Correction Notice: [Editors Note] Issue 38-SE dated December 17, 2007 incorrectly referenced the USPS vehicle commitment of 3000 LLVs to be deployed on rural routes each year for a total of 15,000 LLVs over a period ending in 2015. The context was that since USPS had suspended vehicle purchase plans until 2015 in a separate announcement just before the announced Fishgold arbitration decision and at a time when they were fully aware of a contractual commitment to furnish and deploy 15,000 LLVs on rural routes; the rhetorical question was that if they weren't buying them, where were they going to get them?

The actual dates for deployment of 3000 LLVs on rural routes begin in 2009 and continue each year through 2013. The initial projected dates for FSS deployment begin in 2008 for Phase I deployment, with consolidations deferred until after initial deployment sometime in 2009.

The correction makes the point even more compelling! In 2009 LLVs from consolidated and ecess city routes are planned for deployment on rural routes beginning in 2009 and continuing every year for five years.

I speculated that USPS was projecting and planning for significant route reductions for city delivery as well as for rural delivery. The actual numbers I used were a very, very conservative ball-park figure of approximately 7100 city routes being consolidated through PHASE I with a more realistic figure of 15,000 city routes in a two or three year period. Are these numbers adding up?

The effect will likewise be felt on the rural side in pilot offices but since Phase I deployment is most heavily targeted for city routes, the impact on city delivery will be that much more dramatic. It also makes sense from a logistical, strategic and tactical perspective. It is infinitely better to launch a first strike against the adversary with the strongest fortifications and where the greatest gains can be realized, but also it is the age old maxim of tackling the biggest problems first and then mopping up; like MacArthur's strategy against the Japanese Empire in the Pacific campaign in World War II.

Transformation: This is not your Daddy's Postal Service anymore!

Significant Route Consolidations Planned (Part 3)

By John Amtsfield, December 19, 2007

This is the third part or a multi-part investigative series on massive plans by USPS to consolidate routes, compress delivery operations, slash payroll costs, control expenses and to completely transform the mail processing and delivery business model. It is a story that rivals Hollywood productions of super-secret intrigue, masquerades, cold war spy suspense thrillers, elaborate psychological misdirections and a Kafka-esque “Metamorphosis”. Yet , some organizations have stumbled on a part of the story; no one has put it all together. I am nearly alone in reporting this story.

Although USPS is playing this all very close to the vest and only releasing small parts of the overall plan bit by bit as the need arises, few people have access to the actual operational plan. USPS has for some time been planning and projecting the details of how all of the automation plans they have very heavily invested in will yield the results they seek. But they have good estimates that range to approximately 200 city routes per district that will be affected and consolidated and in some areas considerably more.

By knowing how many routes will be affected based on FSS deployment schedules, they also have a clear idea of which offices and how many routes will be impacted. They also have the statistical data to determine which routes, which employees and how many will be impacted and excessed.

The reports of one retired former employee are not all that threatening to USPS and all they really have to do is go another couple of months before some of the draconian procedures and policies will be announced that will raise eyebrows when local unit staffing, district staffing for operations and labor relations start evaporating to be replaced by software protocols and SOP (Standard Operating Procedure) policies that require each office to input data for mandated instructions on how to proceed. Management will gradually realize that they have been replaced by a date input technician (READ: minimum wage typist) who will print out mandated procedures for nearly every scenario, schedules based on volume and other factors, and a lone human contact person in a centralized operations, human resources, labor relations, marketing or other functional area located in Greensburg, North Carolina or some other state that is “right to work” whee re USPS has some control over whether the “contract” employees are unionized or even if they are USPS employees or not.

While USPS is keeping a lid on release of the details of their “transformation” plans within the organization. The overall objectives are really not secret at all. In fact, the USPS Transformation Plan for 200-2010 has been posted on the USPS website for over a year now and it clearly substantiates what is being reported in this series.

Transformation by definition is the change of an entity into another different entity, especially extreme psychological or character change, a basic and fundamental change in form, appearance, nature, or character. In other words a transformation is a monumental change from one form into another.

USPS appropriately calls their plan the 2006-2010 Transformation Plan.

Highlights of the plan include objectives:

REDUCE COSTS

By operating as a much leaner, more efficient organization, the Postal Service has been able to improve service at the same time it recorded significant gains in productivity and reductions in cost. The cumulative cost savings under Transformation will be at least $13 billion by the close of 2005. Total Factor Productivity has improved for five consecutive years, and is on track to increase again for a record sixth straight year in 2005.

By the end of 2004 the Postal Service had cut outstanding debt by $9.5 billion, to the lowest debt level since 1984. More than 5.5 million new delivery points have been added since 2002, roughly equivalent to the number of delivery addresses in the state of Ohio. Over the same period, 465 million fewer work hours were used. Career staffing has declined to the extent that it now stands at pre-1985 levels, when the Postal Service delivered 57 percent less mail than today.

Postal prices are driven by operating costs, and reasonable postage rates are the ultimate result of sound cost management. Along with reliable service, maintaining affordable products is the most important measure of success for postal customers. The Postal Service's cost saving achievements under Transformation and legislated changes in the Postal Service's contribution to the Civil Service Retirement System have helped hold postage rates steady from mid-2002 until 2006.

STRATEGY: IMPROVE OPERATIONAL EFFICIENCY

Expand standardization and process control. Reduce the cost of meeting universal service obligations by focusing on major cost drivers, especially delivery operations. Fully capture improvements from existing equipment and technology and target new investments to further drive productivity gains. Continue to partner with customers to minimize total cost and to develop new, low-cost forms of customer access using technology and product simplification. Examine facility capacities to consolidate operations and transition from overlapping single-product networks to an integrated multi-product network.

The Postal Service commits to reduce an additional $5 billion in costs by 2010.

A. STRATEGIC CHALLENGES AND TRENDS

The following trends will place continuing cost pressure on the Postal Service as it pursues cost savings between now and 2010:

§ The universal delivery network expands annually by up to 2 million new addresses, while revenue per delivery is decreasing. Delivery operations remain the largest and most challenging cost area.

§ Postal Service transportation costs totaled nearly $5 billion in 2004, or 7.5 percent of total expenses. Recent increases in transportation costs have been driven largely by the rising price of fuel. In 2004 the Postal Service's cost of fuel was $973.3 million, an 82 percent increase over 1999 costs for the same amount of fuel. Unlike many commercial delivery services, the Postal Service has not imposed fuel surcharges on its customers.

§ Population continues to shift to the South and West and within metropolitan areas. Increases in mobility and immigration will place pressure on address management, the mail forwarding system, postal retail operations, and delivery, especially in rapidly growing communities.

§ Firms are becoming more sophisticated about shared services, outsourcing, and strategic alliances. They expect tighter integration and cooperation among suppliers and partners, and are adopting new technologies to change business practices.

B. TRANSFORMATION STRATEGIES

Two factors — standardization and innovation — were most responsible for the Postal Service's cost savings achievements under Transformation. The organization very effectively implemented a methodical, data-driven, and persistent effort to standardize dozens of its critical processes. The effort succeeded because it engaged employees at all levels and functions to identify process improvement opportunities and target cost saving solutions.

In this new Plan standardization and innovation will again be central to the Postal Service's cost reduction strategies. Potential exists to further reduce costs in all operations and functions. The introduction of new technologies will drive investments in new systems and equipment, and will continue to influence mailer behavior. As equipment is deployed and mailing practices evolve, the Postal Service will aggressively review and update its processes, establish new standards, train its employees on best practices, and manage to challenging process management objectives.

As in the past, the introduction of new equipment and technology will provide new opportunities to reduce costs. But fully capitalizing on the opportunities will depend largely on standardization and

innovations developed by employees and mailing industry partners. The goal is to ensure that postal customers recognize the full benefit of mail, achieving an even greater return on their investment. The Postal Service's cost savings effort will focus on the following six strategies:

Each year the Postal Service delivers more than 206 billion pieces of mail - 44 percent of the world's total mail volume.

§ Expand standardized processes.

§ Continue equipment, technology, and facility investments.

§ Broaden customer partnerships.

§ Rationalize facility networks.

§ Streamline and create flexibility in the transportation network.

§ Optimize business processes.

See Part 4: Transformation Continued- Not your Daddy's Postal Service anymore!

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