

Before The
SUBCOMMITTEE ON FEDERAL
WORKFORCE,
POSTAL SERVICE AND THE DISTRICT
OF COLUMBIA

**The Three R's of the Postal Network Plan:
Realignment, Right-Sizing, and Responsiveness**

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Mr. Chairman and Members of the Subcommittee:

I am William Burrus, President of the American Postal Workers Union, AFL-CIO – the APWU. Thank you for providing me this opportunity to testify about network redesign on behalf of more than 300,000 members. Network realignment is a subject of critical importance to the American people, who are entitled to reasonably-priced access to postal services, and to postal workers, whose lives are affected when postal facilities are consolidated or closed.

The stated objective of the USPS Network Plan is to promote efficiency by eliminating redundancy. But the fallacy of the plan is that it artificially limits the definition of the postal network. By intentional design, the plan considers only the 400-plus USPS mail processing facilities to be “the network,” while in reality, the network consists of both public and private facilities that prepare mail for delivery by USPS employees.

Facilities owned and operated by Pitney Bowes and RR Donnelley as well as many other private entities perform many of the same functions as those performed at USPS facilities. The most significant distinction between the two systems is that the postal processing system must accept single pieces of mail, while the private system processes only commercial mailings (with an established minimum number of pieces).

Two identical letters, one deposited by an individual citizen and another by a commercial mailer (whose letters are co-mingled with mail from other companies) will receive the same depth of processing – one in the postal network and the other in the private structure. These two systems are inseparable and any effort to redesign the location of processing activities must include a review of the entire mail processing network.

The logistics of the network demand that it be coordinated into a national network, which only the USPS, a public service, is willing and able to provide.

In a fundamental way, the USPS financed the creation of the private network. The research and development costs of the technology used to modernize processing have been borne solely by the Postal Service – in amounts totaling billions of dollars: But once the technology has been proven to be effective, it has been adopted by the private system.

And the private, for-profit network continues to draw the revenue to operate its plants from the postal rate structure. The workshare discounts that are applied to the private system represent a transfer of funds from the Postal Service to the private processor, and, as a result, the Postal Service is supporting the entire processing system – public and private. Each dollar in workshare discounts that is granted to private processors represents a direct loss in postal revenue.

There is a cause-and-effect relationship between the two processing networks. An increase in the share of volume in the private system has an adverse effect on the postal network. The cost of processing mail in the postal system increases as mail is diverted to the private system:

Equipment is not used to capacity, and, as a result, the USPS per-piece cost increases.

In that the postal workshare rate is pegged – at least theoretically – to the avoided postal cost, this diversion results in a negative cycle of increased discounts based upon increased postal costs caused by the diversion. No less an authority than the Postal Regulatory Commission has ruled that some workshare discounts exceed the costs avoided by the USPS. This adds the cost of direct subsidies to the costs caused by the relative inefficiencies from lost volume.

USPS Bulk Mail Technicians report that there is a scandalous degree of underpayment by large mailers. These postal employees, who are responsible for completing the paperwork when large mailers enter their shipments into the postal system, report that it is common for mailers to underestimate their costs. However, when these clerks report their concerns to management, they are met with indifference. These underpayments clearly violate postal regulations, and deserve Congressional review.

Postal policy is influenced by the mistaken belief that rates drive mail volume. The current economic slump challenges this assumption and supports the APWU's long-held position that the economy drives volume. Recently, mail volume has declined commensurate with the drop in economic activity; rate reductions through workshare discounts are totally ineffective in increasing mail volume.

The private and public processing networks are inseparable, so any effort to review the network and improve efficiency must examine both systems.

The Postal Service's plans for network realignment have passed through many stages, each with its own acronym. (NDI, the Network Design Initiative, and END, the Evolutionary Network Design, are a few recent examples.) Each of the previous proposals lacked transparency, and the current plan continues that unfortunate tradition.

An example of this lack of transparency is the Network Plan's treatment of the service impacts of proposed network changes. The Postal Service has chosen to ignore important degradations of First Class mail service and access to postal facilities by simply pretending that they do not count. On page 29 of the Network Plan, in the fine print of footnote 13, you will see that the Postal Service does not consider a change in daily delivery time to be a degradation of service.

But to businesses or individuals who depend on timely mail delivery, time of delivery can be of substantial consequence. Similarly, when facility consolidation requires that mail collection times be made earlier in order to transport the mail farther and still meet delivery standards, the Postal Service does not consider that a degradation in service. In fact, businesses or individuals who depend on a later-afternoon pickup of mail will lose an entire day if they cannot meet the earlier pickup time.

Repeated calls for greater transparency in postal operations, at least in the area where there is a postal monopoly, have come from congressional leaders, the GAO, the President's Commission on the Postal Service, and public advocacy groups. Yet the Postal Service persists in obscuring

important aspects of its plans behind politically-correct rhetoric and business jargon.

As evidence of the lack of transparency, I ask members of the Committee a simple question: After reading the plan, do you have a clear idea of which facilities would be consolidated and what criteria would be used to make the decisions?

In recent years, in response to Postal Service efforts to realign its network using a flawed and ineffectual Area Mail Processing evaluation program, the APWU developed its own plan to address issues of network realignment. Part of our effort was to ensure that citizens and elected officials in communities targeted for consolidation had an opportunity to become involved in decisions that would affect the quality and accessibility of local postal services in their communities. These efforts have been very effective. Whenever we alerted citizens that their postal facilities were threatened with closure or their postal services would be degraded, they and their elected representatives have responded vigorously.

The Postal Service has expressed frustration at the efforts of elected officials to protect the postal services of their constituents. But that advocacy by legislators is as it should be. Members of Congress and state and local leaders are elected to serve their constituents by advocating their interests.

The Postal Service is a large and complex network; once changed it cannot be “unchanged” easily. Consequently, it is important that plans for realignment be well thought out and communicated clearly to all the stakeholders.

Pretending that the postal network consists solely of USPS facilities does not make it true. The fact is that both the postal and private, for-profit networks comprise the postal processing system.

Any review of the network must consider the combined system. The original intent of workshare discounts was to create a private network to supplement postal capacity. Over time, as automation enabled the Postal Service to process an increased volume of mail, the supplemental processing capacity has become redundant at the expense of postal efficiency.

The question that now must be asked is whether universal mail service is intended to provide a service to the American people, or a vehicle for corporate profit.

I would be happy to answer any questions the Committee may have.