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Written Statement of
Jeanette Dwyer, President
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Before the

Senate Homeland Security and Governmental Affairs Committee

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Chairman Carper and members of the Senate Homeland Security and Governmental Affairs Committee, my name is Jeanette Dwyer, and I am President of the National Rural Letter Carriers' Association (NRLCA). Our union represents over 113,000 bargaining unit employees who proudly deliver mail for the United States Postal Service. We are often called a "post office 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 customers' parcels. Our Craft epitomizes the concept of "universal service" by providing these services in rural, suburban, and urban areas throughout the United States, including places that the Postal Service's competitors do not go.

Currently, rural letter carriers serve on approximately 73,000 routes across the United States. We drive more than 3.5 million miles per day, delivering to over 40 million boxes. The average mileage for a rural route is more than 48 miles, with the longest route stretching over 170 miles.

Rural letter carriers also generate new business and revenue for the Postal Service. Through the Rural Reach program, rural letter carriers actively solicit businesses who they see using competitors while delivering their route. As of December 2012, Rural Reach has generated more than \$291.5 million in new business for the USPS.

The NRLCA and its members care deeply for the Postal Service and the service that it provides to Americans, and we are greatly concerned about the apparent direction that it is heading.

Despite the Postal Service's financial challenges, it remains one of the largest employers in the United States and a major player in the global economy. According to CNN Money, the Postal Service would rank 135th on the Global 500 list of businesses in the world¹, with approximately \$65 billion in annual revenue.

The Postal Service's financial challenges are in large measure a result of billions of dollars in overpayments into the Federal Employees Retirement System (FERS), an overly aggressive prefunding schedule for its retiree health benefits, and declining mail volume. Congress has the power to address and resolve the pension miscalculation and prefunding issues that will help to put the Postal Service back on a firm financial footing.

First, we urge Congress to pass legislation to remove the single greatest obstacle to the Postal Service's financial health and well-being: the onerous pre-funding obligation to the Future Retiree Health Benefits Fund. According to the United States Postal Service's Fiscal Year 2013 Integrated Financial Plan, the USPS is projecting an operating loss of \$2.0 billion for Fiscal Year 2013. Additionally, the USPS is forecasting a net loss of \$7.6 billion if the mandated \$5.6 billion prefunding for retiree health benefits is included. The Postal Service previously defaulted on its last two payments into the retiree health benefits fund, totaling \$11.1 billion for fiscal year 2012. Already, the USPS is predicting that it will lack sufficient liquidity to make this year's \$5.6 billion payment due September 2013. Over the last six years, the Postal Service's \$41 billion in net losses were largely driven by having to pay \$32 billion in mandated prefunding expenses, representing roughly 80% of the total losses.

¹ http://money.cnn.com/magazines/fortune/global500/2012/full_list/101_200.html

No other government entity or private business must satisfy a pre-funding schedule as aggressive as the one mandated by Congress for the Postal Service. Currently, the Postal Service has approximately \$46 billion pre-funded, which is more than enough to meet current and future needs beyond 2025. The pre-funding requirement must be modified so that the Postal Service can pay-as-it-goes as compared to the current requirement that the Postal Service pre-fund based on arbitrary numbers.

In addition, in a recent release by the USPS Office of Inspector General (OIG), the OIG, in consultation with the Hay Group, found that if Postal-specific assumptions were used to calculate the FERS liability, the FERS surplus would be much greater than the government-wide averages that the Office of Personnel Management uses to calculate the FERS liability. The NRLCA supports using Postal Service-specific assumptions, which provide a more accurate measurement of the Postal Service liability. The FERS surplus should be returned to the Postal Service to help alleviate its financial crisis.

Senators, you have the power to rectify this injustice now without interfering with six-day mail delivery or collective bargaining rights. The Postal Service is threatening to cut jobs, close post offices and facilities, and even leave the FEHB program to create its own health plan. Let me be clear: this is the way to destroy the Postal Service; not save it. Less service equal less mail equals the beginning of the end of the Postal Service.

The NRLCA strongly believes the Postmaster General's plan to eliminate Saturday mail delivery will ruin the Postal Service and abandon those Americans who most rely upon the regular delivery of the mail. The NRLCA does not support this plan. Nor does the NRLCA believe that the Postal Service can unilaterally implement this plan without Congressional approval. Time and again, the Postmaster General himself recognized that he cannot implement his plan without statutory authority as he has repeatedly given testimony asking Congress to remove the mandated six day delivery language. This is language that has been in effect for the last 30 years. So why does he believe that he can unilaterally eliminate mail delivery without Congressional approval now?

The Postal Service continues to lead Congress to believe that this is what the American public supports. A fact sheet distributed by the USPS to Hill staffers, points to polling that ostensibly shows that the American public supports five-day delivery. But we all know that you can get the polling data you want by asking the questions in misleading ways. For example, the March 26, 2010 Gallup poll suggests that 68% of the American public support the switch to five-day delivery as a way to help the Postal Service financially. However, this poll does not show the choices that the public was given as a way to solve the financial condition of the Postal Service. Options given included having the federal government "bail out" the Postal Service, an option that no one is asking for. Another involved having stamp prices go up. We all know how much the American public grumbles when stamp prices rise. It is no surprise that in this poll the American public – still reeling from the government bailouts of the banking and automotive industry – picked the lesser of the three evils rather than bailing-out another business, even if it is an American institution. The poll does not conclude that the American public favors a switch to five-day delivery. It only shows that, given only those options, five-day delivery is what they would choose. A *Washington Post*, March 30, 2010 poll that shows the American public favors the switch to five-day delivery essentially asks the same questions, with the same choices, with similar results.

Mr. Chairman, I can tell you the Postmaster General was dead wrong when he stood up at his press conference and said he has talked with letter carriers and they support the move to five-day delivery. I am a rural letter carrier and have spoken with many others across the country. I can assure you that rural letter carriers do not support the elimination of Saturday delivery. In fact, every year at our national convention a resolution is confirmed which says that the NRLCA will support the delivery of mail six days a week.

The Postal Service can ill-afford to eliminate a day of mail delivery, and there is great debate about how much money the Postal Service might save by reducing service. In a January 31, 2013 letter to Postmaster General Patrick Donahoe and Postal Regulatory Chairman Ruth Goldway, Senator Claire McCaskill and Congressman Gerry Connolly expressed their concern that the "USPS did not adequately consider the impact of eliminating a day of mail service on rural and remote communities. We believe six-day delivery remains a critical strength and competitive advantage for the USPS that will enable it to grow business and bolster revenue over the long-run."

The NRLCA firmly believes that any savings occasioned by reducing delivery days will be offset by the lost revenue that will occur when consumers and businesses flock to the Postal Service's competitors to have their mail, packages, and products delivered. A 2012 USPS-commissioned survey concluded that service cuts resulting in a 7.7 percent reduction in mail volume would result in a revenue loss of \$5.2 billion, in the first year alone. This loss in revenue far exceeds the \$2 billion in savings the USPS claims it can achieve by its proposal to eliminate Saturday mail delivery. Reducing service now will mean less market share and a more uncertain future.

And then there are the jobs. At a time when unemployment hovers at 7.8%, this is no time for massive layoffs. In our opinion, the Postmaster General grossly and recklessly underestimated the number of jobs that would be lost when he put the number at 22,500. The NRLCA alone would experience the loss of approximately 20,000 jobs if service were reduced. That number could reach upwards of 30,000 rural carrier jobs depending on the availability of work. The jobs that the Postal Service is planning to eliminate are good middle class jobs that will affect mainly minorities, women, and veterans.

Equally troubling is the nature in which the Postal Service announced its decision to eliminate Saturday mail delivery. With less than 24 hours notice to its unions, Postmaster Donahoe declared the Postal Service's unilateral intentions. Moreover, the NRLCA has received reports that Postal managers throughout the country have been giving stand up talks to rural carriers and other employees regarding the Postal Service's plan. Managers have reduced employees to tears with threats of job losses, and then they have the audacity to send them out to deliver their routes. This is certainly not the way to manage a business, maintain harmonious labor relations or bolster employee morale, especially at an organization that constantly ranks as the most trusted government agency because of the loyal, dedicated and trustworthy employees who make up the workforce.

I must also point out the severe hardships that would be visited on rural America if our customers and small businesses lost a day to send and receive mail. Their livelihoods depend on the Postal Service for their communication and delivery needs. There are no alternatives in many communities. The Postal Service is falsely misleading the American public by having them believe that post offices will still be open to pick up

mail. A Postal customer's mail will not be available for pick at their local post office unless that piece of mail was specifically designated to be delivered to a Post Office Box. The Postal Service wants their customers to believe that the mail scheduled for delivery to your home address on Saturday will instead be waiting for pick up at the post office. The truth is that if Saturday delivery is eliminated, customers will not receive mail addressed to their home until Monday, or even Tuesday if it is a holiday weekend.

We cannot afford to move backwards. We must continue to provide the service our customers expect and have come to rely upon. To do otherwise would be to add insult to injury and further undermine the financial health of the Postal Service, which we desperately want to succeed.

And that potential to succeed is there if the Postal Service focuses on growing its business, not shrinking it by reducing delivery frequency. Package delivery, for example, is a growing market for the USPS, led by the increase in e-commerce. The Postal Service can find ways to utilize its unique, universal delivery network to remain competitive, especially given such growing business opportunities. For example, the Postal Service is testing same day delivery with Amazon for online orders. It is innovative ideas and partnerships such as these that will strengthen the Postal Service.

The Postal Service is also heading in the wrong direction by attempting to circumvent current collective bargaining agreements with its unions. It seeks to have Congress legislate away the rights and benefits that the Postal Service and its unions have successfully negotiated for over the past 40 years.

The Postal Service continues to propose numerous plans to create a postal-only health plan. Some of these proposals call for the USPS to leave the Federal Employees Health Benefits Plan (FEHB). Let me be clear about this; the NRLCA will not support any proposal of a Postal-only health plan that leaves FEHB. Leaving FEHB will undoubtedly mean reduced benefits and increased costs for employees and retirees. The negotiating and purchasing power of the FEHB is unparalleled, and there is a reason that there is little precedent for federal agencies abandoning the FEHB. The Federal Deposit Insurance Corporation (FDIC) withdrew from the FEHB in 1982, claiming that a third party administrator would reduce expenses. By 1997, the FDIC concluded that it was no longer cost-effective to provide health insurance as a self-insured entity and that the FEHB was better positioned to bargain for lower premiums and better benefits. It rejoined the FEHB, only after acquiring Congressional legislation which allowed the return to the FEHB at an estimated cost of \$170 million to the FDIC's approximately 5,700 employees. It truly was a failed experiment. The fact is that the Postal Service simply can not compete – even if it had the health insurance experience – with the FEHB. Moreover, we have no interest in putting retiree health benefits at risk each and every time we negotiate over health benefit contribution levels.

Finally, I am deeply disturbed that the Postal Service continually seeks to have Congress interfere with collective bargaining by stripping away the no-layoff clause protection that the NRLCA secured after hard-bargaining and considerable financial sacrifice.

Under the NRLCA's National Agreement with the Postal Service, only regular rural carriers have layoff protection. Rural carrier leave replacements are not protected, because they are not career employees. In the rural craft, the only path to regular carrier career status is through the leave replacement ranks. On

average, an NRLCA leave replacement does not obtain a regular carrier position, and thus layoff protection, until after nearly six years of employment.

Rural letter carriers paid dearly for receiving layoff protection, which was originally negotiated in 1978. Until then, the four postal unions bargained jointly with the Postal Service for a single National Agreement. In 1978 the NRLCA determined to bargain separately for a contract with the Postal Service, while the other three crafts continued to bargain jointly. The Postal Service reached tentative agreements with the NRLCA and with the other unions. Both tentative agreements provided, among other things, (1) lifetime layoff protection for all career employees and (2) a capped COLA provision. The NRLCA membership ratified their agreement. The memberships of the other unions rejected their tentative agreement and ultimately those unions jointly went to interest arbitration with the Postal Service before Arbitrator James Healy.

In Arbitrator Healy's September 1978 Award, he provided for the continuation of the prior uncapped COLA provision and for a "limited" layoff provision for the other unions. As in the case of the NRLCA agreement, the other crafts received lifetime no layoff protection for all career employees employed as of the date of the award. However, unlike rural craft employees, other craft employees who reached career status thereafter were required to have six years of continuous service to achieve no layoff protection. To achieve six years of continuous service in those crafts, an employee "must work at least one hour or receive a call-in guarantee in lieu of work in at least 20 of the 26 pay periods" during each year.

Ultimately, the no-layoff provisions have been of no practical value because the Postal Service has never laid off an employee under the rights given to it by its agreements with the other unions. In addition, to our knowledge, the Postal Service has never laid off an NRLCA leave replacement even though those employees have no protection from layoff.

The NRLCA has paid a steep price for a no-layoff provision that in practical effect affords no greater protection than the "limited" no-layoff provision obtained by our sister craft the National Association of Letter Carriers (NALC). It has paid dearly for layoff protection when in fact no employee would ever have been laid off (though, in fairness, that was not known when the agreement was made more than 30 years ago). As a result of the capped-COLA provision that the other crafts did not have, in conjunction with rampant inflation that occurred during the term of the 1978 agreement, NRLCA carriers received COLA payments \$1,955 less than those received by the other crafts under their uncapped provisions. Although the NRLCA achieved restoration of uncapped COLA provisions in its 1981 agreement, the \$1,955 salary differential that occurred as a result of the three years of capped COLA, has largely remained ever since. The collective cost to the rural craft of over 30 years of such salary differential with the city craft has been approximately \$4 billion at a 3 percent discount rate. As a result, for more than 30 years, rural carrier salaries have lagged behind their brother and sister postal employees.

In late 2011, after contract negotiations between the NRLCA and USPS broke down, the NRLCA and the Postal Service entered into interest arbitration. After a total of 26 days in arbitration hearings, and 100,000's of pages of testimony, the no lay-off clause was once again left intact. Despite putting forward a proposal to remove the no-layoff clause, the USPS did not make it a focal point or push to have it removed during the arbitration process. Most likely this is because the rural craft already offers the Postal Service substantial

flexibility. Article 12 of our National Agreement addresses excessing rural letter carriers and consolidating routes without having to lay off employees. Moreover, as stated previously, the layoff protection does not protect rural carrier associates (RCAs) who comprise more than 40 percent of our bargaining unit.

Mr. Chairman, and members of the Homeland Security and Governmental Affairs Committee, I know the economy is causing great uncertainty, and solutions must be found to keep the Postal Service moving forward. However, you have the power now to relieve the Postal Service of a huge financial obligation by relieving the Postal Service of its unfair pre-funding mandates and returning the FERS pension monies that rightfully belong to the Postal Service. By doing so, you will give the Postal Service a fighting chance to remain viable without having to take drastic measures that will only harm this great institution, the Americans who rely upon it and the employees, such as rural letter carriers, who serve it with determination, integrity, and pride.

Thank you for allowing me to submit testimony, and I would be happy to answer any questions.