

**STATEMENT OF
POSTMASTER GENERAL/CEO PATRICK R. DONAHOE
BEFORE THE
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
UNITED STATES HOUSE OF REPRESENTATIVES
APRIL 5, 2011**

Good morning, Mr. Chairman and members of the Committee.

It is an honor to appear here today to testify about the tentative agreement the Postal Service has negotiated with the American Postal Workers Union (APWU). I appreciate the invitation to testify about such an important development for the Postal Service.

For the past several years, the Postal Service has been responding to an unprecedented 20 percent decline in mail volume. We have been extremely aggressive in managing costs throughout this time period.

Since 2008, we have reduced 110,000 employees, and \$11 billion in costs. We recently announced the reduction of an additional 7,500 managerial positions.

Our total full-time career complement today is 572,000 employees. We will continue to reduce the number of full-time career employees, thereby reducing our legacy costs. By 2020, the Postal Service workforce will be less than 400,000.

Through process improvements and personnel reductions, we have taken the necessary steps to bring costs in line with declining revenue. And, we will continue to do so.

More than eight months ago, the negotiating teams began bargaining to shape the labor contract for 202,000 career employees. The parties negotiated long and hard, and dealt responsibly with tough issues. We sought and were able to achieve greater workforce flexibility, immediate cost relief, and long-term structural changes.

One of the most important aspects of this tentative agreement is that it provides significant workforce flexibility. We will be able to schedule our employees in ways that make sense for a variable work flow business, and we will be able to increase the use of non-career employees.

I would like to impress upon this committee that neither side was willing to take the easy way out – to simply roll the dice – and leave our respective fates to a third-party arbitrator. We need the flexibility to properly schedule our workforce – and we have achieved that. Interest arbitration is not going to result in flexibility gains of this magnitude.

This tentative agreement also provides immediate cost relief by freezing wages for the first two years, and leads to wage savings of \$1.8 billion over the term of the agreement. We negotiated structural changes that resulted in a two-tier career pay schedule for new employees that is 10.2 percent below the existing schedule.

We will also be able to increase the use of non-career employees from the 5.9 percent today with restrictions, to roughly 20 percent totally unrestricted. These changes provide a \$1.9 billion benefit.

I look forward to negotiating with our other three unions to gain similar results.

While it is the nature of negotiations that neither side got everything that they wanted, I will tell you this is the best possible outcome we could have achieved given the legal framework in which we operate. This is a responsible agreement.

America needs a healthy Postal Service and a healthy mailing industry. Although we have seen declines in the use of mail, the mail and physical delivery are still extremely important to this country and always will be.

Mr. Chairman, while this morning we are discussing our tentative agreement with the APWU, it is important to recognize that our labor agreements are but one element of a larger strategy to return the Postal Service to profitability.

Let me assure you that I am doing everything possible to take costs out of the system as quickly as possible. And, I will continue to do so.

Our business model is inflexible. We need reform in the laws that govern us.

We must get beyond the mandates that require us to prefund retiree health benefits, overfund the Federal Employees' Retirement System (FERS), and deliver mail six days a week.

Congress plays an important role in our future. The Postal Service is producing cost reductions. We want to work with Congress to gain the business model flexibility that we need to best serve our customers.

Let me close by stating that the Postal Service has achieved record service and productivity levels over the past few years – while absorbing significant volume loss.

The credit belongs to our employees. I never forget for one moment that our ability to deliver for America is due to their commitment and relentless dedication.

We are in the process of changing many things about the Postal Service to better serve the American public. This contract and your continued engagement in postal issues will help us meet their changing needs.

I would be more than pleased to answer your questions. Thank you.

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