



Written by [Brian Koenig](#) on December 6, 2011

U.S. Postal Service to Slow First-class Delivery

Because the Postal Service [lost](#) 29 percent of its first-class mail volume in the last 10 years, USPS officials view a reduction in its network of post offices and processing centers as necessary to endure the stale economy and technological advances such as e-mail correspondence and online bill-paying that have eroded revenues.



"The fact of the matter is our network is too big. We've got more capacity in our network than we can afford," David Williams, vice president for network operations, asserted during a press conference Monday. "More importantly, we've got to set our network up so that when volume continues to drop, our network is nimble and flexible enough to respond to those volume losses." Williams assured that service standards would not change before next April.

The move would lower delivery standards for first-class mail for the first time in 40 years, as the distance between post offices and processing centers will broaden. Current USPS standards [require](#) delivery of first-class mail in one to three days within the continental United States; however, under the new plan, those standards will spike to two or three days, which, critics note, will be disastrous for companies which rely heavily on next-day delivery.

About 42 percent of first-class mail is now delivered the next day, [according](#) to the *Associated Press*, while 27 percent is delivered in two days and 31 percent in three days. Postal Service officials estimate that come next spring, after the processing centers are closed, just more than half of all first-class mail will be delivered in two days, with most of the remainder arriving in three days.

Patrick Donahoe, the U.S. Postmaster General, has repeatedly called for slashing \$20 billion from the agency's annual costs — which now stand at about \$75 billion — by 2015. Further, he has suggested closing up to 3,700 of the country's 32,000 post offices, while tapering deliveries to five days a week and downsizing the agency's 653,000-strong workforce by more than 100,000.

"We're in a deep financial crisis today because we have a business model that's tied to the past," Donahoe said in November. "We are expected to operate like a business, but don't have the flexibility to do so. Our business model is fundamentally inflexible. It prevents the postal service from solving its problems."

After sinking five years in the red, the agency is [confronted](#) with a looming default on a \$5.5 billion annual payment to the U.S. Treasury for retiree health benefits. "We have a business model that is failing. You can't continue to run red ink and not make changes," insisted Donahoe. "We know our business, and we listen to our customers. Customers are looking for affordable and consistent mail service, and they do not want us to take tax money."



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Many businesses, however, are not expressing much sympathy for the agency, as the new standards could diminish their already dwindling revenues. Netflix's DVDs-by-mail service, for example, relies heavily on next-day delivery, and the company could lose subscribers owing to the delays. Further, the changes could tack on additional costs to mail-order prescription drugs and possibly threaten the viability of time-sensitive publications delivered to outspread rural and suburban communities.

While the plan includes some exceptions for periodicals (if pre-sorted items are delivered to the plant early enough), many publishers remain skeptical. Joyce McGarvy, vice president of distribution for Crain Communications, a leading publisher in the United States, said her company's business and trade publications would have to be delivered to processing centers several hours earlier, which means they would have to print a day early or reach readers too late.

And as more facilities close, many businesses will have to travel farther to deliver their mail, which would inflate their costs and possibly narrow their consumer networks. "We're dropping in lots of places right now, and some of those places may not exist," McGarvy predicted.

While the Postal Service is an independent agency of the federal government, major aspects of its operations are still controlled by Congress; however, the changes in first-class mail delivery could be implemented without congressional permission, and the consensus is, they most likely will be.



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