

**STATEMENT OF**  
**LOUIS ATKINS, EXECUTIVE VICE-PRESIDENT**  
**NATIONAL ASSOCIATION OF POSTAL SUPERVISORS**

**BEFORE**

**SUBCOMMITTEE ON FEDERAL FINANCIAL  
MANAGEMENT, GOVERNMENT INFORMATION,  
FEDERAL SERVICES, AND INTERNATIONAL SECURITY**

**SENATE COMMITTEE ON HOMELAND SECURITY  
AND GOVERNMENTAL AFFAIRS**

**AND**

**SUBCOMMITTEE ON FEDERAL WORKFORCE, POSTAL  
SERVICE, AND THE DISTRICT OF COLUMBIA**

**HOUSE COMMITTEE ON OVERSIGHT AND  
GOVERNMENT REFORM**

**JUNE 23, 2010**

Good afternoon Chairman Carper, Chairman Lynch, Ranking Member McCain, Ranking Member Chaffetz and other distinguished members of the Senate and House subcommittees. My name is Louis Atkins, Executive Vice President for our organization. Thank you for inviting me to testify on behalf of the National Association of Postal Supervisors.

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 include 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.

NAPS takes seriously its responsibility to work with the Postal Service to preserve the health and vitality of the nation's postal system. Postal supervisors are doing more than their share to help the Postal Service modernize and change. We collaborate with the Postal Service because there is no other responsible option, given revenue and mail volume projections that point to the potential of continuing, dramatic losses.

### **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.

We believe 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 for retiree health benefits – presents a viable area to pursue that could have a significant bottom-line impact upon the Postal Service. While benefit prefunding as a public policy can assure that assets will be available to satisfy obligations down the road, no other federal entity or private sector enterprise other than the Postal Service has either been required to or voluntarily committed itself to retiree health benefit prefunding at so aggressive a schedule. The Postal Service is bearing this burden now, 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.

### **Cutting Costs and Finding Efficiencies**

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.

We also support 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. The first changes in the law should revolve around 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 occur before . 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 five-day

delivery and other significant service cuts. The consideration and balancing of those actions should take into account possibility of a subsidy for mail service.

The steep decline in mail volume over the past two years 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 far less than two today but, nonetheless, we are still delivering to that, and every other business in the country. Consolidations of some processing and retail postal facilities may need to occur, based on the facts and circumstances of best business judgment, but the levels of service the customers now expect must be maintained.

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 have caused considerable 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 delivery standards will need to be re-examined, if current trends continue.

Cost-cutting efforts should also include streamlining the Postal Service organizational and top-level management structure. It is time that the Postal Service applies the same rigorous cost-cutting scrutiny to the numbers of its upper ranks as it is applying to middle and lower-management. The goal should be to create a flatter, leaner organization -- one consistent with a smaller workforce. This should involve consolidations at all levels of the organization.

We have compared the nationwide management framework, currently built around 8 geographic areas and 74 districts, versus the organization that managed the Postal Service twenty years ago. Today the total number of organizational units (which is 82, the total of 8 areas and 74 districts) is actually larger than it was nearly two decades ago, when 78 organizational units existed (five regions, 73 divisions) and the USPS workforce was one-third larger in size.

In addition to these necessary reviews, the Postal Service needs to restructure how work is assigned throughout the carrier, clerk and mail handler workforce, to secure wider versatility and flexibility among the craft in getting the work accomplished.



## **The Postal Service Clearly Needs to Modernize**

Finally, 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 services across America.

Thus, the Postal Service will need to generate additional revenues in innovative 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. This should involve the introduction of products and services that expand the definition of "mail."

However, the Postal Service lacks the vision, resources and know-how to develop these products itself. Partnerships with the private sector are key to assuring that the Postal Service leverages new technology to create cutting-edge electronic mail products.

The parallel experience of the CIA in tapping new technologies is instructive. In 1999 the CIA, with the approval of Congress, created a not-for-profit investment firm to identify, adapt and deliver innovative technology solutions to support the missions of the U.S. intelligence community. That technology development arm, called "In-Q-Tel," has engaged over the past decade with entrepreneurs, growth companies, researchers and investors to deliver technologies that provide superior capabilities for the CIA and the intelligence community. To date, In-Q-Tel has engaged with more than 175 companies and delivered more than 260 technology solutions to the intelligence community.

The Postal Service needs its own In-Q-Tel to achieve the same leverage that connects technology advances to improvements in communications – including and going beyond hard-copy mail itself. Congress should be the catalyst for the creation of such a non-profit investment firm for the Postal Service to better assist it to truly modernize.

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