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Written Statement of Jeanette Dwyer, President National Rural Letter Carriers' Association

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 101,000 bargaining unit employees who proudly deliver mail for the United States Postal Service. We are often called a "post office on wheels" because we do more than simply deliver mail to homes and businesses. On our routes, 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 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.

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 may be heading under this and other proposed legislation.

The NRLCA has numerous concerns with the Senate postal reform legislation that was recently introduced. Some of these concerns are included in our written testimony, but it was requested that I specifically address the areas of rates, innovation, and service.

During the debate and subsequent passage of the Postal Accountability and Enhancement Act, Public Law 109-435, the NRLCA supported the effort to tie postage rate increases to the Consumer Price Index. The NRLCA supported the effort as a means to pass postal reform legislation, but also as a way to give the mailing industry some degree of certainty and predictability to prepare their budgets. Unfortunately, given the unforeseen economic crisis, the use of the CPI Index has limited the revenue the Postal Service can raise. The Great Recession caused the Postal Service not to conduct the one-time, final omnibus rate case called for in the PAEA, as the Postal Service rightly did not want to raise rates in the midst of a recession. Given these circumstances, at the very least, the Postal Service should now be permitted to adjust its rates with a one-time postage rate review and adjustment that PAEA originally authorized to occur in 2007.

However, any legislation must maintain some form of price cap to ensure that customers continue to use the Postal Service to deliver their products. Therefore, we oppose any provisions in S. 1486 that would eliminate the pricing index. Such a provision will create uncertainty for the mailers when budgeting for future fiscal years and result in a loss of mail through the system, and more importantly, customers.

Furthermore, innovation is essential to the Postal Service's survival. The Postal Service must continue to offer new services and products, as well as upgrade current services to continue to compete and survive in the market economy. I believe the creation of a Chief Innovation Officer will go a long way to ensuring that the Postal Service remains competitive.

The Rural Reach program represents one innovative approach that the Postal Service has already successfully utilized to generate new business and revenue. This program puts the power and the opportunity to build the business in the hands of the people who care the most about the Postal Service: its employees. Through the Rural Reach program, tens of thousands of rural letter carriers actively solicit businesses who they see using competitors while delivering their route. Since its inception, Rural Reach has generated more than \$351.2 million in new business for the USPS.

S. 1486 authorizes the Postal Service to deliver wine, beer, and distilled spirits from producers who are permitted through their state laws to ship alcoholic products. This would change a pre-Prohibition Law that has restricted the Postal Service from entering into significant revenue generating areas. Antiquated laws such as this have constrained the Postal Service's ability to engage in endeavors that would result in new revenue.

The NRLCA supports provisions in the Senate bill allowing the Postal Service to offer non-postal products, as well as offer services on behalf of federal, state, local, and tribal governmental agencies. The postal reform bill in the House unnecessarily limits new revenue generation to selling advertising space on vehicles and facilities, as well as offering state and local services. Whatever compromise is worked out between the two bills, I believe the language should have as few restrictions as possible.

The local post office has the potential to once again become the "town hub," a destination where citizens meet and socialize. Although this idea has been presented many times, Congress should allow the Postal Service to offer fishing and hunting licenses along with the passport services already offered. The Postal Service can also bridge the digital divide between many rural areas and their urban counterparts. According to the Federal Communications Commission (FCC), only 93.8% of rural residents have basic internet access compared to 99.4% of their urban counterparts¹. Kiosks can be placed in post offices, essentially an E-Government service where the post office becomes an extension of the government, where citizens can have their social security, welfare, healthcare, and other questions answered.

The Postal Service possesses a vast, unique network, reaching into every state, district, city, town, and county. This can be, and must be, utilized to the Postal Service's advantage.

Finally, I would like to discuss service. Make no mistake; we need to keep the service in *Postal Service*. This means continuing to provide 6 day-mail delivery, keeping post offices and processing facilities open, and maintaining current service standards; and we believe all of this work should be done by federal postal employees.

The Postal Service needs to continue to build on its strengths of first mile and last mile service. Any cut or reduction will result in less service, which equals less mail, which equals the beginning of the end of the Postal Service.

¹ The FCC defines "basic service" as 1-2 megabits per second. This is an acceptable usage amount for a single person on a single device with the most basic email and web surfing usage. A family of 4 would require "moderate service" (at 6-15 mbps) to have a minimal online presence. This level of service is unavailable to nearly 20% of rural Americans.

The Postal Service has proven that it can make money doing what it was intended to do from the start: process and deliver mail. The Postal Service has undertaken many cost-cutting measures, including reducing the number of employees to roughly 500,000; the lowest number of career employees in decades. In addition, the NRLCA and the other postal unions have made significant sacrifices in collective bargaining. The contract the NRLCA and the Postal Service recently negotiated is expected to save the Postal Service hundreds of millions of dollars over the life of the contract.

The Postal Service is in much better financial position than many people think. It is no secret that the most significant restraint on the Postal Service's success remains the congressionally mandated pre-funding of retiree health benefits. The Postal Service's FY 2013 third-quarter would have shown a \$660 million profit had the Retiree Health Benefits pre-funding been excluded. The Postal Service should also show a year-to-date profit of \$330 million profit, excluding the pre-funding payment. This is a remarkable achievement considering that the nation is experiencing a slow economic recovery from the largest economic downturn since the Great Depression. I believe the fact that the Postal Service can make a profit doing what it was created to do is evidence of the potential for a strong business model.

Instead, S. 1486 attempts to break this business model. It slashes service, cuts delivery days, closes post offices and postal facilities, interferes with collective bargaining, and reduces employee benefits all in the name of maintaining a pre-funding schedule; a pre-funding schedule that for the last six years has represented roughly 80% of the Postal Service's total losses.

Senators, you have the power to rectify this injustice. Reducing mail delivery days to five or fewer days, cutting service standards to eliminate overnight mail delivery, closings post offices and facilities will destroy the Postal Service -- not save it.

Mr. Chairman, the Postal Service is already experiencing the negative impacts of its decisions. The transportation, sortation, and delivery of mail has slowed. This is a direct result of the Postal Service's decisions to close processing facilities. Currently, it has closed too many facilities, and the facilities that remain open are experiencing a difficult time keeping up with current volume. If the Postal Service experiences even a small increase in mail volume, as many believe they will, delivery time will be impacted. Simply put, the Postal Service is struggling to handle the amount of mail volume they have now.

Many states are already experiencing slower process and delivery times because of the consolidation of facilities. This is resulting in rural letter carriers getting their mail late and customers getting their mail after dark. Frankly, this becomes a safety issue for the rural letter carrier, and a convenience issue for the customer.

The issue is the Postal Service has moved dispatch times, sometimes as early as 1PM. The normal dispatch time was 5PM, which allowed a rural letter carrier to complete their route, and return to the post office to drop off any letters or packages they had collected. Now that dispatch times have changed, many rural letter carriers are missing the dispatch times, resulting in mail and packages sitting over night before being collected and shipped to the processing plant. Even blue collection box times have changed, further inconveniencing customers. Some states experiencing this problem are Missouri, Minnesota, Wisconsin, North Dakota and

Louisiana. The closures and consolidation the Postal Service has initiated have made it almost impossible to efficiently handle the mail volume that is coming through the system.

The NRLCA strongly believes S. 1486 will inadvertently cause the Postal Service to abandon those Americans who most rely upon the regular delivery of the mail. The Postal Service is a *service*. You cannot expect to cut and get more. Shipping and package delivery revenue continues to increase dramatically. This is a result of an exploding e-commerce sector that is helping to mitigate the negative impacts of online communication and bill pay.

And then there are the jobs. At a time when unemployment hovers at 7.3%, this is no time for massive layoffs that will inevitably occur with the elimination of 6 day mail delivery. The pending legislation will result in the significant loss of good, middle-class jobs. Job losses in the rural craft alone could reach upwards of 50,000 depending on the availability of work and the number of days the Postal Service delivers mail. The jobs that the Postal Service is planning to eliminate are good middle class jobs that will affect mainly minorities, women, and veterans.

I must also point out the severe hardships that would be visited on rural America if our customers and small businesses lose a day to send and receive mail. Their livelihoods, and often their health, depend on the Postal Service for their communication and delivery needs. There are no alternatives in many communities.

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 add insult to injury and further undermine the financial wellbeing of the Postal Service, which we desperately want to succeed.

The 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. 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.

Finally, I would be remiss if I did not say something about health benefits. The Senate bill allows for the Postal Service and its unions to bargain over the creation of a new health plan, either within or outside of FEHBP. 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 no successful precedent for federal agencies abandoning the FEHB.

Other efforts to leave FEHB have failed. 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 cannot 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.

Our FEHB Plan, the Rural Carrier Benefit Plan, has been part of the FEHB Program since its inception. The Plan is well managed, includes all of the medical and prescription cost management programs contemplated in a separate Postal-only plan, and has excellent reserves to weather any financial crisis. The Plan provides comprehensive coverage at a very competitive premium rate and is annually recognized as one of the best health plans for customer satisfaction and for benefits coverage by our Plan members and the US Office of Personnel Management (OPM).

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 funds 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.