

APWU CONGRESSIONAL TESTIMONY

**American
Postal
Workers
Union,
AFL-CIO**

WILLIAM BURRUS
PRESIDENT

Before The

**SUBCOMMITTEE ON FEDERAL
WORKFORCE
POSTAL SERVICE AND THE DISTRICT
OF COLUMBIA**

COMMITTEE ON OVERSIGHT and GOVERNMENT REFORM

Financial Stability of the United States Postal Service

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Mr. Chairman and members of the Subcommittee, thank you for convening this hearing on the financial stability of the United States Postal Service, and for providing me the opportunity to testify on behalf of the dedicated employees that the American Postal Workers Union is privileged to represent. I commend the Committee through your leadership, Mr. Chairman, for convening today's hearing on this critical topic at a pivotal point in the history of the U.S. Postal Service.

The nation and the world are experiencing a financial collapse that is unparalleled in modern history, and the Postal Service, like most institutions in our society, has been adversely affected. Mail volume has declined precipitously, leading to deficits that threaten the very foundation of the postal system.

The Postal Service can take steps on its own to respond to the crisis, but Congress also must play its part. The most important thing Congress can do is to pass H.R. 22, which will provide temporary relief from the crippling obligation to pre-fund future retiree healthcare costs. Absent this relief, it is unlikely the Postal Service can survive in its present form.

Over the past 10 years, as the mailing industry engaged in debate over postal reform, the overriding focus was the impact of e-mail, the Internet, and the cost burden associated with serving an additional 1.8 million delivery addresses each year. The standard refrain, which was repeated time and time again, is frozen in my memory: These factors would spell the doom of the Postal Service unless reform legislation was adopted.

With all the emphasis on new forms of communications, there was no focus on the real driving factor of hard-copy communications: the economy.

And as the country slid toward the recession that now engulfs us, no attention was paid to declining mail volume due to economic stagnation. Advocates of postal reform overlooked the impact of one of the central aspects of the legislation they supported: They ignored the burden that pre-funding retiree healthcare liabilities would pose on a service that would soon suffer double-digit volume reductions as a result of the nation's economic decline.

The postal community identified the wrong threats and was totally unprepared for the challenges we now face.

E-mails, the Internet and other forms of instant communication are viewed as direct challenges to hard-copy communications; but we have known about them for years, and looking backward is of little value when the stability of the Postal Service hangs in the balance. We need a vision for the future instead of a recap of yesterday.

The numbers speak for themselves. Annual deficits are expected far into the future, yet the only solutions postal management has offered are reductions in work hours and the consolidation of facilities. It is expected that at some point, management will suggest modifications to employees' wages and benefits in order to stem the tide of red ink. I defer to that time any public comment on that possibility.

I would like to inform Congress that of the groups representing postal employees, the crafts represented by the American Postal Workers Union have been reduced disproportionately. (Table 1, attached to my testimony, shows employee totals for various categories of employees from 2002 through 2008.) We would expect that reductions and other sacrifices will be shared equally among the entire postal community.

But no business can exist for long with a strategy based on cost reduction alone; eventually it will become impossible to maintain an acceptable level of service, and there will be nothing left to cut.

However, there are steps postal management can initiate to address the issue of financial stability. They could begin with a fundamental shift in the relationship between the Postal Service and commercial mailers. I quote an observation by Joy Leong, a contributor to the newsletter Mailing Systems Technology: ***“Mailers are customers of the Postal Service, not shareholders. Printers, mail fulfillment services and other vendors are contractors of the Postal Service, not shareholders.”*** [Emphasis added.]

In recent years these lines have been blurred, and major mailers have assumed the role of shareholders. They have formed organizations that have been granted unfettered access to the interworking of the Postal Service and to the decision-making process. One umbrella organization has even been afforded office space in postal headquarters. This cozy relationship between postal executives and major business mailers is unhealthy and counterproductive.

One of the byproducts of this relationship is the preservation of workshare discounts that benefit the mailers at the expense of Postal Service stability. I have repeatedly shared with the members of Congress the views of my union on excessive workshare discounts and their corrosive affect on postal finances. (Table 2 shows the growth of the discounts.)

The law specifically requires universal service at uniform rates, yet the standard has been nullified with the growth of discounts that were intended to be temporary. Over time, workshare discounts have morphed into a disgraceful policy that rewards large mailers with rate reductions so extreme as to be absurd.

In the most recent rate case, while the Postal Service is experiencing serious financial difficulties, the USPS proposed to increase the discount for five-digit pre-sorted mail from 9.6 cents to 10.5 cents per letter, an increase of an astounding 9.4 percent.

In a dissent from the majority opinion of the Postal Regulatory Commission that approved the new rates – including workshare discounts that the Commission acknowledged were not based on “established methodologies” – Commissioner Ruth Goldway concluded that, “The uneconomic approach to rate setting can be a factor contributing to the Postal Service slide into financial distress.”

If the Postal Service is to be excused again for violating the rate-setting standards, Commissioner Goldway said, “the reasons given must be carefully chosen so that the Postal Service, and the postal community, do not get the impression that there is not now, and never will be, any enforceable standard for workshare pricing.”

USPS employees and equipment affix bar codes at a cost of less than one penny per letter, but the postal rate-setters have the audacity to certify that the cost avoided is 10 times the actual cost. This absurdity leaves postal management with zero credibility regarding the issue of financial stability.

The United States Postal Service is the only enterprise that pays 10.5 cents for another entity to apply a bar code – a computer-generated indicia that records bits of information used by the provider and the recipient.

After investing \$20 billion on automation designed to affix bar codes on hand written and other non-bar-coded mail, the Postal Service has converted a one-cent per piece cost into what amounts to a 10.5 cent bonus to worksharers. So much for financial stability.

But I have sung this song before. Throughout the debate on postal reform, I have said that postal management had chosen a path that would lead to insolvency.

The nation’s financial crisis has accelerated the pace of that journey, but the culprit is not the Internet or e-mails. The USPS’ current predicament is the result of a flawed business strategy and a lack of vision of how hard-copy communication can be relevant far into the future. Management has failed to find a meaningful role for the world’s best delivery force – a system that reaches every American home six days per week, has a network of 40,000 facilities, enjoys stellar name recognition, and boasts a dedicated workforce.

But even if postal management could be convinced to revise its approach, such changes would pale in importance compared to the issue of Congressional relief from the smothering obligation to fund future retiree healthcare costs.

This is the immediate problem, and it is serious. The APWU has strongly-held differences with the Postal Service about rate policies and other decisions, but we are united that passage of H.R. 22 is essential to the survival of the United States Postal Service. We ask that it be adopted expeditiously.

Thank you, Mr. Chairman, for your leadership and that of the members of this Subcommittee. Thank you for your efforts. I would be pleased to respond to any questions you may have.