



# Newsletter

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## Special points of interest:

- ? Cover article, Postmaster General Potter's remarks at the large mailers conference concerning changes in how USPS conducts business, more employee reductions and continued capital freeze.
- ? Service at record levels as USPS cuts costs and partners with the competition. FedEx is moving the mail.

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## REMARKS BY POSTMASTER GENERAL JOHN E. POTTER DIRECT MARKETING ASSOCIATION ANNUAL CONFERENCE OCTOBER 22, 2002 SAN FRANCISCO, CA

Excerpts of that speech.

What I want to talk about this morning: the outlook I see for the direct mail community and the Postal Service's role in helping you reach your customers.

Although some said hard copy mail would fade away, I am here to tell you today that hard copy mail remains relevant, that companies and organizations are developing new uses for it, and that mail remains an important part of the fabric of America...

In the aftermath of September 11th, the subsequent anthrax attacks, and pipe bombs in the Midwest, the people and

businesses of this country never lost confidence in their post office.

They wanted their mail. That came through loud and clear, and we kept delivering, day in and day out. We kept our commitment to deliver your mail to all Americans - your customers -- regardless of where they live, where they do business and regardless of their economic status...

Direct mail works! It worked for Sears and Roebuck. And now it's working for other mail order giants like L. L. Bean and Lands End...

Indeed, I believe there is every indication that as the economy improves



John E Potter

we will see continued growth in direct mail.

Americans view mail as a welcome daily event. Mail is opened, every day. And mail is read and acted upon.

It produces results.  
Cont. see Potter page 3

## Service Remains At Record Levels As Postal Service Cuts Costs By Billions 10/8/02

**MEMPHIS, TN** - The Postmaster General today reported that the Postal Service is well on its way to reducing costs \$5 billion by 2006 and outlined four key objectives intended to ensure affordable mail service to

every American, regardless of where they live.

"We believe we have turned the corner on many of the initiatives in the Transformation Plan," explained John E. Potter. "We not only reduced

costs by \$2.9 billion, but we also provided record levels of service to our customers, the American people."

The Transformation Plan is the Postal Service's  
cont. see pg. 3

# From The "Hill"

## TITLE VII--NATIONAL COMMISSION; EVALUATIONS

### SEC. 701. NATIONAL COMMISSION ON THE FUTURE OF THE POSTAL SERVICE .

#### (a) ESTABLISHMENT-

There is established a commission to be known as the National Commission on the Future of the Postal Service (hereinafter in this section referred to as the 'Commission').

(b) DUTIES OF THE COMMISSION- The Commission shall examine the mission and role of the Postal Service and shall make recommendations on how to improve the efficiency and long-term viability of the Postal Service . In carrying out this responsibility, the Commission shall study and make recommendations on--

- (1) the appropriate scope and standards for universal postal service ;
- (2) how to address the human-capital challenges facing the Postal Service , including how employee-management relations within the Postal Service may be improved;
- (3) how to optimize the postal infrastructure, including the best methods for providing retail services that ensure convenience and access to customers;
- (4) how to ensure the safety and security of the mail and of postal employees;
- (5) how to minimize areas of inefficiency or waste and improve operations involved in the collection, processing, or delivery of mail;
- (6) what business model would best promote an efficient, reliable, and innovative Postal Service that can meet the needs of the Nation and its citizens; and



(7) other issues that the Commission determines are relevant to ensuring the long-term viability of the Postal Service .

(c) **POSTAL SERVICE TRANSFORMATION-** In carrying out its responsibilities under this section, the Commission shall examine issues raised and options presented for the long term transformation of the Postal Service in--

- (1) the April 2002 report of the Postal Service entitled 'United States Postal Service Transformation Plan'; and
- (2) the February 2002 report of the General Accounting Office entitled 'U.S. Postal Service : Deteriorating Financial Outlook Increases Need for Transformation'.

(d) **MEMBERSHIP-**

- (1) **NUMBER AND APPOINTMENT-** The Commission shall be composed of 11 members, of whom--
  - (A) 2 shall be appointed by the President;
  - (B) 2 shall be appointed by the majority leader of the Senate;
  - (C) 2 shall be appointed by the minority leader of the Senate;
  - (D) 2 shall be appointed by the Speaker of the House of Representatives;
  - (E) 2 shall be appointed by the minority leader of the House of Representatives; and
  - (F) 1 shall be appointed jointly by the President, the majority leader of the

Senate, and the Speaker of the House of Representatives, and shall serve as chair of the Commission.

(2) **DEADLINE FOR APPOINTMENT-** Members of the Commission shall be appointed by not later than 90 days after the date of the enactment of this Act.

(3) **MEETINGS-** The Commission shall meet at the call of its chair or a majority of its members.

(4) **QUORUM-** A quorum shall consist of 6 members of the Commission, except that 4 members may conduct a hearing under subsection (f).

(5) **VOTING-** The votes of at least 8 Commissioners shall be required in order for any recommendation to be considered a recommendation of the Commission.

(6) **COMPENSATION-** Members of the Commission shall be paid at a rate to be established by the President, not to exceed the rate payable for level I of the Executive Schedule under section 5312 of title 5, United States Code.

(7) **QUALIFICATIONS-** An individual appointed to serve on the Commission shall have expertise in mail delivery, organizational efficiency, labor relations, or other relevant subject areas.

(e) **STAFF AND SUPPORT SERVICES-**

(1) **EXECUTIVE DIRECTOR-** The Chairman shall appoint an executive director of the Commission who shall be paid the rate of basic pay for level V of the Executive Schedule.

(2) **STAFF-** With the approval of the Commission, the executive director may appoint such personnel as the executive director considers appropriate.

(3) **APPLICABILITY OF CIVIL SERVICE LAWS-** The staff of the Commission shall be appointed without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, cont. on pg. 5 "Hill"

## Potter, cont. page 1

Last year, direct marketers spent more than \$46 billion on direct mail promotion. That's more than direct marketers spent on newspapers, magazines, network television and cable TV combined. Hard to believe but true! It came right out of your Fact Book!...

More important to you and to us is that when 2002 is over, direct mail sales will have generated more than \$625 billion in business, up \$50 billion over 2001.

By 2006, revenue from direct mail sales will continue to grow, reaching \$880 billion. That's an annual growth rate of 8.6 percent.

In recent years, some have doubted the long term prospects for catalog mail. However, I am convinced the prospects for that direct marketing segment are just as bright. We see it in our consumer studies. You see it in your business...

My point is, direct mail can help move the so-called "new economy" forward.

Why? Because direct mail gives your customers the information they need to make choices. Direct mail affords your customers the convenience of shopping at home. And it gives them a convenient way to buy merchandise and return it if necessary.

It's all in the mailbox. People go to their mail box every day, not to every website every day. Direct mail should be a major component of your multi-channel marketing mix. If it's not, you're missing out on potential sales.

As optimistic as I am for the short-term future of the direct mail community, I want to alert you to the long-term needs of our industry.

**For us to continue to provide affordable postal services in the long term and to reach every American every day, there must be change. We in the Postal Service must modernize.**

We have to approach our business model in the same way your companies and organizations do: making smart business decisions that are in the nation's interest...

It means managing our finances. It means delivering better service.

**And that's where we're heading with our Transformation Plan.**

Last spring we developed a blueprint for modernizing the Postal Service with a lot of help from you in the mailing industry...

The Transformation Plan reflects what you need from us to keep the mailing industry healthy for the long term. The mandate we heard from

our stakeholders was simple and clear: Focus on the core business, focus on processing and delivering America's mail.

My vision for the Postal Service - one that is shared by our governing Board - is that we aim to be America's hard copy and package delivery organization.

With that resolve, we set about last year to accomplish four short-term goals:

?????reduce costs.

?????improve service.

?????make changes in the rate making process. And

?????enhance products and services to grow the business.

Last year, with the recession, anthrax and the resulting drop in volume.

I also want to thank the Bush Administration and the Congress for recognizing the need to defray the cost impact of the anthrax attacks on us. The \$750 million appropriated to us is earmarked specifically for detection and filtration equipment, the safety of our employees, and facility decontamination efforts...

Potter, cont. pg. 4

## USPS cuts costs by Billions

Cont. from pg. 1

USPS long and short-term blueprint for the future. It will enable the Postal Service to continue to provide affordable service to every American. Continued productivity gains are a cornerstone in the Transformation Plan. Potter noted that today's Postal Service has the same number of career employees it had in 1995 while delivering 21

billion additional pieces of mail to 12 million more addresses. About 23,000 employee positions were reduced in FY 2002.

Plans for the current fiscal year, which started in September, are to reduce another 12,000 employees by attrition. The FY 03 budget includes approximately \$1 billion in

cost reductions.

### **FedEx Express' Role in Moving the Mail**

In his formal monthly comments at the Board of Governors meeting here, Potter praised the business relationship with FedEx Express for its role in moving the mail, especially following cont. on pg. 6 USPS

# Remarks By Postmaster

Potter cont. from pg.3

We tackled costs. First, we reduced career employees by 23,000. **We realigned our field management structure and reduced staffing.** We cut back on expenses across the board. **We froze capital expenditures.**

The net effect was that we pulled \$2.9 billion in costs out of our bottom line in fiscal year 2002.

This past year, our focus on service paid dividends for our customers across the nation. Last fall's attacks on America required major realignments in our transportation system and major adjustments to our national processing networks.

As a result, service rebounded in quarter three and by quarter four, we had reached record levels of service performance.

My vision for the near term is consistent with our record of success this past year. **We intend to continue to reduce costs,** increase productivity, while keeping our commitment to service.

We will also keep our commitment to continue efforts to bring about progressive changes in the rate-making process.

For example, I'd like to see us replicate the negotiated rate settlement you helped us reach last year. That way, none of us will have to wait 10 to 18 months for the outcome...

Over the next few months, I want to begin discussing within the industry the notion of phased rates. Some of you may recall the rate summit we convened last spring with the Postal Rate Commission...

Let me assure you, we are not waiting for change to come to us. As one direct marketing executive put it the other day, the Postal Service

is trying to work within the limits of the current legislation, but it's also learning to think outside the box.

All of these initiatives - and others - are in our Transformation Plan.

**When industry executives ask me about where the Postal Service is headed, I tell them it's all in our Transformation Plan. We are actively moving the Plan forward.**

The Transformation Plan compels postal managers to think differently - to look at the business and customers with a fresh perspective. I encourage you to read the Transformation Plan.

**You can find the full plan on the Web.**

As long as I am Postmaster General, you will see us moving forward with the elements in the Transformation Plan.

I am convinced that the key to growing our industry is innovation - being open to new ideas, new ways of moving the mail more efficiently...

...**We can not ignore the fact that the Postal Service continues to operate within a fundamentally flawed business model** - a model that no longer gives us the flexibility we need to meet the changing needs of our customers.

We worked hard with Congress this year, and we succeeded in engaging more and more Members of Congress and U.S. Senators into the debate about the future of the Postal Service.

I'm also grateful to the DMA for supporting the notion of a Presidential Commission to explore ways to move us closer to legislative reform. We need all the help we can get to bring about long-term change.

As far as I'm concerned there are

many ways to effect change. How we get there isn't the issue. The goal is to effect progressive and constructive change.

So thank you for helping us transform the Postal Service and for helping us keep our commitment to provide universal service to our customers.

Editorial Comment:  
By Chuck Baker

These excerpts from the Postmaster General's remarks to the Direct Marketing community and large Mailers are intended to shed some light on the direction USPS is taking with its Transformation Plan.

Highlighted in red is what I consider pertinent as a Lessor with concerns as to closing or consolidation of post offices.

This was a very long speech which I attempted to reduce and still get across Mr. Potter's message, "The Postal Service MUST change the way they do business and reduce costs".

We have already seen some streamlining in Facilities with the closing of 3 FSO's, reduction in staff, a capital freeze and a call to close or consolidate services in small rural post offices.

The reason Facilities is hit first, it is considered Management, there are no Unions protecting jobs or employees. It's easy to stop new building construction and close offices. The fallacy here, is Facilities makes up less than 10% of USPS overall budget. The big change must come in how we deliver the mail, the Pony Express is Dead!

## From The "Hill"

Cont. from page 2

and shall be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title (relating to classification and General Schedule pay rates).

(4) **EXPERTS AND CONSULTANTS-** With the approval of the Commission, the executive director may procure temporary and intermittent services under section 3109(b) of title 5, United States Code.

(5) **PHYSICAL FACILITIES-** The Administrator of the General Services Administration shall locate suitable office space for the operation of the Commission. The facilities shall serve as the headquarters of the Commission and shall include all necessary equipment and incidentals required for the proper functioning of the Commission.

(f) **POWERS OF THE COMMISSION-**

(1) **HEARINGS AND OTHER ACTIVITIES-** For the purpose of carrying out its duties, the Commission may hold such hearings and undertake such other activities as the Commission determines to be necessary to carry out its duties.

(2) **STUDIES BY THE GENERAL ACCOUNTING OFFICE-** Upon the request of the Commission, the Comptroller General shall conduct such studies or investigations as the Commission determines to be necessary to carry out its duties.

(3) **COST ESTIMATES BY THE POSTAL SERVICE AND THE POSTAL REGULATORY COMMISSION-** The Postal Service and the Postal Regulatory Commission, or both, shall provide to the Commission, upon

its request, such cost estimates as the Commission determines to be necessary to carry out its duties.

(4) **TECHNICAL ASSISTANCE-** Upon the request of the Commission, the head of a Federal agency shall provide such technical assistance to the Commission as the Commission determines to be necessary to carry out its duties.

(5) **OBTAINING INFORMATION-** The Commission may secure directly from any Federal agency information necessary to enable it to carry out its duties. Upon request of the chair of the Commission, the head of such agency shall furnish such information to the Commission.

(6) **ADMINISTRATIVE SUPPORT SERVICES-** Upon the request of the Commission, the Administrator of General Services shall provide to the Commission on a reimbursable basis such administrative support services as the Commission may request.

(7) **PRINTING-** For purposes of costs relating to printing and binding, including the cost of personnel detailed from the Government Printing Office, the Commission shall be deemed to be a committee of the Congress.

(g) **REPORT-** Not later than 30 months after date of the enactment of this Act, the Commission shall submit a report to the President and Congress which shall contain a detailed statement of the findings and conclusions of the Commission, together with its recommendations for any legislation or administrative action which the Commission considers appropriate.

(h) **TERMINATION-** The Commission shall terminate 30 days

after the date of submission of the report required under section (g).

(i) **AUTHORIZATION OF APPROPRIATIONS-** There are authorized to be appropriated from the Postal Service Fund such sums as may be necessary to carry out this section.

### **SEC. 802. DATE OF POSTMARK TO BE TREATED AS DATE OF APPEAL IN CONNECTION WITH THE CLOSING OR CONSOLIDATION OF POST OFFICES.**

(a) **IN GENERAL-** Section 404 (b) of title 39, United States Code, is amended by adding at the end the following:

(6) For purposes of paragraph (5), any appeal received by the Commission shall--

(A) if sent to the Commission through the mails, be considered to have been received on the date of the Postal Service postmark on the envelope or other cover in which such appeal is mailed; or  
(B) if otherwise lawfully delivered to the Commission, be considered to have been received on the date determined based on any appropriate documentation or other indicia (as determined under regulations of the Commission).

(b) **EFFECTIVE DATE-** This section and the amendments made by this section shall apply with respect to any determination to close or consolidate a post office which is first made available, in accordance with paragraph (3) of section 404(b) of title 39, United States Code, after the end of the 3-month period beginning on the date of the enactment of this Act.

## Predicting The Future!

I think most of us try in some way or another to predict the Future. Some people buy stocks, invest in Companies or buy real estate. Like most of the readers here, I own a few post offices. The Postal Service has renewed all of their leases so far. However, my question is **“What does the Future hold for the Postal Service?”**

We have seen several Facility Service Offices close and dozens of real estate specialists reassigned or laid off. There is a **Transformation Plan** before Congress that calls for the closing of many small, non-performing post offices. The Postal Service says they must change the way they do business to survive. Even as certain areas of the country experience growth and they add new routes, the mail volume continues to drop. The way we receive our mail is getting costlier and costlier. It is fast becoming inefficient.

UPS now has a stake in Mail Boxes Etc. and FedEx and USPS have formed an alliance with FedEx transporting Express & Priority mail to USPS distribution centers and locating drop boxes at many post offices. Customers can now purchase stamps and other Postal products from private locations, such as Mail Boxes Etc. at no additional cost, it's the same as purchasing from your local Post Office. Privatization is talked about more frequently and is supported by Members of Congress as well as some on the Postal Service Board of Governors. How and if privatization occurs is anybody's guess, but one thing is for sure, the Postal Service will operate differently 10 or 15 years from now.

Owning a post office is still considered a good investment, however, what happens to the recently built post offices when the 20-year lease term is up. These facilities are primarily built in

communities where the market rent is well below what USPS is paying. If they stay you can almost bet that the renewal option rent will be substantially reduced or they will move to alternate quarters. If the Lessor happens to be someone that purchased the post office early into the lease term, at a high price, looking for the payoff to be in the renewal option period they are taking a risk with what was once a safe bet.

**We can't predict the Future**, but we can plan for change. When possible, I negotiate 10 year leases instead of 5 without giving up rent. They may balk, but usually will agree.

These are my thoughts after being a real estate specialist for 12 years and are not intended to be anything else.

Chuck Baker

## USPS cuts costs by Billions

Cont. from pg. 3

restrictions placed on mail moving by commercial airlines after September 11, 2001.

"It's a business relationship that works and helps us keep America's mail moving. FedEx has helped us raise our First-Class and Priority Mail scores to record levels," he added. "Express Mail service performance is the highest it's been in four years."

In 2001, FedEx began flying Express, Priority Mail and First-Class Mail for the Postal Service under a contract that benefited both parties.

### Four Objectives

In describing the four key objectives in the Transformation Plan, Potter said, "These four objectives will help us sustain the momentum we generated this past year and make the changes outlined in our Transformation Plan."

"First," he said, "we will continue our commitment to improve service performance. As part of that commitment, we will continue to focus on making improvements to reduce the risk our systems face against another bioterrorism attack," he explained, referring to biohazard detection systems the Postal Service is testing to reduce the risk of terrorists using the mail as a weapon.

"Second, we are committed to exploring with the Postal Rate Commission, alternatives to the rate-making process within the current law. Those alternatives include Negotiated Service Agreements (NSAs) and phased rates."

NSAs benefit high-volume customers by offering flexible prices and services targeted to meet their specific needs. Phased rates enable customers to know the amount of

rate increases and when they will go into effect so that they can better forecast and budget their mailing costs. The Postal Service benefits by processing mail that is prepared with the most concise address information possible to minimize postal sorting costs.

"Third," he explained, "we will use our Transformation strategy to grow our business by enhancing existing products and services -- and by expanding access and convenience to postal services."

Beginning this month, the Postal Service is providing "Buy Stamps Here" decals to 60,000 ATM, grocery, and drug store locations where individuals can purchase stamps in addition to 38,000 post offices and the Postal Service's web site: [www.usps.com](http://www.usps.com).

Due to the many changes in personnel in the last several months in Facilities, we thought a listing of the most affected FSO might be helpful to our readers. Therefore, below is a listing of the Real Estate Personnel currently in the Eastern FSO. Some of these individuals are on temporary assignment and will be returning to their home base, others are contract employees that may or may not become permanent.

**Phone Directory**  
**Eastern Facility Service Office**  
**Real Estate Specialists**

**PO BOX 27497**  
**Greensboro NC 27498-1103**  
**FAX: 336-665-2865**

**7029 Albert Pick Road Suite 300**  
**Greensboro NC 27409-9521**  
**FAX: 336-665-2865**

## ParSell Development Corp

P.O. Box 8978  
Madeira Beach, FL 33738

Phone: 727-395-0111  
Fax: 727-395-0117  
Email: chuck@parsell.net



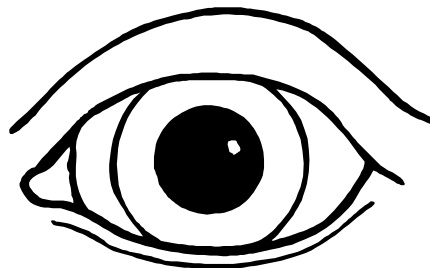
## The "Eye"

### Change continues within the Facilities Department.

The North East Facilities Pilot Program is now fully operational. The FSO has taken over the facility maintenance responsibilities that the ASO's (Administrative Service Office) used to handle and have basically turned into a property management organization. As with any change, some like it and others don't. However, most at the Operations level seem to be in favor of it. In fact, it's working so well, Management has started the process in the Dallas FSO. This is a step in streamlining the processes within facilities and in keeping with the Postal Service's Transformation Plan.

**New Funds Available**, due to the over payment by USPS into the employees retirement fund millions of dollars could be available to construct new facilities, but don't count on it. Each of-

face has been asked for a short list of candidates for new construction, but don't look for many **new leased construction projects**, most of this money



The Eye

will go to reduce the debt. How much depends on this next quarter's revenue. Most of the dollars allocated to Facilities will be earmarked for locations where they already own the land, evictions and hardcore safety problems, or natural disaster replacements. **New Lease Negotiations**, even though

you are in the best position as a Lessor to be seen in a long time, don't **bite the hand that feeds you!** When holding firm on a rental amount, as long as you are reasonable, have comps, etc. you can come away with a pretty good deal. It is not unheard of in a new lease negotiation for the Postal Service to take over maintenance and or taxes, accept a 10 year term or renegotiate a lease to cure deferred maintenance items. Know when to say when and don't become a "eviction statistic".

Do you have an opinion? Do you agree or disagree?

Submit your comments to

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