



NALC FACT SHEET

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USPS service standards

In recent years, the U.S. Postal Service has embraced a number of initiatives aimed at decreasing operating expenses and reducing costs in the face of the crushing burden to pre-fund 75 years' worth of future retiree health benefits over a 10-year period, a mandate that was enacted by Congress in 2006.

Rather than focus on reducing the prefunding burden in Congress, the Postal Service has asserted that service cuts are needed to deal with falling mail volume. But these damaging service cuts will only lead more mailers to abandon the agency and weaken USPS' capacity to meet exploding e-commerce delivery demands. The real culprit is the pre-funding mandate, not falling mail volume.

The crisis manufactured by this mandate, placed on no other government agency or private enterprise, has led to "network rationalization" plans and network capacity cuts that have reduced the quality and speed of mail processing and delivery.

Congress should enact comprehensive postal reform to address the pre-funding mandate, which accounts for almost all the reported financial losses. But in the meantime, it should call on the Postal Service to stop this self-destructive drive to degrade the quality of the agency's service standards.

What are service standards? In its mission to provide prompt, reliable and efficient nationwide service without relying on taxpayer funding, the Postal Service sets delivery service standards that dictate how many days of the week it delivers the mail, as well as service standards that define the maximum number of days required for it to provide on-time delivery, based on where the mail enters the distribution system and on its final destination.

Service standards vary for each type of mail: First Class Mail (letters, cards and bills), Standard Mail (advertising circulars and newsletters) and Periodicals (newspapers and magazines). In addition, USPS has separate standards for destination-entered bulk mail, which bypasses most of its processing networks, and for periodicals and certain packages, including media mail, library mail and bound printed matter. All of these service standards are set by the Postal Service, and all are subject to reductions under USPS' current network consolidation plan.

The key to service quality is something USPS calls "critical entry time," the time when the Postal Service receives the mail. Prior to Jan. 1, 2015, critical entry time in many locations was 7 p.m. on the day an item was first placed into the mail stream—that is, when it was mailed. But since then, critical entry time has been changed to 8 a.m. on the day after the item was mailed—which is still before a post office officially opens for business, but a move that effectively adds a hidden extra day to mail delivery times.

Changes in service standards: Before July 1, 2012, the Postal Service's standard for First-Class Mail was overnight delivery in

most metropolitan areas and rural communities. But since then, USPS has repeatedly degraded its service standards and embraced a doomed strategy of cutting its way to prosperity, which is why it is increasing the expected number of days it takes to deliver all of the various types of mail outlined above.

Phase I and Phase II consolidations: The Postal Service's network consolidation plan has involved this changing of its delivery standards to increase the expected number of days that it can take to deliver some types of mail, as well as closing or consolidating mail processing facilities and realigning its operations—all in a misguided effort to capture potential savings.

The plan was split into two phases. Under Phase I, 48 mail processing facilities across the country were shuttered in 2012 and another 92 in 2013, a downsizing made possible by a deep cut in service standards, which reduced the percentage of mail requiring overnight delivery. USPS kicked off implementation of Phase II in 2015 by first announcing elimination of all overnight delivery of First-Class Mail and slowed delivery of most Periodicals, which now require an extra day to reach their destination. Starting in April 2015, thanks to the service standard cuts, USPS was set to begin closing or consolidating another 82 mail processing plants.

Alarm bells from the PRC and USPS Inspector General: Reports by the Postal Regulatory Commission (PRC) and the USPS Office of Inspector General have raised serious questions about the wisdom of the Postal Service's network rationalization plan.

A 2014 PRC report¹ concluded that USPS had not even completed studies on the effects of Phase I of its closings and consolidations before launching Phase II, a reckless decision given that evidence is emerging that the savings promised by the closings have not materialized as promised.

Worse, as a 2014 report² by the Postal Service's inspector general noted, "Excessive delayed mail adversely affects U.S. Postal Service customers and harms the organization's brand."

These reports are alarm bells that should prompt Congress to act immediately to reverse service cuts until comprehensive postal reform can provide the Postal Service with relief from the destructive pre-funding mandate.

Results of service standards downgrades: The net effect of these consolidations has been to provide customers with a degraded product, potentially driving business away from USPS. Continued reductions in service will negatively impact the Postal Service's business and residential customers, not to mention the larger mailing industry, since anyone using the mail will have to factor in additional days of mail processing in their planning and organizing, thanks to the Postal Service's virtual elimination of overnight delivery. It could even accelerate the shift to electronic alternatives to mail.

NALC supports H. Res. 54, which calls on USPS to restore the service standards that were in effect prior to July 1, 2012.

¹PRC Issues Advisory Opinion Analyzing USPS Load Leveling Plan: <http://goo.gl/HcQj2> | ²Management Advisory Report Report Number NO-MA-14-005: <http://goo.gl/QZ5Ju7>