

Testimony of Charles W. Mapa

**President of the
National League of Postmasters**

**Before the Subcommittee on
Federal Workforce, Postal Service & the District of Columbia**

**Of the
Committee on Oversight and Government Reform**

**Of the
United States House of Representatives**

March 25, 2009

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Chairman Lynch, Ranking Member Chaffetz, members of the Subcommittee,
good morning. I would like to thank you for inviting the National League of Postmasters
of the United States to testify during your 2009 oversight hearings on the Postal Service.
We are pleased to appear before you today. We want extend the League's
congratulations to Congressman Lynch on being named Chairman of this subcommittee.
It is comforting for the League to know that the Chairman of our subcommittee has such
an extensive background and interest in postal affairs.

Background

My name is Charles W. Mapa and I am President of the National League of
Postmasters. I am from Gold Run California, where I was appointed postmaster in 1986.
Gold Run is a community of several hundred people, nestled in the foothills of the Sierra
Nevadas between Sacramento and Lake Tahoe.

The National League of Postmasters, which was founded in 1887, is a
management association representing the interests of tens of thousands of postmasters
throughout the United States. Although we represent postmasters from post offices of all
sizes—from the very smallest to the very largest—rural postmasters are a sizable portion

of our membership. Thus, we speak for rural America with a certain degree of experience. The League speaks for thousands of retired postmasters as well.

Summary

This morning, Mr. Chairman, I will address three topics: 1) the overall state of the Postal Service and the need to allow the Postal Service to refinance its obligation to fund our retirees' health benefits as H.R. 22 would do; 2) the importance of small post offices to the cultural and social cohesion of rural America; and 3) the manner in which the Postal Service has controlled costs over the last several years, the diminishing returns of that approach, and the means to better increase efficiency and reduce costs.

My testimony will show that the Postal Service needs H.R. 22 to survive this economic crisis. It will also point out that H.R. 22 is not a bailout since it allows the Postal Service to use its own money to fund retiree health benefits. My testimony will also show how small post offices are vital to the continued existence of rural America, that closing them would be disastrous for rural America, and that no significant cost savings would accrue from such an action. If one were to close the smallest 10,000 post offices, the "savings" to the Postal Service would be *de minimus*—less than one half of one percent of the Postal Service's budget, according to the recent USO study by the Postal Regulatory Commission. Finally, my testimony looks at the ways that the Postal Service has "reduced costs" over the last decade, and argues that a better way to gain efficiency is to flatten the management structure, and eliminate unnecessary bureaucracy.

I. State of the Postal Service

Clearly the nation is in extremely troubled times. The economy is at its lowest point since the Great Depression, and the economic health of the Postal Service's largest customer—the financial services industry—is even worse than that of other industries. Overall retail sales have plummeted, taking advertising mail volume down with it. Volume for FY 2008 (which ended September 30, 2008) was 4.5% below the previous year. I believe that is the largest single-year decline in postal volume history. Things have gotten even worse in the First Quarter of 2009 and projections for the rest of 2009 are not pleasant.

More than ever before, we need innovation that can improve service and lower costs, and get the Postal Service through this recession. Over the years, postmasters have offered scores of ideas to Postal Service Headquarters, ideas that could have saved millions in costs and added millions to revenue. Postal Headquarters has routinely rejected these ideas, without even seriously considering many of them. It has gotten to the point that when we bring an idea to the attention of top management, we know that it will likely be ignored. This is a bit puzzling and very frustrating, for no one knows the local postal system better than the local postmaster, and no one knows better than local postmasters how to make things work more efficiently without sacrificing service. Perhaps you can help us on this matter and get a rational explanation from the Postal Service as to why it cavalierly ignores any suggestions that do not originate at headquarters.

In terms of a focus on the future, two things come to mind. First, the Postal Service has rightly focused a great deal on the Intelligent Mail Barcode (IMB). We applaud that decision for there are a variety of new services that the IMB should make available in the medium and long term, and each of those either will add value or be a potential revenue generator. Second, there is an enormous potential to increase market dominant revenues through pricing flexibility and Negotiated Service Agreements (NSAs). That potential has not been tapped, and it needs to be. There seems to be signs that the Postal Service has finally begun to focus on this issue. That is a very good development.

Realistically, however, while all of these very important developments—the IMB, pricing flexibility and NSAs—should be significant solutions for the medium and long term, their helpfulness in yielding immediate benefits will be limited. For the short term, we need to take other measures to get us through the recession. These measures need to be designed to counter the lingering negative effects that the recession will have on the postal system after the economy rebounds, and these measures need to stabilize the institution so that it can rationally deal with the gradual erosion in bill paying mail that electronic diversion is creating.

The best solution that has been developed is found in H.R. 22, a bill co-sponsored by Congressmen Davis (D IL) and McHugh (R NY) and many others. New co-sponsors are being added daily, and at last count, their numbers were around 200. This is a bill that the League very strong endorses.

H.R. 22 would allow the Postal Service to refinance its obligation to fund its employees' retirement health benefits. H.R. 22 is not a bailout, but a solution that allows

the Postal Service to use its own money, set aside in a trust fund, for the very purpose for which the money was targeted. H.R. 22 would not spend a dime of the taxpayers' money. Moreover, H.R. 22 continues the pre-funding of the retiree health benefits, and does so at a level that few—if any other institutions—in this country can match.

Here is how H.R. 22 would work. H.R. 22 would grant relief by 1) stretching the time period for the Postal Service to pre-fund its retiree health benefits, while concurrently 2) allowing it to pay for current retiree health benefits out of the trust fund that has been set aside to pay for the future retiree health benefits of postal employees.

More specifically, under current law, the Postal Service now pays *two items* on an annual basis that go to cover retiree health care—one payment of \$2.3 Billion (which changes over time) directly pays for *current* retirees' health premiums, while another payment of \$5.4 Billion (which changes slightly over time) prefunds *future* (i.e., after the year 2016) retiree health benefits. Under current law, this second payment automatically goes into a retirement health benefit trust fund and no funds are disbursed until 2016. By 2016, postal employees' retiree health benefits would be entirely pre-funded. At that point, the Postal Service would largely stop paying¹ for any retiree health benefits payments, and the fund would pick up the payment.

Under H.R. 22, the Postal Service would continue to make the second payment (the \$5+ Billion) to the trust fund for future retiree health benefits, but NOT make the first payment (the \$2.3+ Billion) for current retiree health benefits. This would save the Postal Service the \$2.3 + Billion per year. Since current retiree health benefits still need to be funded, H.R. 22 would allow that payment to come from the trust fund. Thus, after H.R. 22 passes, roughly half the Postal Service's annual payment would go to cover

¹ Except for a relatively small annual residual payment.

current retiree health benefits while the other half would go to pre-fund future retiree health benefits. As a result, this structure would continue to pay for current retiree health benefits, continue the pre-funding of future retiree health benefits, free up some \$2.3+ Billion per year, and cost the taxpayer nothing.

Finally, under H.R. 22, since the trust fund would now be paying for both current and future retiree health benefits, the payments would have to continue beyond 2016, instead of largely stopping in 2016. However, the fact that those payments stopped in 2016 has created a windfall for the Postal Service. Eliminating that windfall, in exchange for stabilizing the Postal Service during this time of economic crisis, at no expense to the taxpayer, is a very good trade off.

Mr. Chairman, as you know, the current system of dual payments was set up by the Postal Accountability and Enhancement Act (PAEA) in 2006. At that time it looked reasonable and achievable, but no one then thought that we were on the verge of the Great Recession, the greatest economic crisis since the Great Depression. Now that we are in the middle of this crisis, the size of the dual payments does not look so reasonable. In considering the merits of H.R. 22, it is critical to remember that no other public or private entity pre-funds its retiree health benefits to the extent that the Postal Service currently does, or to the extent that it would continue to do so, even *after H.R 22 becomes law*.

Chairman Lynch, members of the Subcommittee, some relief is needed, and that relief must extend beyond two years. Anything else will create a system that will appear to be on the edge of disaster, held together by spit, glue, and rubber bands. That is exactly the image that will drive mailers to aggressively seek alternatives to the Postal

Service—electronic and otherwise—that will result in the loss of volumes that otherwise should not have been lost and otherwise would not have been lost.

The consequences of inaction, or acting in an insufficient manner, are severe. Not allowing the Postal Service to spread its retiree health payments could result in extensive layoffs that would notably increase the nation's overall unemployment levels, and impede the nation's economic recovery. Moreover, not allowing the Postal Service to refinance its retiree health payments could end up threatening the very viability of the postal system. This is because the Postal Service would be forced to make significant cuts that would seriously and negatively affect the quality of its service. The consequences of that degradation in service would be a significant revenue loss. This revenue loss would trigger further cuts, which would trigger further revenue losses, and further cuts and further revenue losses. Such a spiral could result in the implosion of the postal system.

As a study done by the Envelope Manufacturing Association Foundation has shown, there are 8.4 million postal-related jobs and more than \$1 trillion in revenue attributed to the mailing industry. <http://www.emafoundation.org/> That, I believe, is even larger than the auto industry. Having the mailing sector crash would shake the American economy to the core, and given its fragile condition, it could bring the entire economy to a standstill.

That is something that must be avoided at all costs.

Mr. Chairman, these are very serious economic times, and the negative consequences of not acting are severe. We all need to rally around this issue and help the Postal Service through this crisis.

II. Rural America and Small Rural Post Offices

When one first considers the world of postal and public policy concerns, and the role of the small post office in the United States, one often assumes that many could be closed down, resulting in little harm and considerable cost savings. Usually that position is predicated upon 1) a lack of appreciation of the role of small post offices in rural America, and 2) an erroneous belief that the cost of maintaining these post offices is much greater than it actually is.

A. The Role of Small Post Offices in Rural America.

Keeping rural America healthy is critical for the social, political, and economic well-being of America. The glue that keeps rural America together—maintains its social and economic cohesion—is our postal system and the local rural post offices. If we want to keep rural America strong, and by extension keep America strong, we need to keep our rural postal system and our rural post offices strong. Any significant negative effect on rural America would be disastrous.

The role rural post offices play in rural America goes far beyond the mere delivery of mail. It is a role that goes to the essence of social cohesion and to the essence of what makes up the notion of “community” in rural communities. The rural post office is an institution that literally binds rural America together, culturally, socially, politically, and economically. It, along with the rural newspaper, set the framework within which rural communities operate. To interfere with either is to interfere with the fundamental dynamics of rural communities and to risk their destruction.

It is in the rural post offices that community members encounter one another every day, greet each other every morning, and daily reinforce their ties of community. Rural post offices serve as gathering places where social news is exchanged and political issues are discussed, often with some heat. It is in the rural post offices that political opinions are formed and finalized. It is where friendships are made and maintained and scouts and scoutmasters recruited. It is the forum where municipal and county leaders are developed, the forum where their criteria for office is discussed and debated, and the forum where the decisions that will be carried out at the ballot box are made. It is the only presence of the federal government in these communities, and it is the one place where local leaders can go and take the pulse of their community, and find out just what people think about the burning issues of the day.

In many rural areas, postmasters play a very important social role that has nothing to do with the postal system or postal revenues. These are roles whose value cannot really be measured in dollars. For instance, many rural postmasters help customers with low literacy levels in a variety of ways, providing assistance in writing checks and money orders to pay bills. Many rural postmasters address envelopes for their patrons, as well as read and explain mail to them. As such, they perform a valuable social function that no one else does. Moreover, they have done so for centuries. In a related vein, state and federal forms are available on site, and rural postmasters often help local citizens with these. Without rural postmasters, these needs would not be met, and rural America would be the poorer.

Local post offices provide other functions such as space for community bulletin boards and the posting of federal notices. They are shelters where children can wait for

the school bus. None of these functions are functions that can be filled by having rural letter carriers sell stamps from their cars, nor having city letter carriers deliver letters.

It is important to realize that the very existence of America's rural villages depends on the existence of their local post offices. The post office literally keeps the community together, and when a rural town's post office disappears, the town often shrivels up and dies, and the business and cultural life of the community disappears. That is why the Federal Postal Code, Title 39 of the U.S. Code, has provisions in it that require the input of the community when the closure of a rural post office is being considered.

Mr. Chairman, rural post offices are icons of rural America, whose function goes far beyond the mere provision of postal services. If rural America is to remain strong, they must remain strong, and endure.

B. The Cost of Small Post Offices in Rural America.

In terms of the costs of keeping rural post offices open, many new to the area assume that they are significant. Nothing could be farther from the truth, for the amount the Postal Service spends on keeping small rural post offices open is *de minimis*. Closing them would save nothing. As the Postal Regulatory Commission just reaffirmed, the cost of the 10,000 smallest post offices—about one-third of all post offices in the United States—is less than one percent (1%) of the total budget of the Postal Service.² That is a

² The recent USO study by the Postal Regulatory Commission reaffirmed this calculus. Report on Universal Postal Service and the Monopoly, Postal Regulatory Commission, December 19, 20008.

small price to pay for the social, cultural, political, and economic stability that America has for so long enjoyed in rural America.³

Finally it is important to state for the record that while developments in the world of electronic communication have altered the dynamics of mail, they really haven't diminished the importance of the postal system to rural America. The Postal Service remains critical to the social, cultural, political, and economic well-being of rural America and is going to remain so for the foreseeable future. As far as I know, no one has seriously suggested otherwise.

III. Postal Service Cost Control Efforts

The Postal Service has taken steps to significantly reduce costs over the last several years. One way it has done so, as we have told this committee before, is to exploit postmasters' good will. Throughout the country, route time hours are being saved for letter carriers by making postmasters carry the routes any time there is a shortage, rather than by having replacement carriers carry the route, as is normal. This effort is increasing the workload of postmasters and making 60 and 70 hour work weeks all too common. A couple of weeks ago, I ended up talking to one veteran postmaster who literally was in tears on the phone, having spent more than 90 hours the previous week at

³ There are some that say that post offices that operate at a loss or do not pay their way should be closed. The question of post offices operating at a loss or paying their own way is not an easy question to address. This is because the system the Postal Services uses to determine whether a post office is "making a profit" keys on the amount of revenue accepted at that post office, *regardless of where the deliveries are to be completed*. Thus, the postage for a hypothetical mailing of 15,000 is all credited to the post office *where the mailing is entered* and none of the revenue to the post offices *where the actual pieces are delivered*.

That situation creates an enormous disconnect for most of the costs of delivering those 15,000 pieces are borne by the post offices of delivery (to which no revenue is credited) and not the post office of origin (to which all the revenue is credited). Thus, the system inherently skews the relationship of revenue and costs among the nation's post offices and should call into question the very notion of a post office "operating" at a loss.

the job. I told that postmaster to stop, and that it wasn't worth losing one's health for the Postal Service. Since then, that postmaster has gone out on sick leave, for stress.

Mr. Chairman, as conscientious public servants, postmasters understand that they often need to put in more than 40 hours per week, considering the magnitude of our civic and social responsibilities, and the severity of the economic crisis. But there comes a point—and we appear to have reached it—where “often putting in more than 40 hours” turns into a regular six-day work week with each day much longer than eight hours. All of these extra hours are worked with no extra pay.

This cannot go on. Massive burnout is close. Moreover, from the Postal Service and the public's point of view, this type of “cost savings” is not sustainable. Sooner or later cost control efforts fall apart if they rely on managers' putting in 60 hours and more on a regular, constant, and weekly basis. That type of sweatshop “cost control” only brings short-term benefits, not long-term benefits.

Mr. Chairman, you have heard the number of hours by which the Postal Service has “reduced” its workload. It gives the impression that the workload has been reduced by gains in efficiency. Yet cutting down carrier and clerk hours, by transferring those hours to the postmaster to work, is not being more efficient. Indeed, it is the very opposite. Becoming more efficient is supposed to mean finding ways to “work smarter,” not just forcing your managers to put in extra time to make up for the “reduction” in work hours of others.

A significant crash in efficiency is looming on the horizon. Morale is at its lowest point in memory. Retirements are soaring. As they do, the Postal Service is losing the very people who know how to “grease” the system and really make it work on the local

level. For those postmasters that are still in their jobs, the relationship between them and their immediate supervisory managers is deteriorating, as more pressure is put on those managers to work postmasters longer. Not only that, but also more and more postmasters' immediate supervisors are micromanaging everything, and calling for more and more telecons, reports and forms. All this is a classic example of a massive bureaucracy under pressure, but one that is not acting "smart" but acting more and more bureaucratic.

The situation is not good, and it is getting worse. We have taken our concerns to postal executives more than once. There is never a response. Nothing happens. No one cares.

Part of the problem is that there is a general lack of trust that permeates the system. Top postal officials don't trust the executives they have in place all over the country to do the right thing, and many of them don't trust those above them. It is a horrible situation, and I am not sure what other industry—if any—has industrial relations that are worse.

Mr. Chairman, postmasters are generally very good people. All the Postal Service needs to do is listen to them, believe in them, and manage them well. Treat them like adults, and the human beings that they are. Stop thinking of lower management as part of the problem, and start making them part of the solution. We would respond accordingly.

Part of the problem is also the *increasing* bureaucracy. We need less bureaucracy, not more. There are ways to do this. For instance, we have far too many areas and districts. The Postal Service recently cut the number of districts down from 88 to 80. It needs to do more, and reduce those down to something like 40. The recent

reorganization was a step in the right direction, although it does seem that that action was aimed more at reducing positions, rather than eliminating bureaucracy.

The thing to do in these challenging times is to flatten the bureaucracy, and trust that postmasters to rise to the challenge. We would, if only the Postal Service would let us.

The Postal Service also needs to get postmasters out to the public more, selling not only the mail and postal products, but the Postal Service itself. Postal management has been so bad over the last several decades, that the term “going postal” has been coined to describe someone who simply flips out because of the way his managers have treated him over the years. Let’s stop that, turn the ship around, and get going in the right direction. Let’s build good will, not destroy it.

Thank you for considering our views, and I would be pleased to answer any questions that you might have.