



# National Postal Mail Handlers Union

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## TESTIMONY OF

**JOHN F. HEGARTY  
NATIONAL PRESIDENT  
NATIONAL POSTAL MAIL HANDLERS UNION**

**BEFORE THE**

**SUBCOMMITTEE ON  
FEDERAL WORKFORCE, POSTAL SERVICE, AND  
THE DISTRICT OF COLUMBIA**

**OF THE**

**HOUSE COMMITTEE ON  
OVERSIGHT AND GOVERNMENT REFORM**

**“The Contracting Out of Services by the  
U.S. Postal Service”**

**July 19, 2007**

Good morning, and thank you Chairman Davis and members of the Subcommittee for inviting me to testify. My name is John Hegarty, and I am National President of the National Postal Mail Handlers Union, which serves as the exclusive bargaining representative for approximately 57,000 mail handlers employed by the U.S. Postal Service.

During this Subcommittee's April oversight hearings, I testified on the question whether the Postal Service should be outsourcing some of its core functions, including the processing of mail normally handled at air mail centers or the processing of military mail headed to our troops in Iraq and Afghanistan. I will not repeat that testimony here today, but rather would ask that my written testimony from April 17, 2007 be incorporated into the record of these proceedings.

What I would like to focus on today is the following issue: What is the real cost of this privatization? As this Subcommittee knows, subcontracting allows core functions of the Postal Service to be performed by low-paid, no-benefit, non-career, and often transient workers. We believe that you get what you pay for. We believe that the processing and delivery of mail in the postal system should be a core function of the professional workforce employed by the Postal Service, and should not be subject to the low-bid ideology. Surely the American people do not want some contract employee reaching into their

neighborhood mail box, or handling, processing and delivering their package to a loved-one – either here or to the military overseas. The public has a trust level that is breached when privateers are hired. Thus, the Mail Handlers Union believes that the use of low-paid private workers to perform core postal functions, and the resulting reduction in career postal jobs, is a sufficient reason for the Postal Service to stop its subcontracting.

But we also live in the 21st century, and therefore we know that some will argue that getting the work performed more cheaply is the same as getting the work performed efficiently, safely and securely. The Board of Governors of the Postal Service likes to point out that, under the recently adopted Postal Accountability and Enhancement Act of 2006, the Postal Service has to live “within the CPI” or the rate of inflation, because it only will be allowed to raise rates by increases in the Consumer Price Index starting next year. Thus, their argument goes, the Postal Service has to subcontract in order to save the higher costs of performing the work in-house.

The premise of their argument, however – that the Postal Service will save money by allowing private contractors to perform the work currently performed by mail handlers and other career postal employees – is totally false. Recent experience has shown that subcontracting of

mail handler jobs has not worked. In fact, it has had the opposite effect of leading to expensive inefficiencies that have cost postal customers much more than the Postal Service expected.

For example, the largest subcontract for mail handler work ever signed by the Postal Service was implemented approximately ten years ago. At that time, the Postal Service decided to contract with Emery Worldwide Airlines to process Priority Mail at a network of ten mail facilities along the Eastern seaboard. Nearly one thousand mail handler jobs were privatized. Today, the work at those facilities has been returned to mail handlers and other career employees within the Postal Service, but not before the Postal Service suffered severe losses in the hundreds of millions of dollars. At a meeting of the USPS Board of Governors, one Governor stated publicly that the Emery subcontract was one of the worst decisions that the Board ever made.

This was not just idle speculation. In September 1999, the USPS Office of Inspector General audited the Priority Mail Processing Network. The OIG released an audit report that concluded, and here I am quoting from the report:

[W]e disclosed that Priority Mail processed through the network [using private workers] **cost 23 percent more** than Priority Mail processed by [career employees] of the Postal Service without a network. In addition, we found that the

Priority Mail Processing Center Network **was not meeting overall delivery rate goals** referenced in the contract.

To its credit, postal management eventually recognized its mistake. They concluded that – and again I am quoting from the OIG – “an early end to the contract would limit the Postal Service’s financial exposure.” As noted, the work of processing Priority Mail was returned to mail handlers and other career postal employees, but not before postal customers incurred dramatic financial losses.

The NPMHU wishes to ensure that the ongoing debate over subcontracting is properly focused. It is both superficial and incorrect to assume that the wages and benefits paid to career postal employees, which admittedly are higher than the amounts that contractors will agree to pay to privatized workers, automatically mean that the Postal Service is saving money when it subcontracts. It is clear from prior OIG audits that a simple financial comparison based on wage rates is misleading and does not accurately reflect the actual costs that are borne by the Postal Service when it decides to subcontract work to the private sector.

For many years, the Mail Handlers Union has been trying to convince postal management to analyze its proposed subcontracts more carefully, with an eye on all of the actual costs that subcontracting

imposes on the Postal Service, above and beyond the savings projected by lowering hourly employment costs. That is why I have focused on these issues today.

When all is said and done, each and every proposal to subcontract postal work needs to be analyzed carefully. We certainly understand that the Board of Governors is chaired by someone who has advocated for decades that privatization of the Postal Service is best for America. But we do not share that view. We do not believe that the American public or many Members of Congress share the view that dismantling the Postal Service and dividing its parts into private components is a wise investment of our nation's resources.

Again, thank you for this opportunity to testify and for holding this important hearing. If you have any questions, I will be glad to answer them.