week in five is already at the five-day service level due to federal holidays. The Postal Service has managed these shortened holiday weeks with virtually no adverse effects on service performance, in part because both the public and the Postal Service are prepared for them.

Once fully implemented, a shift to regular five-day street delivery is expected to save the Postal Service approximately \$3 billion a year. Most of these savings will come from carrier labor and fuel costs. Other savings will be gained from processing, transportation, maintenance, and a reduction in future employee benefit obligations.

Exhibit 1 shows the decreasing trend in real (inflation-adjusted) revenue and average number of mailpieces per day, per delivery point, between FY 2000 and FY 2009. An analysis by the Boston Consulting Group shows that trend will continue over the next decade, with real revenue per delivery point declining almost 50 percent between 2000 and 2020.

**Exhibit 1. Decline in real revenue per delivery point FY 2000-2020**

	2000	2009	2020
Average pieces per delivery point per delivery day	5	4	3
Real (inflation-adjusted) revenue per delivery point per day (current \$)	\$1.80	\$1.40	\$1.10

Source: The Boston Consulting Group

**A real need to act now**

In spite of cost-cutting efforts that saved more than \$6 billion in FY 2009, and aggressive efforts to grow revenue, continuing volume and revenue losses clearly show the urgent need for additional changes in postal operations.

The Postal Service has a singular opportunity right now to implement five-day delivery in a way that will help it align the workforce with the needs of a five-day operation. A significant portion of the current workforce — 44 percent — is eligible to retire between now and 2014. After that, the number of retirement-eligible employees will fall dramatically.

Changing soon to five-day delivery will allow the Postal Service to deploy resources in a way that complements these pending retirements. Positions would not have to be filled with the intention of staffing for six-day delivery, only to have many of those jobs eliminated in the future.

**Public is amenable to change**

Customers are ready to accept five-day delivery. Market research conducted by Opinion Research Corp. on behalf of the Postal Service between August and October 2009 shows that most customers said they would accept five-day delivery to help the Postal Service overcome its financial difficulties. Most agreed that eliminating Saturday delivery to street addresses would have little impact on them, and said they would “adapt.” Independent research conducted by Gallup and Rasmussen confirm these findings. (See Appendix A.)

Extensive and clear communication to customers and employees will minimize the adverse impact of a change to five-day delivery. The fact that postal retail operations will be largely unchanged — Post Offices will remain open six days a week, allowing customers to retrieve their P.O. Box mail and use other services — also will smooth the implementation.

**Pivotal point in Postal Service history**

The Postal Service is at a crossroads. All private-sector delivery companies have the ability to manage their networks to keep resources aligned with changes in customer demand. The Postal Service should be no different. Five-day delivery is a crucial step toward ensuring that the Postal Service can continue to meet the future communications and delivery needs of the public effectively.

## Preparing for five-day delivery

The Postal Service's intent is to implement five-day delivery during FY 2011, which ends Sept. 30, 2011. For that to happen, Congress must not enact an FY 2011 appropriations bill requiring six-day delivery. In addition, a non-binding advisory opinion must be sought from the Postal Regulatory Commission.

Postal management is preparing for necessary operational and administrative changes, including adjustments or renegotiation of some mail transportation and other contracts.

Customers and the mailing community, as well as postal unions and management associations, have been consulted and their input factored into five-day implementation plans.

The Postal Service has developed a comprehensive plan to communicate five-day delivery issues to all Americans. The plan uses multiple strategies and channels to provide continuous updates on the details and timing of five-day delivery. A key component of this plan is a five-day delivery website with a planning guide for businesses and household customers, and answers to frequently asked questions. The site can be accessed at: [usps.com/communications/five-daydelivery](http://usps.com/communications/five-daydelivery).

Updates will also be provided through news releases, Post Office counter cards and mailings to every customer. Postal employee communications is also a vital component of the plan. On delivery routes and in Post Offices, employees connect with the people they serve and build trusted relationships. The Postal Service is providing its employees with the information they need to effectively communicate this information directly to customers.



# Chapter 2

## Listening to customers and stakeholders

As part of its study of five-day delivery, the Postal Service sought input from business and residential customers, mailing industry organizations, and postal unions and management associations.

The Postal Service commissioned market research to gauge the reactions of businesses and consumers to the idea, and conducted quantitative market research to gain knowledge about likely changes in mail volume if five-day delivery was implemented. Independent public opinion polls, most notably those conducted by the Gallup and Rasmussen organizations, asked Americans for their views about the value and future of the Postal Service, and their thoughts on five-day delivery. The findings of these polls were consistent with the market research conducted on behalf of the Postal Service that customers will accept five-day delivery and will adapt to the change.

Outreach meetings with mailing industry representatives were held in person and through webinars. In addition, meetings were held with and letters sent to union and management association leaders requesting their views on the impact of five-day delivery and concerns related to it.

One sentiment came through loud and clear: Customers overwhelmingly believe the Postal Service provides a valued service and should remain in business to serve the American people and would accept five-delivery to maintain the financial stability of the Postal Service.

The diversity of interest among stakeholders was reflected in their reactions. Most would accept five-delivery, while others had concerns or were opposed. The concerns included uncertainty about the timeline for implementation, flexibility during the holiday mailing season, mail processing challenges, impact on bulk mail production and printing schedules and contracts, and the potential effect on the Postal Service's brand.

See Appendix A for a summary of the market research conducted on behalf of the Postal Service and written feedback from major commercial stakeholders. Also included is a section on customer outreach, with selected comments and observations on recurring themes drawn from the focus group sessions, outreach meetings and webinars.



# Chapter 3

## Most customer concerns addressed

The Postal Service carefully considered each five-day delivery concern raised by customers. Almost all have been resolved or mitigated. In general, the concerns that could not be resolved centered on outgoing mail not being delivered, collected or processed on Saturday. The Postal Service will continue to work with business, government and individual customers to meet their mailing needs within the context of its new operating model when five-day delivery begins.

Here is an overview of how the Postal Service resolved most concerns.

- **Lead time** — The Postal Service will provide sufficient lead time for mailers and recipients to adjust to the elimination of Saturday collection and delivery to street addresses. The Postal Service also will implement a comprehensive communications plan to ensure that customers are aware of the changes, and will work with customers to help them adjust. New Monday-through-Friday collection schedules will be posted on collection boxes and in Post Offices well in advance of the change.
- **Continue Saturday Post Office services** — Post Offices and other postal retail units will remain open on Saturdays. No Post Office will be closed on Saturday as the result of five-day delivery. Post Offices will continue to accept mail on Saturday, but most of it will be processed on Monday.
- **P.O. Box-addressed mail** — Mail addressed to a P.O. Box will be delivered Monday through Saturday. Local firm holdout mail will be available for pickup Monday through Friday.
- **Remittance mail available seven days a week** — Incoming mail will be processed and transported over the weekend, so that remittance mail (mail containing payments) and other mail addressed to a P.O. Box will continue to be available for pickup seven days a week.
- **Timely delivery on Monday or after a three-day holiday weekend** — Currently, there are five times a year when mail is delivered to street addresses on a Tuesday following a three-day weekend that includes two consecutive non-delivery days (Sunday and Monday). When that happens, the Postal Service delivers mail on Tuesday. It will continue to do so under the proposed plan.

Under five-day delivery, three-day holiday weekends will have three consecutive non-delivery days — Saturday, Sunday and Monday. There is sufficient time and mail processing capacity for all mail to meet a Tuesday delivery date. Local operating plans will be adjusted to ensure that all mail scheduled for delivery on Tuesday after a three-day weekend is delivered in a timely manner. This will be accomplished using multiple

strategies, including bringing employees in earlier, using overtime, and redistributing carrier workload.

- **Processing and transportation to continue for three-day holidays** — Incoming processing and transportation will continue on weekends when a holiday occurs on the following Monday. This processing and transportation supports timely delivery of mail after the holiday weekend.
- **Continued drop-ship entry on Saturday and Sunday** — Drop-ship entry of bulk mail will continue on weekends. The start-the-clock for measuring on-time service performance occurs the day the mail is drop-ship entered.
- **Continued bulk mail acceptance on Saturday and Sunday** — Bulk mail will continue to be accepted on Saturday and Sunday. Business mail entry units (BMEU) will remain open on Saturday and/or Sunday. Post Offices currently accepting bulk mail on Saturday will continue to do so. Outgoing bulk mail accepted on Saturday or Sunday will generally be processed and have a start-the-clock on Monday. There will be an optional start-the-clock on Saturday for local outgoing and incoming sectional center facility(SCF) mail when three requirements are met: the BMEU is associated with a plant, mail is physically separated and pre-sorted to the SCF or finer sort according to labeling lists, and mail is entered prior to the critical acceptance time.
- **Express Mail delivery and collection** — Express Mail will continue to be delivered seven days a week. The Postal Service will continue to collect, process and transport Express Mail accepted at a Post Office or deposited in a dedicated Express Mail collection box Monday through Saturday. However, there will be no residential or business address pickup of Express Mail or Priority Mail on Saturday.
- **Deliver parcels on Saturdays before Christmas** — If needed, parcels will be delivered on either two or three Saturdays before Christmas, depending on the day on which the holiday falls, to ensure delivery before Christmas Day. The number of Saturdays on which delivery would occur also will depend on the volume of parcels. The Postal Service currently strives to ensure parcels are delivered by Christmas and will continue to do so.
- **Live animals and perishables** — The Domestic Mail Manual will be changed to require that live animals and perishables arrive at a destination delivery unit (DDU) Monday through Friday, rather than the current Monday through Saturday. Mailers needing Saturday delivery of live animals and perishables will continue to have the option to use Express Mail. If an item arrives at a DDU after the critical entry time on Friday, the Postal Service will continue its practice of attempting to contact the recipient to arrange for the item to be picked up Friday or Saturday.
- **Medicines** — Mailers of medicines, especially laboratory specimens or items shipped in dry ice, will be strongly encouraged to schedule arrival at the DDU Monday through Friday. Mailers needing Saturday delivery of medicines have the option to use Express Mail. If an item arrives at a DDU after the critical entry time on Friday, the Postal Service will contact the recipient to arrange for the item to be picked up Friday or Saturday.
- **Election Mail ballots** — Election officials will be encouraged to use a P.O. Box address and add a facing identification mark (FIM) to election ballot envelopes that are



P.O. Box-addressed, so the ballots can be treated in the same manner as remittance mail. This would allow election officials to pick up ballots seven days a week if they have Caller Service. Using a FIM for P.O. Box-addressed Election Mail also means ballots deposited on Saturday committed for overnight delivery will be available for pickup at a plant when they are processed on Monday/Tuesday for Caller Service, and available for pickup on Tuesday for P.O. Box delivery. The Postal Service will provide appropriate lead time and information for mailers and recipients so they can adjust.

- **No delivery of government checks on Saturday** — The volume of government checks delivered by the Postal Service has fallen dramatically over the past several years. As a result, this issue is not on the scale it would have been prior to the rise of electronic deposits. The Postal Service will provide appropriate lead time and information to mailers and recipients so they can adjust.

In refining its five-day delivery concept, the Postal Service was able to resolve many concerns expressed by mailers and recipients through modifications that either eliminated or reduced potentially adverse impacts. However, it was not possible to accommodate every mailer and recipient. Accommodation of the following two preferences would have all but negated the core operating plan and pursuit of the Postal Service's objectives:

- Continuation of Saturday delivery to street addresses of newspapers, magazines, firm holdout mail, Priority Mail, parcels, Standard Mail, medicines and government checks.
- Continuation of scheduled Saturday collections and outgoing processing of all mail.

The Postal Service is sensitive to the fact that eliminating Saturday delivery means that Standard Mail and Periodicals currently scheduled for Saturday delivery will instead be delivered on Monday. The Postal Service recognizes that some mailers of Standard Mail and Periodicals prefer delivery on Saturday because it can coincide with merchandise sales or maximize advertising exposure during leisure hours.

However, it is not possible to accommodate these mailers' preferences and also serve the overriding objectives of the five-day delivery plan. These mailers will need to adapt to a five-day delivery environment for the mail they send that is currently delivered on Saturdays. They will need to choose whether their mail is delivered by Friday before the weekend, or on Monday, or Tuesday if Monday is a holiday. The Postal Service will work closely with mailers affected by these issues to help them adjust to the five-day delivery plan, and will help them facilitate that adjustment.

After the Postal Service examined and resolved or mitigated as many of the common concerns as it could, it developed the refined plan being made public before the Postal Regulatory Commission.



# Chapter 4

## How five-day delivery would work

### What services would change

- There will be no Saturday mail delivery to street addresses.
- There will be no Express Mail or Priority Mail pickup from street addresses on Saturday.
- Mail will not be picked up from collection boxes or Post Offices on Saturday. Mail deposited in collection boxes (including Post Office lobby collection boxes), accepted across a Post Office counter, or put in Automated Postal Centers on Saturday will be processed on the following Monday.
- Outgoing mail will be processed only Monday through Friday.

### What would stay the same

- Post Offices will remain open on Saturdays and will accept outgoing mail.
- P.O. Box-addressed mail will be delivered on Saturday.
- Express Mail will be delivered seven days a week, and will continue to be collected from dedicated Express Mail boxes on Saturday.
- Post Offices will remain open on Saturday
- Plants and distribution centers will continue to process incoming mail seven days a week to support street address delivery Monday through Friday, P.O. Box delivery Monday through Saturday, and Caller Service pickup Monday through Sunday.
- Outgoing mail will continue to be transported Monday through Friday.
- Transportation will generally continue as it currently does between plants on Saturday and Sunday.
- Mail will be accepted on Saturday, with processing and start-the-clock activities starting on Monday.
- Business mail entry units (BMEUs) will be open on Saturdays and/or Sundays. The start-the-clock day will generally be Monday, except that mail entered at a destination facility will have the option of a Saturday start-the-clock day.
- Detached mail units will be open on Saturdays and/or Sundays will remain open. The start-the-clock day and mail makeup requirements will continue to be governed by customer/supplier agreements.
- Incoming drop shipments will continue at facilities accepting this mail. The start-the-clock day will be the day the mail is entered. This mail will be processed as incoming mail on the entry day.

- Destination delivery units (DDU) will generally accept drop shipments during the hours retail counters are open.

## Service standard rules stay the same

Service standard rules will not change. However, since Saturday and Sunday will both be non-delivery days, mail that is street-addressed and was previously expected to be delivered Saturday, will be expected to be delivered one business day later, on Monday.

Mail brought to a Post Office counter or dropped in a collection box on Saturday will be processed Monday. Outgoing bulk mail brought to a BMEU on Saturday or Sunday will generally have a start-the-clock day of Monday. The start-the-clock day for bulk mail dropped at plants and delivery units will be the day the mail is entered.

As shown in Exhibit 2, the estimated FY 2009 impact of five-day delivery on fulltime equivalent positions saved would be about 40,000, including supervisory positions. Most of these savings come from the city delivery category.

### Exhibit 2. Five-day full time equivalent savings for FY 2009

Employee category	Number of full-time equivalent positions saved
City carrier	26,402
Rural carrier	9,925
Motor vehicle services	552
Mail processing labor	1,500
Post Office operations	688
Supervisor, plant and carrier	941
Equipment maintenance, custodial at plants	150
<b>Total</b>	<b>40,158</b>

## City Delivery

Curtailing Saturday carrier operations will significantly reduce personnel and vehicle-related costs. Approximately 25,000 full-time employee assignments will be reduced. This will be accomplished by eliminating full-time carrier technician and relief carrier assignments, reducing part-time flexible and transitional employee work hours, and reducing overtime. Delivery positions will be reduced through attrition, reassignments in accordance with the collective bargaining agreement, and by releasing some non-career transitional employees.

The change to five-day delivery is not expected to affect significantly the current number of city delivery routes required to support Monday through Friday delivery operations. Given current work-hour trends, extensive realignment of existing routes is not expected. The Postal Service anticipates that for routes requiring evaluations and adjustments, traditional route adjustment procedures can be used.

Eliminating Saturday delivery and collection operations will shift workload. More effective workload management and use of automation will absorb much of the shifted workload.

The change to five-day delivery will require local offices to update scheduled collections pickup times. Given the anticipated buildup of mail in collection boxes in some high-volume locations, early Monday collections may be necessary on a local as-needed basis.

Eliminating Saturday delivery and collections will necessitate revisions to delivery handbooks, operating manuals, forms, management policies, and a number of support systems. Reviews are under way to identify where changes are necessary so they can be made in time to support operational changes.

## Rural Delivery

Saturday delivery to and collections from street addresses will be eliminated, except delivery of Express Mail. The number of rural routes is expected to be minimally impacted. The Saturday workload can be absorbed by making territory adjustments and re-evaluating routes.

Rural delivery route classifications will be modified to handle the Saturday volume workload that will be spread Monday through Friday, and to ensure that carriers can meet their leave and return times. Other work, such as fixed office time on Saturday, will be eliminated. The cost to plan and implement rural route adjustments will be about \$4.8 million.

Some contractual changes will be necessary. The National Rural Letter Carriers' Association (NRLCA) agreement contains requirements that are triggered when there is a change in the number of delivery days. The effects of five-day delivery on rural carriers will be negotiated by the Postal Service and the NRLCA.

Local offices will need to update scheduled collection pickup times.

Eliminating Saturday delivery and collections will necessitate revisions to delivery handbooks, operating manuals, forms and management policies, as well as a number of support systems. Reviews are under way to identify those changes. It is expected the changes can be made within required timeframes to support five-day operational changes.

## Post Office Operations

Customer service operations will remain largely unchanged, as will Saturday Post Office hours. No Post Office will be closed as a result of the change to five-day delivery and no Post Office service reductions are planned with the implementation of five-day delivery. Mail will be delivered to Post Office Boxes, and mail collected Saturday at Post Office counters, lobby drop boxes and Automated Postal Centers will be processed on Monday.

The major change to Post Office operations will be adjustments to back-office staffing and scheduling, due to a shift in the mail distribution workload from Saturday to the rest of the delivery week.

The change to five-day delivery will affect local firm holdout customers, who, because they receive 50 or more pieces of mail a day, currently choose to pick up street-addressed mail at the Post Office daily rather than have it delivered. Business and

residential customers have the option of renting a P.O. Box if they want Saturday delivery. Currently the Postal Service has a 37 percent P.O. Box vacancy rate nationally.

Overall, no operational savings are anticipated in Post Office distribution operations because the workload will shift to the remainder of the delivery week. However, some savings will be tied to activities directly related to supporting carriers, including handling signature-required mailings, firm holdouts and distribution setup activities. These savings are based on the current number of city, rural and contract delivery service routes, and could decrease as other Postal Service initiatives continue to streamline and reduce carrier routes.

Some additional costs will be incurred to help ensure customer satisfaction during the transition. For example, some Post Offices may have higher Saturday traffic as customers come in to pick up mail requiring a signature that the Postal Service attempted to deliver Friday, and would have redelivered on Saturday prior to the five-delivery schedule. Additional retail hours in some locations will give customers more time for pickups.

Customer service employees may find it necessary to explain to retail lobby customers how they will be affected by the changes in expected delivery days for mail accepted Saturday but not processed until Monday, adding time to retail lobby and window transactions.

There also will be one-time costs for address retraining for Post Office distribution clerks due to expected delivery route adjustments.

The total financial impact of five-day delivery on Post Office operations is a savings of about 688 full-time-equivalent employees.

## Mail Processing

The Postal Service experienced an unprecedented decline of 25.6 billion mailpieces in FY 2009. As a result, there is excess processing capacity at the majority of its plants, so there will be minimal disruption from the shift of residential volumes from Saturday to Sunday night/Monday morning.

Eliminating Saturday delivery and the need to cancel stamped mail collected on Saturday will reduce mail processing work hours. The majority of the work hours savings come from the elimination of work used to support the processing of the mail, such as setting up the empty equipment to receive mail, labeling of equipment and the movement of mail from one operation to another. Similarly, supervisors who monitor outgoing operations on Saturday will not be needed if those operations are not functioning that day, saving additional work hours.

These work-hour savings translate to about 1,500 full-time-equivalent employees.

With five-day delivery, all P.O. Box-addressed mail, including Caller Service and national firm holdout mail, all of which may contain remittance mail, will continue to be processed for Saturday delivery. Remittance mail addressed to a P.O. Box address will continue to be available for pickup at plants by remittance processors seven days a week.

In order to provide Post Offices with P.O. Box mail for Saturday delivery, software that is used to sort the mail will need to be modified. P.O. Box mail may require additional

delivery point sequencing run-time. Flats will be processed and delivered to Post Offices in time to make scheduled Saturday P.O. Box availability times. All parcels, including Priority Mail, will be sorted to five-digit ZIP Codes and will be available at P.O. Boxes.

The Business Mail Entry Units (BMEU) will continue to accept mail over the weekend though operational hours may change. For some mail acceptance, the start-the-clock event may be changed.

## Transportation

Eliminating Saturday collection and processing will reduce highway contract route (HCR) transportation and result in savings of approximately \$141.7 million for Saturday and \$113.7 million for Sunday. Total HCR savings will be \$255.4 million.

Eliminating Saturday delivery will also reduce motor vehicle services (MVS) transportation by approximately 42 percent. These reductions result in the elimination of approximately 1.2 million annual work hours on Saturday. The savings for MVS work-hour reductions will be approximately \$56.5 million. Fuel reductions will save an additional \$2.8 million, for a total MVS savings of approximately \$59.3 million.

Outbound air transportation on Sunday will be eliminated. Mail previously transported on Sunday will instead be transported on Tuesday. Demand on the current Tuesday air network supporting Monday's outgoing processing network will increase, requiring the use of alternate air transportation networks. Use of these networks will result in savings of approximately \$62.3 million.

## A greener Postal Service

Reducing one day of street delivery will reduce delivery vehicle fuel use, postal mail transport vehicle fuel use, and facility energy use.

Analysis of the proposed plan shows a potential annual reduction of between 315,000 and 503,000 metric tons of greenhouse gas (GHG) emissions. This is equivalent to eliminating the annual GHG emissions of between 60,000 and 96,000 gasoline-powered passenger cars. This also represents 3-5 percent of the Postal Service's 2007 carbon dioxide (CO<sub>2</sub>) emissions from its facilities, owned vehicles and contract transportation, which totaled 11.2 million metric tons.

According to the analysis, nearly all of the GHG reductions will be due to the fuel saved by reducing the miles driven across rural and city routes, postal vehicle service routes, and highway contract routes. Additional minor savings are possible due to reduced energy use at large facilities.

Appendix B provides a summary of estimated GHG reductions.

## Facility energy savings

With five-day delivery, some energy savings will result from an additional 12 hours of down time at processing plants by turning off equipment and major building systems — lights and HVAC — to the greatest extent possible.

Automation and fixed mechanical equipment, air compressors, and lights will be turned off. HVAC thermostats will be set back 10 degrees (cooler/warmer) and computers will be placed in low-power states.

This change will reduce electricity use at 245 plants by 2-3 percent, for a total potential annual savings of about \$3 million. This is based on FY 2009 average energy spending for the facilities, and assumes that facilities will be re-energized on Sunday in a controlled manner to avoid a new peak load event.

## **Transportation fuel savings**

Fuel changes were measured in five transportation categories: employee-owned rural delivery vehicles, postal-owned delivery vehicles, postal-owned mail transport vehicles, highway contract delivery vehicles, and air transportation.

Fuel use and emissions from ship and rail will remain virtually unchanged, since these modes represent less than 0.1 percent of total fuel use and emissions (from calendar year 2007). Vehicles not used to deliver, collect or transport mail were excluded because their Saturday use will not change significantly.

## **Maintenance**

The reduction of processing operations on Saturday will ultimately provide annual maintenance savings of \$12.2 million, or 150 full-time equivalent positions. Savings are based on the reduction of custodial, mechanic and electronic technician support.

The Postal Service will update software and reschedule maintenance support to accommodate five-day changes. Sort program system software currently being tested will provide the tools needed to separate and process selected mail groups efficiently on Saturday.

Post Office operations support includes validation of point-of-service software. Maintenance function changes will include the reduction of daily preventative maintenance and daily cleaning wherever operations are curtailed.

## **Information technology upgrades**

Currently, 45 Postal Service applications require modifications to software code or data processing. Starting now, application changes for various administrative functions are projected to take up to six months to implement.



# Chapter 5

## Financial implications

### Net financial implications

The Postal Service estimates the “full-up” net cost savings from five-day delivery is about \$3 billion a year (see Exhibit 3). This is the \$3.3 billion gross savings less \$0.2 billion in net contribution loss due to a slight volume impact.

“Full-up” savings refers to the annual savings and associated volume reductions after the transition period needed to reduce staffing and adapt contracts, plants, and equipment to eliminate Saturday delivery. These are estimates of the annual savings that would have occurred in FY 2009 if five-day delivery had been in effect that entire year.

### Estimated savings

Discontinuing Saturday delivery and collections would result in significant savings by eliminating work performed by city and rural carriers. These savings account for \$2.7 billion of the estimated \$3 billion total.

City carrier savings will result from no longer needing the carriers who handle the sixth delivery day. This work is primarily performed by carrier technicians employed specifically for this purpose. These nearly 25,000 positions would no longer be needed. Other part-time and full-time assignments used to replace the regular carrier on the sixth day would also no longer be needed.

To determine the savings for city carriers, analysts considered the profile of average Saturday work — what portions would be saved by eliminating Saturday delivery, and what would still need to be done Monday through Friday to deliver Saturday mail volumes.

Most of Saturday’s office time would be transferred to other days, Monday through Friday. Most of Saturday’s street time would not be needed to deliver volume during the week.

If five-day delivery had been in effect throughout FY 2009, the estimated city carrier work hour reductions would have been 47 million, or about 12 percent of FY 2009 city carrier hours.

Factors such as changes in the share of mail volume for Monday delivery, which is difficult to forecast, may have some impact on savings.

Over the long term, attrition will result in fewer carrier technicians or other full-time carriers. Initial savings would come from reducing the number of non-career transitional employees.

The estimated work-hour savings for the four types of rural routes are based on the current rural carrier compensation rates. Estimated savings are 18 million work hours, nearly 10 percent of FY 2009 rural carrier hours.

The bulk of the savings would come from work-hour reductions for rural carrier associates (RCAs). The wage rate for RCAs is about half that for regular rural carriers

There also would be vehicle-related savings. Reduced driving would provide savings in fuel and maintenance costs for postal vehicles, and reduce payments for equipment maintenance allowances for carrier-owned vehicles.

Eliminating Saturday delivery also would result in supervisor work reductions. These work reduction savings have been offset to reflect the cost of continuing to deliver Express Mail on Saturday.

About \$200 million in annual savings could be realized because of lower processing costs at plants and Post Offices. Moving outgoing sorting from Saturday to Monday would allow savings in plant clerks, mail handlers and supervisors, and reduced maintenance.

Further, eliminating Saturday delivery and collections would reduce the need for clerk staffing at Post Offices. While much of the work formerly performed on Saturday would need to be done Monday through Friday instead, there would still be savings from the activities for which costs are driven by the number of routes and days of delivery.

About \$380 million in annual transportation savings would be realized by eliminating Saturday delivery via highway contract, postal vehicle drivers, and contract delivery. Highway contract savings would result from a reduced need for highway transportation on Saturday and Sunday.

Air transport savings would be achieved because less mail would require use of air transportation. Also, eliminating Saturday carrier delivery and collection reduces the need for vehicle service drivers to transport mail between Post Offices and plants on Saturday. Contract delivery savings would also result by modifying contracts to eliminate Saturday delivery.

## Estimated revenue, volume and contribution loss

Opinion Research Corp. conducted quantitative market research on behalf of the Postal Service in October 2009 to forecast the percentage change in volume resulting from five-day delivery.

Respondents were asked what impact five-day delivery would have on their use of each of the following products: single-piece and pre-sort First-Class Mail, regular and nonprofit Standard Mail, regular and nonprofit Periodicals mail, Express Mail, and Priority Mail.

The research was designed to estimate for each segment the percentage change in volume, by product and application, due to five-day delivery. Based on the research, if it had been implemented in FY 2009, there would have been an estimated volume loss of 0.7 percent of total volume, and a loss of 0.68 percent of total revenue.

## Market research quantitative methodology

Customers were separately and randomly sampled in five customer segments:

- Postal Service national accounts — interviewed 59 respondents from 53 national accounts, out of a total of 236 accounts.
- Postal Service premier accounts — interviewed 630 respondents out of 24,754 premier accounts.
- Postal Service preferred accounts — interviewed 738 respondents out of 3,364,503 preferred accounts.
- Small businesses — interviewed 725 respondents out of over 11 million small businesses.
- Consumers — interviewed 636 respondents by phone.

All respondents to the quantitative survey had used one or more of the postal products identified on page 20 in the past 12 months. Respondents for the businesses surveyed were either the decision-makers, or persons with substantial influence on how mail and packages are sent. For the consumer segment, respondents were the persons primarily responsible for receiving, sorting and performing other tasks related to their household mail.

Business respondents were asked:

- To identify the applications used (bills, invoices, payments, correspondence, periodicals, newspapers and packages).
- To provide the past 12 months' volume by application and product.
- To provide the anticipated next 12 months' volume by application and product.
- To identify the degree of likelihood — on an 11-point scale — that five-day delivery would cause a change in the volume of mail or packages they send (with 0 being extremely unlikely, and 10 being extremely likely).
- To provide the anticipated volume by application and product in the first 12 months after five-day delivery is implemented by application and product.

Consumers were asked:

- To identify the applications (payments, correspondence, documents and packages) used personally over the past 12 months.
- To provide the volume of mail by application and product sent over the past 12 months.
- To identify the degree of likelihood — on an 11-point scale — that five-day delivery would cause a change in the volume of mail or packages they send (with 0 being extremely unlikely, and 10 being extremely likely).
- To identify by product how the past 12 months' volume would have been sent if five-day delivery had been implemented 12 months before.

### **Forecast calculations of the percentage change in volume**

Each respondent's change in volume was calculated by application and product before and after implementation of five-day delivery.

Each respondent's volume change was adjusted by the likelihood of change measure (0-10 scale). This was done by converting the scale to a percentage (0-100 percent). The

percentage was multiplied by the difference between the next 12-month volume and the volume in the first 12 months after five-day delivery was implemented. This effectively adjusted the reported impact of the change to five-day delivery to reflect the likelihood of the actual change in volume of mail or packages sent.

### Volume, revenue and contribution loss estimate

Exhibit 3 shows — by product and in total — the volume, revenue, cost and net change that would have occurred in FY 2009 if five-day delivery had been implemented.

#### Exhibit 3. Volume, revenue and contribution impacts if five-day delivery had been implemented in FY 2009

Product	Volume Change %	Volume Change	Revenue Change	Cost change	Net Change
		(Millions)			
First-Class Mail Single Piece	-1.90%	(601.40)	(\$261.40)	(\$158.70)	(\$102.70)
First-Class Mail Presort*	-0.71%	(341.70)	(\$116.10)	(\$39.90)	(\$76.10)
First-Class Mail Flats	-1.99%	(57.00)	(\$70.50)	(\$42.90)	(\$27.50)
First-Class Mail Parcels	2.47%	14.40	\$27.50	\$27.00	\$0.40
Regular Standard Mail	0.14%	94.30	\$21.10	\$13.80	\$7.20
Non-Profit Standard Mail	-2.69%	(356.40)	(\$47.80)	(\$52.40)	\$4.60
Regular Periodicals	-0.33%	(20.50)	(\$6.00)	(\$6.90)	\$9.00
Non-Profit Periodicals	1.43%	23.80	\$4.90	\$8.00	(\$3.10)
Express Mail	-4.43%	(2.10)	(\$39.50)	(\$24.70)	(\$14.70)
Priority Mail	1.12%	8.90	(\$60.10)	\$46.20	\$13.90
Parcel Select	0.00				
Package Services	0.00				
<b>Totals</b>		(1237.70)	(\$427.70)	(\$230.50)	<b>(\$197.10)</b>
Percent of Revenue/Volume Reduced	<b>-0.70%</b>		<b>-0.68%</b>		

\*Includes National Service Agreements revenue and volume

### Estimated implementation costs

Implementation costs identified to date are \$110 million. The bulk of this is \$91 million for potential liability related to unemployment compensation if non-career city carrier transitional employees, rural carrier associates, and temporary rural carrier employees are released from employment.

While these are the implementation costs identified to date, other implementation costs may arise due to the transition to reduce staffing (relocation costs), or for contract terminations.

Exhibit 4 provides a summary of five-day delivery savings discussed in this chapter.

**Exhibit 4. Summary of savings in terms of FY 2009**

	<b>Annual estimated full-up savings (in billions of \$)</b>
<b>Operations savings</b>	
City carriers	2.2
Rural carriers	0.5
<b>Total city and rural delivery</b>	<b>2.7</b>
Mail Processing, Post Office Operations (including Maintenance)	0.2
Transportation, vehicle service drivers, contract delivery	0.4
<b>Total Annual Savings</b>	<b>\$3.3</b>
<b>Revenue and volume impact</b>	
Revenue loss	\$(0.4)
Operating cost reduction	0.2
Lost contribution	(0.2)
<b>Net annual financial impact – ongoing savings</b>	<b>3.1</b>
<b>Implementation costs</b>	<b>\$0.1</b>

**Notes:**

Full-up savings will occur with some degree of lag. Approximately 10% of the nearly \$2.9 billion in labor savings is for service-wide benefits (including the normal cost of retiree health benefits) – savings that will ultimately be realized, though not necessarily reflected in annual income statements.



## In Closing

Reducing delivery from six to five days makes good business sense. It will make it possible to align postal operations with current customer needs and help close the gap between cost and revenue.

In order for a reduction in delivery days to occur, Congress must elect not to impose an FY 2011 six-day delivery requirement. Since the service change would be nationwide in scope, the Postal Service is filing details with the Postal Regulatory Commission for an advisory opinion.

The Postal Service recognizes that this change will affect, in some way or another, everyone who uses the mail. Market research shows that a majority of postal customers accept and will adapt to the change.

Even so, the Postal Service met with hundreds of people representing stakeholders of all kinds to understand their concerns about the change. All of their concerns were given serious consideration and most were accommodated. The Postal Service will continue the dialogue to ensure that customer concerns are considered and addressed as the plan advances.





## Initial public reaction

### Independent opinion polls

- **Gallup poll** — Results of a national survey conducted in February 2009, following testimony by the Postmaster General before a U.S. House subcommittee, suggest that 57 percent of Americans favor cost-cutting measures by the Postal Service (elimination of Saturday delivery, Post Office closures), compared to 27 percent who favored government assistance, and 14 percent who favored a significant increase in the price of postage.
- **Rasmussen survey** — A February 2009 national telephone survey conducted by Rasmussen Reports found that a majority of Americans (69 percent) would rather cut mail delivery to five days a week than pay more for postage. Twenty-six percent said they would rather pay more for stamps, and 5 percent were undecided.
- **Second Rasmussen survey** — A July 2009 survey found that 50 percent of Americans would rather cut the number of days mail is delivered than have the government subsidize the Postal Service to maintain its current level of service (34 percent).
- **USA Today/Gallup poll** — In a telephone survey of 999 adults conducted March 16, 2010, a USA Today/Gallup poll found support for five-day delivery across all age groups from 58 percent in the 18-34 bracket to 73 percent among those 55 or older.

### Postal Service-sponsored opinion poll

- **MTAC/Postal Service business customer survey** — The Mailers' Technical Advisory Committee (MTAC) and the Postal Service launched a survey in August 2009 to solicit business customer comments about five-day delivery. Of the 4,100 responses, 65 percent favor going to five-day delivery, while 32 percent oppose it. Seventy-six percent of respondents were very or somewhat optimistic that their business will be able to adjust to five-day delivery.

### Residential, small business customer opinions

On behalf of the Postal Service, Maritz Research conducted a survey of residential and small business customers (businesses of 250 employees or less) in August 2009 to determine customer reaction to the five-day plan, and to understand if its implementation would affect their willingness to do business with the Postal Service.

The overwhelming majority of residential customers surveyed (98 percent) said that it is important for the Postal Service to remain in business. Two-thirds of residential customers

(68 percent) are in favor of five-day delivery, and 60 percent feel that the five-day delivery plan would have no impact on them.

Two out of five of the residential customers surveyed (43 percent) said that Saturday delivery is not important, while 37 percent said that it is. More than half of the residential customers (56 percent) said it is important for Post Offices to stay open on Saturdays.

The overwhelming majority of small business customers surveyed (97 percent) said that it is important for the Postal Service to remain in business. Two-thirds of small businesses (68 percent) are in favor of the five-day delivery plan. Two-thirds (69 percent) said the five-day delivery plan will have no impact on their business.

Half of small businesses (55 percent) said Saturday delivery is unimportant. Half (51 percent) also said it is important that Post Offices stay open on Saturdays.

## Customer market research

From August to October 2009, Opinion Research Corporation, on behalf of the Postal Service, conducted qualitative focus groups with both consumers and small organizations, and personal in-depth interviews with larger commercial organizations, to gain insights into their reactions to the five-day delivery concept and to discuss the impact it would have on them, as well as how they could adapt.

### Focus groups

The Postal Service held a total of 14 focus group sessions in New York, Chicago, Atlanta and Seattle. Six were consumer groups consisting of low-, medium- and high-income customers living in center city, suburban and rural areas. Eight sessions involved small and medium-sized businesses that each had fewer than 100 employees.

The most significant finding from the focus groups was that regardless of whether they were consumers or small commercial organizations, most customers agreed that elimination of Saturday delivery to street addresses would have little impact on them. Most said they would “adapt.”

Businesses of all sizes as well as consumers said they would accept five-day delivery if it were necessary to help the Postal Service achieve financial stability.

Most businesses and consumers would not be willing to accept a significant price increase instead of eliminating delivery on Saturday. They do not see large price increases as a way to ensure the long-term viability of the Postal Service.

Consumers said they would adjust how they used the mail by depositing it Friday or Monday. Most felt they could forego Saturday deliveries at their home addresses as long as Post Offices remained open. The research showed that consumers have a routine of going to their mailbox first when they get home from work Monday through Friday. Virtually all of them sort their mail the day it is delivered. On Saturday, consumers do not have the same routine and do not necessarily pick up mail from the mailbox and sort it that day. As a result, they said they could adapt to Monday-through-Friday delivery.

Small business customers generally did not consider the elimination of delivery on Saturday to be a major issue. Most said they needed to receive mail — invoices, contracts, proposals and checks — Monday through Friday to run their businesses. Many

whose businesses are open Saturday said they do not do anything with the mail until Monday, so elimination of Saturday delivery would have no impact. Others who would be impacted said they would adjust their schedules.

Larger commercial mailers also had a regular routine. However, the routines were not fixed by specific days of the week, but rather by specific days of the month.

In general, customers were willing to accept elimination of Saturday delivery once they were convinced that it would make a difference and was more than a temporary solution. Most see the proposal as a fundamental business decision, and recognize that it is necessary due to the Postal Service's current financial situation. Nearly everyone said they would like to see accompanying improvements in customer service to offset the loss of delivery service.

When given a choice between five-day delivery and a 10 percent price increase, virtually all customers chose five-day delivery.

### **National and premier account interviews**

To assess the viability of five-day delivery, 30 in-depth interviews were conducted with the Postal Service's largest customers, its national and premier accounts. To obtain a variety of perspectives, interviews covered customer use of all types of mailing applications — billing, advertising, distribution and industries. The interviews lasted 30-45 minutes, and were conducted with primary decision-makers.

Generally, national and premier account holders were receptive to the proposal. They identified specific situations and applications where it would present challenges, but on the whole, after hearing the proposal and the rationale for it, customers accepted it as necessary for the Postal Service's financial viability.

Reactions among these customers included:

- A prevailing impression that the move to a five-day delivery week would eliminate the need to increase prices at the frequency seen in past years.
- The primary operational concern, especially among customers dealing with incoming mail, was a perceived increase in volumes that would be received on Mondays.
- Some customers, however, especially those in direct marketing and publishing, mentioned that Saturday delivery allows their customers to receive mail at an opportune time for reading. Others were uncertain what impact five-day delivery would have on customer service.

Customers involved in remittance and publishing expressed unique concerns:

- Remittance mailers were concerned that payment would be delayed. This concern was greater for large scale national account customers than for small premier accounts.
- Publishers who rely on Saturday delivery of their newspapers were uncertain how they would distribute them with five-day delivery.
- Virtually all mailers responsible for outgoing bulk mail have time constraints or deadline concerns. They all reacted negatively to hearing that bulk mail would not be accepted on Saturday or Sunday.

Commercial customers' general plans to adapt to the five-day delivery week varied by industry and how they use the mail. Virtually all said, however, they would find a way to adjust.

- The adaptation plans for those dealing with incoming mail centered on the expectation of an increased amount of mail to be handled Monday. Many of these customers indicated they would either increase staff or modify schedules to address the influx of Monday mail.
- Those responsible for outgoing mail, especially merchandise shipments, primarily focused on communication with their customers.
- Most mailers anticipated that, after a certain amount of time, the loss of Saturday delivery would be accepted as the norm by their customers.

As might be expected, some customers anticipate some shift of communications to the Internet.

- These customers said there may be a push to get their own customers to conduct financial transactions online, rather than by mail.
- Those responsible for distribution of Saturday newspapers indicated they may see an increase in online subscriptions.

National and premier accounts were asked about the impact of specific aspects of five-day delivery on their operations. Most are not open on Saturday and would experience little impact. Responses from others varied so greatly that no commonalities were found.

## Postal unions

### American Postal Workers Union (APWU)

The APWU is opposed to five-day delivery. According to the union, the consequences of the proposed change far outweigh the expected monetary benefits associated with delivery reduction. APWU views six-day delivery as "deeply ingrained" in American culture and the role of government in communications. Its view is that, if five-day delivery is enacted, history will record it as the first step in dismantling the United States mail system, and that any service organization that reduces service invites its demise.

APWU further maintains that a reduction of delivery assumes that the economy will not recover and mail volume will not return as a viable medium for commercial activities.

### National Association of Letter Carriers (NALC)

Describing his opposition to five-day delivery before a U.S. House of Representatives subcommittee, NALC President Fred Rolando said, "Termination of six-day delivery would open the floodgates to all other delivery services in America to fill the void, resulting in a continual diminution of postal service, especially in the cost-effective areas of package and specialty delivery in which lies the economic future of the Postal Service."

He said there would be no letup in the union's efforts to preserve six-day delivery, adding "I believe (five-day delivery) is a shortsighted response. I think (postal

managers) are going down a totally dark road to respond to the crisis.”

“What we need to do is expand the business,” Rolando told the House subcommittee. “You can look at going from six- to five-day, and if you need some money next year, you go to four-day, to three-day, to two-day. It’s just dismantling.”

In his testimony to a Senate subcommittee, Rolando said, “We do not need to destroy the Postal Service to save it.”

#### National Postal Mail Handlers Union (NPMHU)

The NPMHU says it opposes any reduction in delivery frequency that would negatively affect service, or cost the Postal Service a loss of business to competitors.

#### National Rural Letter Carriers’ Association (NRLCA)

NRLCA believes moving to five-day delivery is not the appropriate response to the recession and the Postal Service’s current financial condition. Reducing the number of delivery days will hurt, not help, the Postal Service’s bottom line, according to the NRLCA.

Two issues were of particular concern. First, the rural craft complement of leave replacements “will be decimated” and those remaining “will have little incentive to continue working for the Postal Service since their opportunities for work will be significantly reduced.”

NRLCA also says Postal Service mail volume and revenue streams will decrease, “likely substantially,” if there is a move to five-day delivery. These decreases will mean sharp pay reductions for rural carriers and the possibility of massive route realignments. The impacts on rural carriers’ salaries and retirement benefits are incalculable, according to the NRLCA.

### Postal management associations

#### National Association of Postal Supervisors (NAPS)

The NAPS opposes plans to reduce delivery service. While it is certainly true that reducing deliveries to five days will result in significant savings in labor costs, it goes against every provision of service that the Postal Service contends should come first, according to NAPS.

NAPS is concerned that a move to reduce delivery days would ultimately allow a relaxation of the statute that now gives the Postal Service virtually exclusive access to the mailbox.

The association expressed doubt that a complete study of the impact of five-day delivery could be made within the time period set for the process. NAPS also did not believe a cross-functional team of Headquarters executives and staff members “isolated from the day-to-day operations in the field” could perform an adequate study without full participation of all stakeholders.

NAPS was also concerned with “such little time for comment and the lack of an opportunity to provide feedback to what we expect will be the anticipated result of the Headquarters team’s work — that five-day delivery is a great plan — it is impossible for our organization to say that this would be a good alternative to reduce costs.”

## National Association of Postmasters of the United States (NAPUS)

During the summer of 2009, NAPUS expressed opposition to the five-day delivery plan partly because of the study itself. The 60-day timeframe for studying the issue and lack of NAPUS participation as a stakeholder “leaves us with more questions than answers. Without our involvement it is hard for our organization to give an endorsement without having access to all of the information being studied.”

NAPUS expressed concern that if the Postal Service reduces delivery, competitors or someone else would step in to do it, leading eventually to a relaxation of the Private Express Statutes and allowing anyone access to the mailbox. Going to five-day delivery may result in significant savings, but “at what cost?”

NAPUS also was concerned about contractual issues, complement, P.O. Box services, retail service and potential loss of revenue.

## National League of Postmasters

The League’s main concern is service and the effect five-day delivery would have on operations. The League noted that Saturday delivery is part of the Postal Service brand. “Protecting that brand while still having significant savings may be tricky, but it can be done,” according to the League.

The League went on to say that while delivery to rural and city routes can be curtailed on Saturday, delivery to all Post Office Boxes and all stations and branches must continue. The League’s view is that the Postal Service can maintain service standards on Express Mail, and on Priority Mail delivered to P.O. Boxes, and it can offer Caller Service for Express Mail to non-P.O. Box addresses. Postmasters have told the League that rural and city delivery on Monday after a non-delivery Saturday “is doable.”

The League will not support a plan that would not provide for service to businesses through Post Office Boxes on Saturday. An additional concern is the effect of any potential reduction-in-force on veterans.

In an open letter to League members, the National League of Postmasters said, “We don’t know how far the five-day delivery initiative will go, but rather than present a knee-jerk response of ‘no’ to the Postal Service, the League decided to look at how it might be done, especially if we are talking about the survival of the Postal Service.”

## Customer outreach

Representatives of the following companies and organizations shared the following comments on five-day delivery concerns during outreach meetings held by the Postal Service:

### Saturday collections

*Association for Postal Commerce (PostCom):* Saturday seems to be “pay my bills and drop them in the mailbox” day. Would like to know more about what is dropped in the collection box and when.

*State Farm:* We would be interested in studies on mailing habits, because we see a lot of activity from customers mailing Saturdays. The insurance industry is reviewing state requirements for lead time.

*Small-business owner and member of the Twin Cities Customer Advisory Council:*

A change in the number of days won't impact the amount of mail people send, especially since they can still mail at Post Offices.

## Capacity/processing

*JC Penney:* It's OK, if most people want to get their ad mail on Friday, but the question is, does the Postal Service have the ability to get the mail to them on Friday and not Monday? Nobody likes the change, but the Postal Service has to do it. We're moving to the next phase. Like anything else, businesses will have to adapt.

*Harry and David:* We would feel more comfortable if it were spelled out that the Postal Service would maintain a six-day schedule during the two weeks before Christmas. There's actually a five-week period for citrus and gifts — two-and-a-half to three weeks before and after Christmas. We can't have temperature-controlled trucks stacked up waiting for processing plants. We also will discuss the concerns with partners who don't have the technology we have.

*Magazine Publishers of America (MPA):* The old arguments that you'll have a huge clog of mail on Mondays no longer exist. But what about Monday holidays?

*American Business Media:* Our customers' biggest concerns are about processing. We're concerned that periodicals would be held. Looking at how magazines hit the mail processing facilities, such as fashion magazines, etc., these monthlies are a Saturday thing. People relax on weekends with magazines.

*Florida Fruit and Gift Shippers Association:* In this whole process, have you given thought to maintaining holiday delivery six days? Will holiday volumes bog systems?

## Implementation

*National Association of Presort Mailers (NAPM):* On the whole, it appears there will be only a modest impact on members and their customers because only a few NAPM members currently enter mail on Saturdays through business mail entry units (BMEUs). The Postal Service could minimize longer-term adverse impacts by remaining flexible about the entry of bulk mail at BMEUs on Saturdays.

*Bank of America:* Bank of America has a cross-functional team and it will provide information from its study.

*Harry and David:* We will run a pro forma session with partners who don't have the technology we have, and will work with parcel shippers at the MTAC meeting the first week of August to align questions.

*Direct Marketing Association:* The current timeline is good because the holiday season is over. We're not saying our members are in favor, but this can't be done during the holidays. A February-March time frame is good.

*Alliance of Nonprofit Mailers:* Nonprofits would like as much lead time as possible so they don't include Saturday as a delivery day in their mailing plans. AARP wants one year lead time. Starting discussions now is good so the timeline gives sufficient notice for nonprofits.

*Crate & Barrel:* We agree that the change has to happen and will be supportive. The lead time is reasonable.

*ESPN Magazine:* The timing for five-day has to be longer than six months for publishers to implement. We have to renegotiate with printers. We will have to change our print production schedules.

*CIGNA:* We will have minimal impact since the change won't impact remittance. We see no large challenges. We just need to get our call centers aligned with what would be heavy volume days.

*Saturation Mailers Coalition:* We realize the Postal Service has to do this. We distribute free papers, very small, and in-county. If the Postal Service can get in homes on Friday, we can live with it, and will work to make it happen.

*AT&T:* Many organizations are very structured and have billing change information throughout the year. By having a short lead time to make IT changes, costs are escalated. This may lead companies to encourage customers to make payments in ways other than through the mail. Think what will happen if there is a severe escalation of electronic bill payments.

*Citigroup:* There are other dynamics that also will have impact. With recent credit card legislation, monthly billing is moving from 14 days before the due date to 21 days before the due date. Businesses will have to mail earlier. The timing of this is critical in a release cycle. We could not change until April next year. I would expect to see a run on P.O. Boxes for businesses that want to get their mail on Saturday.

*Harte-Hanks:* For our business, the timelines will work. It isn't a problem. We don't foresee any issues. We will do whatever it takes.

*Hearst Magazines:* Publishers are going to be competing for shared resources. Everyone is going to want that Thursday truck.

*Time Inc.:* Seventy-seven percent of Time magazine is scheduled to be received on Saturday. We will make the changes necessary, and will have to change editorial calendars as well.

*National Newspaper Association:* We're surveying newspapers. A lot of newspapers can't shift their publication schedules. They already have Monday through Friday papers. The loss of Saturday is a loss of one day's revenue. Presses are shutting down. There is some enthusiasm, but some will take their papers out of the mail. Can't see that the NNA will support this change.

*Conde Nast Publications:* On the publishing side, many printers have the whole week plugged. It will be difficult to move titles around. There are some impacts. The more weeklies you have, the more you are going to be impacted.



*Medco Health Solutions:* Outbound will add one to two days to delivery. We need three to five months lead time for IT changes.

## Other impacts, brand identity

*Newspaper Association of America:* We represent daily newspapers, whose reaction will be mixed. Many papers converted from newspaper carriers to mail because of fuel prices.

*American Catalog Mailers Association:* The theory is that consumers have personal contacts with postal carriers on Saturdays and the postal brand is tied to that. Research should include that, and plans to mitigate loss of your brand equity. We would like to know how long it took Canadians to adjust to five-day delivery.

*Greeting Card Association:* This will reduce household involvement with the mail. Customers will go to mailboxes fewer days a week and will go to the Internet instead. Anything that causes people to go to mailboxes fewer days a week is a concern to the greeting card industry and probably advertisers. Constituents are all different. It's hard to predict how long it will take people to adjust. From a household's point of view, there's the issue of carrier pickup. Is Saturday the day people write bills, do greeting cards and leave a stack for the carrier?

# Appendix **B**

## Estimated greenhouse gas (GHG) reductions from five-day delivery

**Exhibit 5. Annual GHG emission reduction estimates**

Area	Emissions reduction due to elimination of Saturday (MT of CO <sub>2</sub> )	% of total reduction
Facility energy use	0 – 3,746	0.1%
Postal-owned rural and city delivery, and mail transport vehicles	195,859 – 260,135	57.0%
Highway contract route vehicles	119,475 – 238,950	42.8%
Air transportation	0	0%
<b>Total</b>	<b>315,334 – 502,831</b>	<b>100%</b>

The following assumptions were made to develop the estimate:

Emissions of CH<sub>4</sub> and N<sub>2</sub>O are excluded from the vehicle fuel calculation since their level and CO<sub>2</sub> equivalency is small compared to direct CO<sub>2</sub> emissions.

The estimated range of reductions of energy use at large facilities (>50,000 gross square feet) was based on:

- Saturday total energy use for a mail processing unit ranged between 70 and 100 percent for a typical operating day.
- A potential reduction in HVAC energy use ranged between 0 and 5 percent.
- A potential reduction in mail processing energy use ranged between 0 and 30 percent.
- A potential reduction in other electrical use ranged between 0 and 10 percent.
- No estimated energy savings at small facilities (<50,000 square feet).
- An estimated range of reductions for rural and city route delivery miles was between 70 and 100 percent of current Saturdays. Remaining miles were to accommodate non-routine delivery work and Express Mail. Estimated range of reductions in Saturday transport miles for postal vehicles was between 25 and 55 percent. The estimated range of reductions for highway contract routes was between 30 and 60 percent in Saturday transport miles.



