

APWU CONGRESSIONAL TESTIMONY

**American
Postal
Workers
Union,
AFL-CIO**

WILLIAM BURRUS
PRESIDENT

Before The

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

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

**TESTIMONY OF WILLIAM BURRUS
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Mr. Chairman and members of the Subcommittee, I thank you for affording our union the opportunity to express our views on the topics of this hearing: options that should be considered in rightsizing the network; the removal of operational costs, and the impact of cuts on service. These are subjects of importance at this time of reduced mail volume and revenue.

I extend a special thank you, Mr. Chairman, for your attention to postal issues at a time of crisis for the USPS and the American citizens who rely on our services.

The postal community is unanimous in our conclusion that immediate relief from the obligation to fund retirees' healthcare benefits from the USPS operating budget is paramount. The annual payment of more than \$7 billion is beyond the scope of available resources. Without relief, the Postal Service will be unable to meet its financial obligations.

We need your help in navigating the legislative process to ensure that the Postal Service receives this desperately needed change in policy. Without it, the USPS will be unable to adapt and survive.

But adjusting the payment method of retiree healthcare benefits is just one option the USPS is pursuing, and it is only a short-term fix to stave off imminent collapse; it will not address the long-term challenges confronting the Postal Service.

The USPS is also engaged in many other efforts to reduce cuts, even as it overlooks the fundamental, continuing cause of its financial difficulties.

Current actions include:

- Plant consolidations
- Massive employee reassignments
- Reduced retail hours
- Reduction of neighborhood collection boxes
- Elimination of postmarks

These actions are having a detrimental effect on service, and often generate little or no savings.

USPS attempts at network realignment are a case in point.

Plant Consolidation

The Postal Service first announced it would overhaul the mail processing network when it released its original Transformation Plan in April 2002; but it ignored demands by legislators and workers for details about where, when, and how consolidation would take place. To date, the USPS has refused to provide specifics of its plans or the criteria it relies on when selecting facilities for consolidation.

More than three years passed after the 2002 announcement with no consolidations taking place; but between Oct. 19, 2005, and Jan. 6, 2006, the Postal Service announced that it would conduct Area Mail Processing (AMP) feasibility studies at approximately 50 facilities.

Many of the announcements generated strenuous opposition from workers and affected communities. In 2006 and 2007, 37 of the 50 consolidations were terminated, placed on hold, or reversed.

Severe Criticism

During this time period the Postal Service was the subject of severe criticism by the Government Accountability Office (GAO) for the lack of transparency in its planning efforts, and for failing to allow for sufficient input from workers, citizens, and public officials in affected communities. A 2005 GAO audit concluded that the USPS Consolidation Plan “lacked clarity, criteria and accountability.” (GAO-50-261)

The Postal Regulatory Commission (PRC) also disapproved of USPS consolidation efforts. Testifying before this subcommittee in August 2007, John D. Waller, director of the Office of Accountability and Compliance, cited a lack of consistency in how proposed consolidations are reviewed; a failure to develop criteria for approval or disapproval of proposed consolidations; a failure to seek public input; and “severe tardiness and errors in analysis in post-consolidation reviews.”

To make matters worse, there is no conclusive evidence to support USPS claims that plant consolidation will lead to greater efficiencies or savings.

In 2007, the GAO reported that:

“Inconsistency in data calculations also impacts the ability of USPS to accurately determine the expected cost savings of the AMP consolidations...”

“For example, during a review of one AMP consolidation, the Inspector General found discrepancies in the projected cost savings in the AMP consolidation study, resulting in savings that may have been significantly overstated.” (GAO-07-717)

Problems Persist

No new AMP surveys were announced between February 2006 and November 2008, but in June 2008, in accordance with a requirement of the Postal Accountability and Enhancement Act, the Postal Service produced a Network Plan.

The thick report may have satisfied the letter of the law, but it fails to satisfy the spirit. It provides no details about when, where and how plant consolidation will take place, and it lacks a strategic vision.

Instead, in late 2008 and throughout 2009, the USPS has individually announced consolidation “feasibility studies” at 26 locations.

And despite USPS assurances to the contrary, citizens, community leaders, small-business owners, and postal workers are concerned that a “realigned” mail processing network will reduce service and delay delivery of the mail.

- Key mail-processing operations will be moved away from the communities they serve – in some cases more than 100 miles.
- Mail will be delayed. Checks will arrive late, bills will not get paid on time, and medication delivered by mail will take longer to arrive.
- Local mail – which small businesses, newspapers, churches, and other community organizations rely on the most – will suffer the longest delays.
- Mail will be collected earlier and arrive later in the day – inconveniencing individual customers and small business.
- The local economy will suffer as jobs leave town.
- Cities and townships will lose their postmarks – an important part of their identity.
- Postal employees will be shifted to jobs far from their homes.

And criticism from the GAO continues. Despite its stated objective “to minimize the degree to which any mail plant consolidations results in downgrades to the First-Class Mail service standards,” the agency reported in July 2008 that, “USPS has not established measurable performance targets for its realignment initiatives.” (GAO-08-1022T) The GAO reiterated those concerns in September 2008. (GAO-08-1134R)

The danger is clear: if service to small businesses and individual citizens is permitted to decline, it could lead to the demise of the institution.

Although the 2008 GAO report credited the Postal Service with improvements in realignment planning and communication, these alleged enhancements have not been realized in the affected communities. In fact, the USPS’ failure to heed the concerns of citizens and to proceed with a controversial consolidation, prompted the *Bradenton (Florida) Herald* to ask, “Was the fix in?”

The newspaper noted that the consolidation was approved, “despite objections from a congressman, mayors, council members, county commissioners, other civic leaders, business people and residents from around the region” as well as postal workers.

“How much more opposition must there be?” the editorial asked. Postal officials have estimated that the closing would save \$3.2 million a year, “yet nobody's seen any documentation to support that,” the paper said. “Where is it? Does it even exist? The public should have access to that in order to question its validity.”

Regrettably, the Postal Service has consistently failed to share an overview of its network realignment plans with the APWU, despite repeated requests and a national-level grievance. The USPS has, however, given an in-depth presentation about the plan to the Mailers Technical Advisory Committee, an organization representing the interests of “major mailers.” (Management finally scheduled a union briefing after I made a written request, pointing out that MTAC announced it would receive such a presentation on May 5. The APWU meeting is scheduled to take place next week.)

Clearly, significant flaws persist. There is no conclusive evidence of savings; the effect on service is unknown, and the plan has not been clearly articulated to lawmakers, postal workers, unions, community leaders or citizens.

Massive Reassignments

Other USPS efforts at cost-cutting reveal similar pitfalls.

Tens of thousands of employees – including many who work at facilities that have been unaffected by consolidation – have been notified that they will be reassigned, often hundreds of miles from their current assignment.

Meanwhile, employees at the new locations have been informed that they also will be reassigned hundreds of miles away. This absurd situation is part of a cynical attempt by management to coerce displaced employees to terminate their employment. It has to stop.

At the same time, window hours are being cut, and post offices are being closed, while local media decry the decline in service.

The Postal Service asserts that the intent of these programs is to cut costs, and despite the shortcomings I have outlined, I want to emphasize that the APWU does not oppose cost reductions or improved efficiency. (The record shows, for example, that we supported the USPS automation program – even though it had a profound effect on the number of APWU jobs – because we believed it was necessary for the long-term survival of the Postal Service.)

Flawed Rate Strategy

However, even if we overlook the faults, the USPS cost-cutting efforts are subverted by its postage rate strategy, which dramatically reduces revenue from major mailers without a corresponding reduction in service.

The USPS business model is based on the erroneous premise that discounts for large mailers increase volume. However, a review of the effects of three decades of rate manipulation reveals that discounts have failed to boost first-class volume.

The graph appended to my testimony (Attachment #1) shows the effect of rate changes on volume. It demonstrates that despite disproportionate increases in postage discounts, volume has been unaffected. In fact, over time, the Gross Domestic Product (GDP) has been a more accurate predictor of increases or decreases in first-class mail volume.

This flawed rate policy subsidizes large mailers at the expense of American citizens and jeopardizes the viability of the Postal Service.

Subverting the Mission

The misguided rate strategy has undermined the principle of universal service at uniform rates, and tests the limits of the law. Under the guise of transferring postal work to the large mailers and rewarding them with discounts derived from “costs avoided,” the uniform-rate standard has been eroded. The only mailers left to pay the published first-class rates are individual citizens and small businesses.

Rates for major mailers have been manipulated to the extent that they pay as little as 76 percent of the official first-class rate. A two-tier structure has evolved, and, with the implementation of the previously mentioned cost-cutting initiatives, two levels of service are emerging: one for the large mailers and another for private citizens.

The second appendix to my testimony (Attachment #2) illustrates the discrepancy. Letter #1 is a typical first-class business letter that qualifies for the workshare discount. Because the mailer affixed the bar code that appears at the bottom of the letter, the Postal Service reduced the first-class rate from 44 cents to 33.5 cents, a discount of 24 percent.

Letter #2 is also prepared by the business mailer, with the bar code placed at the top of the address window. However, the postage is paid by the recipient of Letter #1, the average American citizen. The cost is 44 cents, the full, first-class rate, even though the letter also contains a bar code; is prepared identically to the discounted piece, and requires the same amount of work by the Postal Service.

As a consequence of these rate distortions, the concept of universal service at uniform rates has been changed to such an extent that there are now two classes within the mailing public: large mailers, who receive reduced rates and improved service, and average Americans, who get burned.

Devastating the USPS

The USPS efforts to reduce costs – plant consolidations, massive employee reassignments, reduced retail hours, and the reduction of neighborhood collection boxes will have a devastating effect on service. The faulty rate strategy has had a devastating effect on the Postal Service itself: It has drained the USPS of much-needed revenue, and threatens the viability of the institution.

Passing H.R. 22 will provide the Postal Service immediate relief; but the long-term solution to the crisis is to end the policy of subsidizing large mailers at the expense of American citizens and the USPS.

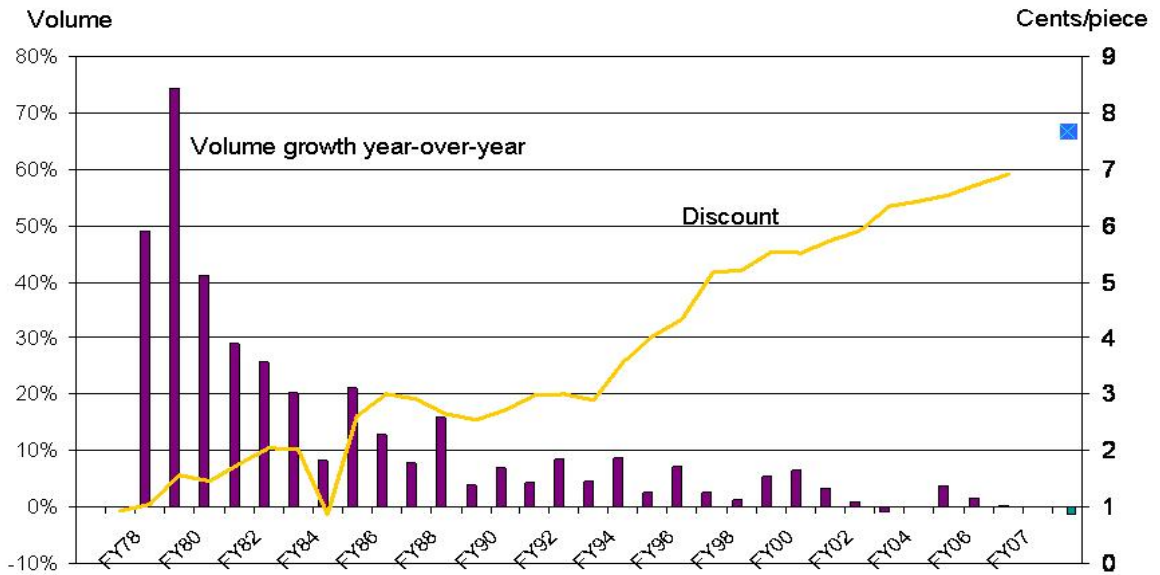
Without congressional intervention, it can be expected that the separation of service and cost will accelerate, and the noble mission of the Postal Service – to bind the nation together through the personal, educational, literary, and business correspondence of the people, and to provide prompt, reliable, and efficient services to patrons in all communities – will be no more than prose.

We can do better than that, and we need your leadership, Mr. Chairman.

Thank you.

Attachment #1

Year-over-year Growth in FC Presort Letters, Flats, Parcels
Estimated Discount for FC Automated Volume



The estimated discount is the FC, first ounce rate minus the unit value of the presort mail. This tends to underestimate the discount due to the inclusion of the additional ounces in the presort unit value.

*FY08 percent change in volume and average discount includes only letters



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