

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

STATION AND BRANCH OPTIMIZATION AND
CONSOLIDATION INITIATIVE, 2009

Docket No. N2009-1

REQUEST OF THE UNITED STATES POSTAL SERVICE
FOR AN ADVISORY OPINION
ON CHANGES IN POSTAL SERVICES
(July 2, 2009)

The United States Postal Service hereby requests that the Postal Regulatory Commission determine whether a plan to optimize the postal retail network by consolidating the operations of some retail stations and branches into nearby facilities constitutes a substantially nationwide change in the nature of postal services, within the meaning of 39 U.S.C. § 3661(b).

The objective of the Postal Service Station and Branch Optimization and Consolidation Initiative (“Initiative”) is to identify and take advantage of opportunities for increased efficiency so as to ensure that the Postal Service “maintain[s] postal facilities of such character and in such locations, that postal patrons throughout the Nation will, consistent with reasonable economies of postal operations, have ready access to essential postal services.” 39 U.S.C. § 403(b)(3).

The Initiative commences with examination of that portion of the retail network consisting of stations and branches that report to Postmasters at or above the USPS Executive & Administrative Schedule level 24 (EAS-24) pay grade. Such offices are located in urban and suburban areas where Post Offices serve large communities through a network of facilities including a main office, stations, branches, perhaps

carrier annexes and other facilities and resources to provide needed collection, mail processing, delivery and retail service. Stations and branches of such Post Offices provide retail services – often in close proximity to one another. In light of the recent declines in mail volume and demand for retail service, the Initiative will examine respective stations and branches to identify opportunities for consolidation of retail operations and improved overall efficiency, but only after concluding that such changes will continue to provide “ready access to essential postal services.” *Id.*

The reasons underlying the pursuit of this objective are explained in the Direct Testimony of Alice M. VanGorder (USPS-T-1), which accompanies this request. The process to be employed in making decisions to achieve the objective is described in the accompanying Direct Testimony of Kimberly I. Matalik (USPS-T-2).

If the Commission determines that pursuit of the optimization and consolidation initiative will likely generate changes in the nature of postal services on at least a substantially nationwide basis, then the Postal Service also hereby requests that the Commission issue an advisory opinion under section 3661(c) concurring that, for the reasons explained in this request and the accompanying testimony, that such service changes would conform to policies reflected in title 39, United States Code.¹

¹ *Dicta* in *Buchanan v. United States Postal Service*, 375 F.Supp. 1014 (N.D. Ala. 1974), *affirmed in part, vacated in part*, 508. F. 2d 259 (5th Cir. 1975), might lead some to conclude that such a request is required here. The Postal Service does not consider that the *Buchanan* decision provides reliable guidance as to the proper construction of § 3661, or the intent of Congress in enacting it. However, the Postal Service has determined in its discretion to request an advisory opinion before implementing any changes in the nature of postal services that may result from a focused, systemwide application of its longstanding discontinuance review process to a subset of postal stations and branches within the scope of this optimization and consolidation initiative. The Postal Service has no basis for estimating the number or percentage of these stations and branches that may have their operations discontinued, or for quantifying the potential cumulative impact on the nature of any postal services that may be affected.

The Postal Service has been established to operate as a basic and fundamental service to the American public that binds the Nation together through the personal, educational, literary and business correspondence of the people. 39 U.S.C. § 101. Management of the national postal system involves the balancing of important service and operational objectives, including the provision of adequate, prompt, reliable, and efficient services to all communities. See 39 U.S.C. §§ 101(a), 403(a), 403(b)(1) and 3661(a). To achieve these goals, the Postal Service is empowered to determine the methods and to deploy the personnel necessary to conduct its operations. 39 U.S.C. § 1001(e). The Postal Service also is responsible for operating and maintaining such facilities and equipment as are necessary to pursue these objectives. 39 U.S.C. § 401(6). And, consistent with reasonable economies, the Postal Service is authorized to establish and maintain postal facilities of such character and in such locations as are necessary to provide residents of both urban and rural communities access to effective and regular services. 39 U.S.C. §§ 101(b) and 403(b)(3).

Post Offices are the basic organizational units of the Postal Service. Each of the over 27,200 Post Offices in the national postal system has primary responsibility for mail processing, collection, delivery, and retail operations in a specific geographic service area. Operations at the approximately 4,800 stations and branches are directed by the Postmaster at each office's supervising Post Office, with the result that the mix of services offered at respective stations and branches varies over time.² New stations

² A postal station operates within the same corporate limits of the municipality in which the Post Office to which it reports is located. A postal branch serves the same role, but operates outside the corporate limits of that municipality.

and branches may be opened as the network of potential delivery points expands. From time to time, stations and branches also may be removed from service.

Consistent with the mandate in 39 U.S.C. § 403(b)(3) to establish facilities economically, and of such character and in such locations as to serve postal patrons throughout the nation, the Postal Service has create a wide range of tools by which it can extend service beyond Post Offices, stations and branches. Today the leading alternative is the Internet at www.usps.com; others include Automated Postal Centers (APCs), contract postal units,³ the consignment sale of stamps by grocery stores and other private retail outlets; non-personnel units, detached box units, cluster box units, rural carriers and vending machines. Carrier Pickup service allows customers to arrange for postal carriers to pickup outgoing packages and other mail at their homes or businesses. Stamps and other postal products can be ordered by mail or phone for delivery to a customer's address. Collectively, these alternatives extend, facilitate and expedite customer access to retail postal transactions that once required a visit to a retail window in a Post Office, station or branch, consistent with uncodified subsection 302(d) of the Postal Accountability and Enhancement Act, Public Law 109-435, 120 Stat. 3221 (December 20, 2006).

Indeed, alternate retail access channels have proven increasingly popular with postal customers, now accounting for more than 30 percent of retail revenue and trending upward. Their convenience combined with increased use of electronic media for messages and commerce have contributed to the decline in customer visits to postal retail locations and to mail volume declines.

³ Contract postal units are usually privately owned and operated retail businesses that, under contract to the Postal Service, conduct many retail window transactions ordinarily available at Post Offices.

Yet the vast majority of existing Post Offices, stations and branches were established before the advent of the Internet and other convenient alternative access channels that have proven so popular. The postal retail network of stations and branches expanded as First-Class Mail volumes grew robustly and retail window transactions increased during previous decades. The various alternative channels for access to retail postal products and services have increased convenience and contributed to a decline in customer visits to postal retail locations. In many cases, the justification for the establishment of a station or branch at a particular location 20 or 40 or more years ago no longer exists. The Station and Branch Optimization Initiative is accordingly premised on the expectation that excess retail capacity can be identified and reduced.

Postal retail stations and branches are not intended to operate as monuments to a bygone era of postal customer interaction. As mail volumes and revenues decline, the Postal Service must pay greater attention to whether its finite resources are deployed in a manner consistent with the mandate in title 39, United States Code, that it “maintain facilities of such character and in such locations that postal patrons throughout the nation will, consistent with reasonable economies of postal operations, have ready access to essential postal services.” 39 U.S.C. § 403(b)(3).

Accordingly, the Postal Service has determined to institute a process for conducting an in-depth examination and reconfiguration of its retail network. As indicated above, the initial focus of the program will be stations and branches that report to EAS-24 (and above) Postmasters. Stations and branches that meet this criterion are

located primarily in urban and suburban population centers,⁴ and comprise approximately two-thirds of the universe of over 4800 postal stations and branches nationwide. Experience with this initial focus will inform any decision whether to continue or expand the Initiative to include a broader pool of stations and branches.

The objective of the Initiative is to realign the postal retail network with current and future postal customer service needs, to reduce inefficiency and redundancy, and to capture the resulting cost savings. Under this centrally directed program, each of the 74 administrative District offices that help to manage the postal system is expected to review stations and branches in its geographic area of responsibility and to submit operational consolidation proposals to Headquarters for review and approval. It is expected that the bulk of the review process applied to “EAS-24 and above” stations and branches and the resulting implementation of operational and service changes will be completed during Fiscal Year 2010. Because the numerous outcomes cannot be predicted with any proposal steeped in the unique attributes of a local context, the Postal Service presently is unable to estimate the number of targeted stations and branches that may eventually experience a discontinuance of operations as a result of this initiative. Nor can the Postal Service currently quantify the potential changes in the nature of any affected postal services.

Changes in access to postal services are expected to result for some postal customers who are accustomed to conducting postal business at stations or branches that are curtailed or discontinued as a result of this optimization and consolidation initiative. If the service changes resulting from the pursuit of this initiative are deemed to be “in the nature of” postal services and “substantially nationwide” within the meaning

⁴ See USPS-T-1, Attachment A.

of 39 U.S.C. § 3661(b), the Postal Service considers that implementation of such changes would nevertheless be in accordance with and conform to the aforementioned policies of title 39, United States Code. Should the Station and Branch Optimization And Consolidation Initiative result in a decision to change the nature of any postal service provided at any postal facility, such change in service will not be implemented before October 2, 2009.

Regardless of whether the Commission concludes that this Initiative does, or does not appreciably affect the nature of any postal service on at least a substantially nationwide basis, the filing of this request improves the transparency of changes to Postal Service retail operations that are expected to have an impact on some customers. The Postal Service has structured this Initiative so as to consider the concerns of potentially affected customers. Should the Commission develop constructive advice in furtherance of the Initiative at the conclusion of this docket, its views will be welcomed.

Therefore, in accordance with 39 C.F.R. § 3001.71 *et seq.*, based upon the testimonies and materials otherwise reflected in the record of this proceeding, the Postal Service requests that the Commission expeditiously issue an advisory opinion concluding that the Station and Branch Optimization and Consolidation initiative conforms to the policies in title 39, United States Code.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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July 2, 2009