

NAPUS

Update

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'It is abundantly clear the Postal Service needs to change in order to survive.'

NAPUS Builds Strong Case for Substantive Postal Reform in Comprehensive Comments to President's Commission on the Postal Service

Following is the verbatim text of President Wally Olihovik's public comments to the President's Commission on the Postal Service on Feb. 12, 2003. The comments are viewed as significant because of their potential effect in helping craft a viable future for the United States Postal Service.

Introduction

The National Association of Postmasters of the United States (NAPUS) is a duly recognized professional association that represents the nation's approximately 27,000 Postmasters. Moreover, almost 21,000 retired Postmasters also are members of the association.

NAPUS' mission extends beyond mere Postmaster representation. The association promotes and protects Postmasters; helps assure users of the Postal Service the best possible mail services; advocates Postmaster views on Capitol Hill, at the White House, before regulatory bodies and within the Postal Service; and works closely with the Postal Service to develop strategies to enhance Postmasters and the Postal Service.

In addition, the 42,000-member association speaks on behalf of retired Postmasters and their families regarding retirement and benefit issues that may affect the quality of their life after postal employment.

Postmasters are cognizant of the tremendous financial and operational challenges the Postal Service presently confronts and will continue to face in the future as the agency attempts to remain relevant and viable in the postal marketplace. Indeed, the responsibilities of the Postmaster—the manager-in-charge of the post office—

have changed over the past five millennia.

Ancient Mesopotamian city-states, where cuneiform was the primary means of commercial contact, established "posts" as the means to encourage communications. More recently, on our shores, Colonial post offices developed as the colonies expanded and continued to mature as the country stretched across the continent to bind the nation together. Post offices and the Postal Service itself have endowed this country with an extraordinary heritage. Indeed, the post office has supported civilization and facilitated the growth of commerce and communications.

Nonetheless, the Postal Service, its facilities and its personnel operate within a new reality where the past can only provide a guidepost for the future—not all the answers. An outmoded business model, mail diversion, labor and infrastructure costs and new technologies may have been anticipated. However, these factors were not confronted adequately and honestly.

The President's Commission on the Postal Service was not created, of course, to "sugar coat" the issues or offer simple, unreliable solutions. Rather, Postmasters understand the commission was created to frame long-term issues; educate the American people, the White House and Congress; and make specific recommendations on how to ensure the viability of postal services. NAPUS hopes its input will assist the commission in its deliberations.

The Market

The current Postal Service market is diverse and is characterized by a multitude of compet-

ing burdens, which, at times, may compete against one another.

The Postal Service benefits from an almost iconic status. It has incredible brand identity and Americans are extremely protective of the institution. The Postmaster, the letter carrier and the window clerk are recognizable in every community. They market, sell and produce the goods and services that generate the revenue that underwrites postal operations.

The Postal Service provides products and services to a number of divergent, though interdependent, constituencies—the two most prominent being residential consumers and business mailers. The expectations each group has of the Postal Service have evolved over decades and are based on their unique needs and experiences.

Residential consumers expect mail to be delivered to their homes six days a week at a routine time; and it is anticipated that mail will be delivered to its destination within a finite and determinable amount of time. This is a monumental task, since the Postal Service delivers mail to approximately 140 million delivery points, and last year added 1.8 million new delivery points.

Visits to a post office to transact postal business should be quick, friendly and efficient. Mid-size to large postal facilities should benefit from the frequent collection of mail that is to be transported to other postal zones. Finally, residential customers expect mail entrusted to the Postal Service to be handled by postal personnel. At the very least, residential customers expect that postal personnel staff the mail acceptance unit and perform the delivery function.

The Postal Service also is in the unique

position of responding to the demands of identifiable communities, particularly rural ones. It is important for many communities to have an institution that provides postal boxes, a venue for financial transactions and a place to retrieve mail for which a government official must authenticate identification.

Business mailers may have overlapping expectations with residential customers, but have different priorities. Commercial mailers, when they visit the post office, value speed and accuracy of transactions. Reliability and cost also are major concerns. Most large mailing houses “drop” their mail at a postal distribution facility. Therefore, the relationship with a retail unit may be limited or nonexistent.

The speed of mail acceptance at the distribution point is crucial, as well as the efficiency of mail processing. Mailers desire postal penetration into specific locations at designated times or frequencies. Consequently, the speed from mail production to delivery point, at a reasonable and predictable price and time, is vital.

Not too long ago, business mailers relied on the Postal Service to process and sort mail. Today, however, more and more business mail is being pre-sorted or automated, reducing the necessity for postal labor to be used to perform such functions. This phenomenon has led to mailer demands that discounts be applied to mail that has been processed or prepared for automation prior to entering the mail stream.

The demands made on the Postal Service from these two defined constituencies yield an interesting dichotomy. Postmasters, letter carriers, and window clerks (collectively, the Postal Service’s frontline) interact primarily with residential customers or small businesses. The overwhelming number of delivery points are residential. The perception on the part of the postal vanguard is that the postal customer is the entity with whom they interact on a day-to-day basis.

In contrast, Postal Headquarters interacts primarily with large business mailers, which generate the majority of postal revenue. Therefore, the view on the part of Postal Headquarters is that the postal customer is the large-revenue producer. The result of this dual-track perception is that postal officials employ different strategies to respond to dissimilar and sometimes conflicting consumer demands.

The fact of the matter is that both the Postal Service’s front-line personnel and Postal Headquarters are correct. Consequently, it is imperative one not be played against the other. To do so would irreparably damage the institution and the market the Postal Service serves. The work-sharing arrangements that have advanced over the past twenty years have benefited the mailing community, residential customers and the Postal Ser-



President Wally Olihovik (right) and Director of Government Relations Bob Levi review the final draft of NAPUS’ public comments to the President’s Commission on the Postal Service.

vice. However, it now would appear prudent that the Postal Service decide which path to follow in its quest to work with the mailing community to shave costs.

The Postal Service has expended millions and millions of dollars to build an extensive infrastructure in its quest to automate. NAPUS firmly believes that the Postal Service should create adequate incentives to encourage mailers to use this technology to its fullest capacity. Additionally, consideration should be given to private-sector mail processing units with the goal of enhancing cost-efficiencies.

Regulatory Reform

The current regulatory model cannot sustain a viable U.S. Postal Service.

The pricing system under which the Postal Service operates is fatally flawed. Moreover, the postal regulatory framework is obsolete and ill serves the market it was created to promote. This indictment of the regulatory system is a dynamic one; it grows with every year the system is not changed.

The exorbitant amount of time spent in adjusting postal rates places the Postal Service at an insurmountable disadvantage when establishing prices or developing products. Other entrants in the postal market may adjust their prices to reflect economic changes or competitive pressures. The regulatory framework created thirty years ago reflects a bygone era of regulatory theory that no longer applies.

Thirty years ago, the Postal Service was the unchallenged leader in the hard copy and package transport arena. As such, the Postal Service was a true government monopoly that cried out for a regulatory authority to ensure it did not abuse its position to the detriment of its own customers. The Postal Rate Commission (PRC) was not established to hinder the Postal Service from responding to its own customers or preempting it from fully participating in the postal market. Nor does NAPUS believe that the authors of the Postal Reorganization Act envisioned a market where its regulatory creation would conspire to cripple the Postal Service’s ability to compete

against mailing enterprises and transportation logistic entities, both foreign and domestic.

Indeed, the Postal Rate Commission mutated over the past thirty years to redefine itself as the guardian of a market with the sole responsibility of limiting postal participation in it. In sum, the PRC has not enhanced the market for the benefit of the postal customers whom it was created to protect.

NAPUS respectfully suggests that the President’s Commission explore opportunities for postal customers to benefit from—not suffer from—the competitive environment in which the Postal Service operates. The Postal Service should be able to adjust its rates periodically to react expeditiously. Legislation has been proposed in previous Congresses that would enable the Postal Service to adjust rates within a finite window (e.g., the increase in the Consumer Price Index), without having to first seek the PRC’s approval. In addition, the Postal Service should be able to negotiate postal rates directly with its customers, so long as other customers are not disadvantaged.

The Postal Service should not continue to be regulated in a manner that hinders its ability to expeditiously establish rates and bring new products to market, nor should it be unfairly subjected to unfettered subpoena power by a regulatory authority. However, if this were the case, NAPUS believes the same rules need to apply to all postal competitors. That is, any postal customer may seek relief within the postal regulatory authority for “unfair competition” or “monopoly practices” against any postal player, governmental or private.

Within this context, the regulatory model under which the Postal Service operates unfairly constrains it. NAPUS strongly believes that postal operations, particularly the institution’s primary retail and delivery network, are inherently governmental functions. Foreign countries with different socio-economic foundations can experiment with private ownership of postal operations, but the breadth and history of the Postal Service should lead even a casual observer to the opposite conclusion. The doctrine of U.S. postal networks being intrinsically governmental is underscored by the strong American expectation of privacy of the mail and in the unwavering belief in its sanctity.

The Postal Service’s Transformation Plan proposes to re-establish the Postal Service as a Government Service Enterprise, balancing the need to provide the agency a freer hand in operating in the market, while, at the same time, emphasizing its status with the federal government.

Universal Service

While the concept of universal service is evolutionary, it still should be one of the primary goals of the Postal Service.

The Postal Service’s historic and present core mission is to provide the American public, including the mailing community, with universal

mail services at an affordable price. Two existing misnomers are that the current definitions of “universal” and “affordable” are the same today as they were decades ago.

The universal service mandate is rooted in Title 39 of the *United States Code*, Sections 101 and 403, and postal regulations that have been adopted over the years. Moreover, residential postal customers and many mailers expect our nationwide postal network to deliver letters, periodicals, advertisements and parcels six days a week to their doors, residential mailboxes and post office boxes. In addition, the Postal Service is expected to support approximately 27,000 post offices and more than 11,000 subsidiary postal facilities.

This universal service concept was never intended to be static. It evolved over the more than 200-year history of the postal agency. For example, free city delivery did not begin until 1863, and rural free delivery was established in 1896. Additionally, many urban businesses received multiple daily deliveries for many years.

The Postal Service also is moving away from launching delivery points at the physical residence or business location. Within urban and suburban locations, greater reliance is being placed upon “curb-side” deliveries and “cluster boxes.” The Postal Service is relying more and more on mailrooms in large commercial properties to accept mail for all offices in these locations. Consequently, universal delivery standards already are being modified by the Postal Service to respond to the operational and fiscal challenges.

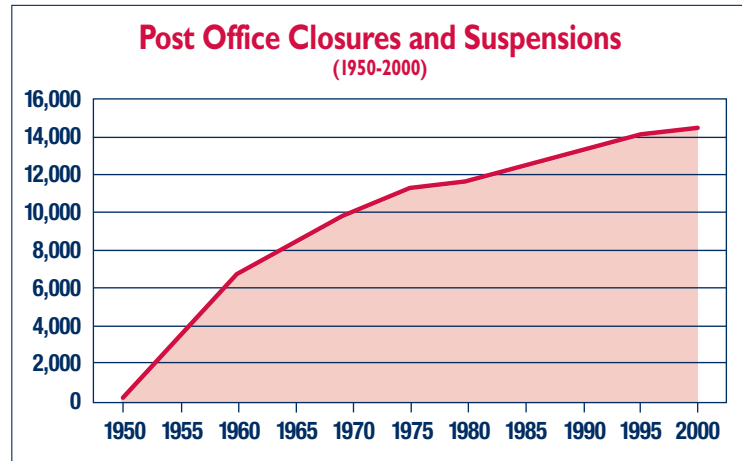
Postmasters are the managers-in-charge of post offices. As such, NAPUS members are accountable for postal operations and services in cities, towns and communities all across the country. Post offices are not solely “bricks and mortar” buildings that provide retail postal operations to their customers. In many rural areas, the Postmaster may manage the operation of a postal retail facility with or without rural routes and is the chief marketer for postal products.

At the same time, an individual post office may encompass multiple “postal stations” and outlets that provide retail service. Moreover, the Postmaster may manage mail-processing facilities and letter carrier annexes within a particular post office’s jurisdiction. The Postmaster is responsible for the management and supervision of all personnel and postal operations under the authority of that post office.

The number of post offices grew exponentially during the formative years of our republic, up until the early 1900s. However, during the past almost one hundred years, a large number of

post offices have been closed and suspended. In fact, over the past forty years more than 14,000 post offices have been either closed or suspended. Concurrently and more recently, the Postal Service has encouraged postal customers—particularly residential customers—to seek alternative venues in which to access postal services.

It is eminently clear that, under current law and established postal regulations, the Postal Service may, and in fact does, close post offices. As previously stated, more than 14,000 have been terminated over the past half-century. This power to close a post office is not to be taken lightly, since many communities rely on the facility for basic mail operations. In many instances, a community’s very identity is predicated on the existence of the post office. For this reason, specific due process procedures were enacted to ensure the community impact was evaluated as the result of a post office closure. True, the Postal Service may provide alternatives to post offices in certain areas, but these facilities may be closed without any type of accountability.



America’s understanding of universal service also embraces the security of the letter or package entrusted to the Postal Service. The restriction placed on access to the U.S. mailbox cannot be overemphasized. Security and privacy are essential elements of the American concept of universal mail service. This expectation is particularly noteworthy during these uncertain times when the mail stream is vulnerable to bioterrorism and identity theft is a mounting concern. These factors highlight the tremendous responsibility the agency and its employees have within the communications and package transport arena.

The still-maturing Internet, the growing comfort Americans have with electronic fund transfers and evolving modes of communications have strained the ability of the Postal Service to sustain a universal service model. This tension has led a number of policymakers to conclude incorrectly that “universal postal service” is obsolete. The core mission of the Postal Service is based on mail delivery to every household and business in

the country and to postal access in every community. While the concepts of “universality” and “affordability” may have changed, the underlying principle is the foundation upon which the Postal Service should remain.

Despite greater reliance on “virtual communication” via the Internet, substantial commerce and communications will continue to be on paper. Letters, parcels and packages need to travel in a non-discriminatory manner from vendor to delivery point. Furthermore, a postal presence in urban, suburban and rural areas is essential to the economic and cultural well-being of the specific communities served by the post office. Indeed, in these locales—especially rural ones—the Postmaster is usually the most identifiable and responsive representative of the federal government.

Postmasters acknowledge that just because a post office has existed in a particular location, by itself, is not reason enough to keep it going into perpetuity. However, as a government service, the Postal Service and individual post offices should not be evaluated based on revenue alone. Indeed, fair and clear criteria need to be developed to assess the necessity of a postal outlet within a particular area.

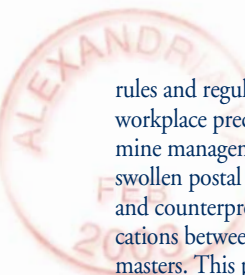
Decisions over the closure of an existing postal facility or the creation of a new one cannot be arbitrary. Clear procedures must be established. Within the decision-making process, the effect on the community must be assessed. The key question that should be asked and answered is whether the retail outlet is “demographically” justifiable. This is a different question than: Is the facility self-supporting?

The justification in urban, suburban or rural locales may well be different. Population dispersion and access to financial institutions and technology are factors to be considered in evaluating the demographic rationale for a postal outlet in a particular community. Under a “demographic necessity” criterion, multiple postal stations within a defined urban or suburban setting may be evaluated more stringently than a solitary post office on which a rural community depends. Consistent with “universal service,” the litmus test needs to be accessibility to the services needed within the particular community and accountability for the provision of those services.

Management Flexibility

Front-line managers need the authority and autonomy to direct effective operations of postal facilities.

For the past quarter century, the Postal Service has resembled an unwieldy military enterprise. Indeed, a clumsy patchwork of outdated



rules and regulations, combined with dubious workplace precedents, have conspired to undermine management flexibility. In addition, a swollen postal bureaucracy creates unnecessary and counterproductive interference in communications between Postal Headquarters and its Postmasters. This phenomenon has festered over the past thirty years and is particularly acute at the facility level.

Postmasters are being suffocated between two competing challenges—the inability to deploy resources where needed and upper-level management reserving for itself local decision-making. In a country where innovation and adaptation are heralded, the Postal Service is averse to having its front-line managers actually manage operations in local post offices. Decisions are being rendered “up the food chain.”

In many instances, individuals who have not “touched the mail” or worked in a postal retail or processing facility for an extended period are making these decisions. Many upper-level postal managers are ill-equipped to make determinations about resource deployment, post office hours and inventory. Unfortunately, such judgments are portrayed as directives. This type of management style does not foster favorable relations between a Postmaster and his or her boss.

Existing labor provisions, in many circumstances, can interfere with a Postmaster’s ability to manage effectively his or her facility. Under current labor contracts, employees may be restricted from performing tasks that are not within the scope of responsibilities defined under their national agreement. A Postmaster may be precluded from training a postal employee to perform certain tasks that may even fall within the responsibilities of that craft.

Under broad circumstances, a Postmaster may not reassign a sorting clerk to perform win-

dow service. A letter carrier is prohibited from working a postal window. Moreover, in many facilities, even when there are long lines, a Postmaster may not fill in at a window. While we appreciate the nature of collective bargaining agreements, it still needs to be pointed out that some provisions can be a hindrance to effective management.

It is difficult to manage a postal facility when performance incentives are inconsistent. Managerial personnel participate in a compensation system where a portion of their wage package is based upon performance—formerly referred to as Economic Value Added (EVA). Craft employees, on whom much of the success or failure of a performance cluster is reliant, are insulated from performance-based compensation. Most students of modern management acknowledge the concept of deviation in workplace performance. Different employees, as the result of different skills and aptitudes, perform differently.

However, collective bargaining has yielded a compensation package where craft employees earn periodic, across-the-board wage increases and cost-of-living adjustments. There are virtually no incentives built into the system to encourage enhanced efficiencies. It is unclear whether the Postal Service will be able to win a new compensation system at the bargaining table with its unions, but it is important to recognize the effect that divergent compensation systems could have on postal efficiency and managerial capability.

Conclusion

The Postal Service and its Postmasters do not function in an operational or political vacuum. Members of Congress repeatedly have articulated their strong interest in the agency’s capacity to provide core postal services to their con-

stituents. Unfortunately, only a limited number of elected officials comprehend the complexity of our postal system and the intrinsic cost in providing the services their constituents expect and deserve.

Indeed, it is the unenviable task of the President’s Commission to provide an outline and suggestions to Congress, so legislators may construct legislation to reform and modernize the Postal Service. Ultimately, our elected leaders will define the future of the institution. Members of Congress have certain expectations and parameters that must be appreciated for us to be successful in accomplishing our objectives.

It is abundantly clear the Postal Service needs to change in order to survive. On behalf of our nation’s Postmasters, NAPUS respectfully requests that the President’s Commission make recommendations to the President and the Congress to:

- Ensure the expectations of residential and business postal customers and communities are respected.
- Enable the Postal Service to compete in the postal market, without overly burdensome regulatory restrictions.
- Sustain the Postal Service’s core mission of providing universal services to both residential and business customers.
- Empower front-line managers to effectively manage their post offices and provide appropriate incentives to its work force.

Postmasters are ready to assist the Commission in its challenge to finalize its report later this year. Furthermore, Postmasters are prepared to fight on Capitol Hill on behalf of the future of the Postal Service and the critical work it performs for the American public and mailing community.

INSIDE: NAPUS Public Comments to the President’s Commission on the Postal Service

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