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**ON THE FUTURE OF THE POSTAL SERVICE:
A POSTAL POLICY FORUM**

**BEFORE
THE COMMITTEE ON
OVERSIGHT AND GOVERNMENT REFORM
UNITED STATES HOUSE OF REPRESENTATIVES**

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Good morning, and thank you for the opportunity to present the views of the National Association of Postal Supervisors on the future of the Postal Service and current and future postal markets. Reflection on the strategic direction of the Postal Service is critical to assuring that the Postal Service remains viable and relevant.

As you know, the National Association of Postal Supervisors is a management association representing more than 33,000 active and retired postal supervisors and managers employed by the U.S. Postal Service. Organized in 1908, NAPS exists to improve the Postal Service and the pay, benefits and working conditions of its members. NAPS is a management association, not a labor union. Its members typically are first-line supervisors and managers working in mail processing or mail delivery, but NAPS also represents men and women working in virtually every other functional unit in the Postal Service, including sales, marketing, human resources, training, law enforcement, health and safety.

Postal supervisors are doing their share to help the Postal Service modernize and change. NAPS takes seriously its responsibility to work with the Postal Service to preserve the health and vitality of the nation's postal system. There is no other responsible option, given revenue and mail volume projections that point to the potential of continuing, dramatic losses. NAPS supports changes in the law, infrastructure and operations of the Postal Service that make sense and will modernize and sustain Postal Service operations, products and services.

During the past several years NAPS has collaborated with the Postal Service on major organizational changes to cut costs and find efficiencies. Some of these changes have eliminated management and supervisory jobs. In 2009 alone, nearly 3,600 management and supervisory positions were eliminated in the Postal Service. These changes have dramatically impacted the lives of management and supervisory employees represented by NAPS.

Dealing with the Postal Revenue Shortfall

The revenue shortfall that the Postal Service once again faces this year is the result of three factors:

- The deep recession – the worst in 80 years -- and its downward impact on mail volume, particularly advertising mail;
- The continued migration of the mail to the internet; and

- The burdensome and accelerated statutory requirements established by Congress that force the Postal Service to set aside funds for future retiree health benefits – at a cost of \$5.5 billion per year or nearly \$40 billion over the next seven years.

The first factor – the poor economy -- will be mitigated, though not entirely, as economic conditions improve. The consensus by many postal experts is that much mail, though not all, will return to the system as the economy slowly rebounds.

The second factor – internet migration – will continue to erode mail volume going forward and represents a long-term concern.

The third factor – the overly aggressive prefunding schedule – is the one most amenable to corrective efforts that will have a significant bottom-line impact upon the Postal Service. While benefit prefunding as a public policy wisely assures that assets will be available to satisfy obligations down the road, no other federal entity or private sector enterprise besides the Postal Service has been required or committed itself to retiree health benefit prefunding at so aggressive a schedule as the Postal Service bears, especially during a recession. In fact, in two out of the last three years, the Postal Service would have been in the black were it not for the aggressive prefunding schedule that Congress established.

The sooner the Congress deals with this problem and realigns the pre-funding schedule, the better it will be for Postal Service revenues and the mailing community. Recalculating the postal pension surplus in the Civil Service Retirement System, using the co-called “service ratio” method to allocate pension costs related to pre-1971, would provide a sufficient amount to cover the entire cost of future retiree health benefits. This would permit the Congress to transfer the postal CSRS surplus to the Postal Service Retiree Health Benefits Fund – either now or at some future point and repeal the current pre-funding schedule. It will place the Postal Service on a more certain financial footing and restore confidence by large-volume mailers in the future of the Postal Service.

The steep decline in mail volume over the past two years also means that all postal operations – including processing, transportation and delivery – are operating at less than full capacity. A letter carrier that used to deliver six pieces of mail to a house is now delivering four. A business that used to get two trays of letter mail may be receiving less than two today. Consolidations of some processing and retail postal facilities need to occur, based on the facts and circumstances of best business judgment.

Cost management is critical to keeping the Postal Service afloat. Large downward adjustments in the size of the USPS workforce and work hours of rank-and-file employees has caused greater strain on the supervisors. For

example, a supervisor of 25 delivery routes now is expected to assure delivery with 20 carriers. NAPS members who work in processing facilities are expected to cover vacancies created by those who are on vacation or out on sick leave. Always the operational targets must be met. When carrier routes are not covered, the supervisor is expected to get the remaining carriers to sort and deliver mail from open routes. These continuing challenges are increasing and straining the human capacity of the system. Ultimately, the reasonableness of current postal Service service standards will need to be re-examined, if current trends continue.

Cost-cutting efforts should also include a probing examination of the Postal Service organizational and top-level management structure. The goal should be to create a flatter, leaner organization -- one consistent with a smaller workforce. This should involve significant consolidation of areas and districts to create a more agile organization. This should also involve changes in the rank-and-file workforce to impose greater accountability through wider versatility and responsibility among all workers for getting work accomplished

The Postal Service Clearly Needs to Modernize

The current business model of the Postal Service is outdated and out-of-touch with the future needs of America. Today's United States Postal Service needs to become tomorrow's United States Communications Service. Without a larger electronic footprint that bridges the tangible and virtual worlds of logistics and communications, the Postal Service eventually will go the way of the telegraph.

For the foreseeable future, Americans will continue to demand services that ship and deliver hard-copy communications and packages to businesses and households. But demand for hard-copy communications also will continue to decline, as more and more Americans turn to the internet.

American businesses will continue to find value in hard-copy advertising mail that is delivered to homes across America. Priority mail and package services – in competition with the private sector – will remain an important part of the Postal Service's product offerings. But the revenues these products alone will generate likely will not be enough to sustain the infrastructure needed to sustain universal postal service across America.

Thus, the Postal Service will need to generate additional revenues in creative ways. Congress should provide the Postal Service with wider flexibility to enter new markets and introduce new products that reflect changing customer needs and tastes and allow the Postal Service to compete more aggressively and fairly in the marketplace. This should involve the introduction of products

and services that expand the definition of “mail,” as well as wider commercial use of postal facilities in partnership with government and the private sector.

Some of the most attractive ventures suggested by NAPS and others involve actions that would:

- Turn post offices into one-stop shops for government services, creating greater partnerships between the Postal Service with federal, state and local governments. Make post offices in-person portals for government credentialing and transactional services, including passports, drivers licenses, fishing licenses, bill payments, etc.
- Make the Postal Service a full partner in the nation’s 2020 census. Postal carriers know the areas they serve better than anyone, and they can be a valuable, trusted liaison for the supplementary census efforts, saving the country millions of dollars.
- Require the availability of Vote-by-Mail in all federal elections and encourage states to use mail-in voting in state and local elections.
- Build on current USPS money order services, providing banking services to those who do not have bank accounts.
- Require Government agencies to use the Postal Service as their preferred provider of express mail and parcel services, unless competitors provide the same service more cheaply.
- Build partnerships with for-profit enterprises (including Google) to generate a paperless postal system (to compete with Zumbax and Earth Class Mail), as well generate “hybrid mail” involving the transfer of hard copy mail to electronic format, and vice versa.

Don't Use Taxpayer Money to Subsidize the Postal Service, Yet

Finally, we believe it is premature for the Congress to use taxpayer money to provide appropriations that subsidize mail services. We note that current law, at 39 U.S.C. 2401, authorizes the payment of up to \$400 million annually to the Postal Service for “ ... public service costs incurred by it in providing a maximum degree of effective and regular postal service nationwide, in communities where post offices may not be deemed self-sustaining ...” However, the Postal Service has not sought nor received funds under this authority since fiscal year 1983, when it received \$100 million.

We believe that the restructuring of the retiree health benefit prefunding schedule and the resolution of past pension overpayments by the Postal Service for pre-1971 Post Office Department employees should first occur. That will help to put the Postal Service on a more certain financial footing. After those actions and other continued USPS cost-cutting efforts take place, Congress and the Postal Service will be better situated to discern what needs to come next, including significant service cuts. The consideration and balancing of those actions should take into account possibility of a subsidy for mail service.

Thank you again for the opportunity to express these views. I will be happy to answer any questions you may have.