

Subcommittee Reviews U.S. Postal Service Consolidation Efforts

On Thursday, a variety of postal stakeholders testified before the House of Representatives Subcommittee on the Federal Workforce, Postal Service and the District of Columbia regarding Postal facility consolidation efforts. Chairman Danny Davis' (D-IL) subcommittee assessed the agency's Network Plan, and its impact on the public, postal employees, mailers, and the USPS itself. Witnesses included Deputy Postmaster General Pat Donahoe, USPS OIG David Williams, Mail Handler Union President John Haggerty, APWU Legislative Director Myke Reid, officials of the PRC and the Government Accountability Office (GAO), and mailing industry representatives.



Deputy Postmaster General Donahoe Testifies Before House Postal Panel

Generally, Chairman Davis was supportive of USPS efforts to "right size" mail processing operations. Davis acknowledged the impact that declining mail volume and postal worksharing arrangements have had on the efficient use of postal facilities. Chairman Davis cautioned, "For this effort to be successful, the Postal Service MUST do a better job of realigning its processing and transportation networks, improve the data used in its computerized and statistical modeling, and minimize service disruptions." He went to warn the USPS that failure to anticipate the effect of its actions "will anger the public and trigger political considerations."

In their testimony, IG David Williams, the PRC and the GAO all indicated that the USPS has made positive strides in realignment accountability and communicating with stakeholders about realignment plans. In response to a question posed by Rep. Kenny Marchant (R-TX), however, Williams noted that attrition-related postal downsizing could lead to facility understaffing. Although not explicitly discussed at the hearing, the newly unveiled "voluntary early out option" (VERO), unless properly managed, could lead to acute understaffing in specific job categories and facilities. As Postmasters recall, the 1992 job reductions orchestrated by former PMG Marvin Runyon resulted in serious service disruptions, from which the USPS took years to recover.

Deputy PMG Donahoe summarized USPS realignment plans, highlighting the rationale behind them. Donahoe pledged that the USPS will keep all stakeholders informed, including postal employees, and provide opportunity for input. He also noted that the USPS shed approximately 100,000 positions over the past 7 years through attrition, and that the agency anticipates another 20,000 postal employees will exercise the VERO. The Deputy PMG also spoke about the dire financial position of the postal service, resulting from the unabated drop in mail volume. He warned that there is a chance that the USPS may lose \$1.5 billion this year, and the agency may not realize the benefit of revenue generation "for a couple of years." On the other hand, Donahoe commented that the postal reform act was a "great law" that permitted greater

flexibility to adjust to current economic conditions.

A panel of mailer representatives strongly supported USPS realignment efforts, as a means to enhance postal efficiencies and reduce costs. Nonetheless, Direct Marketing Association Senior VP Jerry Cerasale pointed out, "Oversight by Congress and the PRC on the effectiveness of any adjustment to the Postal Service network is necessary to the success of any realignment." RR Donnelley Director of Postal Operations Michael Winn made an interesting point regarding the concept of "lowest combined cost." He expressed concern that plant consolidations could shift expenses to the mailers through increased transport costs. That is, if a processing facility near RR Donnelley is consolidated with a plant further from the company, RR Donnelley would be burdened with the cost of transporting the mail to the new facility, in addition to the postage. Consequently, according to RR Donnelley, the USPS should make realignment decisions based upon the cost shifted to the mailer, as well as the USPS own processing, transportation and delivery costs.

The final panel included the Mail Handlers Union and the American Postal Workers Union. Both unions raised red flags about the realignment plans. Such efforts would degrade postal quality and accountability. APWU argued that present analysis of the postal network ought to include the inefficiencies resulting from private sector mail processing. The Mail Handlers suggested that realignment is nothing more than a thinly-veiled attempt to privatize the postal processing and transportation network.

GAO Report on Outsourcing

A footnote to the Postal hearing is that, earlier in the day, the GAO released a report entitled, "USPS: Data Needed to Assess the Effectiveness of Outsourcing." The GAO concluded that there is inadequate data to determine the effectiveness of postal outsourcing; consequently, it recommends that Postal Service should "establish a process to track the results of outsourcing activities" and report these results to Congress.

In its reply to the GAO, the USPS agreed to track outsourcing activities, including costs and savings. However, the USPS "did not commit to measuring other impacts, such as on service, customers, or employees." [emphasis added] In addition, the USPS did not agree "to provide information on the results and effectiveness of these ongoing outsourcing initiatives in its annual operations report to Congress." It is highly likely that the Congress and the PRC will have something to say on the decision.

NJ Congressional Contender

On Wednesday, NJ NAPUS President Wayne Orshak joined Congressional candidate, State Assemblywoman Linda Stender for a Capitol Hill political meeting. Assemblywoman Stender's responses to the *NAPUS Candidate Questionnaire* reflected her pro-Postmaster positions, she has an excellent campaign operation, and she is running in a highly competitive seat. Consequently, NAPUS PAC is supporting Ms. Stender. Assemblywoman Stender ran for Congress in 2006, losing to Rep. Mike Ferguson by a slim 2% margin; Rep. Mike Ferguson is not seeking re-election this year. Ironically, a number of years ago, Wayne was Linda's Postmaster, and the USPS leased the Post Office from the Assemblywoman's family.

**National Association of
Postmasters of the U.S.**

8 Herbert Street
Alexandria, VA 22305

Tel. 703-683-9027
Fax. 703-683-0923

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www.napus.org