Significant Route Consolidations Planned: Part Two

Issue 38-NJ of the NJ-PRN dated December 16, 2007 reported elaborate plans by USPS to implement very significant route consolidations timed to coincide with the deployment of FSS machines for automated sortation of flats for carrier delivery. USPS has been diligently planning drastic measures to consolidate both city and rural routes and the exact details of the very broad plans are a closely guarded secret, or so USPS would have you believe.

In the article, 8 specific and seemingly unrelated circumstances were highlighted that, when assembled, pointed to the inescapable conclusion that USPS was implementing an ambitious and drastic plan to standardize and consolidate delivery routes. Since that article was published; a lot more corroborating evidence has surfaced to make a very compelling case that what was reported is in fact, in progress and being implemented piece by piece.

The report also highlighted the fact, that USPS has either chosen not to notify the Unions or is doing a "Dog and Pony Show" to distract and divert union attention from a long term plan that will have significant impact on all employee, all customers and on the concept of mail delivery and postal "service".

The details of the long term plan are, in fact, a closely guarded secret; primarily because any effort USPS makes to change anything predictably results in howls of protest from customers, employees, businesses, congress and just about every organization with an interest in mail. USPS has effectively learned how to advance an agenda by minimizing opposition. The answer is simple. They do it incrementally camouflaging each small baby step as a brilliant business move and if they can succeed in splintering opposition they are able to manage damage control and often advance the agenda. If there is too much opposition; USPS retreats (seemingly gives up) when in reality, they continue to advance the agenda with incrementally smaller steps to draw less attention. USPS has learn ed how to maneuver and manipulate potential adversaries whether it is the Press, Congress, Customers, Businesses, Unions, Employees or any other organizations. Some of this is good; but a lot of it is bad.

In addition to the eight factors listed in the preceding article ("Oooh that smell! Do you Smell that smell?") including: 1) USPS concentration on routes consolidation language in the new contract, 2) fletters issues that obscured USPS intent with FSS automation, 3) Contracting out retail operations to non-postal employees, 4) efforts on temporary hold to contract out new deliveries, 5) USPS plans now twenty years old to have delivery employee spend up to 80% of total time delivering, 6) Consolidation of processing centers and bulk mail acceptance, 7) Ongoing aggressive efforts to slash processing and retail hours in local units, suspension of vehicle purchase and capital improvements (vehicles and buildings).

This continuing investigation has uncovered the exact same patterns in every area of the country and all the reports are either identical or eerily similar. High level managers in different areas of the country (one advantage to having been a long term senior union official is a lot of the local managers or staff I dealt with twenty five or thirty years ago, are now very senior managers with whom I maintain a relationship built on mutual respect). Many of these people have had access to what I wrote and they tell me that my information is good and that it is accurate.

Several other anomalies have surfaced that make the case even more compelling as follows:

· Several weeks ago, USPS announced plans to suspend new vehicle purchase plans through 2015. The “official” reason cited was that USPS wanted to defer action on purchasing a new generation of vehicles to replace the aging delivery fleet of approximately 240,000 vehicles until such time as technology made alternative fuel vehicles more cost effective and more reliable. Many of USPS most ardent critics praised USPS for the sagacity of their vision and their common sense business approach. Now with the Fishgold arbitration award USPS is contractually committed to deploying 15,000 vehicles on rural routes at the rate of 3,000 per year through 2015. A closer examination provides for a very different story. USPS and NRLCA conducted contract negotiations through 2005 and when a tentative agreement was reached it included the 15,000 new vehicles. On the 3 member arbitration

panel, was a USPS representative in close contact with USPS. All through the negotiations and the arbitratio
n process, USPS knew they had a commitment for 15,000 vehicles for rural routes and yet just before the interest arbitration is announced, USPS announces they are suspending vehicle purchase plans until 2015. If they are not going to buy them, where will those 15,000 vehiciles come from?

· Twenty years ago, USPS expenses were near the 85% mark for personnel, including mostly salary and benefits. Since that time USPS has aggressively negotiated labor agreements that contain two tiers of pay scales, two tiers of step levels and a much longer time for progression through the step levels. This was a strategically brilliant move for USPS because the Unions primary concern was for the employees on the rolls and the abstract concept of future employees salary structures were a very, very low priority. Between the attrition of retiring high salaried employees and replacements by employees earning less money and taking much longer to go through the salary steps, USPS found an innovative way to reduce employee costs which was 85% of their budget. Last year, Employee costs were 79% of USPS total expenses. About 15% of total expenses is for transportation and facilities.

· Productivity reports are also interesting in that largely due to automation, USPS has recorded productivity gains for seven consecutive years (Total factor productivity). In some case productivity figures are good, if the productivity resulted from smarter, more efficient ways of doing business and where the productivity is directly attributable to technological advances, streamlined business procedures and smarter logistics. But, productivity is simply more work product for less money and less time. When productivity boils down to more work for employees for less pay, it is not good especially when you consider that inflation and cost of living increases erode dollar value of money earned by employees for work performed. In order for employees to stay even, their income must rise to match inflation and the increased cost of living. USPS is doing both!

· Mail volumes especially for first class mail have been on a steady decline for more than a decade. Ten years ago first class mail was 54% of total mail. In 2006 it was 45% of total mail. Premium services have increased and third class and parcel post have increased, but that was before the recent rate hikes that disproportionately affected second, third and parcel post. In spite of the declining mail volumes in some products, postal revenues have consistently increased.

In “All the President’s Men” the story of the Nixon presidential meltdown, the deep cover informant “Deep throat” kept advising Washington Post reporters Woodward and Bernstein whenever they were stuck or seemed to take a wrong turn, “Follow the money”.

In unraveling, USPS long term plans, the same is true. If you follow the money you can clearly see what USPS targets, priorities and plans will be. Armed with several years of USPS reports and tracking USPS priorities over the same number of years provides a clear roadmap for what USPS method of operations was, is and will be. It is as clear as a bell and the information is available to everyone.

Each Union should have a resource person with extensive computer expertise who does this research regularly. With the access the Unions have to more confidential information they should easily be able to read the minds, thoughts and games of USPS senior planners and decision makers. I can do it simply with information that is available to the public and some well placed questions to strategic USPS officials all over the country.

I know that in every postal district, there are specific projections and plans for route consolidations that will initially impact city routes first with some rural routes in pilot offices targeted. What offices will be targeted? The offices that are scheduled for Phase 1 FSS deployment. My ball park guess of the number of routes that will be affected in the next two years is 7100 routes nationally and I strongly suggest that my guess is on the very low side and could easily be 15,000 routes. It will certainly be much more than that when FSS is implemented more generally and that would mean that there are some 15,000 vehicles available over the next say five-7 years.

USPS plans for APPS (Automated Package Processing Systems) are also well on track and could be a factor in the future. Initial deployment was for 74 APPS in the processing plants, but there is no word

on whether additional deployments are projected or anticipated modifications.

Business models

The USPS business model is the result of the evolution of the mail service starting with mail transported from one area to another and held for pickup at offices for posting. The original transportation system in the US began with Post roads used by postal riders and stages for transporting passengers and mail from one city to another. Colonial newspapers actually advertised the arrival of letters with the addressee's name available at "post' Offices.

Delivery was a logical progression that emanated from local post offices that were established. As America grew so did the network of post offices which were even up through the first world war, largely offices where people went to pick up their mail. Addressing was simple, nearly everything was general delivery.

As delivery service became more widespread, those services were added to the network of already established post offices. Post Offices became the identifying factor for a locality. The basis system however has changed little in two hundred plus years with delivery services being almost an afterthought. The location and establishment of post offices began in concentrations of population and as areas were settled and populated, post offices were one of the steps for measuring progress and civilization.

Because USPS was unwieldy and inefficient, United Parcel Service was able to gain a strong foothold in the package delivery business. UPS success was that they chose to fill a void that USPS was unable or unwilling to attempt to fill. The Postal Service basically gave away the package business and was relieved that someone else was willing to do it.

UPS business model was to work out of centralized delivery hubs for maximum coverage. At first UPS concentrated on densely populated areas and built a reputation for timely delivery at a reasonable cost. UPS earned customer loyalty. From the central hubs UPS expanded into other central hubs so that their delivery network was in direct competition with USPS and for packages, they were winning.

Enter FED-EX and some of the other business models. They took the centralize delivery hubs that UPS pioneered and added airport hubs to optimize fast transport and reliable delivery. Both UPS and Fed-Ex rely on centralized delivery hubs to cover large areas cost effectively by eliminating duplicate processing operations in thousands of smaller satellite offices. All they needed was a ready network of retail operations that sold their services which they have managed to purchase by acquiring Mail Boxes, Etc. franchises, and other similar businesses.

The UPS and Fed-Ex business models are streamlined operations that maximize technology and efficiency.

The future USPS projected business model is gradually being transformed into a virtual copy of the UPS and Fed-Ex models.

If USPS gradually expanded community retail units staffed by minimum wage employees located in supermarkets, shopping malls, kiosks, little store fronts and other areas where the public does most of their business, they would not need those old white elephant buildings in nearly deserted old towns.

If USPS aggressively consolidated delivery routes and separate sortation functions and delivery functions; delivery employees could spend nearly all of their workhours actually delivering. If they went one step further, and consolidated all of the surrounding delivery routes in centralized locations, they could significantly reduce processing duplication by having a lot of little offices doing the same things every day that all of the other little offices are doing. Since most of the letters, flats and even parcels would be sorted automatically, local processing functions would be minimized completely if not virtually eliminated. Since delivery functions would be separate from contract retail kiosks, booths and little store fronts, delivery units could combine a large number of delivery routes in large industrial buildings in out of the way places. That would save the costs of managing, staffing, cleaning, maintaining all of those white elephant post offices that are suddenly obsol
ete.

In more centrally located large hubs, employee services could be consolidated and even out sources and with everything standardized; the operation would run much smoother. With centralized delivery hubs whole networks of star route delivery trucks for transporting mail from thousands of small offices would be eliminated and the cost savings would be huge.
Since most of these changes would only be minimally visible to customers or businesses, the entire business could be significantly and radically changed with a minimum of public outcry.
Establishing a network of retail outlets to make things easier for the public is the critical tipping point. The ease, convenience and reliability of the contract retail outlets needs to be seen as a definite USPS improvement to the experience of going to a post office to conduct business where the inconvenience is noticeable, the reliability and cordiality is minimal and the experience is distasteful.
Other postal operations such as customer complaints, hold orders, etc. are automated so that contact with untrained spokespersons are minimized and customer services professionals effortlessly walk customers through issues.
This will be a continuing series until the entire story is reported. Is the plan a major secret? NO! Is USPS hiding most of the painful ramifications? YES! Is what USPS doing good or bad? Some of it is necessary for survival of the business, some of it is necessary for employees to continue to earn a living, but some of it is bad and people are going to hurt.
See Part Three: Route Consolidations:Transformation and not your Daddy's Postal Service
PROOF and more plans

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