

**TESTIMONY OF
VINCENT PALLADINO, PRESIDENT
NATIONAL ASSOCIATION OF POSTAL SUPERVISORS**

**BEFORE THE PRESIDENT'S COMMISSION ON
THE UNITED STATES POSTAL SERVICE**

MAY 29, 2003

Thank you, Chairman Johnson and Chairman Pearce, for the opportunity to appear before the Commission on behalf of the 36,000 postal supervisors, managers and postmasters who belong to the National Association of Postal Supervisors.

Our organization is a management association, not a union, and exists to improve operations within the Postal Service, improve customer service to the public, and improve working conditions for our members. A majority of our members are first-line supervisors and managers working in either mail processing or delivery – the operations side of the Postal Service. Additionally, we represent postmasters, as well as men and women working in every support unit in the Postal Service such as sales, marketing, human resources, training, safety, health, corporate relations, and the U. S. Postal Inspection Service.

In February, I submitted a statement to you that focused on 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

Today I would like to address two of those areas – streamlining the postal infrastructure and pay-for-performance – which surprisingly have not received much attention during the Commission's prior hearings. These are critical areas for preserving universal service and achieving cost-savings, while creating a more effective and motivated workforce.

Streamlining the Postal Infrastructure and Improving Service

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.

As first-class mail volume declines, the Postal Service can only replace lost revenue by successfully competing in the package market, particularly through Priority Mail. In order to do this, the Postal Service needs flexibility in pricing and ease of use, locating retail outlets where the customers are. The goal must be to provide optimal customer service, while still saving money.

Optimal sizing of the postal network to accommodate these operational requirements and service obligations represents one of the greatest challenges facing the Postal Service. The Postal Service recognizes this and is moving ahead in achieving cost-savings and efficiencies through planning for the consolidation of certain postal facilities, including plants and post offices.

Far fewer post offices are required than exist today. The General Accounting Office agrees that the number of post offices and postal facilities should shrink.* Indeed, a new vision of the postal service should rely on a more agile workforce and a broader platform for the delivery of services.

Let me emphasize a well-known fact that no witness thus far has brought to your attention: rural letter carriers can provide most, if not all, of the services available through postmasters and clerks in small post offices in rural areas. Substantial savings can be realized through greater reliance on letter carriers – particularly in rural areas – to deliver and collect mail and packages, as well as sell stamps and other postal services. This can be accomplished without the impairment of service to a single postal customer.

The USPS has approximately 25,000 retail outlets, many of which are situated in areas where they bring in little or no business – and whose services can be performed as well through other means. That is why the Postal Service must have the authority to consolidate both processing facilities and post offices without outside interference from Congress.

Under its Transformation Plan, the Postal Service began to lift 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.

* A recent Associated Press interview with Comptroller General David Walker on the future of federal spending noted Walker's concerns about maintaining the current number of post offices: "[I]n an era of e-mail, cell phones and Palm Pilots, Walker questioned whether the Postal Service needs as many branches and other facilities as it did when stamped letters were the only way to send written messages from place to place." *GAO Head Paints Bleak Budget Picture*, THE WASHINGTON POST, May 13, 2003, retrieved at <http://www.washingtonpost.com/wp-dyn/articles/A51044-2003May13.html>.

However, 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.

At the same time, there are limitations to how far the transformation of the postal infrastructure should extend. Privatization of upstream mail processing facilities, such as plants and bulk mail centers, would be disastrous. 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.

Expanding Pay-for-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. 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 (EAS).

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. 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.

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. We look forward to, and see the value in giving our EAS employees much needed direction. Currently, they are given too many minor tasks that don't contribute to the bottom line. The new goals and indicators will provide valuable guidance.

We are attempting to set goals and indicators that place emphasis on numerical measurements of processes that they control. If the goals and

indicators that we set are successfully completed, this will ensure the success of the corporate goals

Thank you for the opportunity to present these views to the Commission. I am available to answer any questions you may have.