



December 21, 2022

Subcommittee on Government Operations
2157 Rayburn House Office Building
Washington DC, 20515

RE: Responses to post-hearing questions

On behalf of PostCom's members, I want to thank the subcommittee for continuing to focus on the performance of the Postal Service, and for the opportunity to represent mailers at the November 16 hearing "The Holiday Rush: Is the Postal Service Ready?"

One month later, with the end of the 2022 peak season approaching, I am happy to observe that the Postal Service has, with some exceptions, handled peak period volumes while maintaining quality service performance.

Attached you will find responses to the follow-up questions presented by the Subcommittee following the hearing. Please do not hesitate if I can be of any assistance to the Subcommittee in the future.

Respectfully submitted,

/s/ Michael Plunkett

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Questions for Mr. Michael Plunkett President and Chief Executive Officer, Association for Postal Commerce

Questions from Chairman Gerald E. Connolly, Subcommittee on Government Operations

- 1. Part of Postmaster General DeJoy's 10-year plan, "Delivering for America," includes a proposal to move the sorting and processing of mail from local post offices to larger Sorting and Delivery Centers. Has the Postal Service been transparent about its consolidation plans and process and answered your organization's questions?**

The Postal Service has provided directional information about its plans to consolidate delivery operations. However, many of our questions regarding the timing and location of imminent consolidations have gone unanswered. For example, according to information published by associations representing postal employees, the Postal Service is planning to add six additional Sorting and Delivery Centers in February 2023. The locations of the Centers and the offices undergoing consolidation are known by the Postal Service, yet our requests for information about the timing and location of the consolidations have gone unanswered.

Our member companies prepare billions of pieces of mail for entry into the Postal Service's network. When the Postal Service moves operations, it imposes costs on our members and introduces the possibility of service failures. To minimize those impacts we seek to understand when and how postal operations may change in the future. The unwillingness of the Postal Service to share information about its plans will inevitably have negative consequences for our members. While we believe postal management would be better served by including commercial mailers and shippers in its consolidation plans, the failure of oversight in ensuring transparency regarding the Postal Service's plans is perhaps more concerning. The Governors of the Postal Service, who ostensibly act as a check on Postal Service management, could surely have insisted that management publish its plans, but for some reason have chosen not to.

Further, the Postal Regulatory Commission (PRC), which has oversight authority, including the ability to issue subpoenas to require provision of information, has been utterly passive regarding the Delivering for America Plan but for some questions regarding the impact on USPS Connect. In response to the largest planned transformation of the Postal Service network in this century, the PRC has not initiated a rulemaking, held any hearings, or asked the Postal Service to supplement its Delivering for America plan, despite the Postal Service having announced plans to fund \$40 billion in capital investments. These failures of oversight remain a source of concern to our members and should remain a focal point for the Subcommittee.



2. Unlike most federal and private-sector workers, Postal workers do not receive any locality pay—or pay that accounts for cost discrepancies in regional areas. How does the lack of locality pay impact mail delivery in urban areas where it is more difficult to attract experienced supervisors and employees?

PostCom shares the Committee’s concern regarding service performance in urban areas, and agrees with the implication in this question that the Postal Service’s uniform wage scales may be a contributing factor in chronic underperformance in high-cost parts of the country.

The Postal Service’s uniform wage scales may make it more difficult for the Postal Service to attract and retain employees in areas where the cost of living is above the national average. However, the compensation of postal employees is the result of decades of collective bargaining and cannot be easily remedied by instituting locality premiums in select locations.

Mail volume has been steadily declining for almost twenty years. While there are many technological and demographic factors influencing mail volume, this decline is evidence of a fundamental problem: the mailing public derives less value from mail than it costs for the Postal Service to process and deliver it. Wage growth is certainly a contributing factor in mail becoming less affordable, as is stagnation in postal productivity over the last six years. To the extent that the Postal Service were to implement locality premiums in the absence of other reforms, this problem would only be exacerbated.

While the Postal Service may offer non-competitive wages in high-cost areas, the opposite is also true. The Postal Service very likely overcompensates employees in low-cost areas. While this may help the Postal Service attract higher quality employees, that comes at a cost, and not just to mailers. If the Postal Service overpays in select labor markets, they may drive up wage rates for – or divert resources from - credentialed professions such as secondary education, nursing, and emergency services.

Negotiations between the Postal Service and its unions are conducted in secret for obvious reasons. Yet we are unaware of any interest either from the Postal Service or its bargaining units to reexamine the Postal Service’s uniform wage structure. In general, collective bargaining in mature industries produces incremental changes in the absence of external pressure for substantial change.

Salaries and benefits account for approximately eighty percent of postal costs. The Committee is correct in identifying wages as a critical issue. PostCom would support and participate in efforts to address wage rates as part of a larger effort to address underlying cost containment problems challenging our industry.