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NATIONAL ASSOCIATION OF POSTAL SUPERVISORS ISSUE BRIEF

STOP THE POSTAL SERVICE'S PLAN TO SLOW DOWN MAIL SERVICE

DELAY THE CLOSING OF MORE MAIL PROCESSING FACILITIES AND INSIST ON USPS COMPLIANCE WITH THE LAW

The U.S. Postal Service is preparing to consolidate 82 mail processing facilities located in 37 states, beginning in January 2015. The USPS plan will eliminate overnight First Class mail service and slow down the nation's mail throughout the country. Rural and small-town America will be especially hard hit. This reduction in service will harm millions of businesses and households, dismantle the mail processing and transportation network, eliminate thousands of jobs, and erode the Postal Service brand and future revenue.

Serious concerns have been raised by the Government Accountability Office, the Office of Inspector General of the Postal Service and members of Congress over the failure of the Postal Service to comply with current law and the Postal Service's own policies requiring the assessment and disclosure of the impact these consolidations upon customer service in each affected delivery area. The OIG also reported that the Postal Service has not provided affected communities ample opportunity to provide input on the planned consolidations.

WHAT CONGRESS SHOULD DO NOW: Congress should require the Postal Service to delay the consolidation of these 82 mail processing facilities through including a provision in the FY 2015 omnibus funding measure or a CR that preserves USPS mail standards and establishes a one-year moratorium on the consolidations. The one-year moratorium will assure that the Postal Service completes the necessary studies on the impact of the facility consolidations upon affected communities and takes the input of customers and employees into account. The moratorium also will provide additional time to Congress to consider a wider set of reforms of the Postal Service.

A majority of Senators and a significant number of House Members favor the preservation of USPS mail standards and the inclusion of a one-year moratorium on mail processing facility consolidations in the FY 2015 omnibus funding measure or CR.

Background

The USPS mail processing facility consolidation initiative constitutes Phase II of the “Mail Processing Network Rationalization Plan” the Postal Service announced in 2012; consolidations of 141 processing facilities occurred in 2012 under Phase I of the Plan.

Since that time, mail service quality has eroded as a result of the Phase 1 consolidations, despite the Postal Service’s claims that service is at an all-time high. Steady declines in mail service quality have occurred in the Overnight and 3-5 day markets. The charts in Exhibit 1 demonstrate the service decline throughout the country.

Rural and Small-Town America Will Be Harmed, as Well as USPS Revenues

The Government Accountability Office’s recent report on the impact of the Phase I consolidations further makes clear that they have caused significant delays in the delivery of mail, especially in rural America, which the proposed January, 2015 actions will only exacerbate.¹ Rural areas are especially harmed due to the longer distances mail will need to be transported. Longer distances also will increase USPS fuel consumption and costs, adversely impacting the environment.

Because of the consolidations, the Postal Service is delivering mail later and later into the day, and in some locations even into the evening hours, creating customer dissatisfaction and subjecting mail carriers to unsafe conditions. These conditions are only likely to worsen as further processing facilities are consolidated.

Postal customers, including printers and commercial mailers, are becoming increasingly frustrated by these delays, and are likely to become even more frustrated over further reductions in service. This is likely to erode customer loyalty to USPS, generate interest in alternate delivery methods through USPS competitors, and affect future revenue.

The Postal Service Has Failed to Satisfy Federal Legal Requirements to Assess the Impact on Mail Service and Receive Input from Affected Communities

Meanwhile, the Postal Service has sped ahead, attempting to consolidate greater numbers of facilities without providing to the public an analysis of the impact of the consolidations upon mail service quality, as required by the law and Postal Service policy. The Office of Inspector General of the Postal Service, in a Management Alert, dated October 6, 2014, challenged the Postal Service’s planned consolidation actions of the 82 facilities as incomplete for failing to

¹ “U.S. Postal Service: Information on Recent changes to Delivery Standards, Operations and Performance, U.S. Government Accountability Office, GAO-14-8282R Postal Delivery, published Sept. 25, 2014, publicly released Oct. 27, 2014.

disclose the impact of these consolidations on customer service in each affected delivery area, as required by the Postal Accountability and Enhancement Act (PAEA).² The OIG also criticized the Postal Service for not making information available to affected communities about the impact of the planned service standard consolidations and for not providing affected persons and communities the opportunity to provide input on the proposed consolidations. All of these actions are key statutory requirements, established by Congress in 2006, to assure that all mail facility consolidations are reasonable and successful.

In failing to disclose the impact of these consolidations on customer service in each affected delivery area, the Postal Service is also violating its own policy, which affirmatively requires its determination whether there is a business case for relocating and consolidating processing and business distribution operations based on current data.³ In pursuing the 82 consolidations, the Postal Service is relying upon data that is now 3-4 years old and can no longer be considered current or necessarily accurate.

Single-Piece First Class Overnight Mail Service Will Be Eliminated

USPS acknowledges that overnight mail service will worsen as a result of the consolidations. USPS Chief Operating Officer Megan Brennan advised the National Postal Customer Council in early September that, consolidations will make overnight delivery unavailable to at least one-third of current First-Class mail. Overnight service will remain available, Brennan said, but only for commercial mail that is “properly prepared, containerized and entered by critical entry time.”⁴ This change will eliminate overnight mail service for virtually all Americans, except business customers who prepare and deliver their mail to the processing facility 11 hours

² Public Law 109-435. Specifically, the OIG found: “The Postal Service has not analyzed the impact of planned service standard changes or informed stakeholders of the changes related to Phase 2 consolidations.” The PAEA requires these feasibility studies to ensure there is no negative impact on delivery service quality. Under section 302(c)(3) of the PAEA, the Postal Service must:

- Provide adequate public notice to communities affected by a proposed network rationalization decision
- Make available information about any service changes in the affected communities, any effects on customers or Postal Service employees, and any cost savings
- Afford affected persons ample opportunity to provide input on the proposed decision.
- Take public comments into account in making a final decision.

³ Handbook PO-408, *Area Mail Processing Guidelines*, Section 2-1, Purpose, dated March 2008.

⁴ “Critical entry times” are the critical element that USPS relies on to implement the service cutbacks. They are the latest time that a minimal amount of mail can be tendered to designated induction points in the postal network to assure it is processed and dispatched. Reductions in processing capacity and increases in transportation distances necessitate earlier and earlier critical entry times. Even as early as 8:00 am the day prior to delivery, in order to satisfy even a more relaxed mail service standard.

earlier than currently required.

Fuzzy Math Plagues the Consolidation Effort

Will these consolidations save money? Take a look at the Postal Service's fuzzy math. The USPS continues to claim significant savings from these consolidations – as much as \$750 million annually -- yet has provided little verifying data on the savings to Congress or the public. The Postal Regulatory Commission in 2012 issued an advisory opinion on the financial savings and soundness of the Postal Service's mail consolidation plan, prior to implementation of Phase I. The Commission calculated savings from consolidation to be as low as \$46 million nationally, compared to the \$2.1 billion that USPS originally claimed, and the PRC cited concerns over USPS methodology and analysis of savings and the impact on service standards.

Meanwhile, the Postal Service shows signs of increasing profitability, especially through expanding ecommerce package delivery. These improvements in the Postal Service's financial picture call into question the need for cost savings (and service cuts) of the scale planned by the Postal Service. In fact, the Postal Service would have earned a net profit in 2013, but for the statutory burden imposed by Congress to annually prepay approximately \$5.5 billion each year in future retiree health benefits. The modification of the prefunding burden represents one of several actions Congress must undertake as part of a larger set of postal reforms.

WHAT CONGRESS SHOULD DO NOW: Congress should preserve mail service quality by requiring the Postal Service to defer the consolidation of these 82 mail processing facilities through including a provision in the FY 2015 omnibus funding measure or a CR that preserves USPS mail standards and establishes one-year moratorium on consolidations. The one-year moratorium will assure that the Postal Service completes the necessary feasibility studies on the impact of the facility consolidations upon mail service in affected communities, taking the input of customers and employees into account. The moratorium also will provide additional time to Congress to consider a wider set of postal reforms.

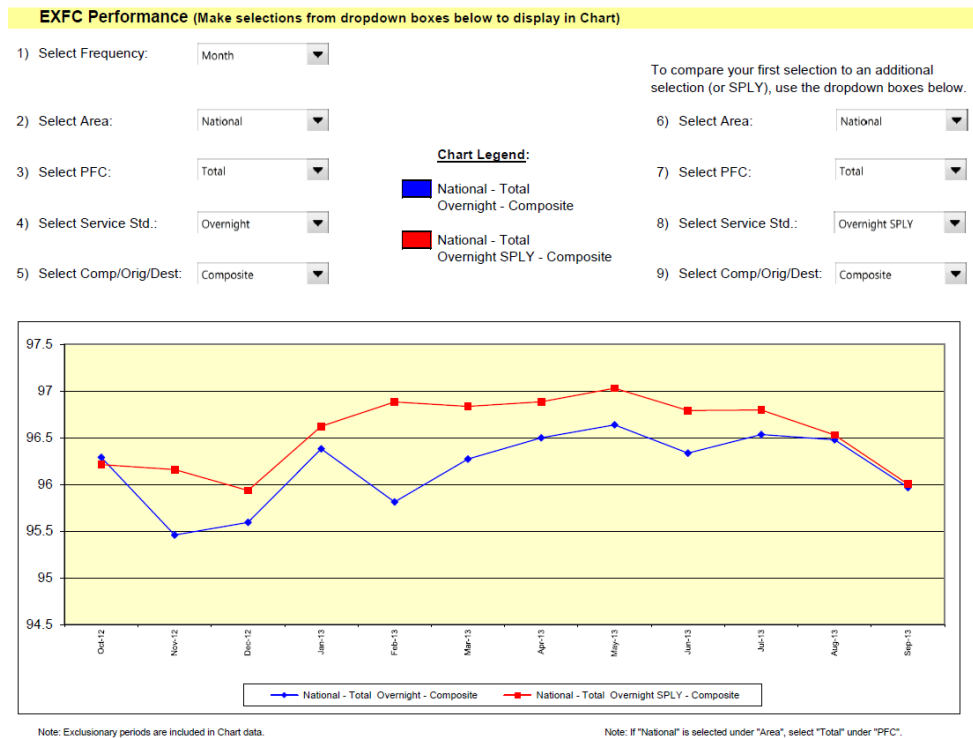
A majority of Senators and a significant number of House Members favor the preservation of USPS mail standards and the inclusion of a one-year moratorium on mail processing facility consolidations in the FY 2015 omnibus funding measure or CR.

November 21, 2014

EXHIBIT 1 -- MAIL SERVICE QUALITY ERODES AS CONSOLIDATIONS UNFOLD

Steady declines in mail service quality have occurred in the Overnight and 3-5 delivery day markets, as reflected in the three charts below. They portray single-piece service from the start of the Network Rationalization Plan in 2012 through 2013. The blue line reflects FY 13 delivery quality, while the red line shows quality a year earlier.

EXFC Overnight Goal – 96.70



EXFC 2-Day Goal – 95.10

EXFC Performance (Make selections from dropdown boxes below to display in Chart)

1) Select Frequency:

2) Select Area:

3) Select PFC:

4) Select Service Std.:

5) Select Comp/Orig/Dest:

6) Select Area:

7) Select PFC:

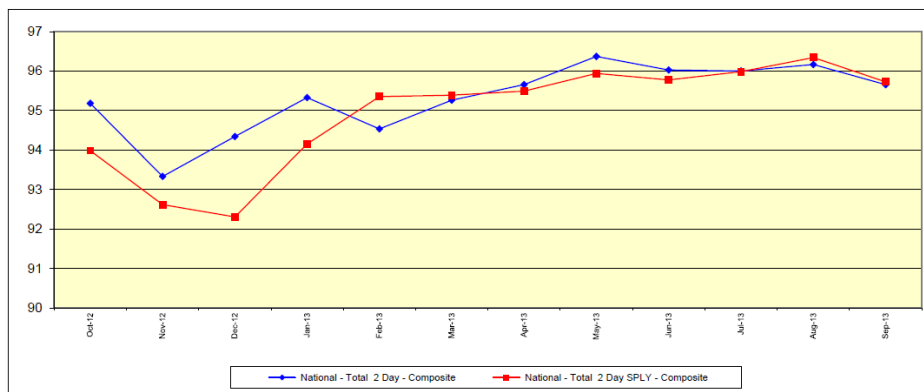
8) Select Service Std.:

9) Select Comp/Orig/Dest:

To compare your first selection to an additional selection (or SPLY), use the dropdown boxes below.

Chart Legend:

- National - Total
2 Day - Composite
- National - Total
2 Day SPLY - Composite



Note: Exclusionary periods are included in Chart data.

Note: If "National" is selected under "Area", select "Total" under "PFC".

EXFC 3-5 Day Goal – 95.00

EXFC Performance (Make selections from dropdown boxes below to display in Chart)

1) Select Frequency:

2) Select Area:

3) Select PFC:

4) Select Service Std.:

5) Select Comp/Orig/Dest:

To compare your first selection to an additional selection (or SPLY), use the dropdown boxes below.

6) Select Area:

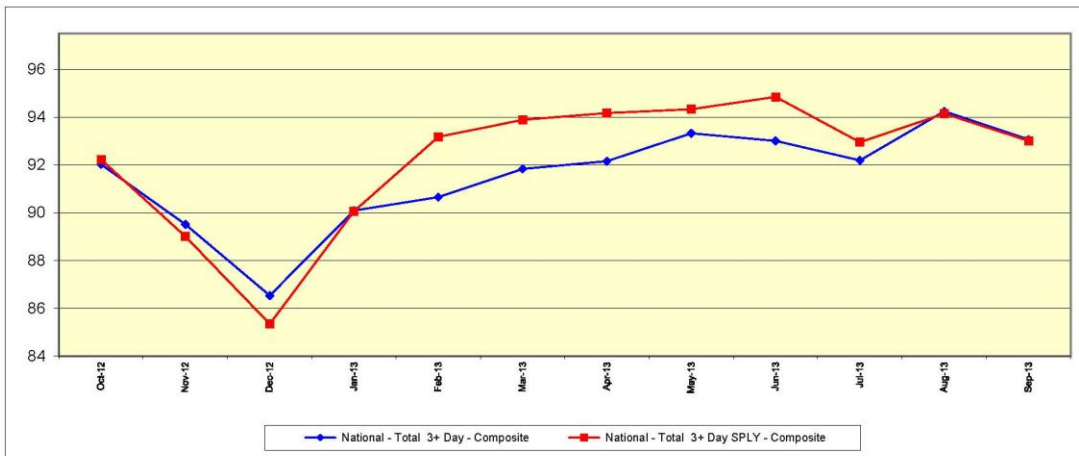
7) Select PFC:

8) Select Service Std.:

9) Select Comp/Orig/Dest:

Chart Legend:

- National - Total
3+ Day - Composite
- National - Total
3+ Day SPLY - Composite



Note: Exclusionary periods are included in Chart data.

Note: If "National" is selected under "Area", select "Total" under "PFC".