

Testimony of Robert J. Brinkmann
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Good morning. My name is Robert J. Brinkmann and I am the Legislative Counsel of the National League of Postmasters (League). The League, founded in the late 1880s, is a management association that represents postmasters from across the United States. We tend to represent smaller postmasters, and rural postmasters make up a significant portion of our membership.

The League is not a union, but an association representing the local management of the Postal Service. It is our people that have the responsibility for managing the city and rural letter carriers, and the clerks in the post offices and other facilities. We are the ones who make the system work, and add grease locally to the bureaucratic wheels of the Postal Service when necessary to get the mail delivered in timely fashion.

The Committee has asked us to address five specific questions. Before we do that, however, we need to address two fundamental questions—how many pieces of mail will there be to deliver in the future, and what is the function of the post office. Those are key questions, for the size of the postal delivery network—regardless of the source of operating funding—is going to depend upon how much mail there is to deliver. Likewise, understanding the true function of a Post Office is necessary for any intelligent and accurate postal public policy making, and there are clearly many misconceptions about this matter.

I. How Much Mail Will There Be to Deliver

Earlier this year, the Postal Service released a report stating how it envisioned the future. That report contained an unrealistic estimate of future postal volume and revenue. It is unrealistic because of the assumptions that were used. Among the assumptions that are unrealistic in the report are the assumptions that Congress would do absolutely nothing about the imbalance caused by the overpayments of the Postal Service into its fund for postal retirees, the assumption that Congress would do nothing about the pre-funding requirements for the retiree health benefit obligation, the assumption about advertising mail volumes declining after the economy recovers, and the assumption that the Postal Service will do nothing in terms of creating new initiatives to gain new volume and new revenue.

Postmaster General Potter himself acknowledged the unrealistic nature of these assumptions in response to a set of questions from Congressman Connolly in hearings before this committee earlier this year. In that exchange, Postmaster General Potter admitted that the numbers were not realistic projections but only “theoretical” projections, showing a worst case scenario.

In terms of how much mail will there be in the future, it is instructive that even this “doomsday end of the world, the sky is falling” scenario shows—in terms of number of pieces delivered—only a 1.5% decrease per year. A 1.5% decrease is not very much. That means that if a carrier goes out with 3,000 pieces this year, he would go out with only 45 pieces less next year, and 45 less the year after that, and so on. That is not

enough to change his or her job burden in the near future and even in the middle term future.

The important point, however, is that this is a “doomsday scenario,” and if it is off just by one and a half percent annually, than volume—*the number of pieces delivered*—is **not** going to go down but will remain stable. If that doomsday scenario is off by anything more than one and a half percent, then volume is not going to go down but will actually go up in the future. If volume stays stable or goes up, the extent and capacity of the delivery network needs to be kept where it is. That does not mean, of course, that greater efficiencies could not be obtained. They surely can be, and postmasters have made suggestions on how to do that to upper management for years, most of which have been given little consideration.

Finally, some point to the overcapacity in the processing network today and suggest that because of this overcapacity, the number of post offices need be reduced. That conclusion misses the fundamental point that the Postal Service’s “delivery” network is far different than the Postal Service’s “processing” network, and each is driven by different forces, and thus need to be considered under different metrics.

The Postal Service’s delivery network is the series of post offices and post office annexes out of which the carriers operate and in which postmasters and supervisors manage the carrier workforce. The Postal Service’s processing network is the series of processing and distribution facilities, above the post office level, that process, sort, and ship mail down to the final distribution nodes, the post offices.

The size of the delivery network is dependent upon the number of delivery stops that must be made in the country and an area, which in turn is dependent primarily upon population size and change in the country and in an area. In contrast, the size of the processing network is dependent upon the amount of mail in the system. Granted, the size of the delivery network is ultimately influenced by the number of pieces to be delivered, but that influence is a secondary one. Thus, the net impact the precipitous drop of mail volume in the last several years has affected the capacity in the mail processing network much more than it has the delivery network.

II.

Post Offices Are NOT Mere Retail Facilities

The League also needs to address a myth that has only cropped up in recent months that Post Offices are mere retail facilities, much as a Starbucks or McDonalds retail facility. That is simply wrong. While there is a retail function in many post offices, they are primarily delivery facilities that house the carriers and their managers (the postmasters) and also house hundreds of thousands of final delivery points (post offices boxes).

The suggestion that has logically followed from the erroneous premise that Post Offices are mere retail facilities, is that if one moved the retail function out of these brick and motor establishments and onto the internet, then one could close a substantial number of post offices since their function had moved online. Indeed, some commentators have even suggested that one could close almost all Post Offices if the retail function of the Postal Service were transferred to the internet.

That is inaccurate, because, as discussed above, the primary function of a Post Office is generally not retail, but delivery. If retail were moved online, the vast majority of post offices would still be needed in order to house the final delivery node of the distribution network, as well as its post office component.

III.

The Committee's Four Questions

Question 1: The unions and management associations, among other groups, have been outspoken in saying that the proposed reductions in service are not the correct path for the Postal Service. What are your organization's proposals for dealing with the revenue shortfall?

There is no question that the Postal Service is facing great challenges. That is not surprising, given the fact that postal revenues are dependent upon the economic well-being of the American business community, and thus the overall shape of the economy. Since the economy is in the worst shape since the Great Depression, the Postal Service is in the worst shape since the Great Depression. Indeed, it would be very odd indeed if the Postal Service were not in dire straits, given the condition of the economy.

In dealing with these conditions, our members have cut hard, and to the bone in many instances, driving billions and billions of dollars of costs out of the system. There has been a price for that. Most of our post offices are understaffed, and those employees remaining are putting in extremely long hours.¹ Nevertheless, service has not suffered. We are extremely proud of that fact, for we consciously protect service, for

¹ Which is evidence that the notion of considerable excess capacity in post offices and the final delivery system is not grounded in facts.

we know that if service suffers, mailers will suffer and our revenues will suffer. It is for that reason that service cuts are not the answer to the current economic condition.

There are two answers to dealing with the revenue shortfall. One is to refund the Postal Service's money that was overpaid into the postal retiree health benefit fund. Those funds, estimated to be somewhere around \$75 billion by the Postal Service Inspector General, would go a very long way—if not all the way—towards stabilizing the Postal Service during this time of need.

That is not to say that cost consciousness should disappear. Efforts to increase efficiency need to continue as the Postal Service retools for the rest of 21st century. But the calls for widespread action in terms of facilities service is, in our minds, serious overkill.

Question 2: Is it time for an explicit subsidy of the postal universal service obligations? What is the proper role of the Postal Service? Should it do more than collect, process and deliver mail and if so, what other products or services should it offer?

Calls for an explicit subsidy of the postal universal service obligations are premature. The postal system needs to do what it needs to do to get through the present crisis, and not panic about the future. Congress needs to deal with the overpayment situation and afford relief on the prefunding of retiree health benefits.

In terms of other products or services, some of the costs of post offices could be offset by using those facilities for other purposes as well. The League has sent a list of such items to the Postal Service, and we would be happy to share it with the Committee should it wish. Further, advertising could be sold for display in post offices, on postal trucks, and on the grounds of large processing facilities, as well as on the USPS

website. Buses and subways have advertising on them, and there are discrete posters and other advertising displays at bus stops and subways stations. There is no reasons why postal facilities cannot follow suit.

Question 3. If the Postal Service ventures into new product areas, what adjustments are needed to prepare the postal workforce to succeed in the new environment?

It obviously would depend upon what product, and where, but adequate training would be needed.

Question 4. What is the optimal approach to dealing with retiree health costs? If prefunding makes sense, then at what rate?

The Postal Service has overpaid into the retiree pension fund. It needs to get its money back and apply that to the prefunding of employee retirement benefits. Our understanding is that if all of the overpayment were transferred over to prefunding the retirement health benefit obligation, that obligation would be either completely prefunded, or almost completely prefunded. That would mean that no further prefunding would be necessary.