

**BEFORE THE**  
**COMMITTEE ON HOMELAND SECURITY AND GOVERNMENT AFFAIRS**  
**SUBCOMMITTEE OF FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT INFORMATION,**  
**FEDERAL SERVICES AND INTERNATIONAL SECURITY**

**UNITED STATES SENATE**  
**Washington DC**

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**Written Testimony of**  
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Mr. Chairman and members of the Subcommittee:

I am James West, Director of Postal and Government Affairs for Williams-Sonoma, Inc.

Thank you for the opportunity to present testimony on the implementation of new regulations as required by the Postal Accountability and Enhancement Act (PAEA). We highly commend the Committee on its continuing attention and interest in this legislation and the USPS in general. In addition my oral testimony to this hearing I have submitted this written testimony that I request be entered into the official record.

My company, Williams-Sonoma Inc., was founded in 1956. When we first started mailing catalogs 35 years ago we made about \$4 Million in annual sales and had just one store in San Francisco. We have since grown to have annual sales of approximately \$4 billion and become an inter-nationally known brand with 585 stores in 43 states and Canada, and employing up to 45,000 associates. We have achieved this growth in large part by using catalogs as our exclusive advertising vehicle, and our strategic partnership with the Postal Service is an essential part of our execution

strategy in making this happen.

We will mail approximately 390,000,000 catalogs this year, making us one of the largest catalog mailers in the United States. Our annual postage expense is approximately \$140 Million and USPS our largest single vendor.

Our continued growth and success depends largely on the continued ability of the Postal Service to provide effective and cost efficient mail delivery.

Williams-Sonoma Inc. shares the view of the direct marketing industry of viewing the PAEA as the foundation that will insure the continued vitality of the USPS. It will provide the tools for future growth and flexibility to meet the needs of a changing business environment.

Essential to making this happen, we believe that the Postal Service must focus on three key areas: customer service, management of its operating infrastructure and service standards and measurement:

First, the USPS must become a customer centric organization by being responsive to its customers' changing needs. Our response to our customers' needs, as well as maintaining the highest level of customer service, has been the key reason for the success of Williams-Sonoma, Inc. We listen and make every effort to understand and anticipate what our customers will need next. The Postal Service now has the tools to do the same and must begin to put it's customers changing needs ahead of it's own.

Speaking as a large mailer, to help facilitate this I would propose that the National Account Management organization and the responsibility of the National Account

Managers be expanded in a manner that positions them to be the lead representative of the entire USPS organization. They should be fully briefed and knowledgeable to work with customers on the entire range of rate changes, products, and services within the USPS. This relationship should be encouraged to evolve into the primary channel of communication between the Postal Service and its largest customers

Second, the requirements that are placed on the Postal Service by both commercial and private mailers are changing faster than ever before. As such, the Postal Service must be allowed greater flexibility to change and modify its own operating network and services. Without the ability to manage its infrastructure, free of the influence of outside bodies, it cannot be expected to fully control the costs which have a direct impact of on its ability to continue to offer efficient and cost effective services and products.

I do have concern however that the USPS not make such changes in a vacuum or without comprehensive consultation with those organizations that prepare the bulk of the mail. The various industry organizations and mailing service bureaus that provide mail preparation are often positioned to provide excellent advice on the advisability of network and or processing changes as considered. They may not be operating within the postal service itself but their intimate knowledge, actual experiences and visibility to changing trends can provide valid and objective opinion.

As an example, my exposure to FSS is sufficient to know that it will have a massive impact on standard class mailers, their service providers and the entire Postal Service network. I am certain that full consultation and communication with industry and mailers is essential for it's success.

As a mailer I have seen of many instances where the failure to properly consider, communicate, or advise of network and preparation changes, has resulted in late delivery of mail and avoidable expense.

Third, in order for any business to know how well it is doing it must have effective measurements by which to judge its performance, and we believe that measurement of performance provides the direction for improvement. The service standards that the Postal Service is now required to put in place must be fair, accurate and achievable. The measurement of performance against these standards must be timely and actionable to the extent that it can consistently maintain and improve the service performance that is realized by its customers. The performance evaluation of this process should not focus on penalty but rather be designed to encourage and reward improvement.

It is essential the standards include the following:

- The standards must consider and provide guidance for mailers of varying size, various points of entry and mail distributions from regional to national.
- The standards must be fair, accurate and realistic. Standards cannot be accepted that could permit frequent early or late delivery. However attractive or unattractive the standards may appear, they must reflect the actual capability of the postal service.
- Standards must be flexible and allow easy modification to reflect the efficiencies gained by further automation in the USPS system.
- Performance to the standards must be measured by means that provide for proactive action and correction by both the USPS and mailers. I would ask for real time measurements are at the Postal Service Area level, which would guide corrective action by the USPS and modification to schedules by mailers.

Failure to meet standards should not be met with punitive fines but rather requirements for detailed steps to corrective and preventative actions.

The process of measurement must follow the implementation of standards as soon as possible. This may require the use of external sources until current programs are implemented, but I feel speedy implementation to be essential for the overall successful acceptance and building confidence in the process

There are other parts of PAEA that I would like to comment on:

#### **Established Frequency and Size of Rate Increases**

Notably, one of the significant benefits of PAEA is the established timing, frequency and size of rate adjustments. I must commend the PMG Potter, the PRC and their respective staffs for their efforts in meeting the requirements set forth within PAEA.

Following the implementation of new rates in May of this year, any additional increase in postage is an untenable proposition that would be further devastating to catalogs and other standard class mailers already reeling from unprecedented and unanticipated increases. We believe it is essential that they complete their work and eliminate the need for an omnibus rate case under the old regulations and protect standard class mailers from another increase for as long as possible.

#### **Advance Notification of Rate Increases**

Advance notification of any scheduled rate adjustment or seasonal variation is especially important to catalog and direct marketing mailers. Direct marketing program and campaign planning, and particularly catalog production schedules, typically require

commitments for paper and other production elements far in advance of actual mailing – often in excess of 120 days. The programming and software requirements of our vendors and suppliers can easily exceed 120 days for development and testing and the consideration and programming for any mail preparation and entry changes adds even more complexity and planning.

In recognition of this, we believe that a similar commitment to formal advance notification on the part of the USPS is appropriate.

Additionally, I feel that this notification schedule should not preclude consideration of advance communication and discussion of proposed rate considerations with key mailers and industry organizations. This early discussion, without commitment, would position the USPS as a partner with its customers much in the manner of all other suppliers and vendors in corporate business. A goal of PAEA is the establishment of the USPS as a customer centric organization and this would be a big first step.

### **Complaint Process**

The new legislation calls for establishing guidelines for the complaint process in several different areas. I would caution that these guidelines must be established in such manner that the process cannot evolve back into the often-contentious rate case system we are trying to leave behind. The rules must be defined such that the basis for complaints and their resolution is clear and quickly resolved.

### **Exigency**

I would like to make a note regarding the “exigency clause”. We support the position that it would not be prudent to try and define the circumstance beyond “extraordinary and exceptional” but we firmly believe that there MUST be rules that

dictate timely evaluation for the continued need of any adjustment AND that any such adjustments not be considered in any part of the baseline rate consideration.

### **Shifting Cost Burdens**

Finally, as a final point I cannot overstate the fact that there is great concern among many of my peers rising from the threat of shifting cost burdens to mailers as a consequence of USPS imposed changes. There are considerable changes imminent to both entry and preparation qualifications – mostly as a result of the network redesign and FSS - and we need to be assured that those resulting costs will not become hidden rate increases or reasons for failure to meet service standards. The industry fully supports and encourages the changes proposed, but we have to participate in the planning and share in the savings.

### **Conclusion**

The USPS has a long and admirable history. It has grown to become the largest Postal service in the world. Both private and commercial customers have contributed to and benefited from this growth. But as its customers' needs are changing so must the culture and the operating focus of the postal service. The greatest promise of PAEA is that it encourages the USPS to evolve into a truly customer oriented organization. It raises the standards and provides the tools to meet this challenge. We hope that the USPS fully realizes the opportunity it is presented.

Again, I would like to thank you for the invitation to appear before you today.