

REINVENTING THE LAST MILE

MEETING AMERICA'S
CHANGING NEEDS



The May *Postal Record* will include a report on the special event at National Postal Museum in Washington marking the 40th anniversary of the historic wildcat letter carrier strike of March 1970. NALC President Emeritus Vincent R. Sombrotto was scheduled to participate in a roundtable discussion on March 20 about the strike, its impact and the future of the Postal Service. The program is taking place too late to appear in the April issue.

PERHAPS THE GREATEST CHALLENGE FACING THE U.S. POSTAL SERVICE is imagination. There is little hope for a vibrant Postal Service in the future unless we can imagine how it will change to meet America's needs in the decades to come.

For many years, much of the "postal community" took little interest in innovation—keeping their heads down and hoping the old ways would suffice. The NALC, to the contrary, has been advocating change to fit the future for nearly two decades. By championing greater commercial freedom to price competitive products during the most recent round of postal reform, the union has helped break down some of the barriers that trapped the Postal Service in a badly outdated business model.

It is now time to take the next step. The current recession, coupled with the inexorable march of the information revolution and the Internet, is forcing all postal stakeholders to seek a fresh perspective on what the Postal Service should be and do.

Clearly, a successful new postal business plan will mean more than the mail, but it also must protect the public interest and guarantee the essential mission of universal service. Applying our imagination to striking a balance between the new and the old is the key to good jobs for letter carriers and good service for all Americans.

How can we get from today to tomorrow? Beginning this month, *The Postal Record* will present a series of articles on "Reinventing the Last Mile"—a review of the many ideas being offered about how the USPS might change. We will conclude later this year with a summary of those ideas the NALC believes will best serve the interests of letter carriers and our nation.

AN EXPERT'S VIEW: INNOVATION IS INSURANCE AGAINST IRRELEVANCE

The Postal Service scheduled a conference in Washington on March 2 called "Envisioning America's Postal Future." USPS planned to use the conference to highlight the ideas it is advancing for a new business model.

The NALC will be at the conference in force to advocate a "Last Mile" approach to reinventing the Postal Service, including ideas outlined in the January issue of *The Postal Record*, based on President Fred Rolando's presentation at a Rutgers University workshop last November on "The Future of the Postal Sector."

Other postal unions are expected to be on hand as well with their ideas. But

postal management and the postal unions are not the only ones with ideas about the future. Many academics and analysts from Washington think tanks are now engaged on this issue and their influence on policy debates should not be underestimated. In the months ahead, we will explore the good, the bad and the ugly arising from these quarters of the nation's capital, starting this month with the venerable Brookings Institution.

Brookings is among the oldest and best-known think tanks. Although its politics are often described as moderate or slightly liberal, its scholars tend to be less ideological and less partisan than its



many sister organizations on the left and right of the political spectrum. It is not surprising that the Postal Service turned to Brookings to provide one of the four papers it has commissioned on the topic of a new business model—its influence in Washington is considerable. The resulting paper from Brookings scholar Stephen Crawford can be found on the NALC's website.

Crawford's core message is a sobering one: Finding new volume will not be easy, since even the most promising areas of new volume growth—Vote by Mail, Netflix DVDs, books from Amazon—may yet migrate to electronic forms (Internet voting, downloaded films and e-books). The pressure to limit wasteful direct mail advertising will continue to grow as Do Not Mail proposals proliferate. It is a disappointment, although perhaps not a surprise since the Postal Service commissioned his work, that Crawford advocates a switch to five-day delivery. But he does not stop there.

Like NALC, Crawford believes that without a major focus on innovation and new services, the drive to reduce delivery days will not stop at five days per week. He points to the need to change the business model in four crucial ways

to allow new pricing strategies, new service offerings, new workforce arrangements and a new innovation culture.

New pricing strategies

Comparing the U.S. Postal Service to post offices in overseas, Crawford notes that postal volume is much lower and postal prices are much higher in Europe, and he argues that the USPS might be more financially viable if it raised its prices in return for new value—for example, by guaranteeing delivery times. He also calls for redefining the meaning of uniform prices to allow cost variations to be reflected in postage rates. For example, postage might vary by distance with local delivery offering cheaper postage than cross-country delivery. The Brookings analyst also urges Congress to give the USPS the authority to experiment with post office boxes. Free P.O. boxes might be given to home-based businesses as a way to get them to use the Postal Service for all their shipping needs.

A more controversial suggestion is that households that are willing to forgo one, two or even three days of home delivery (saving the USPS money)

THE LAST MILE PROJECT

'LAST MILE' IDEAS MIX CREATIVE AND COMMON SENSE

THERE'S NO BETTER SOURCE FOR IDEAS TO buttress the business end of the Postal Service than America's letter carriers. That's why we announced the "Last Mile Project" in last November's *Postal Record*, asking NALC members to send us suggestions for new postal products and services.

Your years of experience delivering the last mile—serving as the final link

in the world's most complex and efficient "delivery chain"—is evident in the mix of creative ideas and common sense solutions you mailed to us. In the coming months, NALC will take your ideas and others to Congress and USPS as we work to ensure a vibrant and healthy Postal Service for the future.

Here are a few of the Last Mile ideas we've gotten so far.

might be rewarded with a free P.O. box or discounted postage. Of course, this idea makes little sense: The savings for such a proposal would be minimal since carriers would be passing these households on their routes anyway.

Crawford believes that new pricing strategies would require the repeal of the price indexing system adopted in the Postal Accountability and Enhancement Act of 2006, a legislative change that would face stiff resistance from the mailing industry. It would also raise questions about the affordability requirement in the Postal Service's universal service mandate.

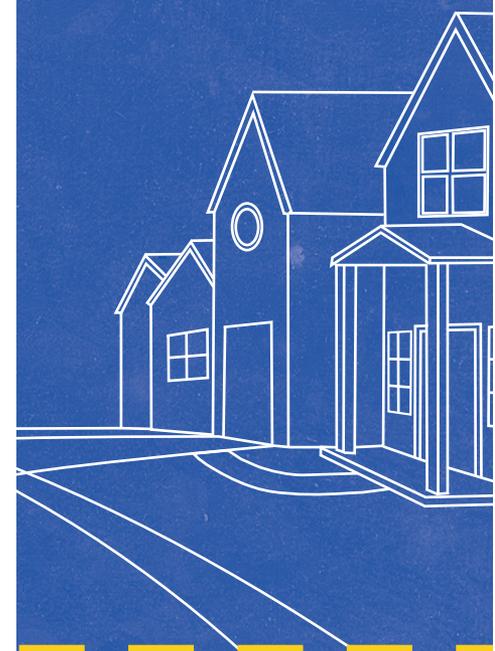
New products and services

Crawford's second business model change focuses on generating new revenues for the Postal Service from new products and services, an area NALC believes offers great promise. Noting that many of the Postal Service's 32,000 post offices are underutilized, Crawford suggests setting up a federal inter-agency task force to discuss ways the Postal Service might serve the needs of American citizens by providing a "one-stop shop" for government services.

This would build on the USPS's role in passport applications and tax form distribution and involve training postal employees to help Americans better access information and services from a wide variety of federal agencies.

NALC believes this approach might also be extended to state and local governments—and might even be applied to public utilities and private companies, such as cable TV providers. The trick, of course, would be getting other agencies to compensate the Postal Service for these services, which would have the added benefit to USPS of drawing more people into post offices with access to our shipping services.

Other ideas discussed by the Brookings paper include a revival of the Postal Savings System that existed between 1911 and 1966 (to provide the tens of millions of Americans who don't have bank accounts with low-cost financial services), and experiments with hybrid mail systems that allow for both electronic and physical delivery of documents. The latter poses the risk of accelerating electronic diversion, but Crawford believes it would be worth pursuing to spur further innovation.



New products

One letter carrier described a program where the Postal Service would charge a direct mail advertiser a premium for a guarantee that its piece would arrive in mailboxes on top of the bundle. If, for example, Acme Inc. wants to be sure Wile E. Coyote sees its ad before the competitor's, letter carriers can make it happen.

One reader pointed out a service the Swiss Post has used for years to capitalize on its vehicle network. The program, called PostAuto, combines mail delivery with public transportation. For a reasonable fare, passengers

and the mail ride together. Swiss Post transports over 100 million passengers each year, all while delivering the mail. This idea might not work here—Switzerland is not much larger than Maryland and many Swiss do not own cars—but it points toward other "outside the box" ways to exploit our transportation system.

Financial services

The Postal Service could provide a hybrid bill-pay program, one letter carrier wrote. Customers would establish accounts at the USPS website with a list of monthly bills. When the bills come due, they would log on to

usps.com, pay their bills and the Postal Service would generate a stamped envelope containing a money order for that amount to be delivered to the utility or other payee. This creates a "paper trail" that standard online bill-pay lacks.

Another letter carrier proposed what he calls ZIPpay—a transactional service similar to PayPal. When a customer makes an online purchase through a site like eBay, she will remit payment through ZIPpay, either electronically or in person at a post office. The Postal Service would collect a small fee for both conducting the monetary transaction and coordinating shipping details between the parties. The USPS also ▶

We want to be part of the innovation process and welcome the idea of creating a new Office of Postal Innovation that would help develop new innovative uses of the Postal Service's unmatched last mile network.

New workforce arrangements

Although the paper takes pains to credit postal unions for responsibly working with the USPS to adapt to the economic crisis, its overall approach wrongly portrays labor organizations as obstacles that must be overcome when it comes to innovation and a new business model. Citing the views of “some observers” who believe that postal workers “are already paid more than their counterparts in the private sector,” Crawford says, “The challenge for postal management is to continue to work well with postal unions on further downsizing its workforce while obtaining reasonable concessions on wages, benefits and work rules.” He goes on to call on labor and management to engage in “productivity bargaining” without really defining what that might be.

As NALC President Rolando has often said, NALC is committed to good faith collective bargaining that meets the needs of both sides. In fact, the results of nearly 40 years of postal collective bargaining prove that “productivity bargaining” is already a reality—the pay and benefits of letter carriers have been

more than paid for by measurable gains in postal labor productivity. “We know the next round of bargaining will be very difficult because of the economic crisis,” Rolando notes, “but we remain committed to finding win-win solutions to the extraordinary problems we face.”

Innovation culture

The final section of the Brookings paper calls on the Postal Service to embrace “open source” innovation of the kind adopted by Amazon.com and Google, opening managerial decision-making to customers and vendors and seeking the “wisdom of crowds.” While leaning heavily on a trendy management theory, this idea is not misguided, even though it is presented as a way of getting around the presumed opposition of postal unions and mailers, who are portrayed as the defenders of the current business model.

While the NALC totally rejects the view that the postal unions as a group or the NALC in particular are adverse to any change in the business model, we do not reject the idea of fostering innovation in a new business model. Indeed, we want to be part of the innovation

process and welcome Crawford's idea of creating a new Office of Postal Innovation that would directly engage postal employees and their unions along with customers, vendors and academics in developing new innovative uses of the Postal Service's unmatched last mile network. (*NALC's Last Mile Project is already doing just that—see page 10.*)

NALC is committed to preserving universal service and meeting emerging needs while providing as many good jobs for our members as possible. We agree wholeheartedly with the last line in Crawford's paper, which provided the headline for this article: Innovation is indeed the only insurance against irrelevance. ☒

could handle last-minute gift cards and similar products, printed at the post office and delivered on a next-day basis.

Hybrid products

How about installing compact laser printers aboard delivery vehicles? That way, an NALC member suggested, a customer could send an e-mail to the USPS network, which would route it to the proper carrier's vehicle where a hard-copy would be generated for delivery within hours. This could be a popular businesses, or be a way for young people to send messages to older relatives who may not be computer savvy.

Finally, as proof good ideas can come in small packages, one member proposed the Postal Service design a slender package that would hold a candy bar—perhaps a special USPS-brand candy bar. For a low rate, your CandyGram could be perfect small gift for birthdays or holidays. ☒

The Last Mile Project is a way for you to share your ideas on how to exploit the Postal Service's incomparable transportation network. Send your suggestions to LAST MILE PROJECT, c/o NALC, 100 Indiana Ave. NW, Washington, DC 20001-2144. Your idea could be the one that sparks a postal revolution.