

**BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON DC 20268-0001**

**SIX-DAY TO FIVE-DAY STREET DELIVERY
AND RELATED SERVICE CHANGES, 2010**

Docket No. N2010-1

**WRITTEN STATEMENT OF
ELLIS BURGOYNE
ON BEHALF OF THE
UNITED STATES POSTAL SERVICE**

DALLAS FIELD HEARING

MAY 17, 2010

My name is Ellis Burgoyne. I am the Vice President of the Southwest Area for the United States Postal Service, a position I have held since September 2006. The Area, whose administrative office is located at 7800 North Stemmons Freeway, Dallas TX 75247, oversees over 69,000 employees working in eight subordinate postal Districts covering the states of Arkansas, Louisiana, New Mexico, Oklahoma and Texas. We manage more than 4,000 postal facilities and delivered mail last year to more than 15 million street addresses. Before becoming Area Vice President, I was appointed to serve as Vice President of Delivery and Retail at United States Postal Service Headquarters. There, I was responsible for retail, delivery, and vehicle operations, as well as retail service equipment for all Post Offices, stations, and branches. My responsibilities also included oversight of alternate retail access channels.

My previous positions include two years as Manager of the Colorado/Wyoming District, District Manager in Richmond, Virginia, Postmaster in Oakland, California, and Finance Director and Manager of Customer Services in Southern California. I began my postal career in 1978 as a letter carrier in Inglewood, California, later followed by management positions in Tennessee and Virginia.

Since the very start of my postal career, I recognized the need for and developed a strong commitment to quality service for household and business customers of all sizes, whether located in major metropolitan areas, mid-size cities, small-towns or rural areas.

In today's Postal Regulatory Commission hearing, I can facilitate the Commission's development of its advisory opinion by providing details of local operations that may help illuminate the persistent and daunting nationwide trends and financial challenges that led the Postal Service to its request for the Commission's opinion. Since the Commission selected Dallas for today's field hearing, I will focus my discussion on the postal District for which Dallas serves as the hub.

The Dallas District consists of the northeast corner of Texas, one of four postal Districts in the state of Texas. The Dallas District includes the 750 through 759 3-digit ZIP Code areas and has two Processing and Distribution Centers: the Dallas and the North Texas plants. Dallas also hosts one of the Postal Service's 21 Network Distribution Centers that principally process flats and parcels.

The Dallas District provides retail and delivery service to approximately six million northeast Texas residents through more than 300 Post Offices and 70 subordinate stations and branches. In quarter 1 of fiscal year 2010, the District delivered 2.4 billion pieces of mail. It has more than 2.3 million street addresses and nearly 350,000 Post Office Box addresses. Like the other seven Districts in the Southwest Area, the Dallas District employs managers, supervisors, letter carriers, mailhandlers, clerks and other employees committed to providing better customer service despite the increasing challenges facing the Postal Service.

Most Districts have lots of stamp consignees that facilitate customer acquisition of stamps, and the Dallas District is no exception with more than 870.

Postal customers can purchase stamps at more than 650 non-postal retail outlets, mainly grocery, office supply and other stores operated by such familiar companies as Albertsons, Costco, CVS, Kroger, Office Depot, Safeway, Sam's Club and Wal-Mart. The balance of consignee locations consists of more than 200 automated teller machines, mostly in banks and convenience stores.

The District also has over 100 Approved Shipper locations and almost 60 Contract Postal Units. Over the past few years, these CPUs have brought in about a two-to-one mix of stamp revenue versus weigh-and-rate traffic.

I understand that the Postal Regulatory Commission is reviewing a Postal Service plan for five-day street delivery and related service changes. That plan would eliminate—except for Express Mail—the Saturday delivery of all mail to street addresses, collection of mail on Saturdays from those delivery points and regular collection boxes, and the Saturday processing of outgoing mail. Processing of incoming mail will not change, nor will delivery to Post Office boxes, which will continue Monday through Saturday. Postal retail units will also continue to provide window service on Saturdays.

I am aware that the Postal Service intends to implement the changes during calendar year 2011, though an exact implementation date has not been set. As the Commission is aware, Postal Service's plans to implement a change to five-day delivery are contingent upon Congress not enacting a prohibition for fiscal year 2011. I have no intention today to address or speculate about any of the legislative or political aspects of that policy determination.

I also am aware that the policy, financial and operational justification for the service changes being reviewed by the Commission are presented in detailed written testimony submitted by several of my fellow senior postal executives from Headquarters and other expert witnesses, all of whom are scheduled to testify before the Commission in Washington DC this July. I will defer to those witnesses to explain the operational details, the cost and revenue implications, and the national policy issues relating to the proposed service changes. I trust that the Commission will find the hearings in July informative and enlightening.

What I can do today is to share with the Commission some local data relevant to the broader operational and financial challenges that face the Postal Service and that have led us to pursue the service changes that you are reviewing. I am aware that the Commission regularly reviews extensive national operational and financial data and that you are generally familiar with the very grim volume, cost and revenue trends that are crippling the Postal Service. I am aware that you visited two postal Districts last week—Las Vegas and Sacramento—that have suffered considerably from the current recession. To a lesser degree, postal operations in the Dallas District have felt a similar impact from the sharp changes in mailing behavior and in the economy that have driven down mail volume and postal revenue in recent years.

From quarter 1 of fiscal year 2005 to the same quarter in 2010, the Dallas District saw a volume decrease of about 10 percent. At the same time, the total number of city and rural carrier delivery points in the District increased by eight percent. As a result, total volume per delivery point has declined by 16 percent.

Although the Dallas District has experienced a 15 percent cumulative increase in total operating revenue over this five year period, its total operating revenue per delivery point has increased by only six percent over the same period. While the Dallas District has relatively high delivery point growth, it ranks near the bottom among Districts in terms of pieces per delivery.

My direct reports and I maintain regular contact with postal customers throughout the Southwest Area. I monitor service performance daily in each District. What I and my District Managers hear regularly from customers is that we are improving customer satisfaction with the service we provide. But these customers frequently share their opinions about how the Internet provides unparalleled convenience and efficiency, and how it changes the way many of them choose to conduct personal and commercial transactions that were traditionally conducted by mail.

I am not aware of any forecast or report regarding how much First-Class Mail has been lost permanently here in the Dallas District, the Southwest Area, or nationally as a result of electronic diversion. Nor am I able to project if, or how soon, we may ever see the mail volume of over 210 billion pieces that we experienced before the recession. As an Area Vice President, I consult regularly with the Postmaster General, the Deputy Postmaster General, other Headquarters officers and my peers in the field. I am aware of the financial pressures facing the Postal Service and the need for drastic action to reduce costs significantly. Operational and service changes, such as the ones being

reviewed in this proceeding, are a necessary step in any plan for improving the long-term financial stability of the Postal Service.

Assuming the Postal Service moves ahead and implements the necessary service changes, I will be responsible, under direction from Headquarters, for ensuring that postal management and employees in the Dallas District – and throughout the Southwest Area -- communicate proactively, effectively and accurately to customers what changes are coming, when they will occur, and how customers may choose to respond and maximize their continued use of the mail.

Five-day delivery and the other service changes will entail adjustment for many customers, minor for some and more substantial for others. While certain customers may find that our new operating model does not suit their mailing and shipping needs, I am among those who firmly believe that an ongoing commitment to continuous service improvement can and will attract customers to postal services.

The postal customers with whom I speak include household and business customers alike. They all seem to understand that the Postal Service faces difficult choices today and in the near future, and that no easy solutions lie within our grasp. Customers emphasize that they want advance notice of changes that the Postal Service may implement so that they can adequately plan to adjust. The Postal Service accordingly intends to give six months advance notice of any calendar year 2011 implementation date selected for our five-day plan. When an implementation date is established and a communications plan is launched, I am

committed to ensuring that the Southwest Area residential and business customers – including those in the Dallas District -- are able to transition as smoothly as possible, and that they understand how best they can continue relying upon the Postal Service to meet their mailing and shipping needs.

As the Commission is aware, the Postal Service has already established a user-friendly website “five-day delivery” at USPS.com (<http://www.usps.com/five-daydelivery>); it provides planning guides and frequently asked questions with answers tailored specifically for household and commercial customers. The website can help inform customers now and support our communications efforts later on. When the time comes, I understand that multiple mailings to residential and business customers will explain all service changes and customer options. Informative new signs will appear in retail lobbies and new labels on collection box labels will reflect the elimination of Saturday collections. The Dallas District will coordinate with my team in the Southwest Area and Headquarters to inform local broadcast and print news media to supplement such direct customer communications.

I thank you for the opportunity to appear before you today and provide this testimony. I can now try to answer your questions. If I am not the right person to provide an answer, I will work with Postal Service counsel to ensure that the Commission gets a response to any outstanding questions you may have.

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