



# NATIONAL RURAL LETTER CARRIERS' ASSOCIATION

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Testimony of  
Don Cantriel, Vice President  
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before the

Oversight and Government Reform Subcommittee on Federal Workforce, Postal  
Service, and the District of Columbia

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Chairman Davis, and members of the Federal Workforce, Postal Service, and the District of Columbia Subcommittee, as Vice President of the National Rural Letter Carriers' Association (NRLCA) representing 123,000 bargaining unit members, I would like to extend a thank you for scheduling a hearing on the oversight of the Postal Service. While we were given a wide range of freedom on what to focus our testimony on, I would like to talk briefly on the recent economic trends our union experienced first hand.

The Postal Accountability and Enhancement Act (PAEA) gives the Postal Service more flexibility to act like a business than previously allowed. Mr. Chairman, as you are well aware, the Postal Service can now bank a percentage of their profits, uses a modern system of rate making to adjust rates, and has the ability to create other programs to increase revenue. For example, in our recent National Agreement with the Postal Service, a new revenue-generation program called Rural Reach was created to draw in new customers currently using our competitors or customers who can benefit from using additional USPS services and products. Rural Reach allows rural carriers to better serve our customers by initiating conversations with them about the products and services we offer in an attempt to grow more revenue in the small to midsize customer base. The City Letter Carriers offer a similar program called Customer Connect.

Mr. Chairman, despite all the flexibility PAEA allows and the new programs we offer to generate revenue, the Postal Service is still not immune to the recent economic slump. Experts are still debating if what we are experiencing right now is an economic recession or not, the first since 2001, but there is no doubt we are in an economic downturn. Even before PAEA was signed into law on December 20, 2006, first-class mail volume has been declining. More recently, total mail volume has been declining also. This economic downturn has caused normally heavy users of the mail, the financial industry and mortgage industry, to stop mailing. No one has felt this decline in total mail volume more than the NRLCA membership, who in the last mail count lost anywhere from 2-12 hours on their route evaluations. Each hour of an evaluation is worth \$1500.

The NRLCA membership has taken a second hit to their wallets with the rising cost of gasoline. Currently, rural carriers serve roughly on 77,000 routes, traveling 3.4 million miles a day, averaging 45 miles per route. Sixty-seven percent, or roughly 51,000, of those routes rural carriers provide and deliver mail with their own personal vehicle. Our members do receive a vehicle reimbursement for providing their own vehicles. However, with the average price of a barrel of oil setting new high records every time the price increases, and gas averaging \$3.60 per gallon, our vehicle reimbursement has not kept pace with the rising costs of delivering the mail. Unfortunately, I will not know how much this extra cost will hit our members in their wallets until the exact cost of the new route evaluations have been determined.

Along with rising gasoline costs, the cost of providing a route vehicle, and the declining mail volume, our craft faces another challenge, the introduction of automated flat mail which has the potential of reducing route evaluations even further. We continue to work with the postal service to find ways to lessen the impact on the lives of our members.

Mail volume is cyclical. First-class mail volume has declined and standard mail has also declined. I am hopeful total mail volume will bounce back up once our economy begins to recover. I was somewhat concerned when I saw the title of this hearing and I saw you wanted me to talk about the economics of the Postal Service and what's next post-PAEA. I believe it is too early to fairly evaluate the affects of this new law. As I have said before, the Postal Service and the mail are economically sensitive industries, and right now both are going through a very challenging period. We still need to give this new law a chance to work. Let's look at the affects of PAEA after there has been an economic recovery and expansion. The law itself provides for an evaluation in 10 years, most likely that will allow for a full economic cycle and a better reflection of how the act has performed.

According to the Postal Regulatory Commission's (PRC) Quarter 2 reports for fiscal year 2008, revenue is up despite first class mail volume being down. The Postal Service constantly shouts to continue functioning under PAEA with a decline in mail volume, cost reduction procedures must be implemented; which to us usually means contracting out rural carrier jobs.

Contracting out is still an issue with our union. We continue to support Rep. Sires' House Resolution, H. Res 282, and urge Congress to become involved with this issue. I firmly believe contracting out is not solely a collective bargaining issue. We do have some protection in our National Contract with the Postal Service that somewhat limits the Postal Service's ability to contract out; however the current provisions do not fully address Contract Delivery Service. Contract Delivery Service, or CDS, is definitely a change of policy for the Postal Service. Because CDS is a policy issue, I urge members to become involved and support legislation to address this issue.

The Government Accountability Office (GAO) plans to release their report on Contracting Out in late July. We consulted with the GAO last September, educated the GAO about the grave concerns we have with the way this issue has been handled.

We also are participating in a joint committee, along with the NALC and USPS, to discuss the issue of contracting out. I hope through this joint committee the two Letter Carrier unions and the Postal Service can find some common ground on this controversial issue.

If the joint committee fails to produce any significant and meaningful agreement, and the GAO report is favorable to our position, I pray Congress will finally become proactive in this issue and advance legislation to protect the sanctity of the mail.

Finally, the PRC is tasked with studying the Universal Service Obligation (USO) and report if it makes economical sense to continue delivering everywhere, everyday, to every address 6 days a week. This study causes us great concern. Our concern is the group contracted by the PRC to lead the USO study has some known bias opinions on this subject, possibly recommending and finding the Universal Service Obligation outdated. Their conclusions, we fear, may call for the greater use of contract delivery service, or worse, the recommendation of the privatization of the Postal Service, as what has happened in the European

Post. This does not make sense to me. The USPS delivers 212 billion pieces of mail every year, roughly 700 million pieces per day. That equates to 46% of the world's card and letter mail volume. We do it cheaper and more efficiently, covering a larger geographical area, than any of the other postal services in the world. We shouldn't be looking towards any European models. As the World's leaders the USPS and U.S. mailing industry are unique in the World. Our USO and monopoly should only be considered in light of that.

The NRLCA plans to be proactive in the USO study. Three field hearings are planned throughout the country. The NRLCA has agreed to testify at the Flagstaff hearing at the end of May, commenting on the rural carrier perspective on the job we do delivering to every address, sometimes even driving on dirt roads.

It is also our opinion when the study concludes, the PRC should write the final USO/monopoly report drawing information from the field hearings and the contractor and write its own report. It should not be written by the contracted group as the Request for Proposal by the PRC suggests.

Mr. Chairman, and members of the subcommittee on Federal Workforce, Postal Service, and the District of Columbia, I thank you for allowing me to testify before you today. I would be happy to answer any additional questions you may have.