

**STATEMENT OF
VINCENT PALLADINO, PRESIDENT
NATIONAL ASSOCIATION OF POSTAL SUPERVISORS
TO THE PRESIDENT'S COMMISSION ON
THE UNITED STATES POSTAL SERVICE**

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The National Association of Postal Supervisors is a management association representing over 36,000 active and retired postal supervisors and managers employed by the US Postal Service. Our organization is not a union, nor is it a mouthpiece of the Postal Service.

Organized in 1908, NAPS exists to improve operations within the Postal Service, improve customer service to the public, and improve working conditions for its members. Most of our members are first-line supervisors and managers working in either mail processing or delivery – the operations side of the Postal Service. We also represent men and women working in every support unit in the Postal Service, including sales, marketing, human resources, training, safety, health, corporate relations, and the U. S. Postal Inspection Service.

Our comments are devoted to six areas pertinent to the inquiry of the Commission:

- Universal Service and the Postal Monopoly
- Postal Network and Infrastructure
- Labor-Management Relations
- Pay and Performance
- The Ratemaking Process
- Postal Oversight

Universal Service and the Postal Monopoly

The universal service obligation is generally understood to require the Postal Service to provide rapid and reliable delivery of mail six days a week to all addresses in the United States at affordable, uniform rates, as well as the maintenance of convenient access to postal services through a network of post offices. We support the preservation of this definition of universal service and efforts to codify it in law. Any redefinition of universal service that sacrifices the current frequency of delivery will erode American support for and confidence in the postal system, which in turn will damage its financial health.

The preservation of the Postal Service's monopoly over the delivery of first-class letters is critical to the maintenance of the universal service obligation. While some European nations have eliminated or reduced their postal monopolies and liberalized their laws on delivery, the size of their postal systems is dwarfed by the magnitude of the American postal system. Given the substantial differences of geography and scope of the systems, we should be exceedingly cautious in drawing parallels from their business models.

We support the preservation of the current elements of the universal service obligation and the maintenance of the postal monopoly, as well as the exclusive sanctity of the mailbox.

Postal Network and Infrastructure

The postal network is vast and includes more than 38,000 post offices, branches and stations. In addition, it includes approximately 300 plants and bulk mail centers, which are critical to “upstream” processing of the mail.

Optimal sizing of the postal network to accommodate operational requirements and service obligations is the greatest challenge facing the Postal Service. The Postal Service recognizes this and is moving ahead in achieving cost-savings and efficiencies through the consolidation of certain postal facilities, beginning with plants.

Under its Transformation Plan, the Postal Service is lifting its self-imposed moratorium on post office closings and consolidations. Consolidation of some post offices, particularly small operations in rural areas, will result in further cost-savings without impairment of service accessibility, given the comparable range of products and services available through rural letter carriers.

Under the Postal Reorganization Act, the Postal Service may not close post offices solely for economic reasons. This legal requirement hinders the management capacity of the Postal Service to make difficult but financially necessary decisions on the size and scope of its infrastructure. We recommend that Congress amend the law to remove this overly broad legal restriction on the closure of post offices.

We strongly oppose the privatization of upstream mail processing facilities, such as plants and bulk mail centers. Central, exclusive control of upstream processing by the Postal Service is critical to the efficient handling and

security of the mail stream. Outsourcing of upstream mail processing to third parties will jeopardize the proven responsibility and accountability of the Postal Service for rapid and safe handling of the mail. Nor is it proven that outsourcing will result in cost savings to the Postal Service, given the economies of scale resident in the current plant network.

Cost efficiencies and new profits, in fact, could be achieved if the existing postal network were more optimally leveraged to capitalize upon business opportunities available to the Postal Service. For example, the Postal Service should seek – or be authorized as necessary – to offer the following:

- “Front-end” printing, packaging and fulfillment services to business customers.
- Banking services at post offices in areas underserved by banks and financial institutions
- Conferral and coordination of standard email addresses, corresponding roughly to home and business addresses, to better serve customers, reduce "spam" and fraudulent use of the internet, and provide for greater efficiencies in the management of the internet.

Labor-Management Relations

For a number of years, the Postal Service has suffered from a series of labor-management relations problems that have affected the postal workplace environment. We believe that progress is slowly being made in improving the

situation, especially at the national level through increased and improved dialogue and collaboration among the four major postal employee unions and the three management associations. The challenge is to extend that collaboration to the USPS Area and District levels.

The anthrax crisis in the fall of 2001 exemplified how the Postal Service's unions and management groups can pull together to address a shared problem. Postmaster General Potter convened daily meetings with the presidents of the unions and management associations to provide for the expedient and accurate exchange of information and the proactive pursuit of potential operational problems.

Similarly, under Postmaster General Potter's leadership, a Workplace Environment Improvement Advisory Committee has been established to identify and address postal worksites with troubled work environments that present the potential for violence.

However, the Postal Service needs to do a better job of working with the unions to reduce the extremely high number of grievances. These grievances are a workforce poison that bring down productivity and harm the postal bottom line and, in turn, the employees themselves.

The Postal Service needs to provide greater support and empowerment of managers and supervisors; broadened supervisory and training and development efforts; and continuing emphasis upon joint quality of work-life initiatives with the craft. We, as managers and supervisors, will continue to pledge our support of efforts towards a better working environment.

Pay and Performance

Over the past decade, the Postal Service has led the federal government in efforts to build market-based, performance driven compensation systems, and the Postal Service deserves credit for its continuing efforts to instill a performance-based culture. Although these have achieved mixed success, a significant barrier has been the application of pay-for-performance measures only to a limited portion of the postal workforce; i.e., management employees covered under the Executive-Administrative Schedule.

Performance-based compensation systems in successful corporate organizations, ones that increasingly encourage motivation and instill trust and teamwork, are those that reach across the organization and cover all employees, not only those in the management ranks. Unfortunately, the postal unions have declined to participate in such a system; therefore, the Postal Service needs to place greater priority upon the extension of assessment and pay-for-performance systems to the entirety of its workforce during pay negotiations with the employee unions.

Following the Postal Service's termination last year of the Economic Value Added (EVA) system, Postal career executives and USPS Headquarters officers have begun a new Executive Pay Program that EAS employees are to mirror next fiscal year. Currently, the National Association of Postal Supervisors is engaged in consultation with the Postal Service in the redesign of a new assessment and performance-based pay program that will cover all supervisors, managers and postmasters by the beginning of fiscal year 2004.

These efforts can only go so far, however. The Postal Service needs to apply increased emphasis upon metrics and the reward of individual and group achievement at all levels of the organization.

The Ratemaking Process

There is little, if any, disagreement among stakeholders that the current ratemaking process is a long, burdensome, costly process that demands improvement. We favor giving the Postal Service greater freedom to set prices with necessary but modest constraints and oversight.

Greater pricing flexibility is vital to the financial health and viability of the Postal Service. The Service has more recently redoubled its efforts to use its existing authority to more flexibly and competitively price its products and services. Its recent negotiated service agreement with Capital One and its phased-rate proposal to Postal Rate Commission for incremental rate changes exemplify this renewed push.

However, we believe that more fundamental changes to the ratemaking process are demanded, ones requiring Congressional action, that position the Postal Service to operate in a more business-like manner and ensure its fiscal viability. We favor a new regulatory framework that generally grants to the Postal Service the discretion to increase its rates and fees, limited by some market-related cap, perhaps linked to the Consumer Price Index. The Postal Rate Commission would intervene only when the Postal Service seeks increases greater than the permitted annual limits.

Exigency exceptions to this framework would permit the Postal Service greater discretion in times of economic emergency; for example, when sudden, substantial increases in gasoline prices arise. We believe that this approach would assure that the Postal Service exercises its monopoly responsibly, provide incentives and rewards to the Postal Service for improvements in service, and streamline the timeline and burden of the current regulatory process.

Postal Oversight

The Postal Service is accountable in the broadest sense to the American public and its millions of customers and stakeholders. In addition, the Service is legally subject to a considerable body of statutes and regulatory requirements, with reporting authority to and oversight by its Board of Governors, the Postal Rate Commission, Congress and the General Accounting Office, in addition to the President, as well as several Executive Branch departments, including Treasury, State and Justice. The Postal Service also subjects itself to continuous internal review and investigation by the Postal Inspection Service and its Office of Inspector General.

These multiple bodies and chains of oversight assure that the Postal Service operates in accordance with its statutory mission and all legal requirements and obligations. They are necessary and appropriate instruments and expressions of oversight, with one exception. The Office of Inspector General constitutes an operationally redundant entity whose extraneous costs undermine the health and profitability of the Postal Service.

The Office of Inspector General of the Postal Service was established by Congress in 1996. Prior to that time, the duties exercised by the Inspector General were performed by the Postal Inspection Service. The primary purpose of the Inspector General is to prevent, detect and report fraud, waste and program abuse. These are functions that continue to remain within the mission and responsibility of the General Accounting Office and the Postal Inspection Service.

When Congress created the Office of Inspector General in 1996, it imposed an additional monetary burden upon the Postal Service. Since then, the OIG's budget has continually grown in size to current annual spending at \$117,324,000. We strongly feel that if the USPS Office of Inspector General is to continue to operate, Congress needs to help find a way to reduce the Postal Service's expenses associated with the OIG. The Postal Service would save millions of dollars, which could then be devoted to its core mission.

Thank you for the opportunity to submit these comments. The National Association of Postal Supervisors looks forward to working with the Commission over the coming months to assist in strengthening the future of the United States Postal Service. Please call upon our staff members or me whenever we may be useful to the Commission in its deliberations.