
**Hearing before the Subcommittee on Federal Workforce,
Postal Service, and the District of Columbia
Committee on Oversight and Government Reform
United States House of Representatives**



**Oral Statement
On 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 appreciate the opportunity to discuss the Postal Service's network realignment plans. The Postal Act of 2006 mandated that the Postal Service continue streamlining its network to eliminate costs, and required a Facilities Plan for rationalizing it.

Planning and implementing changes to one of the world's largest networks has been challenging. Planning strategies for such large-scale projects can vary from long-range, detailed plans with elaborately sequenced steps, to short-range, incremental approaches. The Postal Service has chosen the incremental approach, which uses an "order of battle" strategy that incorporates flexibility and anticipates frequent change throughout the process.

The Postal Service has used several strategies in its network realignment and each has its challenges. For example, the Postal Service had success with local facility consolidations. In the last 5 years, they have closed approximately 50 airport mail centers and remote encoding centers, consolidated mail at 12 processing and distribution centers, and outsourced 13 airport mail centers.

While some of these changes involved communications with external stakeholders, many involved smaller facilities and internal operations that had no impact on communities. Still, concerns from stakeholders did delay larger proposed changes such as those in Mansfield, Ohio, and Pasadena, California.

Our audits have assisted with the network realignment initiatives. Our work has shown that the Postal Service could improve the accuracy of data used to support these initiatives, improve communications with stakeholders, and enhance guidance for measuring results. The Postal Service has now improved its processes and guidance.

Looking to the future, the recently issued Network Plan describes the Postal Service's vision for rationalizing its infrastructure and workforce. It focuses on a number of major areas, including:

- The need to continuously improve service performance measurement;
- Software initiatives to improve the consistency of mailflow and machine efficiency;
- Plans for network downsizing;
- Workforce rationalization and support for employees; and
- Plans to expand customer access to products and services.

The Network Plan is more of a strategy document than a tactical plan.

Consequently, implementation plans that detail the locations, times, final network integration and cost savings will be critical. Some important steps have already been successfully undertaken, while for others, risks remain to be addressed.

For example:

- Management established a rigorous and comprehensive process of monitoring mailflows and machine utilization across the entire network.

This process, which includes weekly calls to local managers to discuss performance, has contributed to increased productivity and record service scores.

- The Postal Service is considering improving efficiency and service in the bulk mail center (BMC) network through outsourcing, and issued a draft request for proposal on July 1, 2008. Risks that must be addressed in this approach include reporting requirements of misconduct by contractors; work stoppages; and conflicts of interest from contracting with parent or subsidiary companies of mailers.
- Some of the Postal Service's network realignment plans depend upon a specific sequence of events. For example, the BMC outsourcing initiative may provide the space needed for future Flats Sequencing System equipment deployments. However, if BMC facilities are not vacated timely, plans for this equipment placement may be negatively impacted.

The Postal Act of 2006 was designed to force dramatic cost reforms and streamlining actions. If the reforms undertaken are not timely and substantial, there will be serious and rapid financial and operational consequences for the nation's mail system. Imbalances may be created, resulting in the protracted anemic staffing of an oversized network. Mail processing efficiency gains and cost savings may be deferred, and mailers and other stakeholders may be confused by starts and stops in the process. Finally, the Postal Service may have to borrow substantial funds if they cannot generate sufficient savings.

Postal Service management, the Postal Regulatory Commission, Congress and stakeholders must work together during this period of substantial and rapid change to ensure that network realignment has the energy needed to propel it forward, in spite of resistance and other obstacles. We will continue to support Postal Service efforts and keep Congress fully and currently informed. I am pleased to answer any questions.