



# NATIONAL RURAL LETTER CARRIERS' ASSOCIATION

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Testimony of  
Don Cantriel, President  
National Rural Letter Carriers' Association

Before the

Oversight and Government Reform Subcommittee on Federal Workforce, Postal  
Service, and the District of Columbia

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Chairman Lynch, and members of the Federal Workforce, Postal Service, and the District of Columbia Subcommittee, my name is Don Cantriel, and I am President of the National Rural Letter Carriers' Association (NRLCA), representing 123,000 bargaining unit rural letter carriers. Our members work in rural, suburban, and urban areas throughout the United States and function as "post offices on wheels" because rural letter carriers offer Postal customers all of the services performed over the counter at a post office. We sell stamps and money orders, accept express and priority mail, offer signature and delivery confirmation, registered and certified mail, and, of course, collect our customer's parcels. I would like to extend my thanks to the Committee for scheduling a hearing on Restoring the Financial Stability of the Postal Service.

Mr. Chairman, as the NRLCA's National President it is in our members' best interests to work toward the creation of a financially stable Postal Service. Toward this end, our union, together with the Postal Service, established a revenue-generation program harnessing the sales and marketing talents of our members called "Rural Reach." Rural Reach was created to attract new customers to the Postal Service who are currently using our competitors. It is also aimed at attracting customers who can benefit from using additional USPS services and products. What the Rural Reach program does is allow rural carriers to better serve our customers by initiating conversations with them about the products and services the Postal Service offers in an attempt to grow more revenue in the small to midsize customer base. To date, and in less than a year since the inception of Rural Reach, the rural carrier craft has already generated \$26 million dollars for the Postal Service. We fully expect that by the end of Rural Reach's first full

year, the program will exceed \$30 million dollars in revenue for the Postal Service.

Our union is the only union that can claim that actual employee wages - what an employee takes home in his or her paycheck every two weeks - is in large measure based on mail volume. Every year, rural routes are evaluated during a two to four week period, and rural carrier salaries are established based on the work performed each day during the evaluation. Mail volume is a critical factor in the salary setting process. During boom times for the Postal Service, rural carriers can see an increase in their route evaluations. Traditionally, until relatively recently, route evaluations generally went up due to increased mail volume and an expanding customer base. Our members were able to earn more and improve their collective standard of living. Unfortunately, our last two mail counts resulted in significant reductions in rural route evaluations, impacting tens of thousands of rural letter carriers and causing their salaries to be lower. Last year, in a two-week mail count, rural routes served by our members lost anywhere from 2 to 12 hours of pay each week. Each evaluated hour is worth more than \$1500 per year so you can see how declining mail volume dramatically affects the men and women we represent. This year, the NRLCA had a four-week mail count during last two weeks in February and the first two weeks in March. Official results from this recently completed mail count are not available, but we are once again expecting rural route evaluations to go down - not up. The point I am making is quite simple. Our people are hurting. They are making less money or, in some cases, opting to work an additional day to make the same amount of money. It is pretty simple -- reductions in rural route evaluations translate into direct savings to the Postal Service. If mail volume declines chances are very good that the Postal Service will be paying our members less because

there will be less mail to deliver and collect each day. Never let it be said that rural carriers are not doing their part to help the Company. We have been doing it for decades with our evaluated compensation system, the most unique pay system in the United States. If the business falters, labor costs - at least rural letter carrier labor costs - are adjusted downward. Every Postal employee we represent knows - in the pocket book - what it means for the Company to be challenged by declining mail volume. And every manager knows the Postal Service can save literally hundreds of millions of dollars if routes are evaluated when mail volume is low.

But this annual adjustment mechanism does not stop with salaries. Most rural letter carriers still provide their own delivery vehicle for which they are paid an equipment maintenance allowance. That allowance or "EMA" is adjusted quarterly by measuring fluctuations in the CPI-W Transportation Index. In other words, EMA payments to rural carriers go down when costs - including the cost of fuel - go down. These regular adjustments have recently resulted in significant cost savings for the Postal Service as gasoline and automobile prices have dropped sharply.

Our union, like the other Postal unions during the last contract negotiations cycle, lost some ground on health benefit costs and now pay a larger percentage of health insurance premiums. Our members now pay more while the employer contribution to federal employee health benefit premiums, as a percentage of total costs, is lower. As health care costs for businesses and corporations continue to rise, our union members will pay an additional 4% of FEHB premiums over the life of our current collective bargaining agreement. This is another example of how our bargaining unit has provided additional savings to the Postal Service.

Despite all the ways we help the Postal Service generate revenue, and all the ways our pay system offers relief to the Postal Service in tough times, the NRLCA cannot not do it alone or even with our brother and sister unions by our side.

Mr. Chairman, there are additional and important ways Congress can act to help the Postal Service achieve financial stability. Prescription drug costs are one of the fastest growing costs in the Federal Employees Health Benefits (FEHB) for Postal employees, retirees and their dependents. A large cost savings can be realized if the Postal Service was permitted to use the VA Federal Supply Schedule (FSS) to purchase prescription drugs for its covered population. Veterans Affairs (VA), Dept. of Defense (DOD), and the Indian Health Service use the FSS to purchase prescription drugs from the manufacturers at a substantial discount over traditional wholesale costs.

A rough cost savings estimate can be calculated by taking the number of USPS employees and retirees participating in the FEHB Program and comparing that group to the total FEHBP covered population. Then take the total FEHBP prescription drug dollars spent and divide it by the proportion of the total population who are USPS employees and retirees. Then simply apply the average savings realized under the FSS to determine the cost savings that would accrue to the USPS. Allowing the Postal Service to use the FSS to purchase prescription drugs would save the USPS roughly \$250 million a year. Yes, this plan may pose some administrative challenges, but the cost savings will be well worth it.

A second savings opportunity for the Postal Service includes having the Office of Management and Budget (OMB) allow the USPS to apply for the Medicare Part D subsidy under the Medicare Prescription Drug Improvement and Modernization Act of 2003. During the previous Administration, the USPS was told not to apply for this subsidy because the Office of Management and Budget said "there is no good rationale to continue to pay itself to continue providing drug coverage to federal retirees of agencies that are fully supported by federal tax dollars." Mr. Chairman, as you know, the USPS is not supported by federal tax dollars, but rather by rate payer money. If the USPS were eligible to apply for and receive the Medicare Part D subsidy, the USPS would save approximately \$240 million per year.

Mr. Chairman, it is imperative that legislative help come from Congress and there are two provisions of the Postal Accountability and Enhancement Act (PAEA) of 2006, Public Law 109-435, that can be modified to aid the USPS, financially, in a very meaningful way.

One change that could save revenue for the USPS involves transferring the military pension benefits of Federal Employees' Retirement System (FERS) to the Treasury Department. During the passage of PAEA, Congress agreed that the USPS should not be responsible for the military pension benefits of former military employees. The implementation of PAEA transferred \$27 billion dollars worth of obligations in military pensions from the USPS to the Treasury Department for Civil Service Retirement System employees. However, the USPS and its customers, ratepayers, continue to be responsible for the military pension obligation of FERS Postal employees with prior military service. Just as the military pension obligation was shifted back to the Treasury Department for civil service employees, we feel the same

should be done for FERS employees who served in the military prior to their Postal employment.

Second, and possibly the most important piece of legislation Congress should enact and enact as quickly as possible is H.R. 22, introduced by Representatives John McHugh (R-NY) and Danny Davis (D-IL). The USPS is saddled with an ambitious payment schedule to pre-fund its retirees' health benefits. This is an obligation no other corporation or government agency is required to pre-fund. The last Administration required this provision to be included for one simple purpose -- to make the PAEA budget neutral.

In 2006, when the PAEA became law, pre-funding retiree health benefits fund seemed feasible. Revenue for the USPS had just increased from the previous year, reaching over \$72 billion. Total mail volume in 2006 also increased 1.4 billion pieces from the previous year.

Mr. Chairman, that was then, this is now. In 2008, the USPS posted a revenue net loss of \$2.8 billion, and volume was down 9.5 billion pieces. In 2009, the USPS is predicting to lose in upwards of \$6-8 billion in revenue, and faces a declining mail volume of 12-15 billion pieces.

Enacting H.R. 22 is vital for the Postal Service, for Rural Letter Carriers, for all Postal employees, and for the American people during these trying economic times. Everyone wants and everyone needs a financially stable Postal Service. Mr. Chairman, in no way am I advocating that the USPS stop making payments for future retirees' health benefits -- far from that. I want the USPS to continue to pre-fund its future retirees' health benefits. It is my members who will benefit from a fully funded retirees' health benefits fund. I am asking only that Congress

allow the USPS to have access to the retiree health benefits fund now, to help pay for its current retirees' premiums. By doing this, Congress would help alleviate some of the financial burden on USPS, and give it a fair chance to survive the current economic climate.

Mr. Chairman, and members of the subcommittee on Federal Workforce, Postal Service, and the District of Columbia, I thank you for allowing me to testify before you today. I would be happy to answer any additional questions you may have.