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CHAIRMAN

Postal Regulatory Commission
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ONE HUNDRED ELEVENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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October 5, 2009

The Honorable Ruth Goldway
Chairman
Postal Regulatory Commission
901 New York Avenue, NW
Suite 200
Washington, D.C. 20268

Dear Chairman Goldway:

As Chairman of the Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, Committee on Oversight and Government Reform, I am writing to provide comments on the Postal Regulatory Commission's (PRC) *Station and Branch Optimization Initiative* case N2009-1, which the U.S. Postal Service commenced on July 2, 2009. The request for an advisory opinion from the U.S. Postal Service was initiated for the purpose of determining if the *Station and Branch Optimization Initiative* would "likely generate changes in the nature of postal services on at least a substantially nationwide basis." The Postal Service also requests that the PRC issue an advisory opinion concurring that the Postal Service would conform to "policies reflected in title 39, United States Code" if the initiative is ultimately implemented.

Although your ultimate determination will only be advisory in nature, I urge you to carefully weigh public opinion and to advise the Postal Service to execute this effort in a manner that is fair and transparent, particularly regarding station and branch selection criteria, notification, public participation, and appeals. At the same time, I encourage you to be mindful of the critical and urgent need of the Postal Service to remove costs from its networks, including its retail network, especially in light of the increased flexibility currently afforded to the Postal Service under the Postal Accountability and Enhancement Act (PAEA).

The Postal Service has faced, and continues to face, very difficult decisions as it confronts current economic challenges and deals with its deteriorating financial condition. In the 111th Congress, our Subcommittee has held several oversight hearings

addressing the financial state of the Postal Service and the news has rapidly gone from bad to worse. The Postal Service experienced a net loss through the 3rd Quarter of \$4.7 billion and anticipates a more than \$7 billion loss by the end of FY 2009 – more than double FY 2008's loss of \$2.8 billion. Current mail volume projections are for a FY 2009 decline of 25-30 billion pieces from 2008 levels and the largest percentage decline since the Great Depression. These losses were driven by the economic recession, diversion of mail to electronic alternatives, and the aggressive payment schedule for retiree health benefits required by the PAEA. These losses and volume declines have occurred despite the best efforts of hardworking postal employees. The Postal Service has undertaken many cost-cutting efforts in the past year, and must continue to do so, because as volume and revenue decrease, fixed costs will be spread over fewer mail pieces.

According to the Postal Service, the proposed initiative is designed to evaluate the incidence and location of stations and branches and to determine which facilities can be consolidated or eliminated completely from its network. Post offices serve as the basic organizational units of the Postal Service, with each of the over 27,000 postal offices in the United States primarily responsible for mail processing, collection, delivery, and retail operations in a specific geographic area. Operations at the approximately 4,800 stations and branches are directed by the Postmaster from the supervising post office, which results in the mix of services at respective stations and branches depending on time and workload.

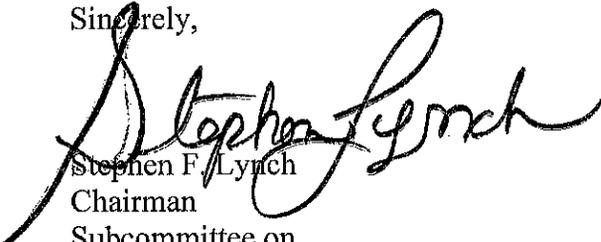
The proposed initiative focuses on post office stations and branches located primarily in urban and suburban population centers. Under this nationwide program, each of the district offices that help to manage the postal system is expected to review stations and branches in its area of responsibility and to submit consolidation proposals to headquarters for review and approval. It is expected that the review process and the resulting implementation of operational and service changes will be completed during FY 2010. Originally, the Postal Service planned to review 3,105 facilities for consolidation. On September 2, 2009, the Postal Service announced that only 413 retail stations and branches remained under consideration for possible consolidation or closure. While the Postal Service has described the criteria it is using to review these facilities, it is not clear what weight the various criteria are given. For example, how is the relocation of employees factored? What consideration are demographics given, e.g. elderly and poor communities may not have the means or physical ability to travel to alternate retail sites or do stations and branches located on college campuses serve more than just enrolled students and faculty? Because the criteria are unclear, we do not know how real estate values and the proximity of other postal retail facilities factor into the decision-making. The Postal Service appears to have eliminated many facilities from its original list of 3,105 that are located in commercial areas where cost per square foot is at a premium. I encourage the PRC to examine why the list was reduced to 413 facilities and how the Postal Service can achieve the most savings with the least disruption to customers. In my view, the Postal Service should consider consolidating those branches and stations that are most expensive to operate and have the highest number alternative retail sites nearby.

I understand there is a difference of opinion or interpretation between the Postal Service and the PRC in terms of whether stations and branches are subject to the same closure process as are post offices. Post office closures generally require a more robust public notification process and provide for a formalized appeals process. It has been the position of the PRC that any facility offering a broad range of postal services is subject to the statutory process for post office closures per 39 U.S.C. § 404(d). The Postal Service, however, asserts that the statute does not apply to subordinate branches and stations but only to postal facilities administered by a postmaster. The Postal Service appears to provide only a 20-day comment period (versus 100 for post office closures) and no appeals for station and branch closures. I am concerned that the notification may be insufficient and the means left to the discretion of the district manager and that a 20-day comment period is too brief. As you weigh the evidence in this case I request that you provide some clarity because the users of the mail often do not understand the distinction between post offices and stations and branches, nor between consolidations and closures.

The public, postal employees, and elected officials are understandably concerned and seemingly confused about this proposed initiative. Our office has received calls from citizens worried that their local post office may be closing. Staff members from Representatives' offices have contacted us to advise them of appeal rights and whether public hearings will be held. According to the Congressional Research Service, a small number of post office closures have been appealed between 1998 and 2007. In your view, is the public unaware of its appeal rights, or is there some other reason for so few appeals of post offices? What appeals do you anticipate, were they permitted, in the case of stations and branches? In what cases may hearings be held and how does that differ from post office closures? What impact might this have on the Postal Service's efforts to cut costs?

I recognize these are difficult questions and I appreciate the PRC addressing them to the extent you can. Among your priorities, you have expressed encouraging active participation of the public in your decision-making and I applaud that commitment. I thank you for holding public hearings for this docket, including two field hearings and for making an audio recording of recent hearing available on your Website. As you proceed in this and other cases, I encourage you to explore the use of Webcasts, podcasts, and/or teleconferences to make your hearings available to an even wider segment of stakeholders, including elected officials. I look forward to your coming decision on this most important matter.

Sincerely,

A handwritten signature in black ink that reads "Stephen F. Lynch". The signature is written in a cursive, flowing style. The first letter 'S' is large and loops around the first part of the name. The signature is positioned above the typed name and title.

Stephen F. Lynch
Chairman
Subcommittee on
Federal Workforce, Postal Service,
and the District of Columbia