



# NATIONAL RURAL LETTER CARRIERS' ASSOCIATION

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Testimony of  
Donnie Pitts, President  
National Rural Letter Carriers' Association

before the

Sub-Committee on Federal Financial Management, Government  
Information, Federal Services, and International Security

July 25, 2007

Mr. Chairman, and members of the Committee, my name is Donnie Pitts and I am President of the 111,000-member National Rural Letter Carriers' Association. I want to thank you, Mr. Chairman, for holding this hearing on contracting out.

As of July 2007, rural carriers are serving on more than 76,000 rural routes. We deliver to 37.6 million delivery points, and drive more than 3.4 million miles per day. We sell stamps & money orders; accept customer parcels, Express and Priority Mail, Signature and/or Delivery Confirmation, Registered and Certified Mail, and serve rural and suburban America to the "last mile."

There is a saying that if you refuse to recognize the past you shall be forced to relive it. I was reading over a back issue of our national magazine, *The National Rural Letter Carrier*, from May 11, 1991, when the President at the time, Vernon Meier, testified before Congress, saying the "NRLCA is concerned that we are beginning to see a pattern of deliberate...conversion of many areas to Highway Contract Routes." To which a congressman replied, "We need to pass some kind of law where you cannot contract out those kinds of services." So now here we are, 16 years later, and I come before you to urge you to pass legislation to stop the growth of Contract Delivery Service (CDS).

Mr. Chairman, I am pleased to report that as of July 17, there are 35 co-sponsors of Senator Harkin's bill, S. 1457, a bill that would prevent the United State Postal Service (USPS) from entering into any contracts with any motor carrier or other person for the delivery of mail on any route with 1 or more families per mile. I am sadden, however, that only one Republican, Senator Cochran of Mississippi, is a co-sponsor of S. 1457. I had hoped this bill would have received more bi-partisan support.

Is it because the Postal Service has suggested that Contract Delivery is a matter for collective bargaining and not a policy question? I hope not because contracting out most certainly raises significant policy questions - particularly when the safety and security of the mails is at stake. Mr. Chairman, I am sure by now that everyone knows that the NRLCA and the Postal Service could not reach an agreement during our recent contract negotiations, and we are headed toward interest arbitration. What is less well known is that, unlike our friends in the city carrier craft, contract delivery services were never brought forward during our union's talks with the Postal Service. We don't see what the Postal Service is doing now as a collective bargaining issue; we see it as a policy issue.

There are a number of different policies already in place with the Postal Service to limit what can and cannot be contracted out. Our National Agreement with the Postal Service contains an article which addresses subcontracting, Article 32. Article 32 sets the standards and policies under which routes can be subcontracted. The Postal Service's P-5 Handbook which "establishes the national policy and procedures for the operation and administration of highway contract routes." That handbook language states that a route that serves less than one family per mile may be converted to CDS. Additionally, we have grievances at the national level that challenge the improper contracting out of mail delivery. Mr. Chairman, we, as a Union, have done everything within our power, utilizing policies, and

agreements with the Postal Service, to stop the Postal Service from contracting out the delivery of mail. Despite this, the Postal Service continues to ignore all these policies and agreements and continues to contract out routes. I'm asking that you support S. 1457, and pass this vital legislation to stop CDS.

In May, the House of Representatives held a site hearing in Chicago regarding the slow delivery of mail. It's been rumored another site hearing will be held in Los Angeles at a future date. Congressmen in New Mexico are scheduling meetings with officials from the Postal Service to discuss staffing concerns and persistent service problems throughout New Mexico. When the Postal Service announces the consolidation or closing of a facility within the state, that Senator gets involved. During the passage of Postal Reform, even an issue like work-sharing--(the discounts the Postal Service gives to mailers who provide presorted mail)--was made into a policy issue. Every time the Postal Service enters into a work-sharing agreement with a mailer, the end result is a postal employee not performing the work.

Even outside of the Postal Service, Congress has gotten involved in issues that Congress does not directly oversee. In February 2006, The Administration stated its approval of a deal that would have given a company based in Dubai operating authority of U.S ports around the country. Congress, rightfully so, saw a deal like this as potential security hazard to our nation, and used its oversight capacity to investigate and stop the sale. Congress needs to once again see the potential security hazard of allowing our nations mail to be handed over to contractors without proper background and identification checks, and keep the mail in the hands of U.S employees.

What I'm trying to point out using these examples is that when there is a problem with the mail service, closing of facilities, security, or any other problem, Congress gets involved to correct that problem. My question is why isn't Congress getting involved in stopping contracting out? Do they not see this as an issue just as important as service problems or the consolidation of facilities? I have no problem telling you this is an issue that is just as important as the others.

Letter carriers are the face of the Postal Service. We are the ones the American public sees out in the streets every day delivering their mail. They get to know us; they become our friends; and they trust us. This honor, for the third year in a row, has earned the Postal Service the distinction of being named the most trusted government agency by the Ponemon Institute, LLC.

The Postal Service scored 83 percent, according to the survey. It was one of the few federal agencies to increase its customer satisfaction and trust scores from the previous year. The average trust score among the 60 agencies surveyed was 47 percent.

I reference this survey because the public perception of the Postal Service is **DELIVERY**. If the Postal Service fails to deliver because of here-today-gone tomorrow contractors, the mailers will find another way to get their message to the public. I care about the future of the Postal Service. I want the Postal Service to succeed. But hiring non-loyal, non-liable contractors is not the way to ensure the success of the Postal

Service.

So why is the United States Postal Service contracting out? The Postmaster General would have you believe that the recent enactment of the Postal Accountability and Enhancement Act (PAEA) is the reason. This law, of course, mandates the USPS must adjust rates only up to the Consumer Price Index (CPI). Because of this, the Postal Service is pleading poverty, saying it must now consider and evaluate any new territory to be delivered using CDS.

While we as a Union are used to the Postal Service pleading poverty (we are of course in a contract negotiation year and it is expected the USPS will claim "poverty"), but in our view, the PAEA did more than just mandate that the USPS must operate under the CPI Index. It also released billions of dollars in the repeal of the escrow account and the transfer of the military pension obligation back to the Treasury Department. With the repeal of the escrow account and the transfer of the military pension obligation, the USPS is freed up of \$105 billion in obligations they no longer have (the escrow account was valued at \$78 billion over the course of its payments, and the transfer of the military pension obligation was commonly valued at \$27 billion dollars).

But the Postal Service is still pleading poverty. Why? Because the PAEA also mandates they must make payments into the newly created Retiree Health Benefits Fund. Payments into this fund have made the Postal Service broke, or has it?

The transfer of the escrow account only changes the way the Postal Service reports the money on their fiscal report. These funds have previously not been available to use for operations in the first place. Also, under accounting rules, the outstanding debt from retiree health care is not recognized until a payment is made toward it - at which point the debt becomes real. So, the payment is counted as an expense. But, in real financial terms, paying down a debt does not make you poorer. In fact, every dollar paid is matched by a decrease of one dollar in outstanding debt. Mr. Chairman, this is analogous to prepaying a mortgage.

Instead of the escrow money showing up as an asset, it is now reported as a liability because the escrow money was transferred into payments made for the Retiree Health Benefits fund. But the Postal Service has already paid that amount to the escrow account, and has already collected the money to offset the payment. The rate increase in January 2005 was meant to cover this escrow expense.

In addition, the payments made into the new Retiree Health Benefits fund consist largely of the repayment of an existing obligation of the USPS to its retirees. After ten years, the USPS will have a fully funded health benefits fund for its retirees. In other words, the USPS is paying down a debt that it already owes itself.

Mr. Chairman, you, and Senator Collins spent years passing Postal Reform to make the Postal Service more viable for the 21<sup>st</sup> Century. I don't believe the Postal Service of the future you all envisioned while working on Postal Reform was going to be made up of contract employees. Instead, I think you envisioned the Postal Service of the future as a good paying, middle-class job, with decent health and retirement benefits. Delivering the mail for this Postal Service of the future should be properly trained,

professional, and dependable employees.

I thank you for allowing me to testify before you today and I would be happy to answer any questions you may have.