

TESTIMONY OF

**JOHN F. HEGARTY
NATIONAL PRESIDENT
NATIONAL POSTAL MAIL HANDLERS UNION**

BEFORE THE

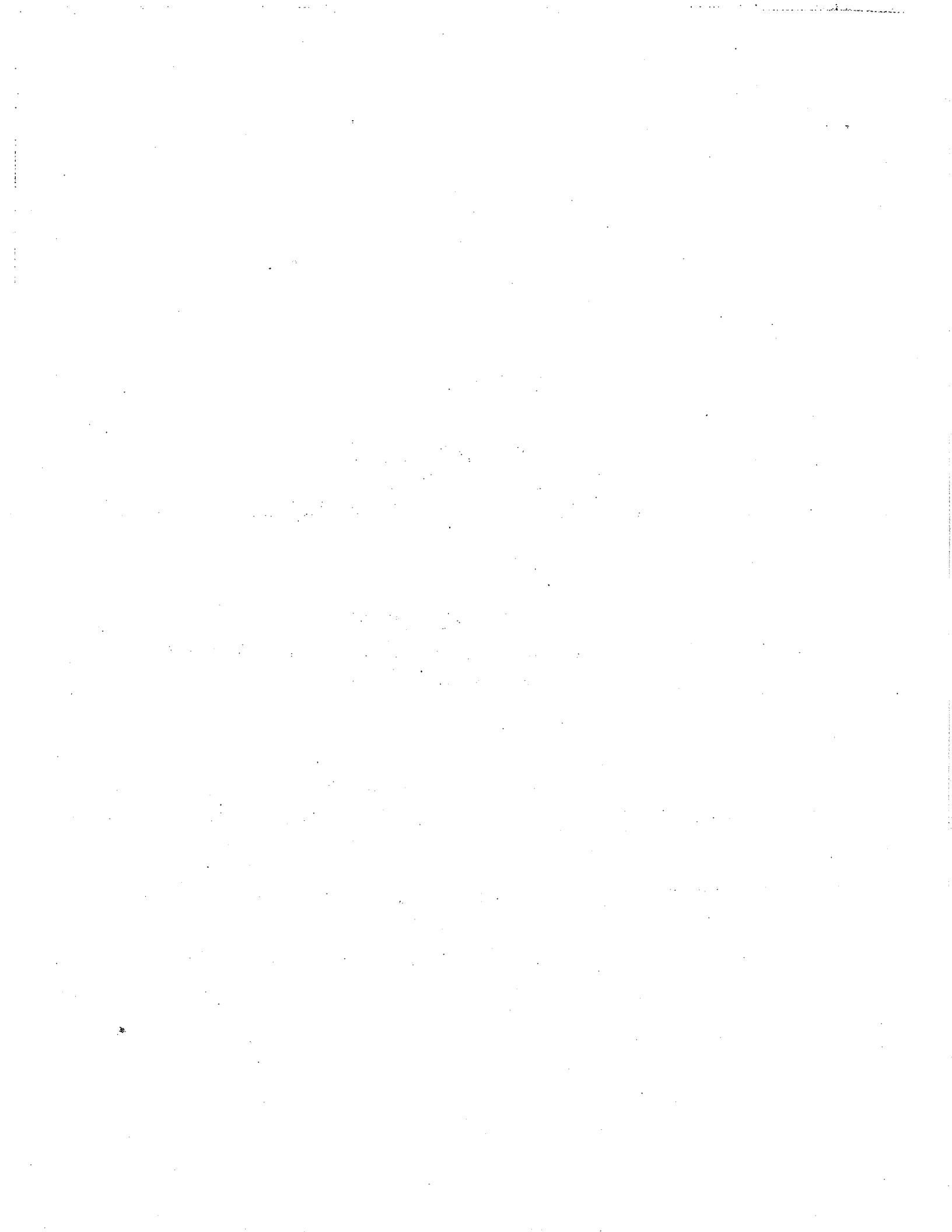
**SUBCOMMITTEE ON
FEDERAL WORKFORCE, POSTAL SERVICE, AND
THE DISTRICT OF COLUMBIA**

OF THE

**HOUSE COMMITTEE ON
OVERSIGHT AND GOVERNMENT REFORM**

**“Restoring the Financial Stability of
the U.S. Postal Service: What Needs to be Done?”**

March 25, 2009



Good afternoon, and thank you Chairman Lynch and members of the Subcommittee for inviting me to testify. My name is John Hegarty, and I am National President of the National Postal Mail Handlers Union, which serves as the exclusive bargaining representative for nearly 55,000 mail handlers employed by the U.S. Postal Service. As with your predecessor, it is an honor to have someone as Chair of this Subcommittee who has such a rich background in labor and postal issues.

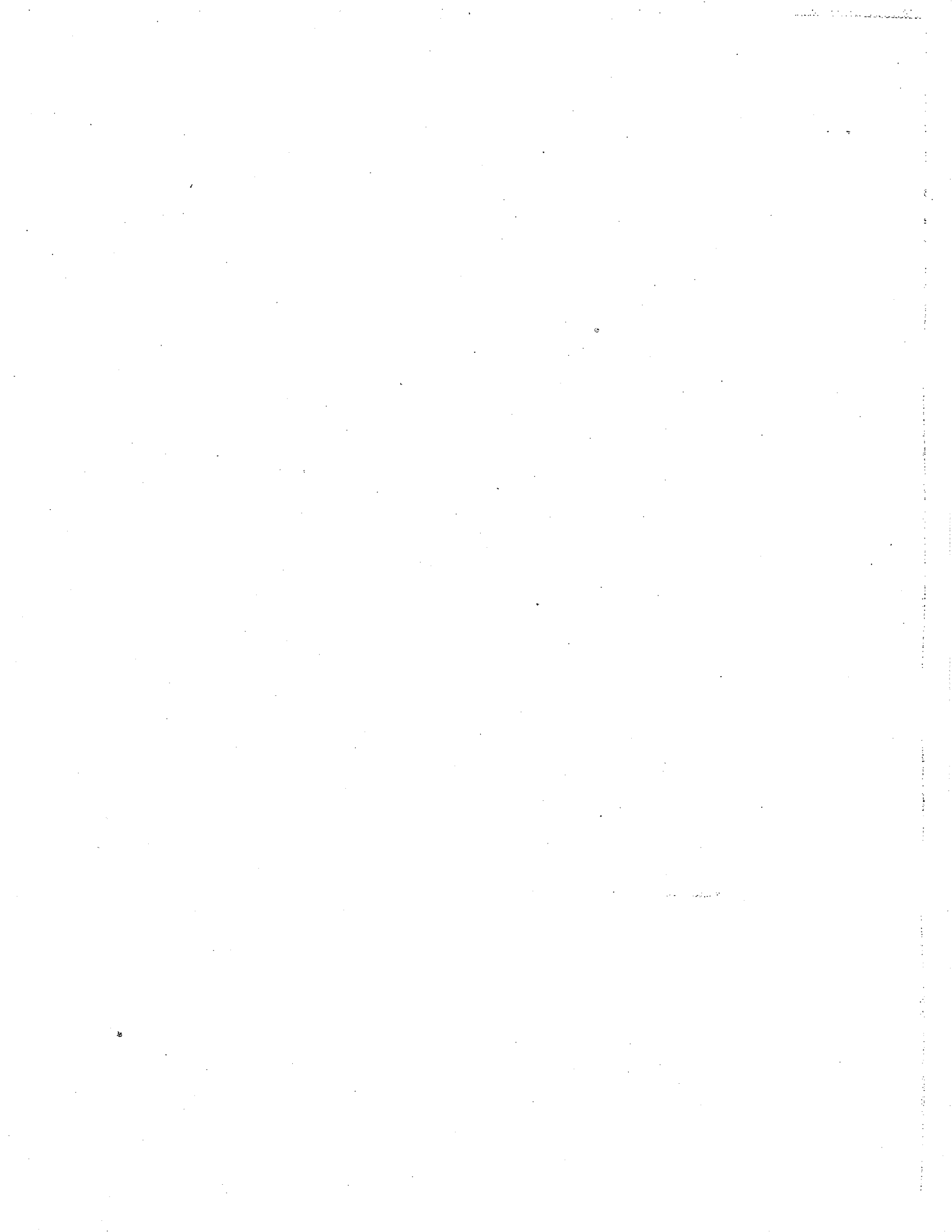
You have asked us to testify today about the finances of the Postal Service and our efforts to make it a viable institution in the future. The Postal Service, as we have all heard, is a "leading economic indicator." It is subject to the same economic pressures as other sectors of the economy. This "leading indicator" status was apparent early last year. Volume started to fall dramatically long before the October 2008 collapse of the stock market, and long before much of the country became aware of the depth of the crisis in the financial and housing industries. Certainly, the internet also had much to do with the loss of First-Class volume and the resulting decline in revenue that formerly, particularly with First-Class mail, contributed to overall overhead.

I wish to focus my comments during this five-minute period on what Congress and the Executive Branch can do, as well as what we, the National Postal Mail Handlers Union, are doing to help the Postal Service through this crisis.

The first step is simply to enact H.R. 22 – now. How often does Congress see a bill that would rectify a multi-billion dollar debt situation, keep a vital function of government alive, yet costs the taxpayer not one cent? That is what H.R. 22 does. How often do you have a “perfect storm” in which the Postal Service, the mailers, the unions, the management associations and the \$900 billion industry associated with the mail are all on the same page? This is it, and it has bipartisan support. We have been working to gather cosponsors in conjunction with those other groups. If H.R. 22 has not passed by the time of our May Legislative Conference, it will be our number one issue.

Aside from not costing the public a penny, H.R. 22 has the added benefit of continuing to increase the amount of money in the Trust Fund for future retirees’ health care, and it does not reduce any health care benefits. Furthermore, it gives the Postal Service some flexibility for the foreseeable future. Along with my colleagues, I am here to urge members of this Subcommittee and all Members of Congress to cosponsor this legislation and pass it as soon as possible.

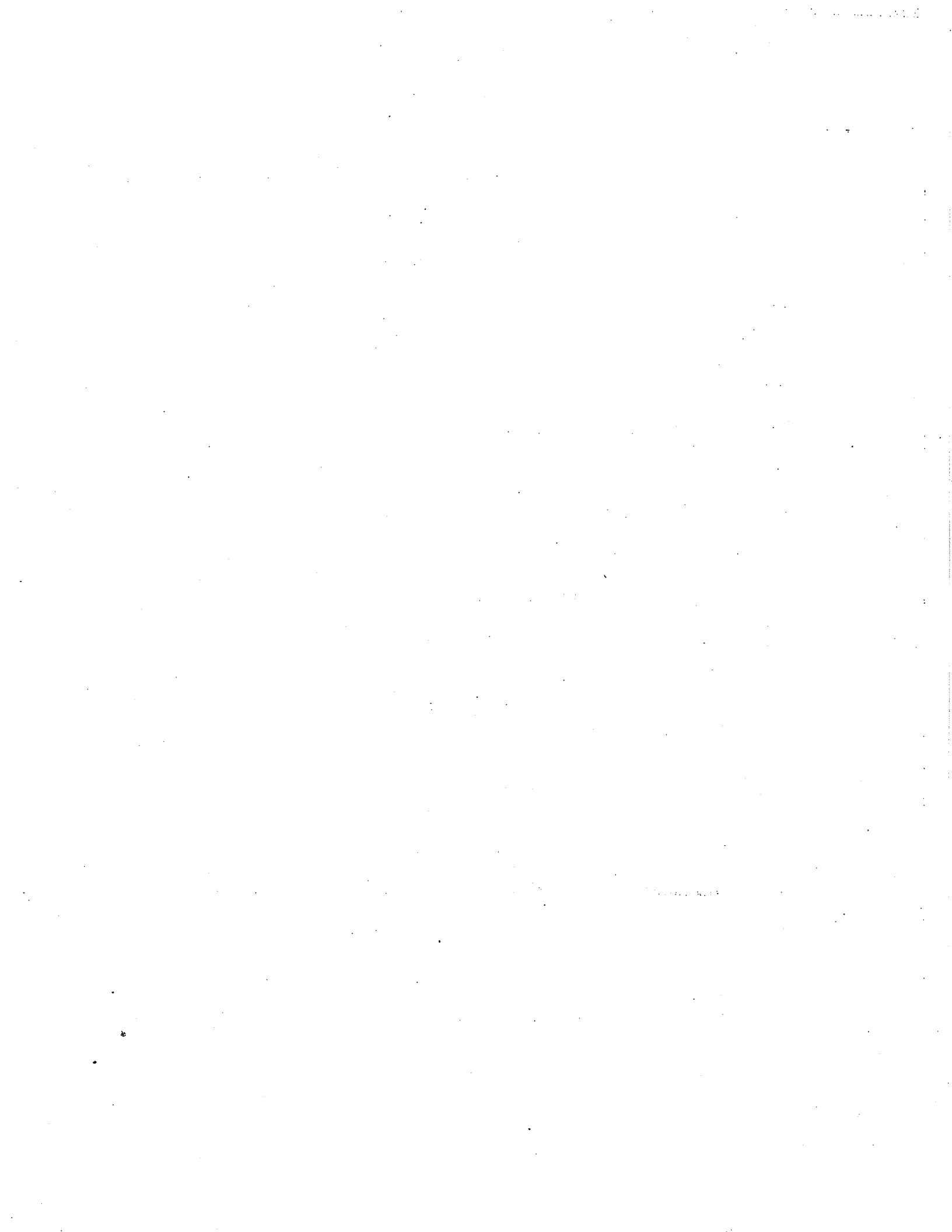
Others on this panel have enumerated the advantages of H.R. 22, so I will not repeat their evidence. All of us at this table are in agreement. There is one aspect of this process, however, that I would like to address: the imposition of the CBO “scoring” on this bill. If CBO’s score is an obstacle, then Congress needs to take a close look at the problem created by the rules under which CBO operates. The scoring



issue may be singular to the Postal Service. It is a quasi-governmental entity which receives no federal appropriation for its operations. It is off-budget for some purposes and on-budget for others. That is quite a hybrid. Why should an inter-governmental transfer of USPS funds that in the long-term will not change the finances of the Treasury by one cent, and will not change the Postal Service's total obligation or the total amount of the Retiree Health Care Benefit Fund, be construed as "adding to the deficit"? Why should a fix that does not cost the taxpayers or the users of the Postal Service one penny be "scored"? While it may make some sense in an academic, accounting ledger world, it does not make common sense in the real world.

Not passing legislation similar to H.R. 22 will have two effects: first, on the Postal Service, which may not be able to meet all of its financial obligations as soon as September 30 of this year. Second, it would add to a much bigger debt—the debt incurred by American society if we allow the Postal Service and the \$900 billion industry which depends on it to fail during this economic crisis.

With regard to the Postal Service, under H.R. 22 the Trust Fund will not lose any money, no retirees will be disadvantaged, Congress will not have to appropriate any money, and the American taxpayer will not provide a penny of assistance through increased postage rates. I think Congress should figure out a way to pass H.R. 22. It is, in the words of President Obama's reinvestment act, "temporary, targeted and job



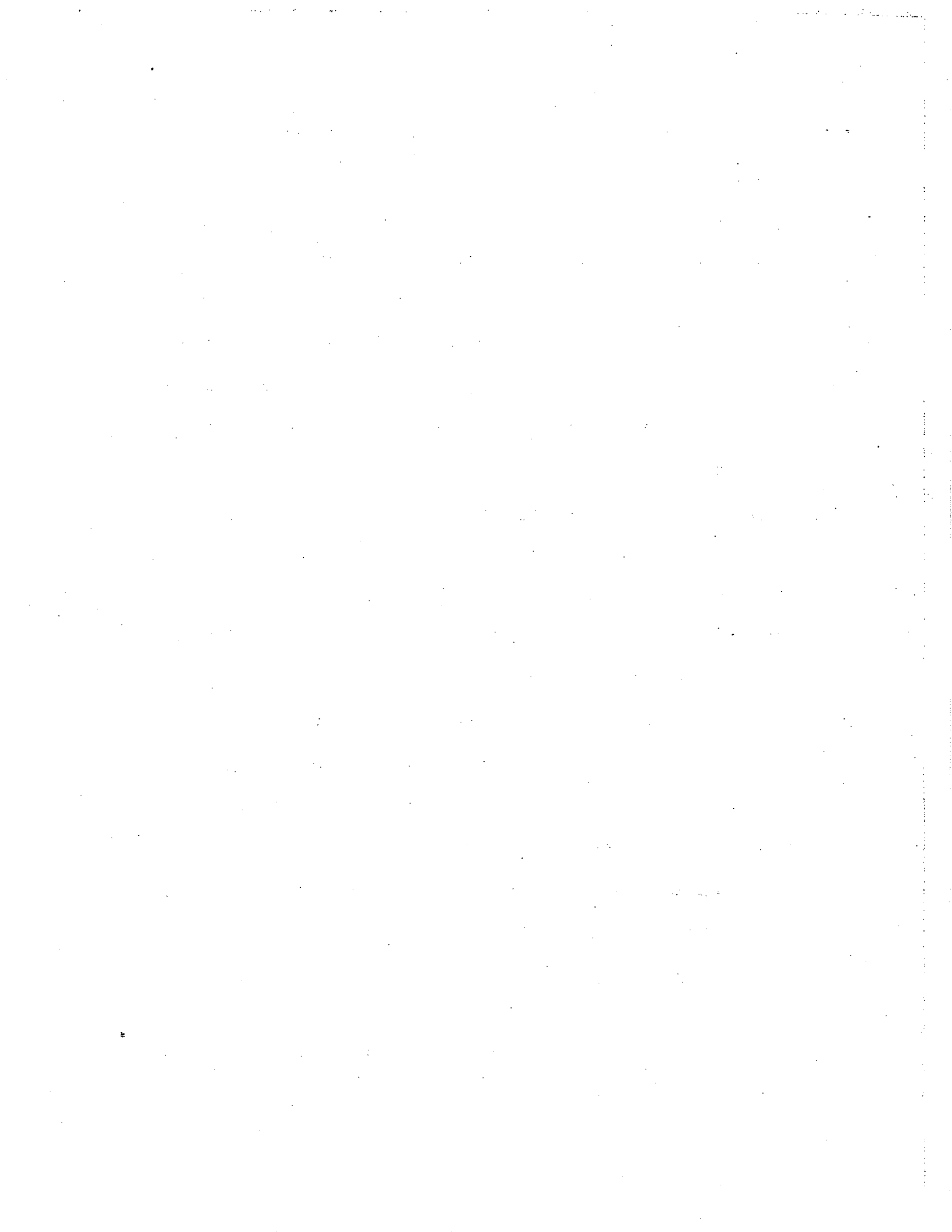
saving.” It is similar to the stimulus aid sent to the States to prevent layoffs and cuts in services.

Focusing on the mailing industry, magazine and catalogue publishing companies are in dire straits due to the economy. If they do not publish a “spring sales catalogue,” a publishing company would have to lay off workers, or perhaps shut its doors altogether. Also, the mailing firm that the company employs loses work. The paper and envelope industry’s demand is decreased. More workers are laid off. In the meantime, the Postal Service loses that revenue.

And, it doesn’t take a flight of imagination to describe this scenario. It is already happening. RR Donnelly and L.L. Bean just announced layoffs. While H.R. 22 cannot control declining consumer sales, it provides a viable Postal Service that is crucial to revitalizing the future recovery of the economy.

Incidentally, that is why the long-term nature of H.R. 22 is so important. This economic decline is steep, and I haven’t read any economist who thinks the recovery will be swift. The two-year alternative that some Senators have suggested is putting a band-aid on a deep wound – it will require Congress to revisit the issue in less than 24 months, and that will be a very difficult task.

What are we, the Mail Handlers Union, doing to cut Postal Service costs? There is a complex story to be told here. First, during the past few years, thousands of Mail Handler jobs (and more than 100,000 total

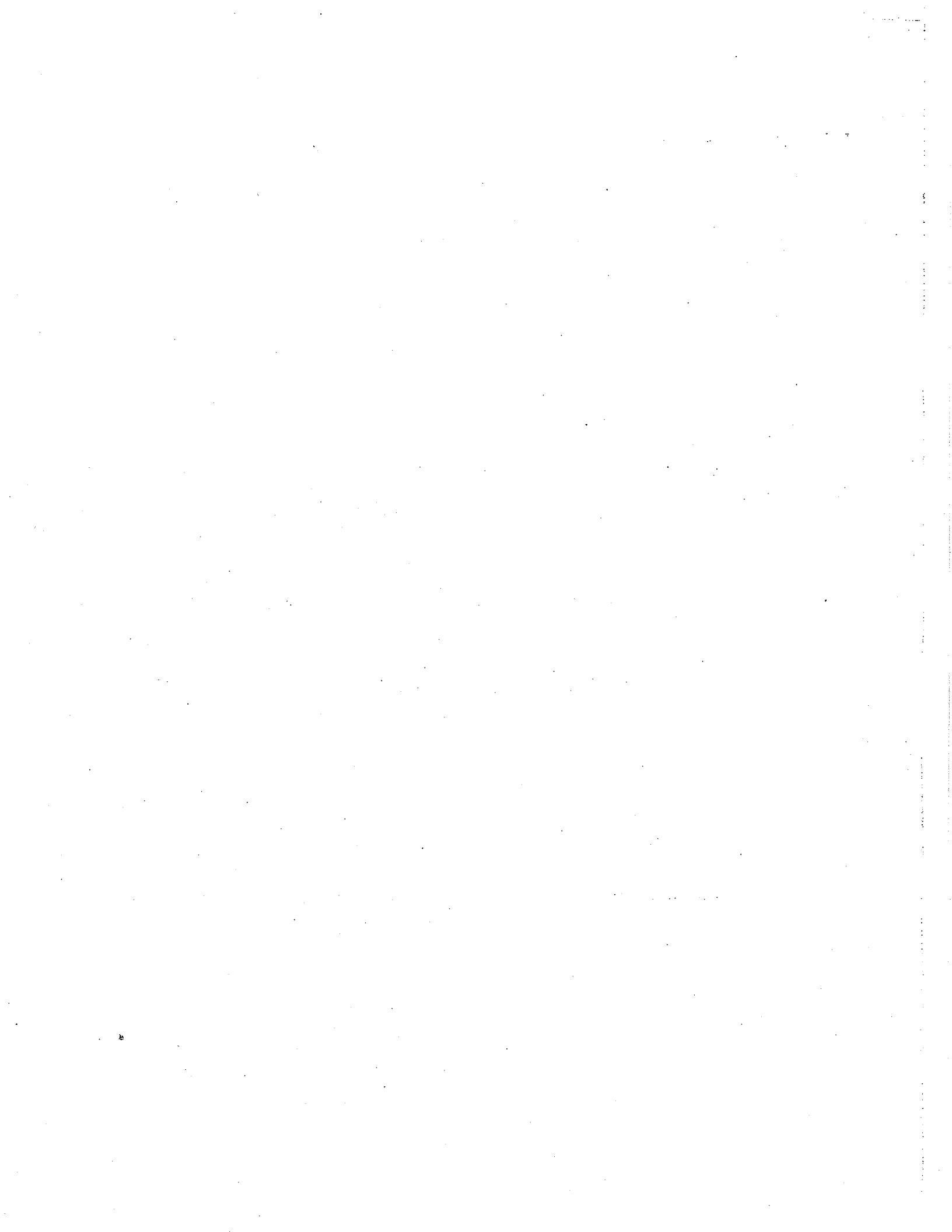


postal jobs) have been eliminated, through attrition, while the mail continues to be processed and delivered professionally, and on time. That is why postal employee productivity is at an all time high.

We also have aggressively pursued labor-management programs to reduce overhead. These programs have cut back injuries (and compensation costs in money and time lost) and associated health care costs, resolved and reduced grievances, and sped processing and delivery, doing it quicker and cheaper.

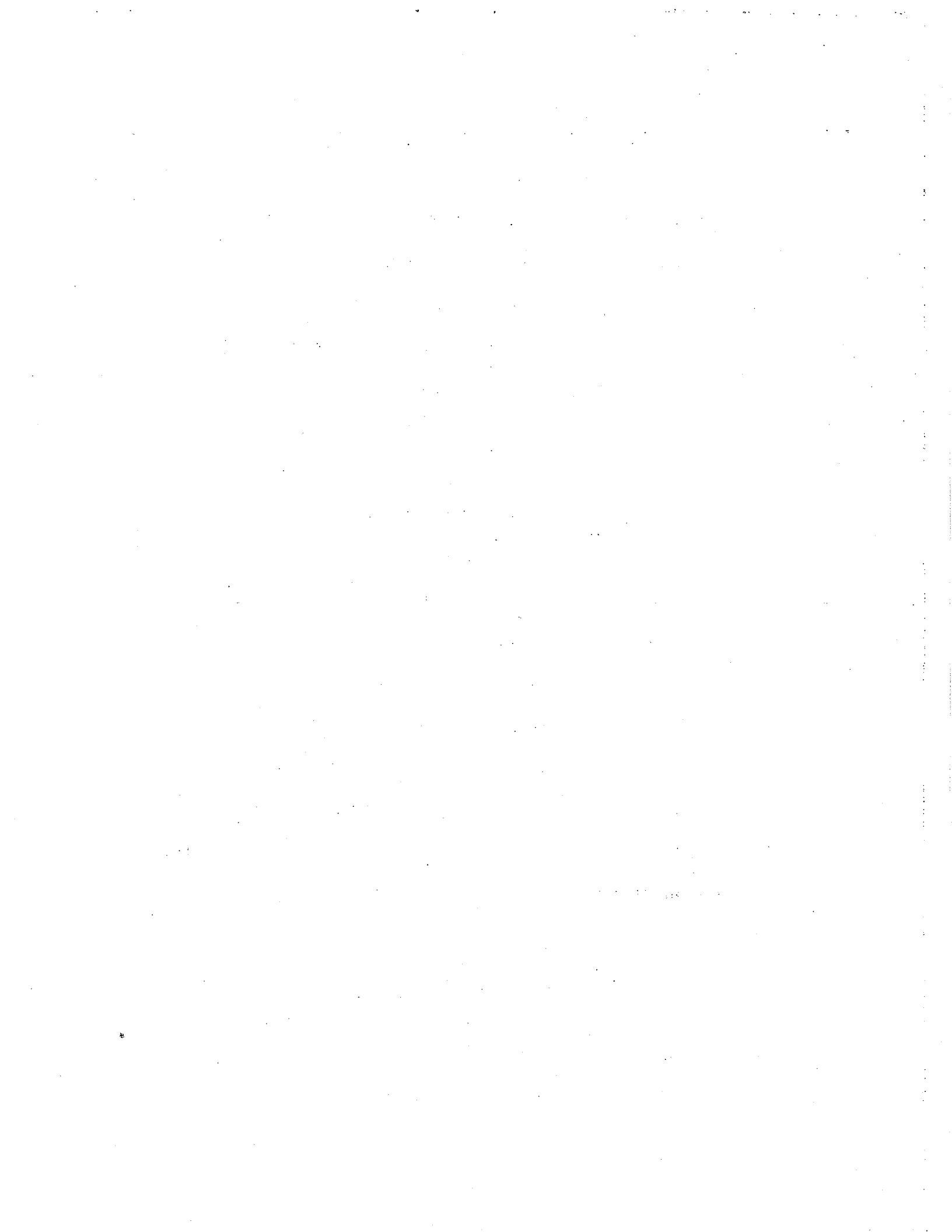
As with the other unions at this table, we work in many joint labor-management programs to save the Postal Service money. Let me give you just a few examples:

- *The Ergonomic Risk Reduction Process.* We have been very successful in reducing repetitive motion injuries by as much as 35%. This program establishes committees that meet in the individual plants on a weekly basis to identify ergonomic risks. Generally, because of the forceful backing of the Postmaster General and his headquarters staff, plant managers have embraced this effort. It has been estimated that the Ergonomic Risk Reduction Process saves (on average) 20 injuries per facility per year where the process is used – about a five-fold return on the dollar. From 2003 to the end of FY08, we have experienced 35.3% drop in



musculo-skeletal disorders at ERRP sites. These reductions account for approximately \$77.8 million in cost avoidance.

- *Voluntary Protection Program.* This program is driven by the employees and is OSHA-related. Rather than looking at recurring injuries, it looks at the cause of a specific, often traumatic injury. It seeks to prevent a recurrence. Where this program has been implemented during the past five years, it has become a major factor in the reduction of injury and illness rates. There are measurable differences in the injury rates in facilities that use this program versus those that do not. Less than 20% of facilities use VPP. This non-participation is caused, at least in part, by a complicated set of regulations that must be followed. We are working with OSHA to streamline those regulations. (See Attachment #1: OSHA Chart attached to my written testimony.)
- *Contract Interpretation Manual.* The Postal Service and our union spent years and millions of dollars on resolving contract disputes without a common reference tool. Starting in 1999, we developed the Contract Interpretation Manual or CIM as a joint effort to encourage union and management representatives at all levels to resolve and reach consistent results on issues about which the parties are in agreement. The CIM is binding on both parties. It has eliminated

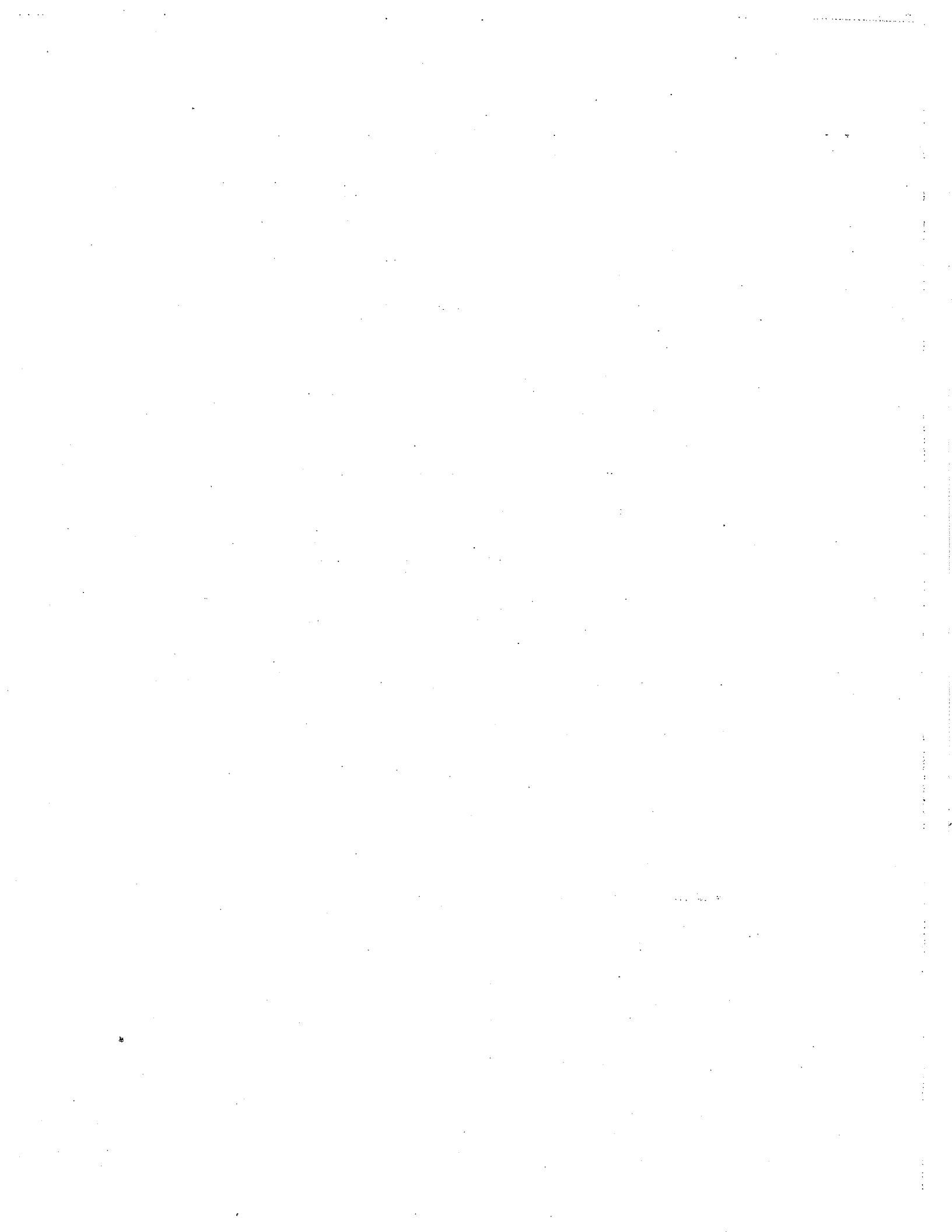


numerous misunderstandings and misinterpretations, and countless hours of unnecessary wrangling and appeals. It has saved many millions of dollars, and added a level of predictability and responsibility to our craft. We continue to upgrade the CIM on a periodic basis.

- *Quality of Working Life.* This program provides opportunities for Mail Handlers and supervisors, working together, to identify and resolve problems in the workplace.

Improvements include the following: reducing downtime of machines, streamlining handling of mail, increasing productivity of automation by modifications to the conveyor belts and other problems, designing a machine to dry mail, and much more. We could not begin to quantify all these savings, but the Postal Service reports that they are quite substantial (in the millions of dollars). (See Attachment #2)

All of these are joint labor-management programs that are intended to protect both employees and the public. They have made the Postal Service a more efficient, less costly workplace. They improve the work-lives of our members, and at the same time they improve the finances of the Postal Service. We believe that much of the recent increase in productivity of postal employees is directly related to union involvement, something which none of us should overlook.

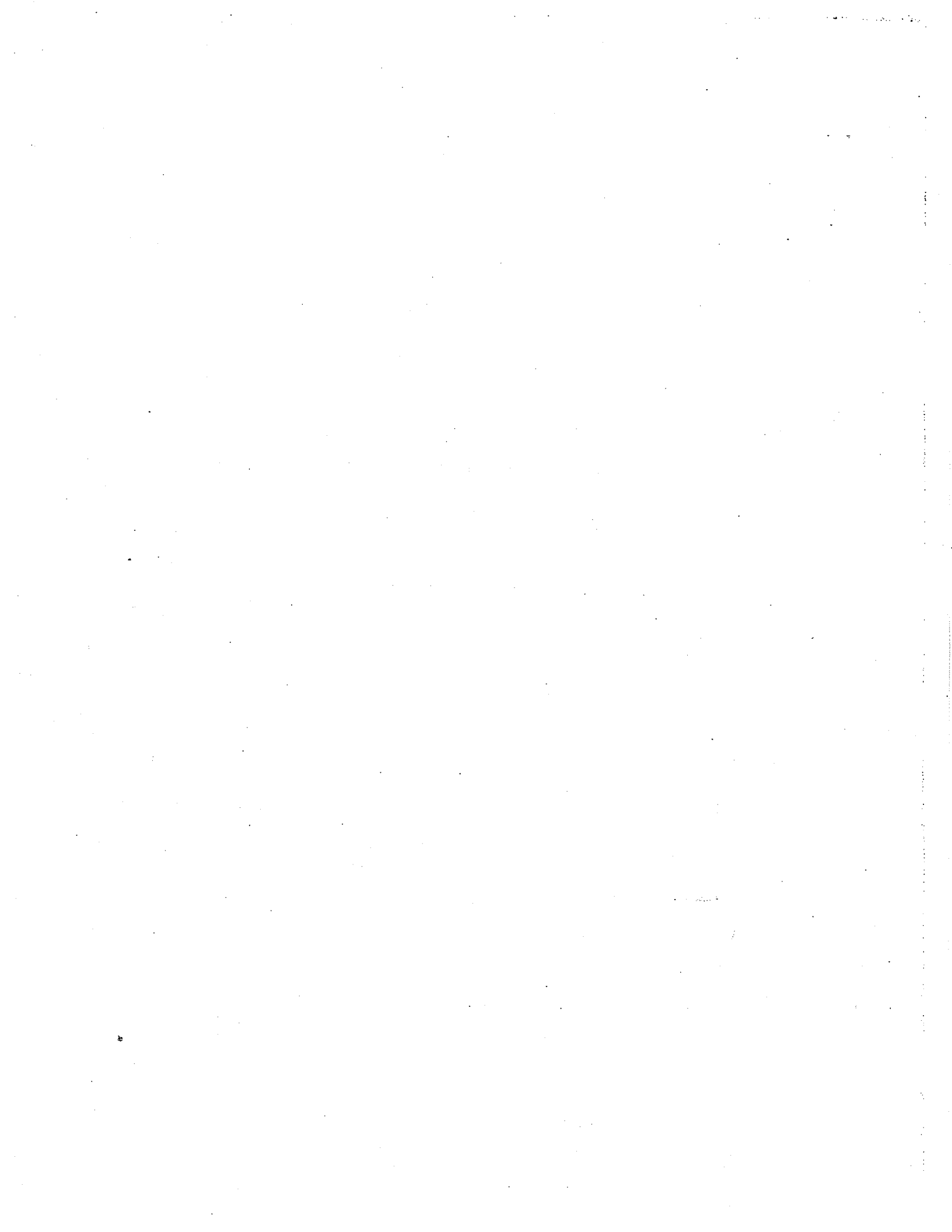


I have attached to my written testimony one example of how our members have saved the Postal Service, and its customers, money – in some cases hundreds of thousands of dollars, and in others millions of dollars.

On a related issue, Mr. Chairman, our unions have engaged in collective bargaining since the implementation of the 1970 Postal Reorganization Act. But our collective bargaining differs from that which you had in your Iron Workers Local. In 1970, in order to get meaningful collective bargaining, we gave up the right to strike. We also have binding interest arbitration if there is an impasse.

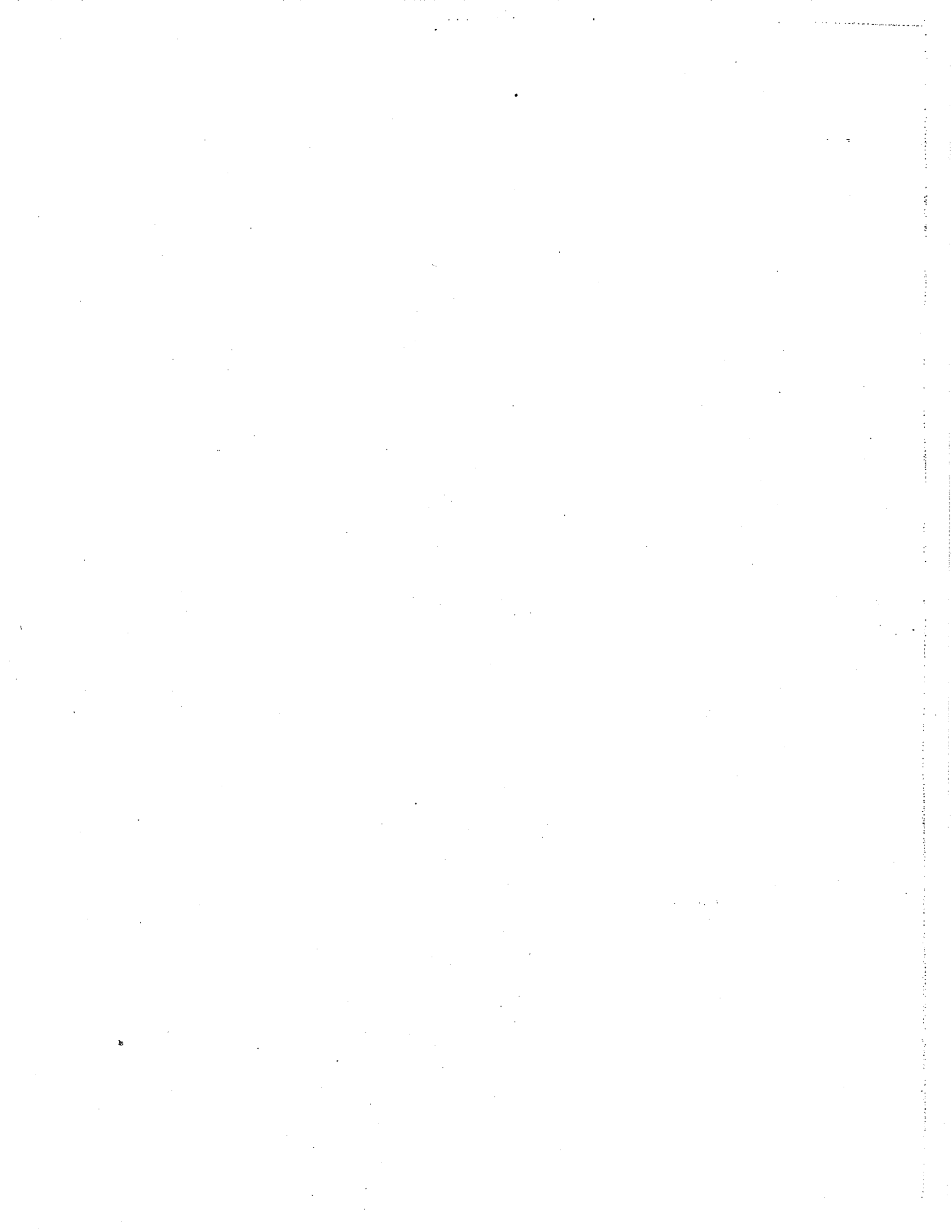
As a former labor leader, you know how complicated a give-and-take process collective bargaining can be. We have gained for our members a higher employer contribution to our health care than the federal sector. In return, we gave up some things, such as higher pay raises. That is the nature of the system, and we have not had a work stoppage since it was instituted in 1970.

In our current contract, which was negotiated in 2006, ratified by our members, and expires in 2011, we are reducing by 1% each year the amount the Postal Service pays toward our health care. The other unions and management associations are also on board with these reductions. The Postal Service's costs eventually will be reduced by more than \$250 million per year when all unions and postal employees are

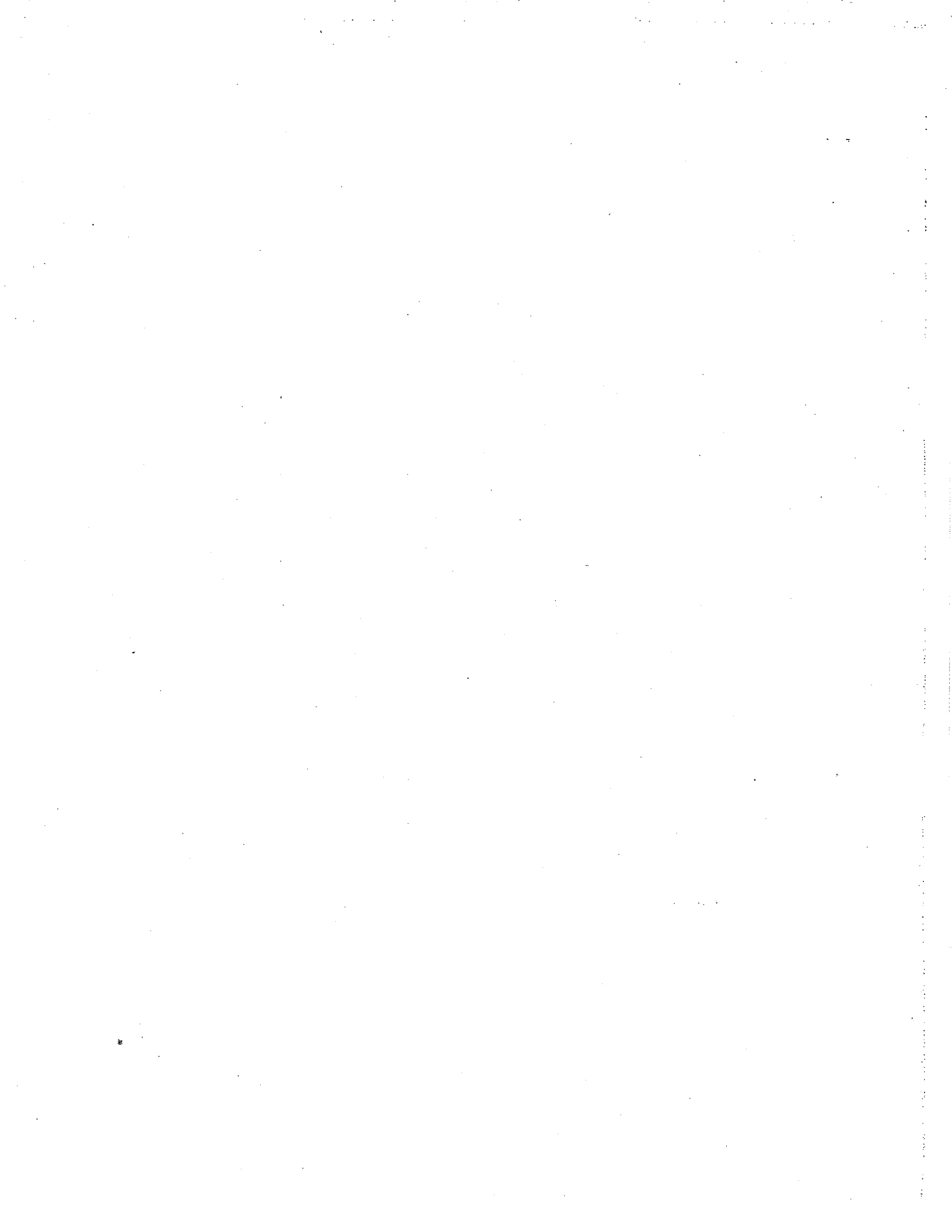


taken in account, and in these five years alone, the Postal Service is saving over \$800 million just from this one contract provision.

Again, thank you for your time and attention. No one sitting at this table thinks that resolving this crisis will be easy. We are presidents of unions who represent nearly one-half million workers. Our daily concern about the future of the economy and the Postal Service reflects our members' worries about their future. I will be glad to answer any questions you may have.



Attachment 1

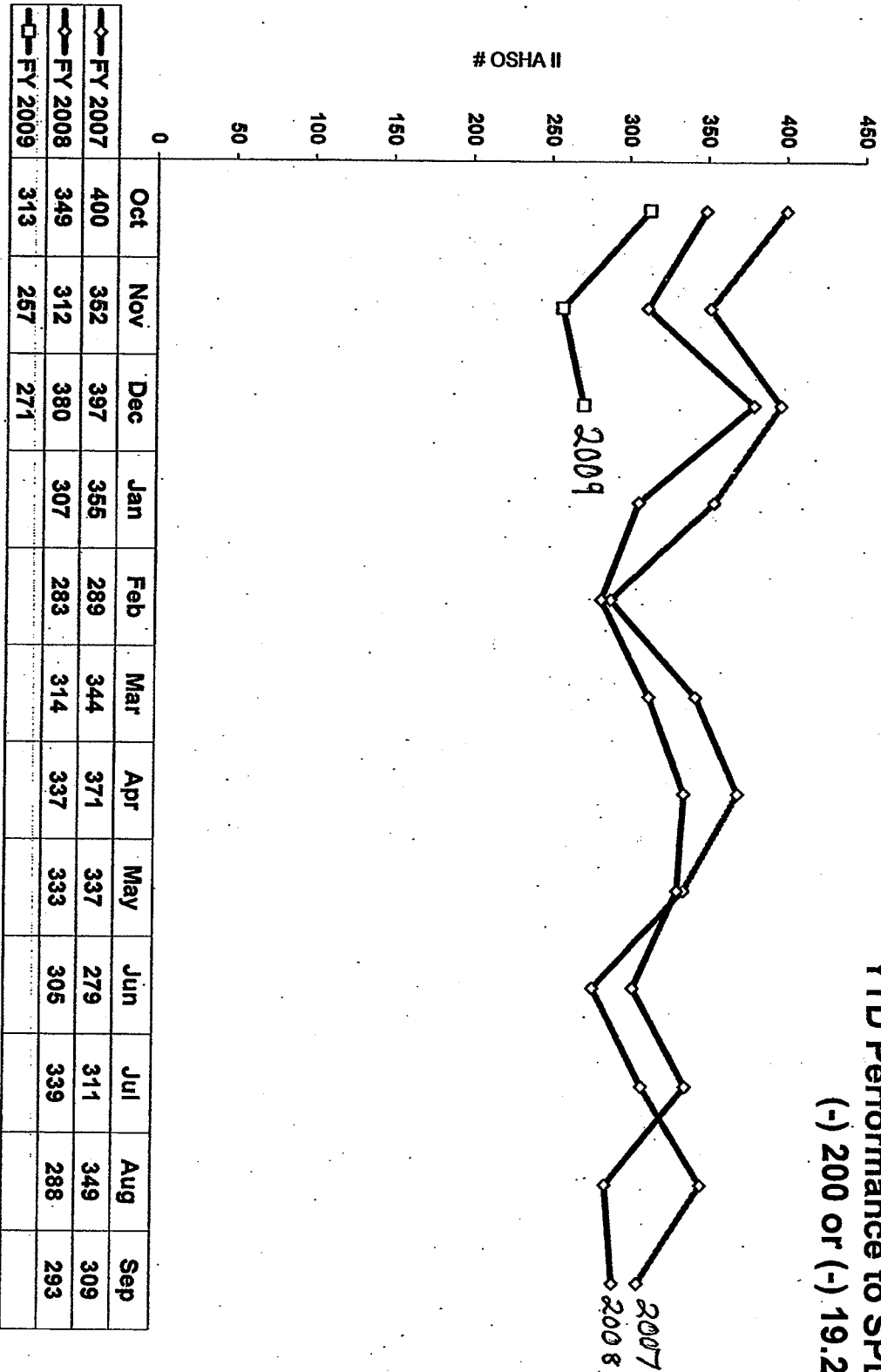




NPMHU OSHA II PERFORMANCE

FY 2007, 2008 & 2009 MONTHLY TREND CHART

YTD Performance to SPLY
 (-) 200 or (-) 19.2%



Month	FY 2007	FY 2008	FY 2009
Oct	400	349	313
Nov	352	312	257
Dec	397	380	271
Jan	355	307	
Feb	289	283	
Mar	344	314	
Apr	371	337	
May	337	333	
Jun	279	305	
Jul	311	339	
Aug	349	288	
Sep	309	293	

QTR 1 FY 2009



NPMHU OSHA II PERFORMANCE

YTD BY AREA - RANKED % DIFF TO SPLY

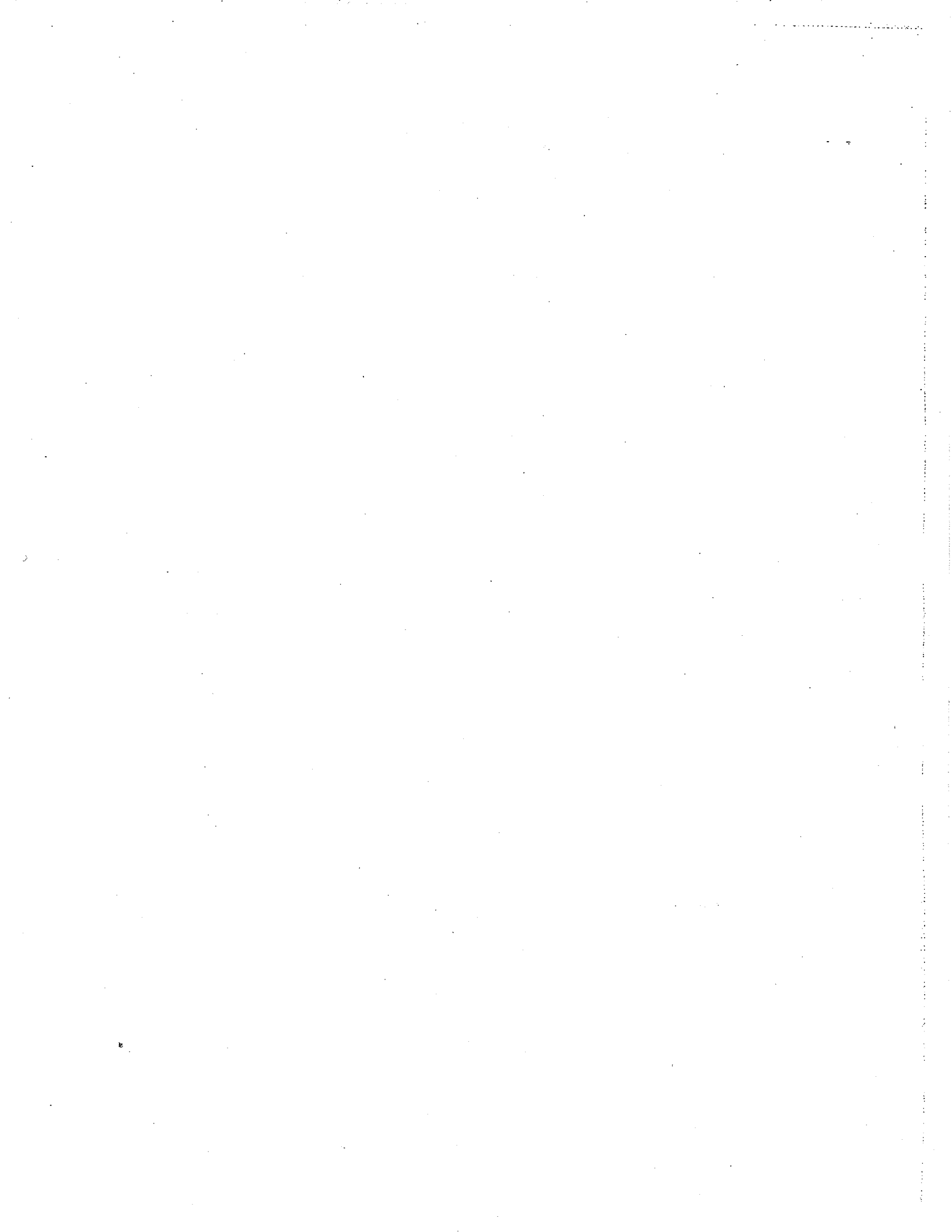
Sorted

Area	YTD FY 07	YTD FY 08	YTD FY 09	YTD Diff (09 to 08)	YTD % Diff (09 to 08)
1 SOUTHWEST	115	99	63	-36	-36.4%
2 WESTERN	171	160	107	-53	-33.1%
3 PACIFIC	89	78	54	-24	-30.8%
4 EASTERN	206	156	109	-47	-30.1%
5 GREAT LAKES	134	123	104	-19	-15.4%
6 SOUTHEAST	111	134	119	-15	-11.2%
7 CAPITAL METRO	87	88	81	-7	-8.0%
8 NORTHEAST	106	88	84	-4	-4.5%
9 NEW YORK METRO	118	102	105	3	2.9%
10 GLOBAL BUSINESS	12	13	15	2	15.4%
Area Total	1,149	1,041	841	-200	-19.2%

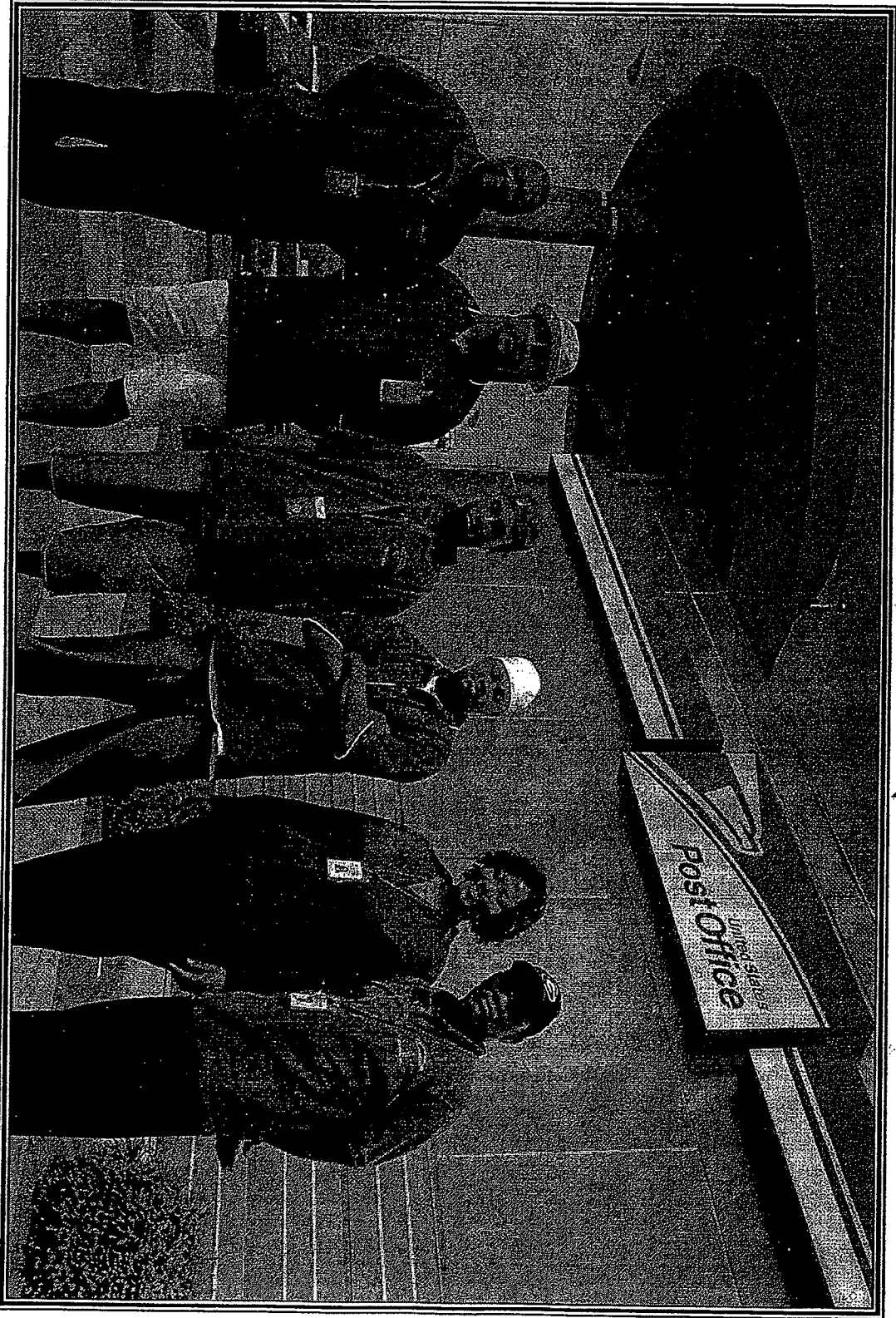


QTR 1 FY 2009

Attachment 2

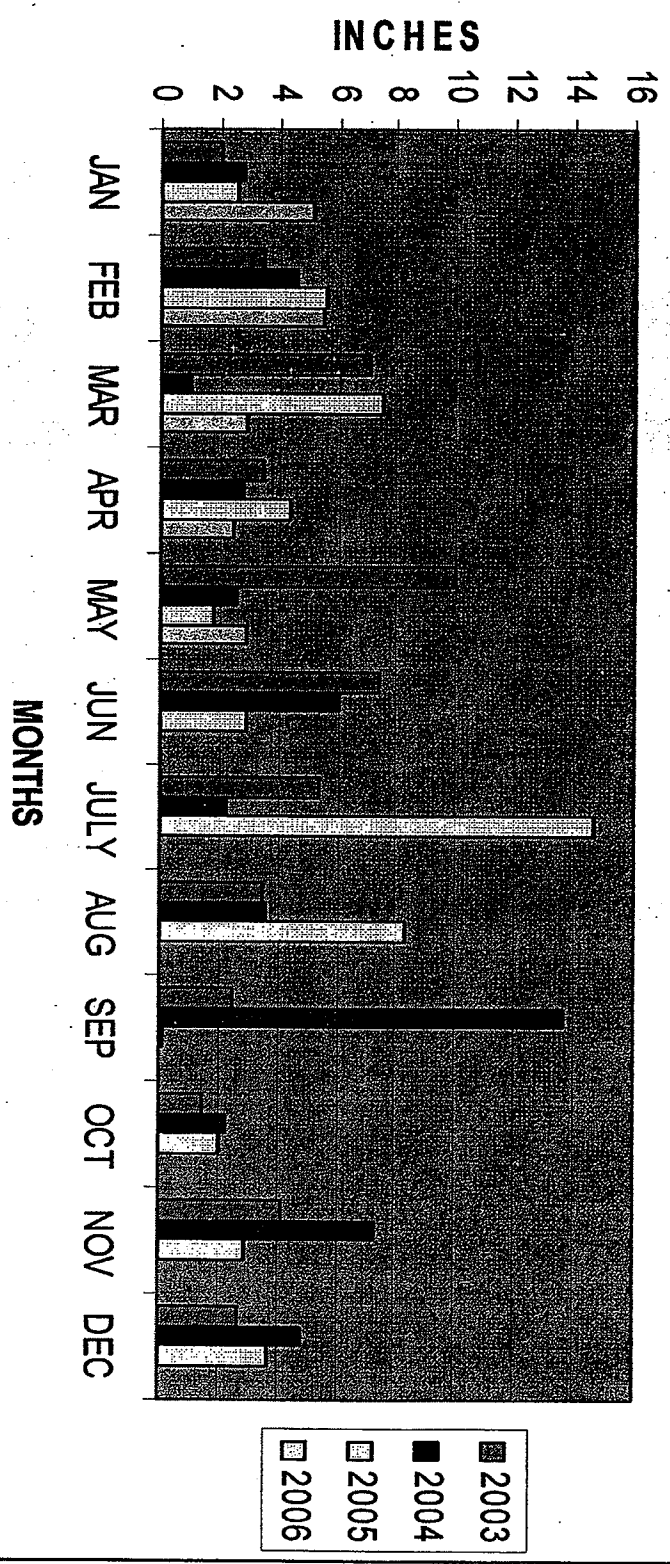


MAGNETIC THREE QUALITY CIRCLE



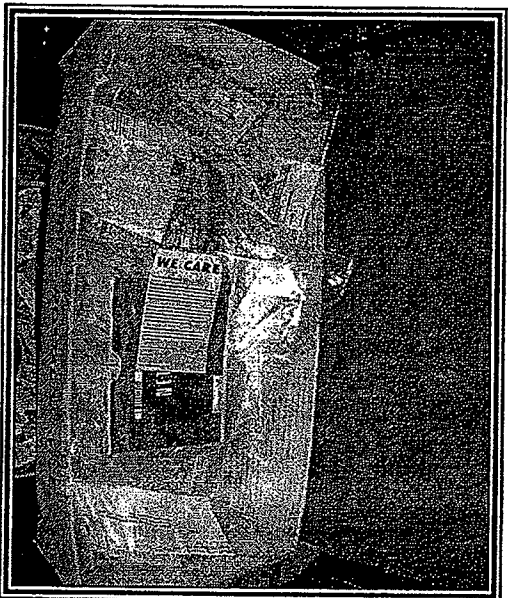
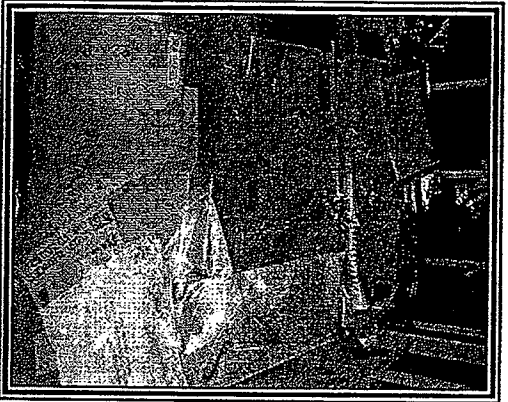
CURRENT DATA:

ATLANTA RAINFALL



PRESENT SITUATION:

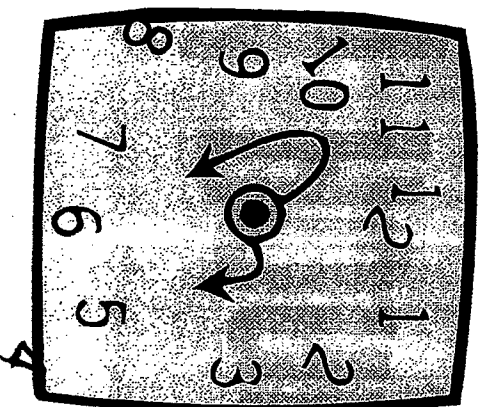
- ◆ Wet Flats and Letters from stations are slowing the processing of the mail.



PRESENT SITUATION:

- ◆ Wet Flats and Letters are often delayed 12-24 hour before it is placed back into the mail stream.

12-HOUR CLEARANCE



24-HOUR

SOFTWORLD

◆ Our proposal is To:

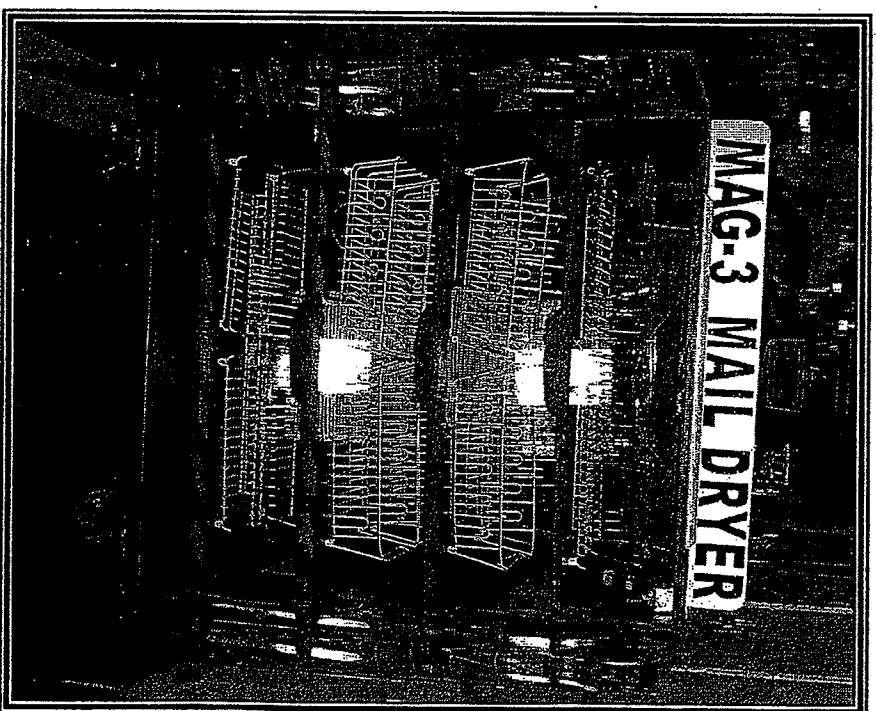
Build a machine like
none other.

Our Proposal is To:

- ◆ **Dry Flats and Letters from the stations by using the "Mag 3" Mail Dryer. (See attachment A-1)**
- ◆ **Have designated area to dry wet Flats and Letters from affected areas. (See attachment A-2).**

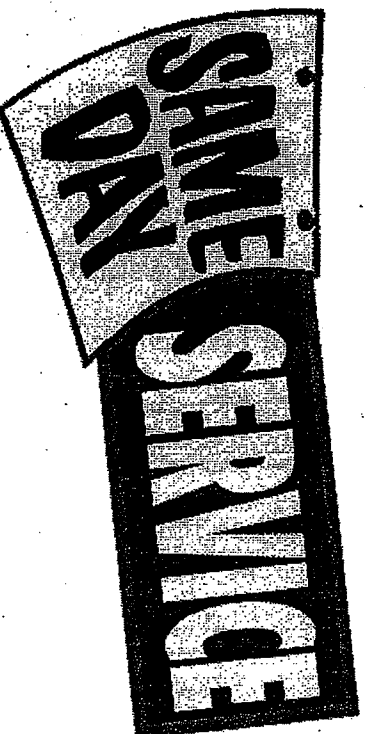
We anticipate that if this proposal is implemented it will :

- ◆ **Provide Mag 3 Mail Dryer to promptly dry wet Flats and Letter from stations, so that they can be processed.**
(See attachment A-1)



We anticipate that if this proposal is implemented it will :

- ◆ **Allow the dried mail to be placed back into the mail stream within the hour.**



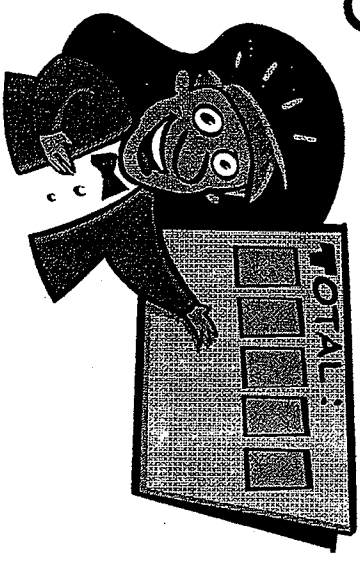
Voice of the Customer

- ◆ The implemented changes will positively affect the customer by keeping wet mail from becoming damaged and thus protecting the contents, and also aid in improving prompt delivery.

**We
Love
To
Serve
You!**

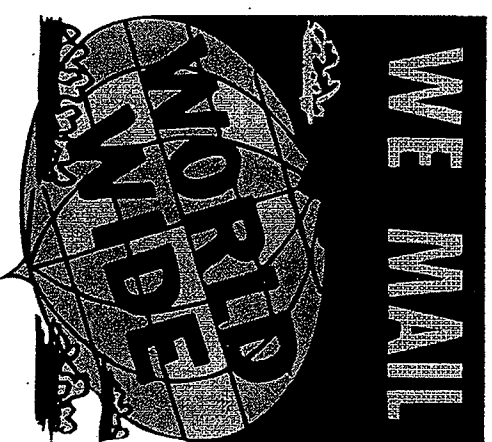
Voice of the Business

- ◆ The implemented changes will positively affect the business by improving EXFC scores by reintroducing potential test mail to the outgoing process, thus maintaining the integrity of the 24 hour clock.



Voice of the Employee

- ◆ The implemented changes will directly affect the employee by providing an effective process for drying wet Flats and Letters, therefore allow employee to be more productive in their respective craft.



Cost Analysis

Mag Three Mail Dryer

Parts	\$350.00
Labor	\$600.00
Total Cost	\$950.00

Average Pieces Of Wet Mail in One Day	3,600
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Potential LASS Revenue For One Day	
2,700 Letters x 0.39	\$1,053.00
900 Flats x 0.63	\$567.00
3,600 Total Pieces	\$1,620.00

Average Annual Rainey Days	115
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Potential Annual Loss	\$186,300 (\$1,620 x 115)
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Potential Annual Savings with MAG THREE DRYER	
\$186,300	
One Time Cost Of Dryer	-\$950.00
Total Potential Annual Savings	\$185,350

