

**STATEMENT OF
TED KEATING, PRESIDENT
NATIONAL ASSOCIATION OF POSTAL SUPERVISORS**

ON

**RESTORING THE FINANCIAL STABILITY OF THE U.S.
POSTAL SERVICE: WHAT NEEDS TO BE DONE?**

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

**COMMITTEE ON OVERSIGHT AND
GOVERNMENT REFORM**

UNITED STATES HOUSE OF REPRESENTATIVES

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Good afternoon Chairman Lynch, Ranking Member Issa and other distinguished members of the subcommittee. My name is Ted Keating. Thank you for inviting me to testify on behalf of the National Association of Postal Supervisors.

We are at a pivotal moment in the life of the Postal Service. The financial health of this great American institution is threatened by a disastrous economy that has undermined mail volume and threatened the viability of postal service in this country as we know it. Electronic diversion of mail has contributed further to the problem. While we are optimistic that a substantial portion of the volume will eventually return as the economy strengthens, the Postal Service faces continuing, severe revenue losses that will jeopardize service accessibility and quality.

The Postal Service continues to suffer from the steady erosion of mail volume. Last month USPS reported the eighth consecutive quarter of lower mail volume, with volume off more than 15 percent from where it was this time last year. Even greater losses are predicted through the remainder of this year. The last time mail volume fell by as much was in 1937 in the midst of the Depression.

The Postal Service has not been passive in response to the worsening financial situation. Over the past year, as mail volume has continued its steady decline, the Postal Service has initiated aggressive cost-cutting actions that have reduced the financial loss. The Postal Service has cut 50 million workhours, stopped construction of new post offices and facilities, instituted a nationwide hiring freeze, consolidated mail processing operations and reduced hours in many post offices.

Last Friday it announced the closure of six of its 80 district offices, the elimination of more than 1,400 mail processing supervisor and management positions at nearly 400 facilities around the country and the offering of another early retirement opportunity to nearly 150,000 postal employees. These actions are expected to save the Postal Service more than \$100 million annually. More job cuts are likely to come, as

downsizing continues, operations are streamlined, and processing and delivery networks are made more efficient.

Indeed, much more remains to be done to restore the financial health of the Postal Service. Congress needs to do its part. Mr. Chairman, we urge the Committee to move ahead and promptly report out HR 22. This is a necessary, but pragmatic action. I don't think a better vehicle to provide meaningful relief to the Postal Service could be found than HR 22. The relief comes not at the expense of the taxpayer, but through a sensible recalibration of the financing arrangements for the Postal Service's payment of health benefit premiums for its retirees. The legislation still upholds the policy of pre-funding future retiree health benefits, but permits the Postal Service to begin to pay its share of current retiree health insurance premiums from the Retiree Health Benefits Fund, into which it already has contributed significant sums.

The Congress should not allow itself to be tripped up by scoring problems associated with the overly-technical assessment of the legislation from the Congressional Budget Office. Why? The transfer of funds from the USPS Retiree Health Benefit Fund and the Civil Service Retirement Fund is purely an inter-governmental transfer, which should result in a net zero cost, regardless of on-budget or off-budget reasoning. Additionally, the same accommodating attitude that Congress applied toward the scoring of the economic stimulus legislation and other financial relief measures for the banking and auto industries should apply to the Postal Service. These are unprecedented times that require unprecedented approaches. Strict adherence to technical cost-scoring rules may make sense in the best of economic times, but not now.

Even when HR 22, passes, however, we will not be out of the swamp. Additional steps will be necessary. Let me take a moment to comment upon those additional steps the Postal Service should take. First and foremost, Postal Service needs to rethink its organizational structure and reorganize itself. Its nationwide management framework, currently built around 10 geographic areas, is far too large, bureaucratic and costly to be allowed to continue to exist. The Postal Service should return to an organizational

structure based on 5 geographic regions. By reducing and consolidating its top-management structure, the Postal Service would eliminate needless bureaucracy, save costs, and operate more efficiently. It is time that the Postal Service apply the same rigorous cost-cutting scrutiny to the numbers of its upper ranks as it is applying to middle and lower-management.

Second, the Postal Service should promptly withdraw from the practice of buying the homes of its employees, ostensibly in support of relocation needs. This policy has caused the Postal Service to rack up significant losses. The downsides of the policy are now becoming more and more evident, as the Postal Service faces an inventory of homes it must continue to pay to maintain until it can sell them. Recruitment and retention incentives can be provided through sufficient other means, without the need for home purchase

Third, the Postal Service should stop tolerating the practice of detailing supervisors and managers to positions that don't officially exist in the organizational structure. Currently there are hundreds of supervisors assigned to *ad hoc* positions, created at the discretion of district managers to address matters they deem merit attention. When a district manager has detailed a supervisor or manager to an *ad hoc* position, the work associated with their original position still must get done, creating a domino-like cascade of staffing reassignments, requiring even craft employees to be assigned to first-line supervisor positions, in turn generating overtime costs and harming productivity. District managers should be required to adhere to standard staffing practices like the rest of the Postal Service's executives and managers, and to use the resources and personnel normally available, avoiding unnecessary costs. It is unfortunate, Mr. Chairman, that I need to raise an internal management matter like this to your attention. It only one of numerous problems that NAPS and the postmaster organizations have raised with USPS, in light of the savings and management efficiencies that could be secured. Like so many of our recommendations, they have been ignored by USPS top management.

Additionally I concur with the recommendations of my colleagues that additional cost-savings could be secured through:

-- A recalculation of the value of the Postal Service's payments into the Civil Service Retirement Fund, revisiting the 2003 calculations because of highly questionable assumptions used by the Office of Personnel Management in arriving at its determinations;

-- Approving the Postal Service's application for Medicare Part B reimbursement of its prescription drug benefits program for its retirees, to which the Postal Service is clearly entitled; and

-- Relieving the Postal Service of its responsibility for paying the pension benefits associated with the military service of its employees, service that was rendered even before they were hired by the Postal Service.

In conclusion, Mr. Chairman, the Postal Service faces grave challenges brought about by the deep recession and aggravated further by continuing electronic diversion. These challenges, however, are not unconquerable. Through the initiatives I have touched upon, including the swift passage of H.R. 22, the finances of the Postal Service can eventually be stabilized. The Postal Supervisors look forward to working with you and the Congress to help to make that happen.

Thank you for the consideration of my testimony. I look forward to further dialogue when the time comes for questions.