

United States Senate
Subcommittee on Federal Financial Management, Government Information,
and International Security
Senator Tom Carper, Chairman

Testimony of
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Good afternoon, Chairman Carper, Ranking Member Coburn and other distinguished Members of the subcommittee. I am very pleased to be here today to testify before this subcommittee on the issue of implementation of the Postal Accountability and Enhancement Act of 2006. Thank you for inviting me. My name is William H. Young and I am proud to represent 300,000 active and retired letter carriers as the President of the National Association of Letter Carriers. NALC was founded in 1889 to advance the well-being of the nation's letter carriers and to support the maintenance of affordable and universal postal services in America. It has served as the exclusive collective bargaining representative of city letter carriers since 1962.

Before I begin, I want to publicly congratulate Senator Carper for his outstanding work in the long debate over postal reform. Quite frankly, the Postal Accountability and Enhancement Act would not have been enacted without the leadership of Senator Carper. The postal industry with its wide range of stakeholders is as broadly diverse and complicated as any industry in America. It was not an easy thing to forge a consensus on postal reform, but Mr. Chairman, you did it. Thank you.

Our goals in postal reform were straight-forward: to enhance the long-term viability of the most efficient and affordable postal service in the world and to protect the legitimate interests of America's postal employees in general and letter carriers in particular. If properly implemented, the new law will do just that.

Two issues have dominated the early discussions about implementing postal reform. One is the new regulations now under development at the Postal Regulatory Commission to implement the new rate-setting system. The other is the issue of contracting out. I will withhold comment on the first of these two issues until the proposed regulations are published. But as I have done for the past six months, I do want to express in the strongest possible terms our opposition to contracting out the core functions of the Postal Service.

As a letter carrier and a union leader, I make no apologies for standing up for decent jobs for American workers. The trend toward outsourcing to contingent, low-wage, no-benefit contractors has been broadly used in both the private and public sectors in recent years. The results have been mixed for employers, but the results for working people have been downright disastrous. At a time of so-called prosperity, the ranks of workers without health insurance or pension protection have surged into the tens of millions. Even as Wall Street profits have exploded, wages on Main Street have stagnated and Middle Class living standards have eroded. The federal government, and the United States Postal Service, should not contribute to these disgraceful trends by adopting an outsourcing strategy.

But contracting out is also misguided as a business strategy. NALC believes Contract Delivery Service is a penny-wise and pound-foolish strategy that would damage the brand of the Postal Service by undermining America's trust in its

services. Look no further than recent outsourcing scandals at Walter Reed Hospital if you don't believe me. Many people know about the fiasco with maintenance contractors; fewer know that a contractor hired to deliver mail to injured soldiers also failed spectacularly.

Mail delivery is a core function of the Postal Service. Letter carriers are the face and brand of the USPS. Outsourcing these jobs threatens the long-term viability of the USPS while exploiting contractors who deserve the same kind of pay and Congressionally mandated benefit protections afforded to career employees.

Now, the Postal Service would have you believe that there is a strong correlation between the two issues -- the new price indexing system and contracting out. Outsourcing delivery, it now maintains, is necessary because the new law contains a price indexing system that requires the Postal Service to limit rate increases to less than the annual growth in consumer prices. Did the Postal Service ever tell anyone on this sub-committee that before postal reform passed? **I don't think so!**

We believe that the USPS is using the so-called price cap to justify a decision to contract out urban and suburban mail delivery for the first time in its history. This decision was taken long before postal reform became law. Back in 2003, it began taking steps to redefine mail transportation contracts that are specifically authorized by law to include mail delivery services. It began by "expanding and enhancing" Highway Contract Routes in 2005 and continued with the introduction of Contract Delivery Service in early 2006. **CDS was coming whether postal reform passed or not.**

The fact is: Holding rate hikes in line with the CPI is nothing new for the Postal Service. Its rates have largely tracked consumer prices for more than 35 years, even as it absorbed the loss of tens of billions of dollars in taxpayer support to become self-sufficient. Indeed, the Postal Service even lived within the CPI index over the recent, very difficult years following the 9/11 and anthrax attacks.

Contracting out is not the Postal Service's only choice. Productivity growth and boosting revenues are preferable strategies. As labor department data shows, postal labor productivity has increased far more than compensation costs over the years and will continue to do so in the future if the Postal Service embraces a partnership with its dedicated career workers and their unions. Indeed, two weeks ago, we reached agreement on a new five-year contract that seeks to facilitate the smooth introduction of Flat Mail automation technology that will cut labor costs significantly without resorting to lay-offs. That agreement also commits letter carriers to a program called Customer Connect that seeks to dramatically increase the Postal Service's revenues from competitive services.

NALC has spent the last six months warning Congress about the dangers of outsourcing mail delivery. Thousands of letter carriers have visited or contacted their Senators and Representatives to discuss the issue. Based on those efforts, I

believe it is safe to say that expanded outsourcing was the last thing Congress had in mind when it enacted postal reform. In fact, we believe that outsourcing violates a number of key public policies that were reaffirmed by postal reform. For example, the law gives preference in hiring for postal jobs to veterans and mandates - with some exceptions - collective bargaining rights for workers employed by the Postal Service. The widespread expansion of CDS would make a mockery of these policies.

Who works for the Postal Service, and under what legal framework, are urgent matters of public policy. That is why NALC applauded Senator Tom Harkin's bill to limit outsourcing to traditional Highway Contract Routes. We wish to thank Senator Harkin for leading the fight against delivery outsourcing in suburban and urban areas by introducing S. 1457, the Mail Delivery Protection Act.

We also want to thank the 35 other Senators who have co-sponsored S. 1457. Together they have sent a strong message to the United States Postal Service to reconsider its plan to expand CDS delivery. This message was reinforced by the overwhelming support we have received from the public during dozens of informational pickets we conducted around the country over the past several months. The American people want career letter carriers to deliver their mail. It is that simple.

I am pleased to report that the Postal Service appears to be listening, at least in some parts of the country. In recent weeks, we have been informed that CDS contracts would be withdrawn in several cities, including one in the Bronx and several others in New Jersey and Iowa. And it has shown new flexibility on this issue at the collective bargaining table.

As I mentioned earlier, NALC and the Postal Service recently reached a settlement on a new collective bargaining agreement. This tentative contract, which will be sent out to our members for a ratification vote, contains two memorandums of understanding related to the issue of subcontracting. I believe these MOUs may be relevant to your consideration of S. 1457 or any other future legislation on the issue of postal outsourcing. Before I describe these Memorandums, I want to address what they mean for the long-running debate between the Postal Service and many other interested parties about whether outsourcing is a bargaining issue or a policy issue.

I have maintained for months that NALC did not want Congress to get involved in writing the terms of our labor contract with the Postal Service. NALC has the ability to represent the letter carriers covered by our collective bargaining agreement. For example, if the Postal Service tries to contract out an existing letter carrier position, we have the means to fight for our members in Article 32 of our contract. But who provides service to new deliveries is both a collective bargaining issue and a public policy issue. As a bargaining issue, the key question has traditionally been: should the work be assigned to city or rural letter carriers. By transforming traditional

Highway Contract Routes, which were long established as mail transportation contracts, into CDS contracts for urban and suburban mail delivery, the Postal Service has transformed contract delivery into a public policy issue.

We have also maintained that the kind of workers assigned to handle new deliveries in the future should not be left to postal management alone to decide. In fact, it should not be left to postal unions to decide either. Congress has mandated collective bargaining for postal employees in general and only it can decide whether to make exceptions to this policy -- as it specifically did with mail transportation contracts in the Postal Reorganization Act.

Our new agreement addresses the issue of subcontracting in two ways. First, we signed an MOU that restricts the Postal Service from contracting out delivery work in the approximately 3,000 post offices with only city delivery services -- this covers some 90,000 routes and ensures that all in-growth within these offices will be assigned to city letter carriers. That MOU also protects all existing city delivery services from contracting out in offices that have both city and rural delivery services. In other words, the Subcontracting MOU prohibits outsourcing work now performed by city carriers over the life of the five-year contract.

Second, we signed another MOU that establishes a Joint Committee on Article 32 comprised of labor and management representatives to review existing policies and practices concerning the contracting out of mail delivery. This Committee will largely focus on the issue of outsourcing new deliveries, a subject where key policy issues remain unresolved. It "shall seek to develop a meaningful evolutionary approach to the issue of subcontracting, taking into account the legitimate interests of the parties and relevant public policy considerations." The Committee will be given reasonable access to all relevant data and report back after six months. During that time, the Postal Service will impose a moratorium on outsourcing delivery in any office where city carriers work.

I believe that we have reached a sensible and constructive approach to dealing with this difficult issue. We expect to learn a lot over the next six months. We hope that we will reach a mutually acceptable agreement on subcontracting that is consistent with the public policy considerations referenced in the Article 32 Committee memorandum. If we don't, we will certainly be in an even better position to advise this subcommittee about the need for Congressional action.

Although the Postal Service seems to be moving in the right direction, it has not committed to abandon CDS altogether. For that reason, I welcome this hearing and this subcommittee's oversight of the Postal Service and sincerely hope that the issue is one that you will continue to monitor.

I want to conclude on a hopeful note. Last week, I listened closely to the Postmaster General's testimony to the House sub-committee on the Postal Service. In it, he outlined three options for adapting to the new business and legal environment facing the Postal Service. His preferred option embraced a strategy of working with the

postal unions to improve service, increase revenue and reduce costs. I am here today to tell you that option is A-OK with the National Association of Letter Carriers so long as the reduction of costs is achieved through increased efficiency and not through the unilateral outsourcing of residential and business mail delivery. We are prepared to work to find acceptable alternatives to the low-road of low-wage, no-benefit contractors and we remain totally committed to providing the most affordable and high-quality postal service possible.

Thanks again to all the members of the subcommittee for holding this oversight hearing. I would be happy to answer any questions you may have.