



American Postal Workers Union, AFL-CIO

1300 L Street, NW, Washington, DC 20005

February 24, 2023

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The Honorable Michael Kubayanda
Chairman
Postal Regulatory Commission
901 New York Avenue, NW Suite 200
Washington, DC 20268

Reference: Stakeholder Consultation Regarding Study on First-Class Service Standards

Dear Chairman Kubayanda,

We are writing in response to the Postal Regulatory Commission's February 8, 2023 invitation for stakeholder input on First Class Service Standards. It would be helpful if the Postal Regulatory Commission provided an outline of the study currently underway, to allow for more effective and relevant comments.

As we prepared this report, the facts of previous service degradations clearly spoke for themselves: the current and developing USPS network could provide greatly improved service with limited targeted investments. Reestablishing the 2012 network is not required to improve service standards similar to the 2012 standards. In Docket No. N2012-1, robust evidence indicated that the network could be substantially reduced while still providing the service standards in effect at that time. In its advisory opinion, the PRC correctly noted that "the vast majority of mail processing savings that the Postal Service expects to attain can be captured without significantly changing service. These savings could be captured without incurring a significant risk of lost revenue from reduced service."¹

The USPS OIG would later find that the MPNR initiative would fail to deliver the promised cost savings. To justify the plan, USPS had estimated it would save \$1.61 billion in FY 2016 and FY 2017. In reality, according to the OIG, USPS only saved about one-twentieth (5.6%) of their projected savings.² The OIG's finding, coupled with the PRC's 2012 analysis which found that USPS' could capture their projected savings without significantly changing service,³ strongly suggests that restoring a fast and reliable Postal Service will be economically feasible.

¹ Postal Regulatory Commission. Advisory Opinion on Mail Processing Network Rationalization Service Changes. Docket No. N2012-1. September 28, 2012. Page 26. Online:

https://www.prc.gov/docs/85/85269/advisory_opinion_%20pdf%20_09282012.pdf pg. 26

² Office of the Inspector General, United States Postal Service. "Operational Window Change Savings." Report Number NO-AR-19-001. October 15, 2018 Page 3. Online:

<https://www.uspsoig.gov/sites/default/files/reports/2023-01/NO-AR-19-001.pdf>

³ Postal Regulatory Commission. Advisory Opinion on Mail Processing Network Rationalization Service Changes. Docket No. N2012-1. September 28, 2012. Page 26. Online:

https://www.prc.gov/docs/85/85269/advisory_opinion_%20pdf%20_09282012.pdf pg. 26

It is reasonable to conclude that increased performance would lead to increased revenue for the Postal Service. In 2012, the PRC warned that slowing down the mail could drive business away. "Cost savings may be offset by reduced contribution to the bottom line from volume loss by mailers who no longer believe the level of service provided meets their postal needs..."⁴ With this in mind, it is certainly worth investigating what positive impact restoring service speeds would have on USPS' volume and revenue.

Similarly, the PRC should look at the lowest combined cost to both mailers and the Postal Service.⁵ This concept has long been used by both the Postal Service in setting prices and the PRC in evaluating efficient component pricing, but is equally valuable in the consideration of service standards. The costs and benefits to mailers under a set of service standards should be considered consistent with 39 USC § 3691b and c. It would be of particular value for the PRC to identify any cost savings and benefits that faster service standards would have to the public and mailers and determine if a faster mail service would have a positive effect on volume. Would it offer opportunities for marketing and new services?

Rather than focusing on how USPS could restore its 2012 network, APWU urges the PRC to analyze the feasibility of restoring service standards for market-dominant products to the 2012 service standards. To that end, APWU strongly encourages the PRC to analyze the USPS network to identify ways USPS could improve its service standards and performance with minimal investments in the network beyond those USPS is currently committing. The study should consider which facilities, if reopened or repurposed, would provide the greatest level of service performance improvement. APWU also suggests that the PRC pay special attention to facilities that are already operational and would possess the lowest costs for achieving faster delivery standards.

It would also be worth studying how USPS' plans for overnight delivery of packages in local and regional areas would affect restoring service standards for first-class mail. This investment in the network may enable USPS to restore both overnight delivery and a larger geographic range for the two-day delivery of letters.

Previous cost estimates by the Congressional Budget Office on restoring USPS to its 2012 standards have failed to quantify the metrics outlined above.⁶ If the PRC conducts a thorough analysis that takes into account the failure of previous service standard slowdowns to save USPS money, projected mail volumes USPS would likely receive if their service was more timely, the cost savings the general public would receive, and the ability of USPS to selectively reopen facilities with the lowest costs and highest benefit to the network, the actual cost of restoring USPS to a previous level of service will be low.

⁴ Ibid. Pages 2-3.

⁵ United States Postal Service. Postal Accountability and Enhancement Act § 302 Network Plan. June 2008. Page 14. Online: <https://about.usps.com/postal-act-2006/postal-service-networkplan.pdf>

⁶ Congressional Budget Office. "Letter to the Honorable Tom Carper providing additional information about the estimated costs of the amendment. as approved by the House Committee on Appropriations on June 17, 2015." July 13, 2015. Online:

https://www.cbo.gov/publication/50387?utm_source=feedblitz&utm_medium=FeedBlitzEmail&utm_content=812526&utm_campaign=Hourly_%272015-07-15_09%3a00%3a00%27

Finally, we would be remiss if we failed to point out that even if the analysis outlined above, which makes the business case for robust service standards, did not exist, USPS' core mission is to "bind the nation together," by providing "prompt, reliable, and efficient service to patrons in all areas."⁷

Management's continued march toward slower mail service runs afoul of this core mission. Any PRC analysis should take into account how a restoration of service standards would enable USPS to better meet its core mission.

Recommendations:

The research outlined above suggests two primary areas of study focus:

1. Examine service improvements in steps

Detractors of a fast and reliable Postal Service often focus their complaints on the cost of restoring USPS' network. This is a red herring. As suggested by previous PRC studies outlined above, if USPS would focus on restoring service via targeted investments, rather than fully restoring its former network, much of the former quality of service could be restored. We would urge the PRC to answer these questions in their research:

- a) What can the Postal Service do today, without making changes to the network, which would provide faster service?
- b) Which facilities, if reopened, would have the greatest effect on service performance and result in the lowest capital and operational costs?
- c) If investments were made to restore certain facilities, what impact would that have on delivery speeds?
- d) What investment and operational costs would result if USPS fully restored delivery standards [not the network] to 2012 standards?

2. Study impacts of restoring service standards on mailers and consumers

Historically, when USPS slowed mail service, customers, both large and small, would use the mail less. As the PRC considers the costs and benefits of restoring previous mail service, any analysis must consider the positive impact an increase in performance would have on revenue. Consumers may begin using the service more regularly, or at the very least, not be driven away from the service because letters, bills, and news publications do not arrive in a timely fashion. With this in mind, APWU urges the PRC to consider:

- a) Whether mailers would use USPS more if the service was faster, more reliable, and they could count on their bills, correspondence, greeting cards, and publications arriving in a timely manner?
- b) What impact might faster standards have on the steady reduction in mail volume?

⁷ USPS. Our mission. Online: https://about.usps.com/strategic-planning/cs09/CSPO_09_002.htm#:~:text=The%20Postal%20Service's%20mission%20is,business%20correspondence%20of%20the%20people.

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- c) Would increased mail speed slow the diversion to electronic payments?
- d) Would improved mail speed provide marketing opportunities to small businesses?
- e) Would a faster mail service reduce the frequent complaints of late payments and service shut-offs that have arisen since the latest service standard changes?
- f) How would future volume losses be mitigated with better service standards?

APWU looks forward to another opportunity to comment on a draft study.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Dimondstein". The signature is fluid and cursive, with a prominent initial "M" and "D".

Mark Dimondstein
President