



**NATIONAL ASSOCIATION OF POSTMASTERS  
OF THE UNITED STATES**

**TESTIMONY OF**

**DALE GOFF**

**PRESIDENT**

**POSTMASTER OF COVINGTON, LA**

**BEFORE THE**

**SENATE SUBCOMMITTEE ON FEDERAL FINANCIAL  
MANAGEMENT, GOVERNMENT INFORMATION,  
FEDERAL SERVICES, AND INTERNATIONAL  
SECURITY**

**WASHINGTON, DC**

**AUGUST 6, 2009**

Mr. Chairman, members of the Committee, I am privileged to share with you the thoughts of the 40,000 members of the National Association of Postmasters of the U.S. regarding the fiscal and operational difficulties confronting the U.S. Postal Service. In all likelihood, this will be my final appearance before the Committee; I will be leaving office at the end of the year. I would like to thank the Chairman and Senator Collins for the courtesies extended to me during my tenure, and for carefully and constructively considering NAPUS' views on postal related issues.

Over the years, members of this committee have addressed Postmasters about the importance of a universal Postal Service, and our collective responsibility to ensure its continued vitality. I recall Chairman Lieberman's 2005 not-so-tongue-in-cheek observation, at a NAPUS Leadership Conference: The U.S. Constitution states congressional authority to establish post offices before referencing the power to create a court system, declare war, or build a navy. I do not presume that national defense or a federal judiciary is not paramount; nevertheless, a healthy government-run Postal Service continues to be in our national interest, fostering commerce and communications.

The Committee has consistently reinforced this perspective by conducting constructive oversight and reporting essential legislation. A prime example was enactment of the 2006 Postal Reform Act. The measure equipped the Postal Service with a variety of tools to respond to a shifting economy and evolving mailer preference. However, the current state of affairs is considerably more daunting than the environment preceding enactment of Postal Reform. In 2006, Postal revenue surpassed expenses and mail volume peaked at 213 billion pieces; since then, the recession has wreaked havoc on the \$900 billion postal economy, collapsing mail volume and decimating postal revenue. NAPUS believes the current 2½-year-old recession is the fundamental reason behind a troubled postal economy. Major sectors of the U.S. economy collapsed, and with it a substantial part of mail volume. In fiscal years 2005, 2006 and 2007, mail volume stabilized at over 210 billion pieces. However, as the economy tanked in mid-2007, mail volume began its steep decline, primarily affecting marketing mail – mail that is economy-driven. In my view, the economy played a pivotal role in influencing the Government Accountability Office's

restoration of the Postal Service's High-Risk designation. Please recall that GAO's January 2007 removal of the "High Risk" designation coincided with postal cost-cutting, implementation of a transformation plan, enactment of postal reform, and pre-funding its retiree health liability. In the subsequent 2½ years, the agency did not abate from cost-cutting, pre-funding, and implementing reform. The crucial change was the economy, and, as a result, the falling economy hampered the Postal Service's ability to maintain the required pre-funding schedule. In 2006, the schedule to pre-fund the health benefits was challenging; in 2009, it is suicidal.

However, I would respectfully caution the Postal Service and postal observers against making apocalyptic divinations about the agency and of universal service. In addition to being speculative, such assertions undermine employee morale and depress product demand, creating a self-fulfilling prophesy. Rather, the Postal Service should constructively engage its workers, especially its frontline managers, to craft a coherent and responsible plan for the future, and transmit that plan responsibly. Few and far between Postal Service-employee get-togethers only go through motions; Postmaster views are dismissed or completely ignored. We ought to collaborate, not work cross-purposes. I strongly urge the Postal Service and its Board of Governors to conduct and be committed to bi-weekly high-level meetings with their employee associations to help chart a clear path for the future.

Despite the Postal Service's recession-induced revenue decline, the mailing public is still legally required to pre-fund future retiree health benefits at the rate set in the 2006, prior to the recession. Due to economic circumstances that are beyond the Postal Service's control, it is imperative that Congress enact emergency postal relief legislation now before the Senate and House. NAPUS agrees with the Chairman's characterization of S. 1507 as a refinancing plan, akin to a "mortgage modification." NAPUS fully understands that neither S. 1507, nor its House counterpart, H.R. 22, is a long-term answer to fundamental issues facing the Postal Service. However, without a refinancing plan, the next crucial steps may be rendered moot.

A component of the next legislative step ought to be statutory reconsideration of the Postal Service's retiree health liability. Today, we have a better understanding of the liability than the day reform legislation was finalized. In 2006, the Office of Personnel Management projected a liability of \$57 billion greater than one calculated by a recent Inspector General-commissioned analysis. Moreover, the Postal Regulatory Commission commissioned its own review and concluded the liability to be about \$35 billion less than the original OPM estimate. These differences have a tremendous impact on the fiscal health of the USPS. It could be a variation of up to \$4 billion per year in unnecessary and fiscally harmful payments. NAPUS urges the Committee to re-evaluate the Postal pre-funding schedule in light of this new analysis.

It is important to recognize that impulsive acts force us to embrace artificial solutions that may make matters far worse. I caution Postal management about the clamor to reduce the frequency of mail delivery from six to five days a week. I cite the 2003 Presidents' Commission Report warning that lessening deliver frequency may save money, but the Postal Service's "value to the nation would suffer." In addition, the Commission admonished us that "scaling back to a five-day delivery regimen could create difficult logistics, mail flow and storage problems." These thorny issues will confront Postmasters should five-day mail delivery come to fruition. I have relayed these deep concerns to Postal Headquarters, and now I share them with the Committee.

The Postal Service is presently engaged in a national review of its retail network, focusing on the closing or consolidation of branches and stations. Presently, the USPS has not indicated how many retail locations will be discontinued, or how much money will be saved. I commend the Congressional Research Service for its recent and useful overview of *Post Office and Retail Facilities Closures*. The report includes a detailed explanation of the differences among postal retail facilities. It is important to recognize the key differences between Post Offices and other retail operations – a Post Office is the basic organizational unit of the Postal Service, managed by a Postmaster; and stations and branches are subordinate to the Post Office. In addition, the CRS added an interesting

tidbit: Since 1970, the number of Post Offices declined by about 15%, while the number of stations and branches grew by over 25%.

Although the Postal Service's retail facility review does not appear to jeopardize Post Offices, NAPUS is attentive to a possible wayward gaze toward Post Offices serving rural and small communities. I would remind the Postal Service and the Committee of the PRC's 2008 Universal Service Obligations Report, which concluded that Postal Service would save only \$586 million if all small and rural Post Offices were shuttered. Such a misguided act would deny vast areas of this nation with accessible and affordable postal services, yet make no more than a dimple in the Postal Service's financial health. On a related note, NAPUS has been discussing with the Postal Services and the Postal Regulatory Commission, the agency's failure to follow rules and regulations relating to Post Office "temporary emergency suspensions". Many of these Post Office closures do not result from an "emergency", nor are they "temporary".

Returning to branch and station closings, Postmasters would manage proposed station and branch consolidations or closings. Therefore, community and employee involvement is essential in facility decision-making. As a practical matter, Postmasters will have to respond to community outrage, should their facility be targeted for closure. The realignment process must be transparent and cannot be an after-the-fact defense of the decision, nor can community input be merely cosmetic. Different communities have different postal needs, and a one-size fits all decision template would be disastrous. For example, post box service is paramount in some areas, while window service for "accountable mail" is a prime product in others. The Postal Service must ensure that communities will continue to have access to all postal products, and that surviving facilities will not be overwhelmed. At the same time, a steep decline in a physical Postal presence could lead to a further reduction in revenue generation.

As we move further along the legislative decision tree, changing consumer preferences and mailer behavior should not be ignored. The mail mix reflects this phenomenon. In

sensibly responding to these trends, we should not mimic Chicken Little; but, also, we should not emulate an ostrich. We live in dynamic cultural milieu, where there are significant generational and geographic preferences in communications and commerce. Electronic social networking is a growing phenomenon. Digital commerce is replacing hardcopy catalogues. Internet banking and electronic fund transfers are routine. Web-based periodicals are commonplace. What does this mean for the Postal Service? How should the Postal Service respond? Is contraction the only option? Or should Congress provide the Postal Service expanded opportunities to embrace the sprouting communications and commercial marketplace? Ossifying on the sidelines renders the Postal Service archaic and irrelevant, both now and the in future.

Postmasters strongly believe that there remains tremendous demand for a universal accessible Postal Service, reaching every community in this nation, no matter its size or location. Postal employees continue to be among the most trusted public employees and the Postal Service one of the most valued public institutions. Being a federal agency and performing inherently governmental functions should not disqualify the Postal Service from evolving with the market. Emerging legislation should liberate the Postal Service from entrepreneurial handcuffs that hamper its capability to effectively and quickly offer Americans 21<sup>st</sup> century products and services. The Postal Service must be able to use its physical presence in the far-flung corners of this country and high trust-value to be a kiosk for a diversity of traditional governmental and untraditional services. The Postal Service has yet to exploit its tremendous national retail footprint to partner with other governmental entities – national, state, and municipal – and associate with complementary private sector endeavors. For example, there is absolutely no reason why the Post Office should not be able to offer financial services to rural and small communities, or partner with major retailers to serve as an ordering outlet. However, to make the institution relevant to a generation of Americans who have traded in pens for keyboards, the Postal Service must also undergo structural reformation. These operational changes must permit its frontline workers to better serve the mailing public. On the other hand, the Postal Service should not undertake initiatives that effectively depress retail revenue. For example, its star-crossed decision to remove postal vending machines from

post office lobbies, and impeding the installation of automated postal centers in urban locations weakens lobby traffic, and drives away income. Closing stations and branches makes mechanical and automated revenue generators crucial to limiting lobby wait time. As a manager of a retail postal facility, I can assure you that the expectation of internet sales diminishing the need for local retail transactions was not met – 75% of all postal transactions continue to be made a postal retail facility.

Employee trust-holders, including Postmasters, play a key part towards a long-term plan for postal sustainability, promoting changes and making sacrifices. Postmasters, as well as other postal employees have contributed substantial sums in reduced compensation through increased health premium contributions over the past few years. In addition, many Postmasters have worked way beyond the normal workday – without additional compensation or staff – to ensure that mail is delivered, accepted and processed. And, Postmasters were compelled to relinquish an 80-year old leave program to help the Postal Service. For its part, Postal Headquarters must take a closer look at its own generous benefit package, and more aggressively put into effect a top down reorganization, to implement postal policies more efficiently, effectively and successfully.

Structural reform that prunes wasteful, unnecessary and counter-productive programs and policies will reap rewards for the Postal Service and its customers under all scenarios. NAPUS has long called for the *de-layering* of the Postal Service bureaucracy and redevelop along functional lines, rather than geographic ones. It continues to evade common sense to support a mammoth Washington-centric Postal infrastructure, on top of 8 Postal Areas, and 74 Postal Districts. This structure breeds inefficiency and the perpetuation of costly programs that interfere with, rather than enhance productivity and creativity. Postmasters believe that there are savings and visions to be realized in the retail network through the elimination of meaningless and counterproductive operational requirements. These pointless prerequisites add substantial work hours and the accompanying costs associated with those added hours. For example, the USPS “Mystery Shopper Program”, which is a privatized operation, is a waste of postal revenue. PRC Chairman Dan Blair referred to the program as “not statistically valid”; consequently, it is

not used by the Commission as part of its annual compliance determination. The program is used to harass local postal employees, including Postmasters, and use its derived erroneous data as the basis for arbitrary disciplinary decisions. One bizarre aspect of the Mystery Shopper Program is that the program penalizes postal employees who fail to successfully push a “premium” postal service, in lieu of, for example, “first class mail” or “parcel post” – even when these postal services are requested by the postal customer. The Mystery Shopper Program is a disservice to postal customers, a waste of postal dollars, and harms local postal employee morale. It should be terminated.

In addition, Postal Districts should be paired down beyond 74; they contribute significant unnecessary costs to retail operations. Many of their make-work directives do not add value to postal products, and do nothing to improve customer service. In fact, many of the directives diminish service. In order to justify their existence, the Districts require Postmasters to participate in pointless teleconferences and file worthless reports, created simply to generate work for District staff. As a result of this waste of time and money, many Postmasters and their staffs must request overtime and/or compromise the staffing needs of their local post offices. For example, Postmasters file a “tracking report” – get this – to track if the Postmasters are completing other requested reports. Talk about folly and redundancy.

In order to extract more savings out of retail operations, I encourage the Postmaster General to negotiate with our unions about cross-craft training. An agreement in this area would augment the skills of individual postal employees, and enable Postmasters to more effectively utilize the talents of their employees. We would be able to calibrate, on a daily or hourly basis, the staffing to meet post office lobby traffic and mail volume. Also, we will be able to maximize the skills of our workforce. This would be a win-win-win proposition. On a related note, the Postal Service has abolished training for its frontline managers; the outcome of this wrong-headed decision is that new Postmasters, and even veteran ones, are denied the necessary tools to more efficiently operate their facilities, save money for their post office, and collaborate with Headquarters personnel to cultivate

new products and services. Many of the best and most innovative ideas are conceived beyond the walls of Postal Headquarters.

Broad legislative or operational solutions to the current postal crisis will not happen overnight. In addition, we will need to quantify how much of the mail will return as the economy recovers. For this reason, Congress must quickly reconcile the differences between S. 1507 and H.R. 22, which have yet to reach the floor in either House, and send the resulting emergency postal relief legislation to the President for his signature.

Admittedly, the legislation provides only a temporary repair; however, failure to enact the legislation would result in the agency's default of a required payment, and calls into question Congressional commitment to the U.S. Postal Service.

Thank you.