



National Association of Letter Carriers

Affiliated with the AFL-CIO & Union Network International

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**Testimony Submitted by William H. Young
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Good afternoon Chairman Lynch, Ranking Member Issa and other distinguished members of the Sub-Committee. My name is William H. Young. It is my privilege to represent 220,000 hard-working letter carriers and some 80,000 retired letter carriers who are members of the National Association of Letter Carriers. Thank you for inviting me to testify on their behalf.

I have had the honor of testifying before Congress on numerous occasions over the past 10 years. I cannot remember a more important hearing than the one you are holding today, at least not for the 9 million Americans who work in the mailing industry and who rely on a healthy United States Postal Service – an industry that is, by the way, twice as big as the critically important automobile industry.

At this moment, the survival of the Postal Service – a venerable institution that is literally older than our country – hangs in the balance. The Great Recession we face today threatens to destroy the most trusted and universal connection most Americans have with their national government. The last time mail volume fell by as much as we have seen in recent months was in 1937 – at the depths of the Great Depression.

Like all of you, I am sickened by what Wall Street and companies like AIG, Lehman Brothers and Merrill Lynch have done to this country. The millions of workers who have lost their jobs and homes, the tens of millions of Americans whose pensions have been gutted, and the countless millions of American families whose dreams have been threatened, did not deserve what has happened to them. Most of all, I am outraged that the greed and recklessness of an elite few have endangered the future viability of the United States Postal Service – as well as the jobs of hundreds of thousands of hard-working postal employees.

I am sure all of you share that outrage. That so many of the responsible parties are nonetheless beating down your doors with outstretched hands, seeking bailouts from the taxpayers of this country makes it all the worse. It really is revolting.

We are not here today to ask for a taxpayer bailout, but we are here to ask the Congress for help. I am confident that you will not let your justifiable anger about AIG and the banking

industry bailout prevent you from doing the right thing when it comes to providing financial relief to the United States Postal Service. I will talk more about that in a moment. But first, I want to talk about what we are doing to overcome the crisis.

Even before the recession, the Postal Service and its employees faced a difficult challenge. The decline of First Class Mail due to the Internet and the need to adapt to a new postal law led NALC to seek win-win solutions in the 2006 round of bargaining. We stepped up to facilitate the introduction of further automation with the Flats Sequencing System and addressed rising health care costs. We created a joint route evaluation task force to dramatically reduce the time and expense of adjusting city carrier routes and we expanded the duties of city carriers by taking Customer Connect, a program that uses letter carriers as sales agents for the Postal Service's competitive products, nationwide. The new law granted the Postal Service greater pricing flexibility for these products and we want to take full advantage of it when the economy begins to recover.

When the financial meltdown hit last fall, NALC was already working with the Postal Service to responsibly cut costs in the face of a recession that hit the Postal Service a year earlier. Mail volume was dropping and we understood that fewer carriers were needed to do the job of serving more than 145 million delivery points, six days per week. We used our special task force to negotiate an expedited system of route adjustments and went to work on adjusting virtually every city carrier route in the country in the space of just a few months, a task that would normally take years under the traditional system. It cost us jobs, but it was necessary – over the past year, more than 10,000 city carrier positions have been eliminated through attrition. As Postmaster General Jack Potter informed Senator Joe Lieberman in a December 3, 2008 letter, our route adjustment agreement will help the Postal Service save \$1.3 billion this year on city delivery operations. We expect to use this expedited system again later this year to achieve further savings.

As Postmaster General Potter testified earlier today, the USPS is taking unprecedented measures to cut costs and respond to the current crisis. But we cannot use cost-cutting measures alone to restore our financial health. Given the scale of the crisis before us, we need Congress to act as well.

In the short-term, that means taking the common-sense step of passing H.R. 22, a bipartisan bill introduced by Reps. McHugh and Davis that will save the USPS billions of dollars over the several years by letting it pay current retiree health benefits out of its now-restricted retiree health fund. Meanwhile, going forward, Congress should work with the Obama administration on an in-depth review of the Postal Service's post-retirement obligations. Such a review would examine the prior administration's decisions in this area of policy and devise a fair division of responsibilities between the Postal Service and the U.S. Treasury for service performed for other agencies or for the Post Office Department before the creation of the USPS in 1971.

Let me say a little more about H.R. 22. First, I want to thank the seven members of this Sub-Committee who have co-sponsored this legislation. You are part of a huge, bi-partisan group of members – nearly 200 at last count – who have co-sponsored H.R. 22. The House of Representatives clearly understands this issue and I hope both this Sub-Committee and the full Government Reform and Oversight Committee will act to move this legislation expeditiously.

Second, NALC strongly supports the policy of pre-funding future retiree health benefits. Those benefits are our benefits. They are benefits that letter carriers and other postal employees are relying on to be there in the future – they are benefits that we have all worked very hard to earn. But we are seeking to adopt a more reasonable and affordable schedule of prefunding. Indeed, even with the adoption of H.R.

22, the Postal Service will still be prefunding at a far greater rate – some \$2 billion per year – than virtually any other company. In fact, no other company is required by law or corporate accounting standards to pre-fund retiree health benefits – and not surprisingly, very few do. A survey by Watson Wyatt in 2008, shows that 65 percent of Fortune 1000 companies do not prefund at all and that the median level of prefunding (relative to future obligations) among the minority of firms that do prefund is far less than the 40-50 percent the USPS has already set aside in the Postal Service Retiree Health Benefits Fund. (The Watson Wyatt survey will be submitted for the record.)

Third, with H.R. 22, the Postal Service is not looking for a bailout. No taxpayer funds will be required by the bill. The USPS is seeking to use its own money to survive a cash crunch resulting from the economic crisis. The collapse of the housing, real estate and banking industries – all heavy users of the mail – and an economy-wide retrenchment in advertising budgets have slashed mail volumes. Although all the volume we have lost may not all come back, we believe most of it will when the economy improves. The McHugh-Davis legislation will provide breathing space until the economy fully recovers.

And fourth, H.R. 22 will not in any way reduce or endanger the benefits payable to postal employees. That's because, as under current law, any unfunded liability for retiree health benefits that remains in 2016 will be amortized by the Postal Service over the next 40 years.

Given the unique nature of the Postal Service and the placement within the Office of Personnel Management (OPM) budget of the funds used to pay for postal retiree obligations, the Congressional Budget Office (CBO) may assign a positive score to H.R. 22. I know how important the budget scoring rules are, but I will trust this Sub-Committee to deal with this obstacle. I am also confident that the Congress as a whole will see that maintaining the viability of the Postal Service in the face of the worst economic crisis in 80 years is so important that a positive score, arrived at because of technical rules governing the projection of future postal outlays, should not stand in the way of this legislation.

Of course, the crisis we face is not going to be over quickly. The Federal Reserve has concluded that it may take five or six years to recover from this recession –which explains the extraordinary credit market actions it took last week. This is why we need the full eight years of relief provided by H.R. 22. And this is why we need Congress and the Obama administration to undertake a comprehensive review of the Postal Service's post-retirement obligations. Such a review could fairly reduce the Postal Service's costs by significantly more than most of the alternatives now being discussed – particularly, proposals to eliminate one day of delivery. Such a reduction in delivery frequency would be penny-wise and pound foolish. It would reduce the value of the Postal Service to its customers by far more than any associated cost savings. And it would be counterproductive because it would drive more volume out of the mail-stream. Since we believe that most if not all the mail volume lost during this crisis will return, and that many new uses of the mails will evolve over time once the economy recovers, any precipitous decision to reduce delivery services would be short-sighted and unwise.

Let me expand on the need for a comprehensive review of retirement obligations. There were at least three decisions made by the OPM and the prior administration affecting the cost of postal retiree health benefits that need reconsideration and correction, and there is at least one other pension issue that deserves review.

On retiree health, the Postal Accountability and Enhancement Act called for the establishment of a Postal Service Retiree Health Benefit Fund with a down-payment from a transfer from the Civil Service Retirement Fund. This transfer was supposed to be the surplus in the so-called "postal sub-account" of the Fund, taking into account the decision by Congress to return the cost of CSRS military pension ben-

efits earned by postal employees to the U.S. Treasury. This brings us to the first Office of Personnel Management decision that adversely affected the Postal Service. When its Board of Actuaries initially calculated the ‘postal surplus’ in 2003, the OPM unfairly transferred pension obligations for service provided to the Post Office Department to the USPS – a cost that is legitimately the obligation of taxpayers, not postage ratepayers. It did this by failing to account for the impact (in some measure) of wage inflation on the cost of CSRS service credit accrued by employees before the creation of the Postal Service in 1971. The Treasury was not assigned the actual cost of this pre-1971 service credit when workers retired with pensions based on their high-three average salaries, only the cost of that credit at pre-1971 wage levels – as if the workers had never received another pay increase after 1971. For these employees, the Board also effectively shifted the high-cost years of service under the CSRS pension formula to the Postal Service while assigning the low-cost years to the Treasury. Both issues are explained by a report prepared by the Hay Group for the USPS that I will submit for the record.

Two other decisions made by the previous administration also raised the cost of future retiree health benefits for the Postal Service.

First, it wrongly rejected the Postal Service’s application for funds authorized by the Medicare Modernization Act (MMA) for employers that provide prescription drug benefits to their retirees – a decision that raised the long-term unfunded liability of such benefits by \$6 billion. Public employers like the USPS were specifically authorized to receive the MMA funds and while using taxpayer funds under MMA to offset taxpayer-funded benefits in other federal agencies might not make sense, the Postal Service is not tax-payer funded.

Second, when calculating the cost of future retiree health benefits, the OPM mandated the use of an inflation assumption for retiree health premiums that grossly overstates the likely cost of future benefits. The OPM assumes FEHBP premiums will rise by 7 percent annually over the next several decades, while the Centers for Medicare and Medicaid and most corporate benefit experts assume a more sustainable 5 percent long-term inflation rate. (I will submit a survey of “costing assumptions” conducted in 2008 by Watson Wyatt.) The schedule of payments included in the PAEA was made all the more onerous as a result of all these decisions.

Finally, we believe Congress and the Obama administration should complete the work begun in the PAEA in relieving the Postal Service of the cost of pension benefits derived from military service performed by employees before they are hired by the Postal Service. The PAEA transferred the cost of such benefits under CSRS to the Treasury in 2007, but the USPS still shoulders this cost for FERS employees – a cost that should be borne by taxpayers. The cost is significant because veterans’ preference in USPS hiring is mandated by law and three-quarters of all postal employees are now covered by FERS. As a first step, this Sub-Committee could ask the OPM and/or the GAO to conduct a thorough analysis of the cost of FERS military pension benefits payable to postal employees.

As most of you know, I do not share the calm demeanor and even temperament of our new President, Barack Obama. Although I make no apologies for being a passionate defender of my members and their employer, those who don’t know me often mistake my passion for anger. Well, today it would not be a mistake. I really am angry.

I think it is a travesty that we find ourselves in this precarious position not because of anything we have done. Not because of anything postal management has done and not because anything this Congress or this Sub-Committee has done. We are here today because the financial industry and its leaders have recklessly crashed our economy.

But undirected anger is not especially helpful and doesn't solve the problem. President Obama has correctly called on us all to channel our anger productively, and to rebuild our economy by rebuilding our Middle Class. There is no better way to do that than to help the Postal Service survive the current Great Recession. No other organization in America supports more good Middle Class jobs. No other institution is more important to sustaining a bigger American industry and no other industry is more vital to promoting the economic recovery we all hope to create in the months and years to come.

I am in the final stretch of my long career in the Postal Service. Like a lot of my members, I have loved this institution and dedicated my life to it. It has survived a lot in its history. I am sure it will survive this crisis too, if we all pull together and make the right choices today. I look forward to working with this Sub-Committee to strengthen the Postal Service and to help build a better future for our country. I am happy to take your questions.