

TESTIMONY OF

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BEFORE THE

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

OF THE

HOUSE COMMITTEE ON
OVERSIGHT AND GOVERNMENT REFORM

**“Nip and Tuck: The Impact of Current Cost Cutting
Efforts on Postal Service Operations and Network”**

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Good morning, and thank you Chairman Lynch and members of the Subcommittee for inviting me to testify. My name is John Hegarty, and I am National President of the National Postal Mail Handlers Union, which serves as the exclusive bargaining representative for nearly 55,000 mail handlers employed by the U.S. Postal Service.

You have asked for testimony today focusing on the impact that the Postal Service's cost cutting is having on postal operations and the postal network. As you know, the Postal Service has been tremendously affected by the financial crisis facing our country since last year. Indeed, because the Postal Service is a leading indicator of the state of the American economy, mail volume started to fall dramatically long before the October 2008 collapse of the stock market, and long before much of the country became aware of the depth of the crisis in the financial and housing industries. Also, the internet and other electronic forms of communications have contributed to the loss of mail volume, particularly First-Class mail, adding to the large declines in postal revenue.

There have been numerous responses from the Postal Service. These include a blanket hiring freeze for virtually all career positions; a reduction in overtime hours, such that available overtime is at levels lower than we have seen in many decades; and a drastic reduction in total career positions, all accomplished through attrition, including normal retirements, voluntary early retirements, resignations, and terminations. Indeed, in just the last eighteen months, the Postal Service

has reduced its career complement by more than 40,000 employees, including approximately 3,500 Mail Handlers, and the last six months have seen a total deduction of 21,000 career employees, including 1,600 Mail Handlers.

With such drastic declines in the number of productive employees, and the simultaneous reductions in overtime, the next question is whether these cuts are commensurate with the decline in volume, or whether these cuts are also reducing service to the American public. I am not certain that the Mail Handlers Union can answer that question, except based on anecdotal evidence, as the Postal Service remains the most trusted and most admired agency in the federal government, and the Postal Service's internal measurements of on-time processing and delivery of mail remain extremely high.

Another aspect of the Postal Service's cost cutting program, and one with which Mail Handlers are more familiar, are efforts to reduce the number of facilities in the postal network. As currently constituted, the Postal Service has more than 34,000 facilities, including over 400 large postal plants where Mail Handlers primarily work. Even before the recent declines in mail volume, the Postal Service has been trying to identify a rational way of reducing this vast network of facilities.

Back as early as 2005, the Postal Service began to notify the Mail Handlers Union about its plans to consolidate or close certain postal facilities. As explained by the Postal Service, these closings and

consolidations were meant to be just the first step in a long-term and nationwide effort to adjust the size of its network of facilities around the country.

Initially the Postal Service identified 139 facilities for possible consolidation, but that list was purely internal and never shared with the unions or publicly released. The number was then whittled down substantially, and the Postal Service eventually announced that it was studying approximately forty facilities through a series of Area Mail Processing feasibility studies that management conducted by applying its Handbook PO-408, which includes its Area Mail Processing or AMP Guidelines.

In early 2006, the Postal Service filed a series of documents with the Postal Rate Commission (PRC) to request approval for a major overhaul of the USPS mail processing and transportation network. This network redesign initiative, also considered by the Postal Service to be part of its Evolutionary Network Development (END) program, was expected to take as many as five to ten years to implement. As submitted to the PRC, what was proposed was a revised network of mail processing facilities, including approximately 60-70 Regional Distribution Centers (RDCs) and scores of Local Processing Centers (LPCs) and Destination Processing Centers (DPCs). Specific locations for these facilities were largely unknown – just the general contours of the plan were being discussed.

Eventually, the PRC issued a decision in December 2006, in response to the Postal Service's request for an advisory opinion on the permissibility of this closing and consolidation process. Although the PRC praised the Postal Service's goal of streamlining its mail processing and delivery network, it found major problems in the Postal Service's methods, essentially telling the Postal Service to slow down and start over.

With the adoption of postal reform legislation – also in December 2006 (and only weeks before the PRC issued its advisory opinion) – and with continuing revisions to the USPS automation program, the plans for closing and consolidations were constantly changing. Indeed, in early 2008, the General Accounting Office reported to Congress that the Postal Service was continuing to fall short when trying to implement its reduced network of mail processing facilities. GAO also noted that postal management had until June 2008 to develop a plan to rationalize and reduce its processing network:

The [Postal Accountability and Enhancement A]ct . . . requires the Service to develop a plan by June 2008 that includes its strategy for rationalizing the postal facilities network and removing excess processing capacity from the network. As part of this plan, the Service is to identify cost savings and other benefits associated with network rationalization alternatives. This plan provides an opportunity for the Service to make its case that realignment is needed to address infrastructure issues (e.g., excess capacity, maintenance needs, and facility locations) and reduce costs. It can also address concerns raised by Congress and the public about how decisions related to planned network changes are made and communicated to affected parties. We have reported our concerns that the

Service's strategy for realigning its processing and distribution network and workforce was not clear, and that its strategy lacked sufficient transparency and accountability, adequate stakeholder input, and performance measures for results . . . [GAO Report 08-503T at 15.]

Shortly thereafter, the Postal Service issued a major revision of its Handbook PO-408, which continues to govern Area Mail Processing changes. This revision tried to deal with the issues identified in the advisory opinion issued by the PRC, and responded to Section 302 of the postal reform legislation requiring greater transparency in the Postal Service's future efforts to consolidate processing facilities. Although Congress agreed that the Postal Service has more facilities than it needs, and encouraged the Postal Service to "move forward in its streamlining" efforts, Congress in the PAEA also required the Postal Service to develop a plan describing the "long-term vision of the Postal Service for rationalizing its infrastructure" and describing "any changes to the Postal Service's processing, transportation, delivery and retain networks necessary to allow the Postal Service to meet" performance goals. The plan had to include "estimated timeframes, criteria, and processes to be used for making changes to the facilities network, and the processes for engaging policy makers and the public in related decisions." Effective immediately, Congress said that the Postal Service "may not close or consolidate any processing or logistics facility without using procedures for public notice and input," including providing adequate public notice to communities potentially affected; making available information

regarding any service changes or other effects on customers or postal employees, and any cost savings; giving affected persons “ample opportunity” to provide input; and taking such comments into account in making a final decision.

While the revised Handbook PO-408 was being finalized – which was after the PAEA was adopted and the PRC’s advisory opinion was released – the Postal Service terminated many of its pre-existing feasibility studies, and put others on hold. There were notable exceptions, such as a large consolidation involving the St. Petersburg, FL Processing & Distribution Center, which saw some of its work moved to Tampa, FL in the past year. But for the most part, the Postal Service did not actively seek to study or implement network consolidations while the process for making such determinations was being revised.

In recent months, however, the Postal Service has reinvigorated its plans for consolidating its mail processing facilities, and has notified the unions and the affected communities about dozens of possible of closings. More specifically, there have been – to this point – a total of at least 35 notices sent to the Mail Handlers Union in which the Postal Service announces that it intends to perform a feasibility study to determine if the movement of certain mail processing would help to eliminate excess capacity and/or would allow the Postal Service to make more efficient use of existing facility space, staffing, equipment, and transportation.

The NPMHU recognizes that this presents all postal stakeholders with a dilemma: there is a need to ensure the short-term, financial viability of the Postal Service, which very well may require the closing or consolidation of certain postal facilities, but there also is the need to ensure that service does not decline and that the future postal network – which itself is an invaluable asset owned by the Postal Service – is not cut too severely such that the Postal Service will not be prepared to provide universal and low-cost service when mail volumes recover in the coming years. These needs are often in conflict. Keep in mind that all Area Mail Processing studies do not involve closing a facility down completely; in fact, in many instances, they are recommending shifting some of the processing to another facility, and leaving some operations intact at the losing Installation.

Our suggested solution is to approach these issues on a case by case basis, recognizing that not every proposed consolidation or closing is going to require the same response. Simply put, every situation is different. In some cases, a fair review of the proposed consolidation might show that the closing makes sense. Perhaps, for example, there are two mail processing facilities only a few miles apart, and both of those facilities are underutilized, and thus the work at the smaller facility simply can be consolidated into the larger installation without disruption. Or perhaps one facility is much older and more dilapidated than the other, or perhaps one facility is governed by an expensive but

expiring lease, whereas the other building is actually owned by the Postal Service. In each of these cases, a closing or consolidation very well may be rational. And where the proposal makes economic and logistical sense, where service standards will not be negatively affected, where major mailers in the area will not be inconvenienced, and where all of the requirements of the PO-408 Handbook have been complied with, then the Mail Handlers Union will not simply oppose the proposal for the sake of opposition. (Conversely, the Postal Service should not be undertaking an AMP study just to show the “higher-ups” in Washington that they are “doing something” in the field.) Rather, we are analyzing each proposal, and asking our representatives at the local level to make a complex judgment about the advisability of each proposed closing or consolidation.

In those cases where the network adjustment makes sense, the Mail Handlers Union focuses on minimizing the dislocation and inconvenience that might be suffered by Mail Handlers because of the proposed closing or consolidation. We have negotiated contractual provisions – most notably found in Article 12 of our collective bargaining agreement – which require the Postal Service to give its unions and its employees advance notice of any proposed closings or consolidations, including the anticipated impact; the numbers of employees affected; and the locations to which they will be reassigned. We also have negotiated provisions which obligate the Postal Service to ensure that “dislocation

and inconvenience to employees in the regular work force shall be kept to a minimum.” If each of these provisions were properly implemented, we would not have as many problems as we currently are facing.

Unfortunately, the rational and realistic approach adopted by the Mail Handlers Union does not always control the day.

First, the Postal Service often announces proposals that have no realistic chance of being approved, thereby causing panic among postal employees and customers, and political upheaval that is sometimes worse than the proposal itself. We do not know precisely why the Postal Service makes these announcements: Is it because management simply has not adequately studied the impact of its own proposals? Or is it because the Postal Service feels obligated to notify its stakeholders about every possible proposal under the guise of a fully transparent process, even if the proposal is not realistic and unlikely to be approved? Or perhaps the Postal Service intentionally announces proposals that have no realistic chance of final approval so that it can use the disapproval of these proposals as evidence to argue that its network realignment process is working and is eliminating the unjustified proposals? Whatever the reason, the announcement of proposals often leads to unnecessary upheaval.

Second, even when the proposed closing or consolidation is eventually approved and implemented, the Postal Service does not always follow its contractual obligation to minimize the dislocation and

inconvenience to its employees. Often at the local level, management representatives do not properly analyze the impact of their proposal, and end up notifying employees that they may be excessed or relocated when no such action is justified by the proposal. I could give many examples, but let me focus on one that has been in the newspapers recently, arising in Memphis, Tennessee.

A few weeks ago, the Postal Service announced a major realignment of its network of Bulk Mail Centers, which will be converted into Network Distribution Centers. As part of that realignment, the Memphis BMC will become a Tier 3 facility, with a likely increase in mail being shipped to and from that facility. Yet at the same time, the Postal Service has informed many Mail Handlers working in Memphis that, because of volume declines, they are being excessed hundreds of miles from Memphis, some to Nashville or Chattanooga, and still others to Tulsa, Oklahoma. Many of these Mail Handlers were born and raised in Memphis, and all of their friends, family, and community connections are in Memphis, and even the suggestion that they might be involuntarily relocated to another city is highly disruptive. I know that Members of Congress from Memphis are aware of this situation, and are working with the unions to stop or mitigate this relocation, but how could such excessing possibly be justified, when under the governing contract the dislocation and inconvenience to employees must be minimized, and when the Memphis facility, for operational reasons already identified by

the Postal Service, has been told that it can expect increased mail volumes in the coming months? (A recent newspaper article on this subject is attached to my testimony.)

Care must also be taken to ensure that the consolidation makes sense economically for the Postal Service. For example, the recent “six-month post implementation review” of the transfer of outgoing mail from Olympia to Tacoma in the State of Washington indicates that the Postal Service lost over \$1.5 million by moving the processing out of Olympia. (It should be noted that the “six-month review” did not occur until eighteen months after the mail was moved.)

I could continue to give examples, but the point I want to make should be clear. When the Postal Service is deciding whether to close or consolidate facilities, it must minimize the impact on employees. The best way to accomplish that is to discuss the matter with its employee representatives, the unions, even before the proposal is announced publicly. Under the revised AMP guidelines, the Postal Service consults with its major mailers or other customers, and the Postal Service considers the views of the community leadership. But it also must consult with its unions, and there certainly is nothing to prevent the Postal Service from discussing these issues with the unions earlier in the process. There certainly will be times when we cannot reach an understanding and will have to agree to disagree, but there also will be many times when the employee representatives will have more knowledge

and better insights than the managers (who, it bears noting, often have only recently moved to that location and don't know local conditions).

In sum, this hearing has been called at an opportune time. It has been only six months since the Postal Service began to announce its latest feasibility studies to analyze proposed closings and consolidations. There is still time, with regard to those proposals that may be approved, and certainly with regard to any future proposals, for USPS management and the unions to work together to minimize the dislocation and inconvenience to Mail Handlers and other postal employees. The Postal Service is contractually obligated to do so, and it makes good business sense.

At the National level, the Mail Handlers Union and the USPS management already are implementing two agreements signed in 2006, one creating a Joint Task Force to implement Article 12 at the National level, and the other expressing the parties' commitment to work together on Workforce Repositioning to minimize the impact of plant closings and consolidations. But these are reactive meetings, where representatives are only able to discuss proposals that already have been announced. The parties would be well served to discuss these proposals before a feasibility study is publicly announced. The same message should get out to local union representatives and local management. And this hearing will certainly help us to reach that goal.

Turning back to the financial situation now facing the USPS, I would like to reiterate my organization's wholehearted support for H.R. 22, which would provide the Postal Service with some much-needed relief by slowing down (but not eliminating) the USPS pre-funding requirement for retiree health care benefits without endangering the health care benefits of current or future retirees.

Again, thank you for your time and attention. I will be glad to answer any questions you may have.