



American Postal Workers Union, AFL-CIO

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August 13, 2009

William Burrus
President
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The Honorable Stephen F. Lynch, Chairman
House Subcommittee on Federal Workforce,
Postal Service and the District of Columbia
2157 Rayburn House Office Building
Washington, DC 20515-6143

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Dear Representative Lynch:

Thank you for providing the American Postal Workers Union the opportunity to testify at the July 30 oversight hearing. I am pleased to respond to the Subcommittee's written questions, which were submitted to my office on August 4, 2009.

1. Given the financial problems facing the Postal Service and the declining volume of mail, what viable preferred alternatives to consolidations and closures exist?

- The Postal Service's financial crisis is the result of the Postal Accountability and Enhancement Act of 2006, which required the USPS to pre-fund retiree healthcare benefits. *Legislative relief from the funding requirement is essential.*

The general perception—that the Postal Service's dire situation is the fault of e-mail, the Internet, the recession, or a flawed business model—is wrong. The funding requirement of the PAEA—during a severe recession and in amounts of over \$5 billion each year—accounts for the deficit that has brought the Postal Service to the brink of insolvency. This single factor has jeopardized the future viability of the USPS.

Over the past two years, as the economy has declined, mail volume has plummeted. The Postal Service has responded to the decline in volume and should be applauded for its efforts. If the USPS had not been required to pre-fund retiree healthcare costs, it would have shown a surplus of \$1.2 billion over the two-year period of Fiscal Years 2008 and 2009.

Closing and consolidating post offices based on recession-level volume is short-sighted, and will leave the Postal Service with an infrastructure unable to accommodate the larger volume of mail that will be generated by a more robust economy.

- Generating mail volume (in quantities sufficient to produce revenue equal to the Postal Service's liabilities) could serve as an alternative to closings

and consolidations, but there is little expectation that significant volume will return until the economy recovers.

- In the interim, postal management should limit the workshare discounts that are given to large mailers for performing activities that could be performed by postal employees, such as sorting mail and affixing bar codes. (Large mailers apply bar codes and make zip-code separations on more than 50 percent of letter mail, and receive rate discounts for performing these services.)

The postage discounts reduce rates far in excess of postal "costs avoided." As a result, despite the increased efficiency of postal employees, mail that is processed privately avoids the efficiencies of cost-cutting measures, and deprives the USPS of much-needed revenue.

When reviewing the processing network for efficiencies, postal management excludes these worksharing activities from consideration. Postal managers claim the USPS has "excess capacity," yet their rate-setting policies encourage the growth of private mail-processing companies that divert volume.

The Postal Service could increase revenue in the range of \$1 billion annually by eliminating rate discounts for processing activities that can be performed by postal employees with underutilized USPS equipment.

- The Postal Service could accelerate employee attrition by offering a reasonable retirement incentives. In the current economic climate, employees are reluctant to retire unless there is an incentive. Postal managers say they cannot afford incentives, but this is a short-sighted response. They cannot afford *not* to offer them.

At a time when postal finances are in such dire straits, how can postal management refuse to allocate a minimum amount in order to generate substantial savings in future years?

- Postal management must acknowledge that its primary business is advertising: Seventy-five percent of mail volume is associated with commercial activity. Television, radio and newspapers – the Postal Service's competitors for advertising dollars – have long recognized that their primary product is advertising, and have restructured accordingly.

The Postal Service continues to view itself as a personal mail company, which limits its behavior and expansion. But households are not the main source of postal volume; mail is primarily a means to advertise. Personal communication represents less than 3 percent of total mail volume, yet the Postal Service justifies calls to restructure its business model by citing changes in personal mailing habits.

The Postal Service should redefine its business plan recognizing that its principle source of revenue is advertising, and its operations should be adjusted to reflect this reality.

2. USPS is limited in its ability to lay off postal workers. In light of this restriction, how should USPS go about reducing its operating costs when mail volumes and revenues fall?

The question implies that protection against layoffs has been imposed on the Postal Service and that the prohibition is absolute. This is an inaccurate premise. The USPS agreed to limited, conditional protections against layoff in collective bargaining.

Full-time employees with less than six years of continuous service can be laid off, and 50,360 part-time employees are guaranteed pay for just two hours or four hours of work per bi-weekly pay period (depending on the size of their facility). Approximately 88,500 non-bargaining unit employees have no protection against layoffs. Of the 722,300 USPS employees, only 480,000 have protection against layoffs.

Since no employees have been laid off, we must conclude that postal management has determined that layoffs are unnecessary.

Any assertion that layoffs are prohibited is erroneous.

3. USPS pays a higher percentage of employee health-benefit premiums than other federal agencies. In addition, USPS pays 100 percent of employee life insurance premiums, while other federal agencies pay about 33 percent. In light of the financial condition of the Postal Service, do you expect to retain these benefits going into the next round of collective bargaining? Please explain.

It is not possible or appropriate to compare the benefits of federal employees to postal employees. Postal employees have collective bargaining rights, while the wages and benefits of federal employees are determined by Congress. Many other disparities exist between the two groups, including the hours and days of work, the nature of the activities that are performed, locality pay and holiday work. There are many differences that are unique to the requirements of the positions.

I also note that the "comparability standard" in current law applies to employees performing comparable levels of work in the "private sector." Lest one believes that the reference to private sector is all encompassing, the compensation for *Postal Inspectors* is required to be "maintained on a standard of comparability to the compensation and benefits paid for comparable levels of work ***in the executive branch of the Government outside of the Postal Service.***" [Emphasis added.] Congress was explicit in deciding that the policy for compensation standards and percentages of health benefit premiums for federal employees are not relevant to postal employees.

Despite this, during the last round of contract negotiations, each of the unions negotiated reductions in the Postal Service's contribution rate for health benefits premiums.

The APWU and postal management have negotiated 12 contracts since the passage of the Postal Reform Act of 1970, with six decided by interest arbitrators. It is inappropriate to select a single issue from the hundreds that have been debated, agreed to, or arbitrated, and use it for comparison to other groups of employees. The parties have engaged in 39 years of collective bargaining and achieved agreements on wages, benefits and working conditions. This represents the true spirit of collective bargaining in a democracy, and variations should be expected.

4. What does your organization think about GAO's recommendation for the Postal Service to develop and implement a broad restructuring plan? In your view, does the Postal Service need to restructure to achieve financial viability?

Successful organizations continuously review their business plans. The USPS should do likewise, but it would be a serious error to modify the long-term business plan in response to current events. The downturn in the economy has depressed mail volume, but the economy will recover, and with recovery there will be growth opportunities. It would be a mistake to make structural changes in response to this temporary condition; eliminating Saturday mail delivery would be especially short-sighted.

The current financial position of the USPS is directly related to the obligations imposed by the Postal Accountability and Enhancement Act. Without the requirement to pay \$5.6 billion into the Postal Service Retiree Health Benefit Fund, the Postal Service would have experienced a \$2.8 billion surplus in FY 2008; absent the \$5.4 billion payment in FY 2009, the deficit would be in the range of \$1.6 billion. Over the two-year period encompassing the worst economic slump in 70 years, the Postal Service would have recorded a surplus of approximately \$1.2 billion. Postal management and the employees have performed admirably during the nation's economic crisis, despite the fact that mail volume declined by 30 billion pieces. If Congress had not imposed the stifling retiree healthcare payment schedule, the Postal Service would exemplify unqualified success.

The media has identified the Internet and e-mail, employee labor costs, the size of the network and other factors as the cause of the current financial condition. But it is the burden of funding future healthcare liabilities that has proved to be beyond the Postal Service's ability to overcome at this time.

What began as an effort to rebate the USPS overfunding of CSRS was converted into an obligation to pre-fund future retiree healthcare costs. This obligation is not required of any other federal, state, or private organization. The payment schedule was designed by Congress to be stifling: It was intended to force the Postal Service to implement "efficiencies."

This crisis is of Congress' own making, and should be corrected accordingly.

In reference to our expectations for bargaining in 2010, we expect to negotiate a contract that is fair for the Postal Service, postal workers and the American public.

5. Are you satisfied with the notification, public comment and appeals process for station and branch consolidations? What are your concerns and how might your members be affected?

The union and postal management have negotiated an agreement that **“all existing retail operations will remain within the installation of which they are a part.”** I expect that postal management will fully comply with this agreement.

The process of public notification when stations and branches are being considered for consolidation should be improved so that citizens have a meaningful voice in service changes. The notice period is too short; the means of notification is inadequate, and it should be assured that the final decision addresses public input.

The Postal Service treats “stations and branches” very differently from “post offices,” claiming that decisions to close stations and branches are not subject to appeal. Citizens can file complaints with the Postal Regulatory Commission (PRC) only *after* the station or branch has closed and customers have experienced poor service. The after-the-fact complaint process is clearly inadequate.

It appears that the PRC may disagree with the Postal Service on the appropriate procedure to follow when considering the closure of stations and branches. Chairman Ruth Goldway pointed out in testimony before a Senate Subcommittee Aug. 6, 2009, that the PRC may consider some stations and branches as subject to the more rigorous rules that govern the closure of “post offices.” According to Chairman Goldway, the appropriate procedure would be determined by the services the stations and branches provide to the community.

Because of these differences, legislative change may be needed to ensure that citizens are heard and that their concerns are considered.

Thank you again for the opportunity to share our views on these important topics.

Sincerely,



William Burrus
President

cc: Subcommittee Members

WB:RB/bb(sd)
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