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VIEWS FROM THE POSTAL WORKFORCE ON IMPLEMENTING POSTAL REFORM

HEARING

BEFORE THE

FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT INFORMATION, FEDERAL SERVICES, AND INTERNATIONAL SECURITY SUBCOMMITTEE

OF THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

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VIEWS FROM THE POSTAL WORKFORCE ON IMPLEMENTING POSTAL REFORM

WEDNESDAY, JULY 25, 2007

U.S. SENATE,
SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT,
GOVERNMENT INFORMATION, FEDERAL SERVICES,
AND INTERNATIONAL SECURITY,
OF THE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 3:03 p.m., in Room 342, Dirksen Senate Office Building, Hon. Thomas R. Carper, Chairman of the Subcommittee, presiding.

Present: Senators Carper, Akaka, and Collins.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. I am tempted to say the Subcommittee will come to order, but the Subcommittee has already come to order. This is one of the quietest gatherings I have ever seen, at least for this crowd.

We welcome you all and thank you, on behalf of Senator Collins and myself, our thanks to our witnesses for taking your time to be here today, for preparing for this hearing, and for your willingness to respond to our questions. We want to thank you for your help, Senator Collins and myself and our colleagues here in the Senate and the House, as we worked for years to try to update the Postal Service's business model.

I know that the final Postal reform bill that was signed into law by the President in December didn't turn out to be exactly as we had all hoped, at least not in some areas, but I think your commitment and the commitment of those that you lead to getting the bill right, or mostly right, helped us start a new era for the Postal Service. Your efforts and those of a lot of people who helped us certainly are commendable.

I think what we were able to accomplish together will, if implemented properly, and I would underline that, if implemented properly, will be a good thing for the American people and for the men and women that you are privileged to represent and that we are privileged to represent.

This is, as you may know, the second of three hearings that we are going to be holding this year to hear the views from the Postal Service, the Postal Regulatory Commission, and key stakeholders in the Postal community on the implementation of the Postal Accountability and Enhancement Act. This is also a hearing I have

been looking forward to. I have always thought that Postal employees, that is, the people who interact with the public and Postal customers every day, can tell us the most about what is working at the Postal Service and what isn't.

In addition, under the new pricing and regulatory regime currently being developed by the Postal Regulatory Commission, the Postal Service will need to work closely with its employees to find efficiencies and to seek out innovative new ways to make Postal products more valuable.

Postal employees have a lot to add to the discussion about what needs to be done going forward to make Postal reform work. That is why I have been disappointed by some recent developments that have put a strain on labor-management relations at the Postal Service. I was troubled to learn that the American Postal Workers Union has been forced to sue the Postal Service to gain entry to meetings of the Mailers Technical Advisory Committee or even to learn anything at all about what happens at that group's meetings. I know that this group is now called the Mailers and Unions Technical Advisory Committee, but I also know that the committee is an important body that facilitates the sharing of ideas about how the Postal Service can improve the way it does business. I think the Postal Service could benefit from giving employee representatives a voice in these discussions.

I have also been troubled by recent developments in the area of contracting out. While I have always argued that the Postal Service must do all it can to cut costs, taking work that is traditionally performed by Postal employees and giving it to contractors just because they can do it cheaper is not always a good idea. An organization like the Postal Service that depends so much on daily direct contact with its customers cannot afford, at least in my view, to rely solely on contractors to make those contacts.

I am pleased, then, that the Postal Service has recently reached a tentative contract agreement with the National Association of Letter Carriers that places some restrictions on the contracting out of mail delivery. That agreement also, as I understand it, sets up a joint carrier-Postal Service committee that will seek to find a more permanent resolution to the debate over contracting out. It is my hope that the other unions represented here will play a role in that committee's discussion at some point down the road. Dialogue with the Postal Service, the letter carriers have proven, is how this issue will be resolved.

For now, we look forward to your testimony today on contracting out and on the other issues that the Postal Service is grappling with as we await the beginning of the new system that we created together last year. My thanks for your participation, for your presence, and for your hard work and all the hard work of the men and women that you are privileged to represent.

Since Dr. Coburn is not here yet—I think he is coming. But since he is not here yet, I would like to introduce my colleague from Maine, who worked at least as hard as I did, and I know her staff did, as well, on this legislation for the last God knows how many years. It is a privilege to be here with you and you are recognized for as much time as you wish to consume.

OPENING STATEMENT OF SENATOR COLLINS

Senator COLLINS. That is a very dangerous invitation to ever give a U.S. Senator, to take as much time as she would like to consume. I thank you, Mr. Chairman, for your graciousness in allowing me to make an opening statement and I very much appreciate the opportunity to join you today.

As the Chairman is well aware, when I was Chairman back in the good old days, the Postal issues were handled at the full Committee because I felt they were so important and I wanted to make sure I had a pivotal role in all the Postal issues that come along. With the reorganization, they are now at the Subcommittee level, but they are in very good hands with Senator Carper as the Chairman of this Subcommittee. But he is allowing me occasionally to come to his Subcommittee hearings because he knows that my concern and interest in the Postal Service and support for its employees remains undiminished, so I do appreciate the opportunity to be here.

When I look out at the crowd and at the witness table today, it really is old home week, as well, since the long and difficult process of bringing about the most comprehensive modernization of the Postal Service in 30 years was successful only due to the close consultation that we had with the entire range of experts and stakeholders, the Postal Service officials, the mailing community, the public, and, of course, the Postal employee associations and unions which are represented here today. And although we did not agree on every issue, and a bill like this always involves compromise, I think that all of us can be proud to have played a role in getting Postal reform legislation signed into law. The insights and the involvement of employee groups were invaluable in this effort.

But the real test of legislation is not in getting it passed, but in seeing that it works. It is essential that the steps toward implementation remain true to our original goals, and I want to just repeat the three original goals that I know we have had since the beginning.

First was to ensure that affordable universal service remains. It is so critical. It is such a part of our heritage and I want it to be part of our future as well, and that universal service principle was one that has always been very important to me.

Second, we wanted to strengthen the Postal Service because it is the linchpin of a $900 billion mailing industry that employs nine million Americans.

And third, we wanted to secure the futures of the more than 750,000 Postal employees who make this remarkable component of American society and our economy work, and this was as important as the other two goals. I will never forget the GAO coming before our Committee and warning that the Postal Service was in a death spiral and raising questions about its very viability into the 21st Century.

We drafted the legislation with those three goals in mind and your continual involvement is essential. Whether the employees you represent work in a huge distribution plant, in the community post office, or alone on a delivery route, in the city or in rural America, you provide a level of knowledge and experience that is essential. So I look forward to hearing your views today.

Thank you, Mr. Chairman.

Senator CARPER. You bet. I think Senator Akaka is on his way. He is going to join us, and when he gets here, I am going to offer him the opportunity, if he wants, to offer an opening statement.

But in the meantime, why don't we just go ahead and get started. We are working, on the Senate floor today, we are working on one of our appropriations bills, the Homeland Security appropriations bill which Senator Collins and I have a whole lot of interest in. We will probably be interrupted somewhere along the line for votes, but I will just ask you to bear with us and we will try to do that as quickly as we can.

Let me make short introductions, if I could, for each of our witnesses, and we will start with William Burrus, also known as Bill Burrus. He is President of the American Postal Workers Union. Bill Burrus was elected President in 2001, becoming the first African American ever to be elected President of a national union. Mr. Burrus started with the Postal Service in 1958 at the age of 12, maybe a little bit older, and he served in a number of leadership positions with the APWU. He also serves as Vice President of the Executive Council of the AFL–CIO and is Chairman of the AFL–CIO's Committee on Civil and Human Rights. Welcome.

John Hegarty became President of the National Postal Mail Handlers Union in July 2002 and was reelected to that position at the union's national convention in 2004. For the 10 years prior to becoming national President, Mr. Hegarty served as the president of his union local in New England. Was that in Springfield?

Mr. HEGARTY. Springfield. The six south New England States.

Senator CARPER. Alright. He was employed as a mail handler in Springfield, Massachusetts, beginning in 1984. Welcome.

Donnie Pitts is President of the National Rural Letter Carriers Association. He is currently serving his second 1-year term in that position, after serving two terms as Vice President. He served at his union and at the Postal Service for a total of 37 years.

And finally, William H. Young is President of the National Association of Letter Carriers. He took office in December 2002 after serving in a number of national leadership positions for the union since 1990. He began his Postal career in 1965, more than 40 years ago.

With those introductions completed, I would ask each of our witnesses to try to keep your oral comments to about 5 minutes. We won't be too strict on it, but roughly 5 minutes. Your entire statements will be part of the record.

Mr. Burrus, you are recognized and I would invite you to proceed. Thank you again for joining us.

TESTIMONY OF WILLIAM BURRUS,[1] PRESIDENT, AMERICAN POSTAL WORKERS UNION

Mr. BURRUS. Thank you, Mr. Chairman. Mr. Chairman and Senator Collins, other Members of the Subcommittee as they arrive, thank you for providing me this opportunity to testify on behalf of the 300,000 dedicated Postal employees who our union is privileged to represent.

[1] The prepared statement of Mr. Burrus appears in the Appendix on page 35.

I commend the Subcommittee through your leadership, Mr. Chairman, for convening this hearing on the important subject of subcontracting and other issues in the U.S. Postal Service. In the interest of brevity, Mr. Chairman, I request the opportunity to summarize my prepared statement and enter the full testimony into the record.

Senator CARPER. Your full testimony will be entered into the record, so feel free to proceed.

Mr. BURRUS. Thank you. For more than a decade, virtually all of the legislative focus on the U.S. Postal Service was based on the belief that absent radical reform, this institution faced eminent demise. Our union did not share this belief and viewed it as an attempt to undermine collective bargaining. However, the Act has become law and we promised to lend our best effort to making it work.

But now with the ink on the legislation barely dry and with new regulations spawned by the law yet to be written, we turn our attention to the unfinished business of reform, the subcontracting of Postal services. Throughout the torturous debate over Postal reform, not a single proposal was made to privatize the Postal Service. Yet Postal management, in concert with private enterprises, has begun to travel resolutely down this road without the approval of Congress. The subcontracting of delivery routes, which has been the subject of much recent discussion, is just one aspect of a dangerous trend: The wholesale conversion of a vital public service to one performed privately for profit.

The U.S. Postal Service adoption of a business strategy based on outsourcing is especially troubling in view of the obligation to military veterans and its responsibility to provide career opportunities for all Postal employees. But nonetheless, the U.S. Postal Service has adopted a business model that strives to privatize transportation, mail processing, maintenance, and delivery.

As the *Washington Post* reported this month, a prominent mailing industry spokesman recently opined, "In the not-too-distant future, the Postal Service could evolve into something which could be called the master contractor, where it maintains its government identity but all the services would be performed by private contractors." This is a private investor's dream, a tax-exempt public monopoly with revenues of $80 billion per year. Eager businessmen will seize the opportunity, divide the pieces of the Postal Service among themselves for substantial private financial gain.

Perhaps the most insidious example of this march to privatization is the operation of the Mailers Technical Advisory Committee, a panel composed of high-ranking Postal officials and mailing industry executives. At closed-door meetings, top-level Postal officials entertain policy recommendations by the Nation's biggest mailers, and despite the Government in the Sunshine laws the public is excluded from their deliberations, as are individual consumers, small businesses, and, of course, labor unions representing the employees.

The APWU and the Consumer Alliance for Postal Services have filed a lawsuit challenging this secret policy making, which has operated for many years in relative obscurity except to Postal insiders. But Congress has passed a law prohibiting the very secrecy

that is being practiced. Under this law, it should be fairly easy to find out which Postal policies and programs originated and were finalized on the advice of the industry representatives in MTAC. The Act requires that committee meetings be open to the public and that minutes of meetings be available.

After the removal of the minutes from the official website and the request of my union for access, I am informed that such minutes are now available in an abbreviated form, but to date, they have not responded favorably to our requests for membership.

The secrecy of this powerful advisory committee is now taking on an even more ominous tone. The Postal Accountability and Enhancement Act maintained that the Postal Service publish new service standards in consultation with the Postal Regulatory Commission. It is a matter of grave concern that representatives of the Commission, rather than awaiting formal proposals from the Postal Service, have been invited to attend secret MTAC meetings where these standards are under discussion. These standards will be the heartbeat of Postal services in the future, and no single entity should have undue influence on their creation.

On the issue of privatization of the U.S. Postal Service, it is imperative that Congress take a stand, insist on its rights and its responsibilities to set public policy. What is at stake is whether an independent Federal agency that performs a vital public service should be converted to private, for-profit enterprises.

I previously testified before the House Subcommittee and asked that lawmakers refrain from substituting their judgment for that of the parties who are directly involved because the road of intervention is a slippery slope. If you adopt a bill that addresses subcontracting of a specific Postal service, who will resolve the ensuing disputes? Will courts and judges be called upon to replace arbitrators and the parties' representatives as the interpreters of the provisions that you imposed?

We believe that the USPS and its unions are best suited to make the many decisions and compromises that are required in all matters involving wages, hours, and working conditions for the employees we represent, and I congratulate the Postal Service and the National Association of Letter Carriers for resolving their major dispute within the framework of collective bargaining.

However, there are issues of such importance that Congress must intervene and set public policy. If you believe, as we do, that the Nation's mail service demands a level of trust between the government and the American people requiring the use of dedicated, trustworthy career employees who are official agents of the government, you can achieve your objective without bargaining in our stead. You can accomplish this goal by requiring the Postal Service to negotiate over subcontracting. This simple minor modification would place the issue in the forum where it belongs. You would not be breaking new ground because you have previously granted us the authority to bargain. To address the important issues of contracting, we need the opportunity, and that will require your assistance.

Thank you for providing our members the opportunity to express our views on these important subjects and I would be pleased at

the appropriate time to respond to any questions you may have. Thank you.

Senator CARPER. President Burrus, thank you very much.

We have been joined by Senator Akaka and I invite him to give an opening statement. I think when we finish this first round of witnesses, when they have concluded, when Mr. Young concludes his statement, I will call on you for your opening statement and then we will go into questions.

Senator AKAKA. Thank you.

Senator CARPER. We are delighted that you are here. Mr. Hegarty, welcome.

TESTIMONY OF JOHN HEGARTY,[1] PRESIDENT, NATIONAL POSTAL MAIL HANDLERS UNION

Mr. HEGARTY. Thank you, Chairman Carper, Senator Collins, andSenator Akaka, we appreciate the opportunity to testify today. The National Postal Mail Handlers Union serves as the exclusive bargaining representative for approximately 57,000 mail handlers employed by the U.S. Postal Service. I will not repeat the details of my April statement to your Subcommittee, but would ask that it be included in the record of this hearing, and I also ask that today's written testimony be included as I will only summarize it.

Senator CARPER. Without objection.

Mr. HEGARTY. Thank you. You have asked us to address the effects of the Postal Accountability and Enhancement Act on Postal employees. This is a difficult topic at this early stage after enactment of the legislation, but during the 13 years that Postal reform was debated, we continued our long history of labor stability within the collective bargaining process. At this point in time, from the perspective of any individual mail handler who works on the floor at any major Postal facility, the most significant change made by the new legislation is the mandated cut in the workers' compensation program.

Mr. Chairman, as you know, we often work in dangerous conditions. I would like to take this opportunity to thank you for your efforts in initiating the studies of the workplace injuries in the Postal Service. The Mail Handlers Union is engaged in several joint efforts at reducing these dangers, including, first, the Mail Security Task Force, which grew out of the 2001 anthrax situation and has developed specific protocols related to such incidents. The Task Force also addresses a potential pandemic flu and natural disaster that could disrupt mail processing and delivery.

Second, the Ergonomic Risk Reduction Program, which has been very successful in reducing repetitive motion injuries, probably by as much as 35 percent. It has been estimated that this program saves, on average, 20 injuries per facility per year, about a five-fold return on the dollar.

Third, the Voluntary Protection Program, which rather than looking at recurring injuries looks at the specific cause of a specific often traumatic injury. During the past 5 years, there have been measurable differences in the injury rates in facilities that use this program versus those that do not.

[1] The prepared statement of Mr. Hegarty appears in the Appendix on page 38.

I bring up these joint management-labor programs for a reason. They are one of the value-added benefits of our union. Our efforts make the Postal Service more efficient and Postal employees more productive. There are no comparable savings with a privatized workforce.

Another important aspect of the Postal reform legislation is the flexibility provided to the Postal Service in pricing its products and responding to economic crises. The legislation specifically is intended to recognize the volatile world in which we live, where gasoline can cost $35 a barrel one month and $70 a barrel shortly thereafter, or extreme incidents, such as the deadly anthrax attack. Consequently, the exigency clause and banking provision were strengthened during Congressional debate to cover not just extraordinary events, but other exceptional circumstances not limited to those I have already noted. The Postal Service needs such flexibility.

Let me also address the public pronouncements of Postal management and some members of the Board of Governors suggesting that the Postal Service must privatize to stay within the price cap set by the Consumer Price Index. We reject that notion. We contend that these arguments ignore the true cost of privatized labor. It is not simply our wages and benefits versus theirs. As we saw at Walter Reed and elsewhere, there are hidden costs and perilous dangers in privatizing. Furthermore, as I noted in the safety and health areas, unions provide an environment that can be a win-win situation for all.

Some will argue that getting the work performed more cheaply is the same as getting the work performed more efficiently, more safely, or more securely. The premise of this 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.

For example, the largest subcontract for mail handling work ever signed by the Postal Service had Emery Worldwide Airlines processing Priority Mail. Nearly 1,000 mail handler jobs were privatized. Today, the work at those facilities has been returned to mail handlers, but not before the Postal Service and its customers suffered severe losses in the hundreds of millions of dollars. One governor stated publicly that the Emery subcontract was one of the worst decisions that the Board of Governors had ever made. The United States Postal Service Office of Inspector General released an audit report that concluded that Emery cost more and did not meet overall processing goals.

Finally, the Postal Service is an important career for millions of Americans, allowing entry into the middle class. A Postal career has allowed millions of American families, including my own and undoubtedly many other families represented here today, to buy a home, send their kids to college, and pay their fair share of taxes. We do not believe that Congress should encourage a Postal Service of poorly-paid employees for whom health care means a visit to the emergency room.

Who handles your personal mail and who has access to your identity is a public policy issue. Sending military mail to Iraq or Afghanistan via a private subcontractor is also a policy issue. The piecemeal privatization of this Nation's communications network is a policy issue. We do not believe that Postal reform legislation, passed less than 1 year ago, should be a convenient excuse to dismantle the Nation's Postal system.

Thank you, Chairman Carper. I will be glad to answer any questions that the Subcommittee may have.

Senator CARPER. President Hegarty, thank you very much for that statement.

We now turn to President Donnie Pitts. Welcome. Your full statement will be entered into the record.

TESTIMONY OF DONNIE PITTS,[1] PRESIDENT, NATIONAL RURAL LETTER CARRIERS ASSOCIATION

Mr. PITTS. Thank you, sir. Mr. Chairman, Members of the Subcommittee, my name is Donnie Pitts and I am President of the 111,000-member National Rural Letter Carriers Association. I want to thank you, Mr. Chairman, for holding the hearing on contracting out.

As of July 2007, rural carriers are serving on more than 76,000 rural routes. We deliver to 37.6 million new delivery points and drive more than 3.4 million miles per day. We sell stamps and Money Orders, accept customer parcels, Express and Priority Mail, signature and delivery confirmation, registered and certified mail, and serve rural and suburban America to the "last mile."

Mr. Chairman, I am pleased to report that as of July 17, there are 35 cosponsors of Senator Harkin's bill, S. 1457, a bill that would prevent the U.S. Postal Service from entering into any contracts with any motor carrier or other person for the delivery of mail on any route with one or more families per mile.

I am saddened, however, that only one Republican, Senator Cochran of Mississippi, is a cosponsor of S. 1457. I had hoped this bill would have received more bipartisan support. Is it because the Postal Service has suggested that contract delivery is a matter for collective bargaining and not a policy question? I hope not, because contracting out most certainly raises significant policy questions, particularly when the safety and security of the mails is at stake.

Mr. Chairman, I am sure by now that everyone knows that the NRLCA and the Postal Service could not reach an agreement during our recent contract negotiations and we are headed toward interest arbitration. What is less well known is that, unlike our friends in the city carrier craft, Contract Delivery Services were never brought forward during the union's talks with the Postal Service. We don't see what the Postal Service is doing now as a collective bargaining issue. We see it as a policy issue.

There are a number of different policies already in place with the Postal Service to limit what can and cannot be contracted out. Our national agreement with the Postal Service contains an article which addresses subcontracting, Article 32. Article 32 sets the standards and policies under which routes can be subcontracted.

[1] The prepared statement of Mr. Pitts appears in the Appendix on page 47.

The Postal Service's P5 Handbook, which "establishes the national policy and procedures for the operation and administration of Highway Contract Routes," that handbook language states that a route that serves less than one family per mile may be converted to CDS, or Contract Delivery Services.

Additionally, we have grievances at the national level that challenge the improper contracting out of mail delivery. Mr. Chairman, we as a union have done everything within our power, utilizing policies and agreements with the Postal Service, to stop the Postal Service from contracting out delivery of mail. Despite this, the Postal Service continues to ignore all these policies and agreements and continues to contract out routes. I am asking that you support S. 1457 and pass this vital legislation to stop Contract Delivery Services.

In May, the House of Representatives held a site hearing in Chicago regarding the slow delivery of mail. Congressmen in New Mexico are scheduling meetings with officials from the Postal Service to discuss staffing concerns and persistent service problems throughout New Mexico. When the Postal Service announces the consolidation or closing of a facility within the State, that Senator gets involved. During the passage of Postal reform, even an issue like work sharing was made into a policy issue. Every time the Postal Service enters into work sharing agreement with a mailer, the end result is a Postal employee not performing the work.

What I am trying to point out using these examples is that when there is a problem with the mail service, closing of facilities, security, or other problems, Congress gets involved to correct that problem. Why isn't Congress getting involved in stopping contracting out? Do they not see this as an issue just as important as service problems or consolidation of facilities? I have no problem telling you this is an issue that is just as important as the others.

Letter carriers are the face of the Postal Service. We are the ones the American public sees out in the streets every day delivering their mail. They get to know us, they become our friends, and they trust us. This honor for the third year in the row has earned the Postal Service the distinction of being named the Most Trusted Government Agency by the Ponemon Institute.

I reference this survey because the public perception of the Postal Service is delivery. If the Postal Service fails to deliver because of here today, gone tomorrow contractors, the mailers will find another way to get their message to the public. I care about the future of the Postal Service. I want the Postal Service to succeed. But hiring non-loyal, non-liable contractors is not the way to ensure the success of the Postal Service.

Mr. Chairman, you and Senator Collins spent years passing Postal reform to make the Postal Service more viable for the 21st Century. I would like to thank both of you and the Subcommittee for their involvement in passing P.L. 109–435 and P.L. 108–18 relieving approximately $105 billion in obligations for the Postal Service.

I thank you for allowing me to testify here today, and if there are any questions you would like to ask me, I will be glad to try to answer those.

Senator CARPER. Good. President Pitts, thank you very much. Thanks for working with us, too.

President Bill Young, you are batting clean-up here today, Mr. Young. Take it away.

TESTIMONY OF WILLIAM H. YOUNG,[1] PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS

Mr. YOUNG. Third baseman. I love it. Good afternoon, Chairman Carper and Ranking Member and other distinguished Members of the Subcommittee. Before I begin, I want to congratulate both Senator Carper and Senator Collins on the outstanding work that they did in the long debate over Postal reform. It wasn't an easy thing to form a consensus on Postal reform, but you were able to do it and my hat is off to both of you for your efforts and all the other people that worked so hard achieving that.

Our goals in Postal reform were straightforward, to enhance the long-term viability of the most efficient, affordable Postal Service in the world and to protect a legitimate interest of America's Postal employees in general and letter carriers in particular. If properly implemented, I am confident the law will do exactly that.

I want to again express my strongest 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 towards outsourcing to contingent low worker, no-benefit contractors has been broadly used in both private and public sectors in recent years. The results for working people have been downright disastrous. At a time of so-called prosperity, the ranks of the workers without health insurance or pension protections have surged to the tens of millions. The Federal Government, the U.S. Postal Service, should not contribute to this disgraceful trend. Exploiting contractors who deserve the same kind of pay and Congressionally mandated benefit protections afforded to career employees is unacceptable.

But contracting out is also misguided as a business strategy. NALC believes that CDS is penny-wise and pound-foolish and it would damage the brand of the Postal Service by undermining America's trust in the service. Mail delivery is the core function of the Postal Service. Outsourcing these jobs threatens the long-term viability of the agency.

Now, the Postal Service would have you believe there is a strong correlation between the two issues, the new pricing indexing system and contracting out. Outsourcing delivery, it now maintains, is necessary because the new law contains a price indexing system requiring the Postal Service to limit rate increases to less than the CPI. However, the decision to contract out work was taken long before Postal reform became law. The Postal Service took the first steps towards outsourcing in 2003. 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. Just examine our last 35-year history. We have done it every single time for the last 35 years.

Contracting out is not the Postal Service's only choice. Productivity growth and boosts in revenues are preferable strategies. Postal labor productivity has increased far more than compensation

[1] The prepared statement of Mr. Young appears in the Appendix on page 51.

costs over the years and it will continue to do so in the future if the Postal Service embraces a partnership with its dedicated career workers and their unions. Indeed, 2 weeks ago, we reached an agreement on a new 5-year contract that seeks to facilitate the smooth introduction of flat mail automation technology that will cut labor costs significantly.

That agreement also commits letter carriers to a program called Customer Connect that seeks to dramatically increase Postal Service revenues. I am proud to tell you that, to date, we have increased Postal Service revenues by $300 million through this program, and that is with less than one-tenth of our total workforce involved in the program. Over the coming 5 years, we will get more people involved and we fully expect that revenue figure will increase substantially.

I believe it is safe to say that expanding outsourcing was the last thing that 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 still gives preference in hiring to veterans and mandates with some exceptions collective bargaining rights for workers employed by the Postal Service. The widespread expansion of Contract Delivery Services would make a mockery of these policies. This is why the NALC applauded Senator Harkin's bill to limit outsourcing to traditional Highway Contract Routes.

We also want to thank the other 35 Senators who have cosponsored the legislation. Together, they sent a strong message to the Postal Service. That message was reinforced by the overwhelming support that we received from our public during the dozens of informational pickets that we conducted around the country during the past several months. Plain and simple, the American public wants career letter carriers to deliver their mail. It is just that easy.

As I mentioned earlier, the NALC and the Postal Service recently reached agreement on a new collective bargaining agreement. It contains two Memorandums of Understanding related to subcontracting. The memos may be relevant to your consideration of S. 1457 or any future legislation on the issue of Postal outsourcing. First, we signed an MOU that prohibits for the life of the contract, 5 years, the outsourcing of work now performed by career letter carriers in 3,000 city carrier only installations. Second, we signed another memo that established a Joint Committee on Article 32 to review existing policies and practices concerning the contracting out of mail delivery in other installations. We have a 6-month moratorium there.

I want to address what the two memos mean for the long-term debate between the Postal Service and many other interested parties about whether outsourcing is a bargaining issue or a policy issue. I maintained from the very beginning of this debate that the NALC has the ability to represent the letter carriers covered by our collective bargaining agreement. But who provides service to new deliveries is both a collective bargaining issue and a public policy issue. By expanding Contract Delivery Services to potentially serve all new deliveries, the Postal Service has transformed a contract delivery into a public policy issue.

We have maintained the kind of workers assigned to handle new deliveries in the future should not be left alone to Postal management to decide. In fact, it shouldn't be left to the Postal unions alone to decide. Congress has mandated collective bargaining for Postal employees in general and only it can decide whether to make exceptions to this policy.

I believe we have reached a sensible and constructive approach to dealing with this difficult issue. Although the Postal Service seems to be moving in the right direction, it is not committed to abandon CDS altogether. For that reason, I welcome this hearing, the Subcommittee's oversight of the Postal Service, and I sincerely hope that this is an issue that you will continue to monitor.

Thanks again for all the Members of the Subcommittee for holding this hearing. I would be happy to answer any questions you might have.

Senator CARPER. President Young, thank you very much. In fact, thank you all for very fine statements.

Senator Collins, thanks for joining us and again for your leadership on this front.

And we have been joined by Senator Akaka, and I want to recognize Senator Akaka for any statement that he would like to offer, and then we will move on to questions of our panelists. Thank you. Welcome.

OPENING STATEMENT OF SENATOR AKAKA

Senator AKAKA. Thank you very much, Chairman Carper. Thank you for holding this hearing. I am interested in hearing Postal workers' perspectives on implementing Postal reform.

First, my thanks to Postal workers represented by all of our panelists and who are responsible for over 212 billion pieces of mail delivered to over 144 million homes and businesses across the country. For many Americans, the Postal Service is the face of the Federal Government.

Last year, after several years of work, the Congress finally succeeded in passing meaningful reform to the Postal Service which should keep the Postal Service strong far into the future. However, even after passing the important legislation, there remain concerns.

The United States has always relied on Federal employees to perform the most important of tasks. The security and sanctity of our mail has been one of these. However, I know that increasingly, the Postal Service is relying on contractors to deliver and in some cases process the mail. I have been concerned for some time about the increasing government-wide reliance on contracting out.

As Chairman of the Subcommittee on Oversight of Government Management and the Federal Workforce and the District of Columbia, I have directed my Subcommittee staff to examine closely the problem of contracting out throughout the Federal Government. While there is a place for some contracting, it is important that no Postal employee ever lose their job to a contractor. Further, those who are contractors must be held to the same high standards of excellence and conduct as are our outstanding Federal Postal workforce. The Postal Service must carefully weigh the benefits and costs of contracting, which we know are not merely monetary.

I am very interested to hear further from you and to hear your responses to our questions and look forward to continuing to work with you to help our Postal Service be the best.

Thank you very much, Mr. Chairman.

Senator CARPER. You bet. Senator Akaka, thank you so much for coming today and for your help on Postal reform.

As you know, one of the most contentious provisions in the Postal reform bill was the so-called exigency provision laying out when the Postal Service should be able to raise rates above the CPI rate cap, at least for market-dominant products. Our staffs, the mailing community, the Postal Service spent months, maybe years, debating how that language should be crafted. We were finally able to come to an agreement almost at the 11th hour, as you will recall. Now we are at the point where the ball is in the court of the Postal Regulatory Commission and they are busy trying to figure out how our language should be implemented.

What guidance would each of you give the Commissioners as they complete their work? Under what conditions do you think the Postal Service should be permitted to breach the rate cap? Mr. Hegarty.

Mr. HEGARTY. We don't think right now that the Postal Regulatory Commission should be defining the exigency circumstances because there are so many different things that could happen that we may not foresee. The law says either exceptional or extraordinary. That language was put in there for a reason and the Postal Service has asked the Postal Regulatory Commission to hold off on issuing definitive regulations so that each case on a case-by-case basis can be addressed.

Next week there could be a war that breaks out somewhere across who knows where that could raise the price of oil, like I said in my testimony, from $35 a barrel to $70 a barrel. I think that is pretty much a clear-cut example that everyone would agree the Postal Service may need to raise rates under the exigency provision.

There are other things we may not be aware of right now that could happen. The anthrax attack from 2001 was another example where the Postal Service needed to put in protective equipment, and thankfully, Congress came to the forefront on that and approved funding for that detection equipment.

So I think that the Postal Regulatory Commission should not narrowly define exigency circumstances right now. I think they need to be decided on a case-by-case basis as they come up.

Senator CARPER. Thank you, sir. Other presidents, please.

Mr. BURRUS. Yes, Mr. Chairman. I wish they would use a different word. I have such a difficult time repeating "exigency."

Senator CARPER. It is refreshing to know I am not the only one. [Laughter.]

I have stumbled over that word for months now.

Mr. BURRUS. My union also counsels that they should be as flexible as possible. To set in today's conditions at this time, to predict the future and try to coin words that reflect the unusual extraordinary circumstances that may occur is a most difficult task, and by defining what is covered, we are also defining what is not covered because though that which is not included is by nature of sen-

tence structure, it is excluded. So our counsel would be to be as flexible as possible to make it possible for the parties to revisit the issue as circumstances arise and not put themselves in concrete as to what is covered under the clause.

Senator CARPER. Alright. Thank you, sir. President Young.

Mr. YOUNG. Senator Carper, my union played a significant role in this. We were asked by you and Senator Collins to meet with a group of mailers and we were the ones that actually hammered out "unusual and exceptional" or whatever it is now, I forget. I apologize for that, because I don't have the bill in front of me.

But I totally agree with the remarks that the two presidents made before. The idea was that things that are not under control of the Postal Service should not be held against them when they are not reflected adequately in the Consumer Price Index. A lot of things are in the Consumer Price Index, as you well know, but there are other things that are not in the Consumer Price Index and we think that when things are exceptional, extraordinary, outside of that norm, that they should be covered.

So our guidance would be the same as the two previous speakers, that we believe that at this point, it is premature for the regulatory body to try to define what was intended by those words.

Senator CARPER. OK. Thank you. President Pitts.

Mr. PITTS. What can I say? It has already been said.

Senator CARPER. You could disagree with the other three.

Mr. PITTS. I don't disagree at all.

[Laughter.]

I think we just need to wait until circumstances justify exceeding the CPI Index, because I echo what John and Bill and the other Bill have said here. We don't need to try to set standards right now that may not be applicable when the time comes.

Senator CARPER. OK.

Mr. PITTS. So that would be my comment, Senator.

Senator CARPER. Alright. Thank you. All of you know better than anyone, I think, that the Postal Service has always had problems with workplace injuries. What has been done in recent years to address the problem? I think at least one of you alluded to that in your testimony. I found it very interesting. Are there still parts of the country or even individual Postal facilities that have serious injury problems? And finally, is the Postal Service working with your unions directly to address these problems? If you have already spoken to this, I would ask you to come back and revisit it. I think the comments that at least one of you made are worth repeating.

Mr. YOUNG. Well, I didn't make those comments. I think President Hegarty did. I will just tell you this, Senator. In the tentative agreement that we have reached, there is a joint commitment toward safety and health. We have been monitoring the number. I hate to tell you this, but it is mostly letter carriers that comprise it. More letter carriers than any other craft employees are injured. There has been tremendous improvement in the last 2 years, I mean, off-the-chart improvement in the area of injuries and it is a lessening of the number of injuries, and I believe it is because during the last 3, 4, 5 years, the parties have been working together to jointly address these issues. I think if we continue to do it, we

will get there. I don't promise overnight results, but I think, ultimately, we will get where you want us to be.

Senator CARPER. Thank you, sir. President Pitts.

Mr. PITTS. Yes, sir. We have involvement with the Volunteer Protection Program, VPP Program, that allows the employees to get involved and to expand safety and health programs to have involvement for them to have input when safety issues arise.

Also, with the Postal Service and the Rural Letter Carriers, we have entered into a program that deals with safety on our delivery routes, looking for left-hand turns, U-turns, backing situations, high-speed areas where the carriers become targets out there, trying to eliminate a lot of those items to make it safer for employees out on the delivery routes. It is bad enough for one employee to lose their life during a year, but when you have 9 or 10 or 12 people losing their lives, any kind of safety program that you can get involved in, and the one we have been involved in takes a look at these areas and helps eliminate them. So that is some of the things that we are doing to try to make safety better.

Senator CARPER. Good. President Hegarty, you spoke to this, but I want you to revisit it again. I found your comments especially interesting.

Mr. HEGARTY. Thank you, Mr. Chairman. Yes. We participate also in the VPP, which is the Voluntary Protection Program. That is a partnership with OSHA, with the APWU and the Mail Handlers because we generally work together in the plants where that program is rolled out. It has been very successful. You have to qualify for the program. You have to demonstrate a good safety record, and then you identify within the facility potential causes of injuries and eliminate them.

Similarly, the Ergonomic Risk Reduction Program, which we also partner with the APWU and the Postal Service, and we have dedicated headquarters personnel to roll this program out facility-by-facility around the country, identifying causes of repetitive motion injuries, musculoskeletal injuries, where people have to have operations for carpal tunnel and rotator cuff——

Senator CARPER. Did you say Carper tunnel?

[Laughter.]

Mr. HEGARTY. Close. That is in Delaware, isn't it?

[Laughter.]

Senator CARPER. Actually, just a quick aside. We have a Gridiron Dinner here in Washington every year and they poke fun at the politicians and folks in the media and so forth. We also have, I call it a cheap imitation of the Gridiron Dinner in Delaware and one of the, really one of the funniest skits was on something called Carper Tunnel, and they were poking fun at me because I shake hands with everybody who has a hand in Delaware.

Mr. HEGARTY. You are prone to it, then.

Senator CARPER. I had a great time with that, so I apologize for interrupting you.

Mr. HEGARTY. No, not at all. But that program, also, the Ergonomic Risk Reduction Program, works great, and some of the solutions are as simple as raising the height of a conveyor belt six inches, or putting fatigue mats down so that people who are stand-

ing all day don't develop joint pain and injury such as that, and that has been very successful, as well.

We also have safety and health committees at the local level, the regional level, and the national level. Those have been successful over the years. In fact, over the last couple of rounds of collective bargaining, we have improved our safety and health article in our contract, which is Article 14.

One thing that President Pitts said that I think is very important to point out is that both of these programs are employee ownership programs. The employees, the union representatives, have a big say in what goes on, and in fact, in some instances, are the chairpersons of the committees. So the buy-in from the employees on the working floor is much better.

You asked if parts of the country or certain Postal plants had problems. I would say you are always going to have problems in some Postal plants, whether that is due to the age of the plant. We have some of the older plants, such as the one in Maine that was just replaced. It was a four-story building that was probably built in 1920, elevators transporting mail long distances where it really should not have been done. They now have a new processing plant in Scarborough. I would say that that has been alleviated.

But what we do is if we find a particular plant that is having problems, our union officials will bring it to our attention, will try to get it some immediate attention and not just wait for the system to work. As far as statistics, I think you would have to ask the Postal Service if there were specific areas of the country or plants that have higher-than-normal injury rates.

Senator CARPER. Thanks very much for those comments.

President Burrus, a last word on this point?

Mr. BURRUS. Yes. Despite our disagreements with the Postal Service on a number of issues, major disagreements, safety and health is one of our success stories. We have worked together cooperatively. We have brought injuries down. We have in place a number of programs, joint programs, where we are addressing in a serious way injuries to employees. I think the Postal Service and its unions have a joint philosophy, one injury is too many, and we are working towards that objective.

Senator CARPER. That is a great philosophy to have. I think you are right, President Burrus. This is a success story. I don't know how broadly it has been told, but this is one that you can feel good about and your members can feel good about and I think the management at the Postal Service ought to feel proud of, and frankly, we in this body salute you for the great progress that you have made.

Let me turn, if I can, to another issue. There have been reports, I guess in just recent months, of some serious service problems across the country. Some of the communities, I will mention. They include Chicago. I think L.A. has seen maybe the worst of it. But my staff and I have heard anecdotal stories from Delaware about mail going to its destination a lot later than it really ought to be, for example.

Let me just ask, what do you think is going on out there? Have we reached a point where the Postal Service's efforts to cut costs might be having a negative impact?

Mr. YOUNG. I would be happy to go first on that one. Absolutely, Senator. It is exactly what you just said, and I think is some acknowledgement starting to come out now from the Postal Service itself. I was at the hearings at the House when Mr. Potter was asked about the Chicago problems. He said some maverick postmaster decided not to hire a bunch of people that he needed and he was going to put 200, I think is the number he said, 200 new letter carriers into Chicago right away to alleviate the problems.

Senator CARPER. For what purpose was that decision made by the local postmaster?

Mr. YOUNG. I am not even sure that is accurate. That is just what Mr. Potter said. He said that the guy had made it. I don't know why a postmaster would make that decision. It doesn't make sense. This next panel is a group that represents them and they can probably explain the ins and outs of this process to you.

Senator CARPER. OK.

Mr. YOUNG. But make no mistake about it. They have cut thousands and thousands of jobs in the last 3 or 4 years from the Postal Service, I think over 100,000 total from all of us, and it has an effect. If you go too far, you compromise service. I have watched this happen, Senator, the 42 years I have been in the Post Office, maybe four or five times. It is like a cycle. When the finances get bad, the first thing they do is go after labor because a lot of the cost is labor, and I don't dispute that. I don't agree with their 80 percent, but we won't go there. Whatever the cost is, a significant part is our wages. So the first part they cut is our wages. That works up to a point, and then at the point, it starts to be counterproductive and service deteriorates.

I was in a meeting with the Board of Governors and I was very proud of the four representatives from the management associations because they sounded like the union in there, complaining to the Board of Governors that they had went too far with these cuts and that these significant service problems were going to occur. In my opinion, they just weren't listened to and now it has got to be fixed.

Senator CARPER. Alright. Thank you. Others, please. President Pitts.

Mr. PITTS. Yes. I just had an opportunity to visit the great State of New Mexico and was talking with a district manager out there who was having problems with getting the mail processed in the mail processing centers, and I know Mr. Hegarty probably has a better idea of that, and Mr. Burrus. But their concern was the staffing. It has been cut back to a bare minimum. They don't have the workers to get the mail delivered. We see it even in my craft where they have cut back on local managers, even using our employees, the rural carriers, in higher-level assignments, which puts a problematic area on us for having someone to cover the routes, and even going as far as to, in the highway contracting, requiring our leave replacements, the Rural Carrier Associates, to carry contract delivery routes.

So they are cutting back, and I think a lot of it is because of the pay-for-performance. There is an incentive there for the manager to cut all the costs he can, but if you cut it too far, you get into

problems, and that is exactly what has happened in some of these situations.

Senator CARPER. OK. Thank you. President Burrus, would you comment on this, as well, please?

Mr. BURRUS. Yes. The Postal Service is adopting many of the tactics of the private sector of cutting service. If someone loses their luggage on an airline, the call to India will take weeks on end to recover. If you go into a bank today at lunchtime, you are going to wait an extraordinary amount of time, or the supermarket. Service in the private sector often is less than satisfactory, and the Postal Service has adopted a business model that mirrors what they see in the private sector. They think they can be more profitable if they reduce their employee costs, even though we are a service organization.

And added to the inconvenience it causes to the American public, when you incentivize the managers to cut, then you are going to find when their bonus is affected by how much, how many hours that they cut out of their workload, then it is going to have a residual effort, sort of residual impact upon the service we provide to the public. So this has become the new part of the Postal business model of reducing cost through cutting of service, and they can't cut it anywhere else. We are a service organization, so if they are going to cut, they are going to cut service.

I think the rate cap for rates is going to feed into future cuts. I think there is going to be a cycle. As the Postal Service has a need to reduce their costs to save money, the place where they are going to look to save that money is in service to the American public. That means fewer employees, less service to the public.

Senator CARPER. Alright. Thank you. President Hegarty, the last word?

Mr. HEGARTY. Yes. We had a meeting with the Postmaster General probably about 6 weeks ago on a variety of issues and this topic came up, and I asked Postmaster General Potter, I said, what do you have in place or do you have something in place to prevent another Chicago from happening? Rather than be reactive, can you be proactive with it? And he said that they did. He said that they were working on that nationwide to make sure it doesn't happen again. So I guess I will leave that to your Subcommittee to find out from the Postal Service what they are doing. We haven't had a follow-up meeting on that yet.

But I can tell you from experience, traveling the country, visiting the mail processing facilities, that it is a problem in some facilities, in management in those facilities. I agree with the other union presidents that it comes down to budget. It comes down to cost cutting. It comes down to: If I can make a pay-for-performance bonus by keeping my costs below a certain dollar amount, then I just won't hire those 10 mail handlers that I know I really need or those 10 letter carriers that I know I really need.

Now, in a big facility like where I am from in Springfield, we have in the neighborhood of a thousand mail handlers, so can you get the job done with 995 mail handlers? You probably can. Can you get the job done with 900? I don't think so. So it is a balancing act. The Postal Service has to look at staffing and should be staffing to the needs of the service within the particular facilities.

Senator CARPER. Alright. Thank you. Thanks for sharing that insight, too.

Before we bring on our second panel, I want to spend a few more minutes and let me just delve into contracting out. Before I say that, though, I want to just say a word about service. If you ask most people in this country how they feel about the quality of the service that they receive, it could be from the private sector, it could be from the public sector, I think you will find that among the entities that they feel best about in terms of service are the Postal Service. You have heard those numbers, and I have, too. They make me proud and I am sure they make you and your colleagues proud, as well.

Having said that, almost every day, we get in the mail at our home an offer for a different credit card, and if we don't like the kind of service that they provide—most of them are from Delaware, but if don't like the service that we are getting from our credit card company, we can try somebody else. Maybe not every day, but every week or two, we get something in the mail from the folks that provide cable service or different companies that provide cellular service. We get something in the mail at least every month, usually more often, from folks who build cars, trucks, and vans and they want us to take advantage of the automotive service that they provide for us.

I think there is a lot of interest in the private sector to provide good service and there is a fair amount of competition. For those companies that provide good service, they get rewarded with more customers. Those that don't, they get rewarded, too.

The Postal Service, as time goes by, is operating in more of a competitive environment than was the case before. It is no longer a public entity as it was for many decades, years, hundreds of years. Today, it is sort of a quasi-public-private sector animal and you have competition and your competitive products that the Postal Service offers have competition with the likes of UPS and FedEx and others, as well. You have got to be good in order to retain the market and to be competitive going forward.

I am just real encouraged by what I have seen. I have been in the Senate now for about 6½ years. I have been on this Subcommittee for 6½ years and the spirit of cooperation that you have seen demonstrated here today with respect to reducing injuries, making the workplace safer. It is good for the folks you represent. It is, frankly, good for us as mailers because it brings down our costs and enables them to get better service.

I am encouraged by the fact that the Letter Carriers are able to actually hammer something out at the bargaining table, a new contract, and to address, at least for now, the issue of contracting out. With that, I just want to sort of shift to the issue of contracting out and then will thank you for being here, but I want you to take some time to talk with me about it a bit more. I know you already have in your statements.

I am going to ask you just to start, if I could, with President Young. You spoke to this in your testimony, but I want you to come back and just revisit it for us, the process, the discussion that you were a part of. My understanding is that contracting out has been something that your union has bargained with the Postal Service

for a number of years, maybe even since 1972. We have been asked by you again today to consider a legislative fix offered by Senator Harkin which would essentially ban any, as I understand it, any contracting out, at least for new routes, maybe even for existing ones. But this is an issue that historically, I think, has been dealt with at the bargaining table by your union, not by all, but certainly by yours. Would you just talk with us a little bit about how did you end up finally being able to reach agreement at the bargaining table?

I guess I will just close with this. I have said to Senator Harkin, I thought that his legislation was helpful. I thought it had a salutary effect——

Mr. YOUNG. Well, it clearly was.

Senator CARPER [continued]. Because what it did is it provided a real impetus to the Postal Service to negotiate. Up until that point, I don't know that the Postmaster General felt that he could, was empowered to, and I think it helped to free him up to do that.

Mr. YOUNG. No question about it. First of all, I do this at some risk, Senator, but I want to correct something you said. We haven't bargained——

Senator CARPER. My wife does that every day.

Mr. YOUNG. Okay.

Senator CARPER. Sometimes every hour. Why shouldn't you?

[Laughter.]

Mr. YOUNG. Alright. Well, I am reluctant because of the distinguished position that you hold, but we have not bargained with the Postal Service since 1973 over contracting out. What occurred in 1972 is a provision—Article 32—was entered into the agreement, which at the time covers all four unions. That allows the Postal Service to contract out certain activities, and that was part of the give-and-take. We do not have the right to strike, but binding arbitration. They got the contracting out provision in 1972. Up until the time that Senator Harkin introduced a bill and the 282 Resolution started moving over in the House, the position of the Postal Service was, we are not interested and we don't bargain over Article 32. That is ours. We don't bargain over it.

It was only when the Postal Service believed that there was a legitimate threat that legislation was going to be passed did things change, and they changed in a New York second, or let me put it more distinctly, in a Delaware second——

Senator CARPER. That is pretty fast.

Mr. YOUNG [continuing]. Because I think you were the major mover of this, and I say that not facetiously. I mean, it is just the truth. I don't think my colleagues got the same chance to negotiate on contracting out that I did just because I happened to be in the right place at the right time, and largely due to your efforts.

Here is the point, Senator, and I just want to take one more second, if I could, to try to define this for you because I am not sure we are all on the same page yet. If you are talking about existing city letter carrier routes or territory that has been assigned through a boundary agreement between the Postal Service and our union, I have always had the right to bargain for that. You should not go there. That is a collective bargaining issue. I agree with what President Burrus said to that narrow extent.

But if you are going to talk about a program that involves workers who don't have a union, first of all, I think that is against the Postal reform law. Maybe I am reading it wrong, but in that reform law, it says the Postal employees will have bargaining rights. Who is bargaining for the private contractors of America? The answer is no one. They don't have anybody to try to get them health benefits, retirement benefits, annual leave, sick leave, or any of the other benefits that we have. I think the current state of Postal reform law requires certain health benefits and certain retirement provisions. These folks don't get any of that. There is no one there that speaks for them.

Because of you guys' influence, I have got a chance. That is all I have got. It is not a done deal, I am telling you. I am going to meet with them. Hopefully, my friends from the rural carriers will find their way in there. They have been offered the opportunity. That is their decision. I don't speak for them. But we are going to try to address it, and here is what we hope to accomplish, Senator Carper. We hope that we can come up with some criteria that makes sense.

Now, let me say this. It pains me to say it, but I am going to be truthful because I am required to be truthful at these hearings. In a pure sense, I wish there was no contracting out, but I am a realist. I live in the real world. I supported the Postal Service's right to contract out the air transport of the mail through FedEx. I supported that. I thought it would help the institution. I thought it was the right thing to do. We have never grieved what we call HCR routes, the Highway Contract Routes, and here is where I want to be very careful that I make this distinction again.

People that drive 50, 60, 70, 80 big sacks that would stand up from the ground this tall that are locked up full of mail from one Postal installation to another and maybe deliver three or four individual deliveries in these real isolated areas that Mr. Pitts is talking about, where there is not a box for every mile, they don't require the same level of trust, the same level of professionalism as the members I represent. That, to me, is not synonymous with somebody picking up 500 letters addressed to Senator Carper and going through them individually to make sure that they are yours and that everything is right with them. That takes a different level of trust.

We never grieved and we are not trying to stop HCRS, and I told the lobbyist who is here today from the Star Routes, our union is not trying to eliminate Star Routes.[1] And here is the second point I have to disagree with you. I do not believe Senator Harkin's bill does that. I think he grandfathers in all of the existing Highway Contract Routes.

But now let me end it by saying this. Here is the public policy issue that I honest to God believe you have to decide, and I mean you, the Congress. Are you okay with the Postal Service giving deliveries, the final delivery of mail to communities, to private contractors side by side with career employees? So if your house was built in 1990, you are going to have a mailbox on your porch and

[1] The prepared statement of from John V. "Skip" Maraney, Executive Director of The National Star route Mail Contractors Association with attachments appears in the Appendix on page 76.

a career letter carrier is going to come to your porch and deliver the mail. But if your house wasn't built until 2008, you are going to have a neighborhood mailbox located two blocks away from your house and some private contractor that you never see or never know is going to deliver your mail.

And all I am suggesting to you is this, that when the public finds this out, they are outraged. They don't want these private contractors doing the final delivery of their mail. We built up over a long period of time their trust and they don't want it. I think it was Congresswoman Norton-Holmes said, you can't have my mailman. And honest to God, I think she expresses the heartfelt opinion of most American people. They want the career letter carrier to deliver their mail.

Again, let me say it. This is not a battle over whether there are going to be city letter carriers or private contractors. This is a battle over whether there are going to be rural carriers or private contractors because the majority of the new deliveries go to rural carriers because their costs are less than ours, and I know that. I don't like it, but it is what it is and that is what happens.

So I know there is nothing in this for me. The only thing in this for me is this: 42 years, I have worked in this Postal Service. I have developed all kinds of friends. I know all kinds of people and their families that rely on a Postal Service for their future and I am worried if they go too far with the delivery of private contractors, the American public will lose trust in the mail, and if they do that, there are a lot of alternatives, as you know, out there that they can use, and that is what I think they risk in this effort to reduce the cost by using the private contractors.

So I think in 6 months, after this Subcommittee does its work, we will be in a great position to give you all the evidence, something that we haven't had for you because we are not the owners of that evidence. It is not in our possession. This agreement requires the Postal Service to turn over everything to us. We can have hearings. We can call members of the public there to tell us what their views are. And we will give that information to you. In the best of all worlds, I will end up with an agreement that makes sense for everybody and I will never have to come back here. But if I don't, I am going to come back and I am going to say, now we have to have these 1,547 because we can't get where we need to be if you want career letter carriers delivering the mail. Thank you, sir.

Senator CARPER. Thank you, sir.

Mr. YOUNG. I am sorry I took so long.

Senator CARPER. No, that is quite Alright. Thank you very much.

Let me hear from others on this, please. President Pitts, I will just ask a more specific question. President Young mentioned that what we have, I don't want to misstate what he said, but I think President Young said what we have here is a chance or the opportunity to try to work something out. What did you say? What were your words, do you recall?

Mr. YOUNG. I say, we have got a 6-month opportunity to try to work out guidelines that we can all agree to that make sense for the American public, the workers, and the Postal Service. If we can do that, that will be——

Senator CARPER. And then you said it was up to President Pitts and the folks he represents to decide whether or not they wanted to——

Mr. YOUNG. Well, yes, because I don't represent them. There is one sentence in our agreement that says, if the rural union decides they want to be part of this task force, we welcome that.

Senator CARPER. Okay. Thank you.

Mr. YOUNG. Yes.

Senator CARPER. And I would just ask President Pitts, is that something you would have an interest in doing?

Mr. PITTS. Yes, sir. I most definitely would have an interest in doing that, and let me clear up one thing.

Senator CARPER. Please.

Mr. PITTS. One reason we didn't bring Article 32 to the table in the contract negotiations is because I feel we have got a little stronger language in Article 32 that protects us better than my counterpart on my left side here, Mr. Young, because the Postal Service, if they are going to step up contracting out, they should give us notification of their intent to increase the contracting out. And also, there is a provision in our Article 32 that says that they have to let us know of any policy changes.

None of that happened. None of this came about as a result of contract negotiations. It wasn't mentioned, because we didn't feel we had a problem with it. And over the years, we have seen through testimony from Jack Potter back in April before the House, he made a statement that Contract Delivery had averaged about 2 percent per year, which we know, like Mr. Young said, Contract Delivery Services have been here. It will be here in the future.

But what concerns us is the fact in that same statement he said for the purpose of Contract Delivery Services it only came about as a result of Postal reform being passed, and that isn't correct. And he also in the same statement said it is 2 percent over the past few years on Contract Delivery Services. It has now for the year 2006, increased from 2 percent to 6 percent, which tells me it is a 4 percent increase. And just last week in another hearing, now I am hearing from one of the Board of Governors representatives that 92 percent of all new deliveries are going on either Bill Young's routes or the NRLCA routes, which tells me there is 8 percent now unaccounted for.

So the numbers continue to escalate, and basically, we are trying to protect our craft. We are the growingest craft in the Postal Service and we do pick up about 1.2 out of 1.8 million new deliveries each year. And I am here to tell you, in doing comparisons from this same pay period this year to the same pay period last year, we have had a decline of about 258,000 boxes. This time last year, we were over a million new deliveries. This year, we are at 750-some-odd-thousand deliveries.

So something is going on here. It is not something I am just thinking about. It is happening out there. So we do have concerns. We have filed a national level grievance, a step forward because they, we feel, have violated our contract. But we also feel it is a policy issue because they are changing their policy and not trying to negotiate anything through our contract when we already have language. So that is my big concern.

Senator CARPER. Okay. Thank you. President Hegarty.

Mr. HEGARTY. Well, I would just like to say that we have an Article 32, as well. It is the subcontracting article. I am not here asking you to rewrite that article or to renegotiate that article with the Postal Service. But what I would say is just because they can contract out doesn't mean they should contract out, and at some point, it becomes a public policy issue. There is a fine line between collective bargaining and public policy.

We did not come to Congress when they subcontracted the Emery Priority Mail Centers. We didn't come to Congress when they subcontracted empty equipment processing. Those are things that we handled in the collective bargaining process. I think history proved us correct, certainly on the Emery one and also audits were conducted that showed that the Postal Service was not saving the type of money they wanted—they said they were going to save.

But when you start contracting airport mail, where mail handlers, entrusted Postal employees, other Postal employees who have background checks and career jobs are sorting mail for loading onto airlines for transportation around the country, when you subcontract military mail that is going to our troops over in Iraq and Afghanistan and elsewhere in the world, that is where I think it becomes a public policy issue, especially in the world we live in today. Since 2001, things have changed. Since the anthrax attacks, since September 11, 2001, it is a different world we live in. It is a different Postal Service, and I think that needs to be recognized.

So I would say that career Postal employees should be handling the core Postal functions, not driving a truck from Point A to Point B or flying the airplane that the mail is being transported in, but certainly the sorting individual pieces of mail and people having access to the mail, whether it is problems with identity theft, terrorism, whatever you want to call it, I think career Postal employees should be handling that mail.

Senator CARPER. Alright, thank you. President Burrus, the last word, please.

Mr. BURRUS. Yes. My union's solution is to give us the opportunity and the right to bargain. I think these issues can be resolved at the bargaining table. It takes more than just a general opportunity and right to engage in collective bargaining, but a decision by Congress requiring the Postal Service to bargain on subcontracting, not within the framework of collective bargaining, but bargaining over subcontracting.

And without that right, you will find in the ensuing years we will return to Congress repeatedly as each of our bargaining units is affected by specific pieces of contracting. Each of the previous speakers spoke regarding the subcontracting that affected their environment. The Postal Service has a very large environment. It involves transportation, maintenance, retail services, delivery, processing, and all of us are affected by one or more of those. And unless we have the right to bargaining on each occasion that it occurs, we will inevitably come back before Congress to bail us out.

We will call it public policy, we will call it collective bargaining, we will use whatever words are convenient at the time, but we will be seeking out for assistance, and I say you can avoid that. Give

us the right to bargaining on each and every occasion and we will take care of it ourselves.

Senator CARPER. Alright. That is a good note on which to conclude.

This has been, for me, just a most helpful, interesting, and valuable panel and I want to thank each of you for your preparation for today's hearing, for your presentations and particularly for your responses to the questions that have been raised. We appreciate the opportunity to work with you and your colleagues in recent years as we try to bring the Postal Service into the 21st Century. We couldn't have done it without you, and I realize it is not perfect and I always like to say, if it isn't perfect, make it better. We are still going to try to make it better. But thank you very much for being with us today and for the leadership that you provide. Thank you.

Gentlemen, welcome. We are happy that you are here.

Mr. Atkins, there is some disagreement. Do you pronounce your first name "Louis" or "Louie"?

Mr. ATKINS. Both ways, Senator, whatever you feel like calling me.

Senator CARPER. If your middle name was Louis, we could call you "Louie, Louie," but we won't.

Mr. ATKINS. The famous song.

Senator CARPER. There you go.

Mr. ATKINS. I need royalties off it.

Senator CARPER. Let me just take a moment and introduce you first, and then I will turn to introducing Dale Goff and I will ask you both to proceed.

Mr. Atkins is the Executive Vice President of the National Association of Postal Supervisors. He took over that position in January 2005 after previously serving as Secretary-Treasurer and a number of other leadership positions in the Gulf Coast region. His Postal career began in 1970. He has been a member of the National Association of Postal Supervisors for 30 years, is that correct?

Mr. ATKINS. Yes.

Senator CARPER. Alright. Dale Goff is President of the National Association of Postmasters of the United States. He has also had a long career at the Postal Service. He has been a Postmaster for how many years, 27 years?

Mr. GOFF. Twenty-seven years.

Senator CARPER [continuing]. Twenty-seven years, and has served in a number of leadership positions with the Association. He was even named, is it true, Postmaster of the Year in 1994?

Mr. GOFF. Yes, sir.

Senator CARPER. Alright. Can you be Postmaster of the Year more than once, or just once?

Mr. GOFF. Just once, I think, is all they said they could do for me.

Senator CARPER. Alright. Well, congratulations.

My notes here indicate that the President of the National League of Postmasters was planning to be here today, but he was not able to come. I think what he has done is he has sent his written testi-

mony, and without any objection, we are going to place that in the record.[1]

Senator CARPER. OK. The bells are going off here. We have lights going on on our clock. I think we can go ahead. We are going to proceed at least for now.

Mr. Atkins, your entire statement will be entered into the record. Feel free to summarize, and if you keep it pretty close to 5 minutes, we would appreciate it. If you go a little bit over, that is okay, too. Thank you. You are recognized at this time. Welcome.

TESTIMONY OF LOUIS ATKINS,[2] EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION OF POSTAL SUPERVISORS

Mr. ATKINS. Chairman Carper and other arriving Members maybe later on of the Subcommittee, thank you for holding this hearing today and for the opportunity to appear on behalf of 35,000 Postal supervisors, managers, and postmasters who belong to the National Association of Postal Supervisors. Throughout the 99-year history as a management association, NAPS has sought to improve the operation of the Postal Service and the compensation and working conditions of our members. Many of our members are involved in management and supervising the mail processing and delivery operations. We also represent the interests of men and women engaged in every function in the Postal Service.

Indeed, the Postal Service stands at the beginning of a new era. The new law crafted on the basis of principle and compromise presents opportunity and challenges to the Postal Service, opportunity in the sense of greater flexibility within the Postal Service to design and price its products, services, and challenges because of the heightened competition the Postal Service faces in an increasing wide world.

The Postal Service stands unique as a time-tested public institution, while at the same time operating like a business without the taxpayers' funds. Now the creation of a new pricing framework under the reform law, a price cap limiting increases to no more than the rate of inflation will require the Postal Service to be more creative and focused than ever in growing new business and expanding revenues. At the same time, the price cap framework will place new demands upon the Postal Service to become smarter in how and where it spends its funds and services for its customers. These demands will extend from the front-line counter to the back offices, from post office to plants, from Maine to Alaska.

The Postmaster General, his leadership team, and the Postal workforce has done an excellent job over the past 6 years in increasing productivity, reducing costs, and focusing attention on mail that is the core business of the Postal Service. Two transformation plans promoted by GAO and mandated by Congress have paved the way for policies and operational changes that have permitted the Postal Service since 2001 to serve an additional 12 million delivery points with a dedicated workforce that is approximately 10 percent smaller than it was in 1999.

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[1] The prepared statement of Mr. Mapa appears in the Appendix on page 69.
[2] The prepared statement of Mr. Atkins appears in the Appendix on page 57.

For a successful Fortune 500 company, the dynamics of growing and reshaping its business and operation goes with the terrain. Innovation, agility, and speed are the ingredients of business success, especially in the service sector. For the Postal Service, the will to innovate, accelerate, and compete for success has not come as easy. Historically, America's indispensible reliance on the mail, the comfort of a quasi-monopoly, and the size of the USPS bureaucracy have spawned a culture more resistant to change, to survive, and thrive. However, especially under the new law, the Postal Service will need to change faster and smarter, undergoing a greater transformation of its people and operations than ever before.

What does this mean for the Postal Service managers and supervisors? Undoubtedly, financial pressures, especially to remain within the price cap, will place new demands on managers and supervisors to continue to reduce costs, yet continue to deliver universal service at the same level of quality. We have already seen the financial pressures play out within the current policy debate over contracting out of delivery service. Unacceptable service levels in Chicago also have demonstrated what happens when service quality is allowed to deteriorate. The big structural change within the Postal Service is yet to come, involving the potential mass alignment and consolidation of processing plants and post offices, along with Postal transportation network.

The increasing insistence to do more with less, to maintain and exceed expectations with fewer resources, to cut costs, all are placing unprecedented demands upon the managers and supervisors, demands that are not healthy, either in the long run for the Postal Service and for our customers, on the vitality and loyalty of its employees.

When performance goals are arbitrarily set, staffing needs go unmet, demands increase to make your numbers, all within a context of pay-for-performance, the conduct of managers and supervisors is likely to be skewed in perverse ways, getting some supervisors into trouble through clock falsification and other unacceptable behavior. This is not a path toward progress. All of us within the Postal Service, corporate executives, mid-level managers, and front-line supervisors, need to be increasingly sensitive to avoid the creation of expectations and insensitivity that brings about these kinds of negative outcomes.

The broader solution to success within the Postal Service will apply upon realistic, jointly arrived at goals, and may I add again, I will say it again, jointly arrived at goal setting, better communication at all levels, less paperwork, training and genuine support of problem solving, and greater teamwork at all levels. These are the building blocks of an organization whose business success will rely upon sharp-edged focus on the bottom line merged with a realistic sense about what is possible today and what we need to work together to achieve tomorrow. These things cannot be legislated. They can come about only through the desire and determination of the Postal Service employees at all levels to work together in ways that reflect courtesy, dignity, and respect, joined together for a common purpose, that is, the timely and affordable delivery service to all Americans.

In that same sense, as the new law becomes implemented and as the Postal Service and Postal Regulatory Commission undertakes their responsibility, Congress may find it necessary to retool the reform law in remedial ways, recognizing that a statute as sweeping and comprehensive as the Postal reform law is never quite perfect. In the meantime, Mr. Chairman, we look forward to continuing to work with you and the Congress in making the Postal Service stronger than ever.

I will be happy to answer any questions at the appropriate time that you or any other Members of the Subcommittee may have to ask.

Senator CARPER. Good. Thank you for that statement and we look forward to asking some questions. Thanks.

President Goff, you are recognized.

TESTIMONY OF DALE GOFF,[1] PRESIDENT, NATIONAL ASSOCIATION OF POSTMASTERS OF THE UNITED STATES

Mr. GOFF. Mr. Chairman, Ranking Member Coburn, and distinguished Subcommittee Members, I am Dale Goff, President of the 40,500-member National Association of Postmasters of the United States, commonly known as NAPUS. I have been a Postmaster for 27 years and in the Postal Service for 37 years. As Postmaster of Covington, Louisiana, I understand the challenges and opportunities that the new law presents to the U.S. Postal Service. I also recognize the benefits that my customers will reap from the new law as the Postal Service meets the new challenges and exploits the opportunities presented to it.

We understand that the Postal Reform Act is still not a finished product. Congress did not intend it to be so. Congress charged Postal managers, craft employees, the Postal Regulatory Commission, Postal stakeholders, and the Postal Service itself to complete and perfect the legislative project. Implementation is the key to success. Indeed, the Postal community needs to put the finishing touches on the legislation. Therefore, postmasters are working with the Postal community to help guarantee the lasting triumph of Postal reform.

I have faith that implementing the new law will not be as daunting as passing it. Presently, postmasters are discussing with Postal headquarters, the PRC, and others strategies on how to ensure the new Postal paradigm enhances this Postal system. We should recall that this is not the first time the Postal world has been apprehensive about legislation. In the 1970s, there was anxiety about the creation of the Postal Rate Commission and the establishment of a self-sufficient Federal entity that was mandated to break even. We succeeded then and we will succeed now, because we believe that the new law affords the Postal Service with new tools to maintain its high standards.

Presently, NAPUS is working to educate managers in charge of the approximately 26,000 post offices about the fresh approach necessary under P.L. 105–435. Postmasters have new responsibilities under the Act. Obviously, education and training are necessary.

Therefore, it is important for NAPUS, in conjunction with the Postal Service—and I will repeat that, in conjunction with the

[1] The prepared statement of Mr. Goff appears in the Appendix on page 62.

Postal Service—to develop an appropriate instructional program and to effectively and clearly communicate the new processes and expectations to front-line Postal managers. Postmasters and the Postal Service are accustomed to a long lead time between filing a rate case and the implementation of new rates. The new law authorizes periodic, predictable rate adjustments. It will be incumbent that the Postal Service anticipates these adjustments. The Postal Service will have to download new rate data into retail Postal facility pricing software.

At the same time, Congress and the PRC need to recognize that there may be a time or times in which the Postal Service may be forced to file a much reviled exigent rate case. Postmasters understand that they are no longer working with a break-even Postal model. However, in order for this new business model to operate, postmasters must be allowed to make operational decisions without micromanagement from above, and with the staff they need.

Indeed, the Postal Reform Act presents postmasters with the prospect of promoting new Postal products to their customers and being able to market competitive Postal products. The future of the Postal Service may very well depend on how well we are able to expand our product line, both in the market and in the competitive domain.

Currently, the Postal Service earns 90 percent of its revenue from market-dominant products. These are the items that will be indexed to inflation. Postmasters are cognizant of the challenge imposed in operating under a price index system. Employee productivity, creative management, and committed teamwork will afford us the opportunity to use these factors to operate under the new rate system.

We have witnessed the erosion of First-Class Mail, which used to represent the preponderance of mail volume. We have inherited a Postal culture that relies on volume mailings, not necessarily value mailings. It will be important that the Postal Service and the Postal Regulatory Commission work together to create appropriate incentives to encourage mailers to emphasize value in their mail program rather than simply generate volume. Certainly, the advent of Intelligent Mail creates that "eureka" opportunity for the Postal Service.

Finally, the Postal Service's success with competitive products will depend on whether the agency can operate in a truly competitive fashion. The Postal Service needs sufficient breathing space to bring new, as well as time-tested competitive products to the marketplace. The Postal Service will need to increase the competitive product generated revenue beyond the current 10 percent. As this growth occurs, postmasters will need to sharpen their skills and have the assets to be an aggressive sales force.

Mr. Chairman, for implementation of this new law to be successful, the Postal Service must be true to its historical mission, universal, affordable, and accessible service. Moreover, it is equally true that Postal Service, the Postal Regulatory Commission, and Postal customers must be willing to invest in the infrastructure and the personnel that will be needed to support the new Postal business model.

Thank you, and I will be glad to entertain questions.

Senator CARPER. Good. President Goff, thanks so much. Thank you both for excellent statements.

What I would like to do is start, if I could, President Goff, with you. Just to follow up, near the end of your testimony, you were talking about how 90 percent of the revenues of the Postal Service come from products which we will call market-dominant products and the need to grow the revenue stream from those that are competitive products. You mentioned something called Intelligent Mail. When President Bill Young was here from the Letter Carriers, he mentioned something called Customer Connect. Could you just tell us a little bit more about Intelligent Mail? What is it? What may be helpful for us to know? And how does that relate, if at all, to Customer Connect?

Mr. GOFF. OK. Intelligent Mail is a process or a system that the Postal Service is developing right now. From what they are telling us and from different briefings we have had, it is going to be a way to track every piece of mail that is sent through the system. It is going to be an external measurement-type system of the mail. The mail will be bar-coded, as well as the pallets, and the mail encased with the shrink-wrap that comes in. Whatever is bar-coded it is delivered to a processing place or a post office, it will be scanned. As each piece of that mail goes through, all the way up until it is finally delivered, the mailers will be able to know where their mail pieces are at the time.

I know in some of the tests conducted by the Postal Service, it has helped a lot of the mailers to correct their mailing list and know when mail was actually getting delivered. It addresses those things that you had said earlier about the, "please get my credit card so we can get the interest rate on you" or things like that. Mailers will know exactly when that piece of mail gets delivered from the day it is dropped at a post office, until it actually gets to someone's home.

Senator CARPER. And Customer Connect, how familiar are you with Customer Connect and can you shed some light on that?

Mr. GOFF. Very familiar with it. One of the first Customer Connect success stories was out of Covington, Louisiana. We pulled in a customer that was going to spend almost $1 million with us sending supplies out for pets and medicines. We actually did a video with the Postal Service on the carrier that brought the business in to us. It is a very successful program. Obviously, the carrier, who else but the carrier, sees that one of our competitors pulls up to one of their customers every day. We can send somebody in there, or ask the carrier to ask that customer, "Hey, we have this type of service that we can give to you. How about I will send somebody out to talk to you?" It has been very successful and I look for it to be successful in the future, especially with the unions still agreeing to do it.

Senator CARPER. What is the incentive for the carrier to help make this connection and to find the new business?

Mr. GOFF. I know what we did in our office. I did something locally for the carrier that brought in the business. When you bring in a million dollars, you think that there would be some type of monetary award, which we did do in a small amount. But the in-

centive is that they are going to bring more business in and, again, keep our jobs for the future.

Senator CARPER. Okay. I want to give both of you a chance just to think back over the last hour, hour and a half, where our first panel of witnesses was testifying and responding to questions. I don't normally ask this, but I am going to ask you, do either of you have a comment that you would like to make on some aspect of the first panel, any of the discussion we had on our first panel? Does anything come to mind that you would like to just make a quick comment on, not at any length?

Mr. ATKINS. Well, I can make one comment that comes to mind right away, is the deterioration of service that they referred to and cutback in staffing. All of that is semi. I think sometimes it is taken out of context, because overall, 95 percent of our volume of mail, First-Class overnight, is delivered on time.

My major concern is that some managers are making some arbitrary decisions about staffing and because of their selfish need for pay-for-performance are making some good people do some bad things or developing some bad habits. But in conjunction with that, the accountability isn't there when they do that. What happens to make headquarters aware of it? They have all the numbers that drive the complement in Chicago and there is a red alert that says that they are not hiring two carriers. Let me see or talk to the division or the district manager there and find out what is going on.

That is the driving force, is that most of our district managers are very cognizant and they are very service-oriented and they are making the good decisions or we couldn't have a 95 percent delivery count done by an external firm, EXFC. It would not be capable of getting those type of scores if they weren't doing the right things throughout the country. But in Chicago and in New Mexico, there are some other driving forces.

Senator CARPER. Alright. [Alarms going off.] You win the prize.

Mr. ATKINS. I am the millionth customer.

[Laughter.]

Senator CARPER. President Goff, while we find out for a moment what is going on here, any quick observation that relates to the discussion of the first panel?

Mr. GOFF. There are many things that the previous panel talked about that I could discuss, that is for sure. People find it odd these days that management and unions will be in agreement on some of these issues. The biggest problem is, as Mr. Atkins just talked about is the service. Our major issue is the staffing in the field. I wish postmasters would have that authority to hire people. When I hear that a postmaster in Chicago had the authority to hire people and didn't, I have a hard time believing that. We do not have that authority. It comes from somebody above us. We don't have that authority.

I know the contracting out issue. One of the statements that I made in one of my previous testimonies is, "You get what you pay for." I still stand by that. Any time that you are going to take the service of a established delivery, I have a problem. How can we come in and just arbitrarily put some type of contract route in there.

Senator CARPER. Alright. With that, I am going to ask us to just hold. We are evacuating the building. It has nothing to do with our hearing. We are not sure what it has to do with. But I am going to ask us to go ahead and adjourn the hearing at this time.

We are going to provide questions for the record and we will ask you to respond as your schedules allow you, promptly.

I apologize for this, but I am not sure when we are going to be able to come back into the building, so for now, we are going to adjourn. Thank you so much. The hearing is adjourned.

[Whereupon, at 4:46 p.m., the Subcommittee was adjourned.]

APPENDIX

TESTIMONY OF WILLIAM BURRUS
PRESIDENT
AMERICAN POSTAL WORKERS UNION, AFL-CIO

Mr. Chairman and Members of the Committee:

Thank you for providing me this opportunity to testify on behalf of the 300,000 dedicated postal employees the American Postal Workers Union is privileged to represent. I commend the Committee through your leadership, Mr. Chairman, for convening this hearing on the important subject of subcontracting by the United States Postal Service.

For more than a decade, virtually all of the legislative focus on the United States Postal Service was based on the belief that absent radical reform, this great institution faced imminent demise. Our union did not share this belief, and we did not support "reform" because we viewed it as a veiled attempt to undermine collective bargaining. However, the Postal Accountability and Enhancement Act has become law, and we promise to lend our best effort to making it work.

Now, with the ink on the legislation barely dry, and with new regulations spawned by the law yet to be written, we turn our attention to the unfinished business of the reform mania – the subcontracting of postal services.

Throughout the tortuous debate over postal reform, not a single proposal was made to privatize the Postal Service: Yet postal management, in concert with private enterprises, has begun to travel resolutely down the road of privatization without authorization from Congress. The subcontracting of delivery routes, which has been the subject of much recent discussion, is just one aspect of a dangerous trend: the wholesale conversion of a vital public service to one performed privately for profit.

The American Postal Workers Union condemns this trend, and vehemently opposes the subcontracting of postal activities. The USPS adoption of a business strategy based on outsourcing is especially troubling in view of the Postal Service's statutory obligations to military veterans, and its responsibility to provide career opportunities for all postal employees.

Nonetheless, the United States Postal Service has adopted a business model that strives to privatize transportation, mail processing, maintenance, and delivery. As the *Washington Post* reported this month, a mailing industry spokesman recently opined that, "In the not too distant future, the Postal Service could evolve into something which could be called the master contractor, where it maintains its government identity, but all the services would be performed by private contractors."

It is a private investor's dream: a tax-exempt, public monopoly, with revenues of $80 billion per year. Eager businessmen anticipate the opportunity to divide the pieces of the U.S. Postal Service among themselves – for substantial private financial gain.

Perhaps the most insidious example of the march to privatization is the operation of the Mailers Technical Advisory Committee, a panel composed of high-ranking postal officials and mailing industry moguls. At closed-door meetings, top-level postal officials entertain policy recommendations by the nation's biggest mailers, and, despite "government in the sunshine" laws, the public is excluded from its deliberations, as are individual consumers, small businesses, and, of course, labor unions.

The operation of this advisory committee transfers the development of important postal policy to private entities motivated by their own bottom line. At these secret meetings, schemes are being hatched to convert work performed by the USPS to private, for-profit entities.

The APWU and the Consumer Alliance for Postal Services have filed a lawsuit challenging secret policy-making by the Mailers Technical Advisory Committee. This panel, known as MTAC, has operated for many years in relative obscurity, except to postal insiders. It has come to my attention on several occasions over the years, most recently in connection with its drive to force the Postal Service to consolidate its mail processing operations.

The USPS Transformation Plan emphasized the importance of network consolidation through implementation of the Postal Service's Network Integration and Alignment (NIA) plan, which is now known as the Evolutionary Network Development (END) plan. Pressure for network consolidation came from a Mailing Industry Task Force made up of the Deputy Postmaster General plus the CEOs of 11 large mailers represented in MTAC. Because of the importance of the network consolidation plan to the future of the Postal Service, and because of the potential impact of consolidation on APWU members, the APWU began to examine more closely the operations of MTAC.

Under the Federal Advisory Committee Act, it should be fairly easy to find out which postal policies and programs originated with the industry representatives in MTAC. The Advisory Committee Act requires that committee meetings be open to the public and that minutes of meetings be available. However, when the APWU sought to send a representative to attend MTAC meetings, our participation was barred. During the same period, MTAC stopped posting its minutes on the Internet and refused to provide copies for public use.

To an alarming degree, the Postal Service has ceded its policy-making responsibilities to an advisory committee made up of representatives only of large mailers. It is not surprising that the network reorganization plan that emerged from MTAC ignored public opinion and fomented a public backlash against ill-considered changes. Several Senators and Representatives intervened to ensure that their constituents' concerns were heard.

The secrecy of this powerful advisory committee has now taken on an even more ominous tone. The Postal Accountability and Enhancement Act (PAEA) mandated that the Postal Service publish new service standards in consultation with the new Postal Regulatory Commission. It is a matter of grave concern that representatives of the Postal Regulatory Commission – rather than awaiting formal proposals from the Postal Service – have been invited to attend secret MTAC

meetings where Postal Service policy is being developed in concert with large mailers. The Commission itself is required to publish regulations on ratemaking and data reporting under the new law. These processes are critically important to the implementation of the PAEA. One must wonder whether these issues, too, are being discussed in secret MTAC meetings.

On the critical issue of privatization of the United States Postal Service, it is imperative that Congress take a stand and insist on its right – its responsibility – to set public policy. What is at stake is whether an independent federal agency that performs a vital public service should be handed over to private for-profit enterprises.

I previously testified before the House Subcommittee on Federal Workforce, Postal Service and the District of Columbia on April 17, 2007. My testimony in that hearing included the following:

> *In this new world of postal reform, each institution must now find its rightful place. You legislate, unions represent, and managers manage. When these responsibilities overlap, and they do, the system can break and more often than not, service and workers suffer. As inviting as it may be, when you are asked to intervene with legislative action in areas best left to other parties, I request that you resist the temptation to do so.*

I asked that lawmakers refrain from substituting their judgment for that of the parties who are directly involved. The road of intervention is a slippery slope. If you adopt a bill that addresses subcontracting of a specific postal service, who will resolve ensuing disputes? Will courts and judges be called upon to replace arbitrators and the parties' representatives as the interpreters of the provisions you impose?

The Postal Service and its unions have a long history of addressing thorny issues affecting every aspect of mail services. We write agreements; we interpret their intent, and submit our disputes to mutually agreed-upon arbitrators.

We believe that the USPS and APWU are best suited to make the many decisions and compromises that are required in all matters involving wages, hours and working conditions for the employees we represent, and I congratulate the Postal Service and the National Association of Letter Carriers for resolving their major subcontracting dispute within the framework of collective bargaining.

However, there *are* issues of such importance that Congress must intervene and set public policy. Although we request that you resist substituting your judgment for ours in writing specific terms, you must not be passive observers when it comes to addressing issues of vital importance to the nation.

If you believe, as we do, that the nation's mail service demands a level of trust between the USPS and the American people that requires the use of dedicated, trustworthy, career employees – you can achieve your objective without bargaining in our stead. You can accomplish this goal by *requiring* the Postal Service to negotiate over subcontracting. This simple, minor modification would place the issue in the forum where it belongs.

You have previously granted us the authority to bargain, and we have applied this right consistent with your intent. To address the important issue of subcontracting, we need the opportunity – and *that* will require your assistance.

Thank you for providing our members the opportunity to express our views on this important subject. I would be pleased to respond to any questions you may have.

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TESTIMONY OF

JOHN F. HEGARTY
NATIONAL PRESIDENT
NATIONAL POSTAL MAIL HANDLERS UNION

BEFORE THE

SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT INFORMATION, FEDERAL SERVICES, AND INTERNATIONAL SECURITY

OF THE

SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENT AFFAIRS

"The Road Ahead II: Views from the

Postal Workforce on Implementing Postal Reform"

July 25, 2007

National Headquarters: 1101 Connecticut Avenue, NW, Suite 500, Washington, D.C. 20036
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Thank you, Chairman Carper and members of the Subcommittee, for asking me to testify today. The National Postal Mail Handlers Union serves as the exclusive bargaining representative for approximately 57,000 mail handlers employed by the U.S. Postal Service. I appreciate this opportunity to present our views to your Subcommittee. I will not repeat the details of my April statement to your Subcommittee, but ask that it be included in the record of this hearing. I also ask that today's written testimony be submitted for the record, as I will only summarize it.

The specific question you have asked us to address – what are the effects of the Postal Accountability and Enhancement Act on postal employees? – is difficult to answer at this point. During the thirteen years that postal reform was debated, written and re-written, we continued to negotiate and implement negotiated agreements, and continued our long history of labor stability within the collective bargaining process. Our most recent agreement from 2006, finalized last December only days before Congress passed the postal reform legislation, will last for five years. At this point in time, from the perspective of any individual mail handler who works on the floor at a major postal facility, the most significant difference is the mandated cut in the workers' compensation program. We continue to believe that the OWCP change included in the reform act was both unnecessary and unwise.

Let me turn, Mr. Chairman, to the subject of safety and health, as I know that several members of the Subcommittee have taken a personal interest in

these issues, and that the reform legislation mandated a study of workplace safety at the Postal Service. Mail handlers appreciate your assistance. Often we work in dangerous conditions. The Mail Handlers Union is engaged in several efforts at reducing those dangers, including—

+ The Mail Security Task Force. This task force meets monthly with the Inspection Service to address, in a pro-active way, emergency preparedness and contingency plans for chemical and biological attacks. It grew out of the 2001 anthrax situation and has developed specific protocols related to such incidents. It also addresses a potential pandemic flu and natural disaster that could disrupt mail processing and delivery. Mail processing was one of the first operations back in place after Hurricane Katrina, for example.

+ The Ergonomic Risk Reduction Program. We have been very successful in reducing repetitive motion injuries, probably by as much as 35%. This program establishes committees that meet in the individual plants on a weekly basis to identify ergonomic risks. Unfortunately, notwithstanding the forceful backing of the Postmaster General and his headquarters staff, some plant managers have been reluctant to participate fully. They will tell you that the pressure to "make budget" causes them to keep employees processing mail all the time, and not to give time off to staff this program. We think this attitude is "penny wise and pound foolish." It has been estimated that the Risk Reduction Program saves (on average) 20 injuries per facility per year where the process is used – about a five-fold return on the dollar.

+ Voluntary Protection Program. This program is driven by the employees and is OSHA-related. Rather than looking at recurring injuries, it looks at the cause of a specific, often traumatic injury. It seeks to prevent a recurrence. During the past five years where this program has been implemented, it has become a major factor in the reduction of injury and illness rates. There are measurable differences in the injury rates in facilities that use this program versus those that do not. Unfortunately, only 10-20% of the major postal installations have the program in place. This non-participation is caused, at least in part, by a complicated set of regulations that must be followed. We are working with OSHA to streamline those regulations.

These are all joint management-labor programs that are intended to protect both employees and the public. They also have the effect of making the Postal Service a more efficient, less costly work environment. They improve the worklives of our members, and at the same time they improve the finances of the Postal Service. We believe that much of the recent increase in productivity of postal employees is directly related to Union involvement, something which none of us should overlook.

Another important aspect of the postal reform legislation is the flexibility provided to the Postal Service in pricing its products and responding to economic crises. The legislation specifically is intended to recognize the volatile world in which we live, where gasoline can cost $35 per barrel one month and $70 per

barrel shortly thereafter, or where drastic reductions in mail volume can occur without warning. There also are extreme examples, such as the terrorist attacks on September 11th or anthrax in the mail. Consequently, the "exigency clause" and "banking provision" were added to the bill, and were broadened during congressional debate to cover not just extraordinary events, but also merely exceptional circumstances, including but certainly not limited to those I already have noted. We therefore respectfully but vehemently disagree, Mr. Chairman, with the April 2007 letter that you and Senator Collins wrote to the Postal Regulatory Commission suggesting that the exigency clause should be read narrowly.

In other areas as well, interpretation of the postal reform legislation has become more controversial than the original debate surrounding its enactment. We have heard the public pronouncements of postal management and some members of the Board of Governors that they must privatize the Postal Service to stay within the price cap set by the Consumer Price Index. We reject that notion. Not only did the legislation re-confirm the commitments stated in the 1970 Postal Reorganization Act to career postal employees, but we believe that the Postal Service's arguments ignore the true costs of privatized labor. That cost is not simply our wages versus a low-wage, low benefit privatized work force. Our wages and benefits certainly are better. But as we saw at Walter Reed and elsewhere, there are hidden costs and perilous dangers in privatizing. As we see in the safety and health areas, unions provide an environment that can be a "win-win" situation for all.

Subcontracting, on the other hand, employs a low-paid, no-benefit, non-career, and often transient workforce. 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 and processing their package to a loved-one – either here or in 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 21 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. As I noted earlier, the Board of Governors likes to point out that 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.

As I suggested earlier, a privatized mail system is contrary to the original Postal Reorganization Act. It states that the USPS should provide quality, career jobs for employees. Historically, the Postal Service has provided an important career for millions of Americans, allowing entry into the middle class. A postal career has allowed millions of American families, including my own and undoubtedly including many other families represented here today, to buy a home, send their kids to college, and pay their fair share of taxes. We do not believe Congress should be encouraging a Postal Service of poorly paid employees for whom health care means a visit to the Emergency Room and for whom retirement means a bare existence on Social Security.

Who handles your personal mail and who has access to your identity is a public policy issue for Congress to decide. Sending military mail to Iraq or Afghanistan via a private subcontractor is also a policy issue. The piecemeal privatization of this nation's communications network is a policy issue. We do not believe the postal reform legislation passed less than one year ago should be

a convenient excuse to dismantle the Nation's postal system. We believe that the postal system should remain in the hands of its professional, career work force – not some fly-by-night, private labor force.

Thank you, Chairman Carper, and I will be glad to answer any questions that the Subcommittee may have.

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Testimony of
Donnie Pitts, President
National Rural Letter Carriers' Association

before the

Sub-Committee on Federal Financial Management, Government Information, Federal Services, and International Security

July 25, 2007

Mr. Chairman, and members of the Committee, my name is Donnie Pitts and I am President of the 111,000-member National Rural Letter Carriers' Association. I want to thank you, Mr. Chairman, for holding this hearing on contracting out.

As of July 2007, rural carriers are serving on more than 76,000 rural routes. We deliver to 37.6 million delivery points, and drive more than 3.4 million miles per day. We sell stamps & money orders; accept customer parcels, Express and Priority Mail, Signature and/or Delivery Confirmation, Registered and Certified Mail, and serve rural and suburban America to the "last mile."

There is a saying that if you refuse to recognize the past you shall be forced to relive it. I was reading over a back issue of our national magazine, *The National Rural Letter Carrier,* from May 11, 1991, when the President at the time, Vernon Meier, testified before Congress, saying the "NRLCA is concerned that we are beginning to see a pattern of deliberate…conversion of many areas to Highway Contract Routes." To which a congressman replied, "We need to pass some kind of law where you cannot contract out those kinds of services." So now here we are, 16 years later, and I come before you to urge you to pass legislation to stop the growth of Contract Delivery Service (CDS).

Mr. Chairman, I am pleased to report that as of July 17, there are 35 co-sponsors of Senator Harkin's bill, S. 1457, a bill that would prevent the United State Postal Service (USPS) from entering into any contracts with any motor carrier or other person for the delivery of mail on any route with 1 or more families per mile. I am sadden, however, that only one Republican, Senator Cochran of Mississippi, is a co-sponsor of S. 1457. I had hoped this bill would have received more bi-partisan support.

Is it because the Postal Service has suggested that Contract Delivery is a matter for collective bargaining and not a policy question? I hope not because contracting out most certainly raises significant policy questions - particularly when the safety and security of the mails is at stake. Mr. Chairman, I am sure by now that everyone knows that the NRLCA and the Postal Service could not reach an agreement during our recent contract negotiations, and we are headed toward interest arbitration. What is less well known is that, unlike our friends in the city carrier craft, contract delivery services were never brought forward during our union's talks with the Postal Service. We don't see what the Postal Service is doing now as a collective bargaining issue; we see it as a policy issue.

There are a number of different policies already in place with the Postal Service to limit what can and cannot be contracted out. Our National Agreement with the Postal Service contains an article which addresses subcontracting, Article 32. Article 32 sets the standards and policies under which routes can be subcontracted. The Postal Service's P-5 Handbook which "establishes the national policy and procedures for the operation and administration of highway contract routes." That handbook language states that a route that serves less than one family per mile may be converted to CDS. Additionally, we have grievances at the national level that challenge the improper contracting out of mail delivery. Mr. Chairman, we, as a Union, have done everything within our power, utilizing policies, and agreements with the Postal Service, to stop the Postal Service from

contracting out the delivery of mail. Despite this, the Postal Service continues to ignore all these policies and agreements and continues to contract out routes. I'm asking that you support S. 1457, and pass this vital legislation to stop CDS.

In May, the House of Representatives held a site hearing in Chicago regarding the slow delivery of mail. It's been rumored another site hearing will be held in Los Angeles at a future date. Congressmen in New Mexico are scheduling meetings with officials from the Postal Service to discuss staffing concerns and persistent service problems throughout New Mexico. When the Postal Service announces the consolidation or closing of a facility within the state, that Senator gets involved. During the passage of Postal Reform, even an issue like work-sharing—(the discounts the Postal Service gives to mailers who provide presorted mail)—was made into a policy issue. Every time the Postal Service enters into a work-sharing agreement with a mailer, the end result is a postal employee not performing the work.

Even outside of the Postal Service, Congress has gotten involved in issues that Congress does not directly oversee. In February 2006, The Administration stated its approval of a deal that would have given a company based in Dubai operating authority of U.S ports around the country. Congress, rightfully so, saw a deal like this as potential security hazard to our nation, and used its oversight capacity to investigate and stop the sale. Congress needs to once again see the potential security hazard of allowing our nations mail to be handed over to contractors without proper background and identification checks, and keep the mail in the hands of U.S employees.

What I'm trying to point out using these examples is that when there is a problem with the mail service, closing of facilities, security, or any other problem, Congress gets involved to correct that problem. My question is why isn't Congress getting involved in stopping contracting out? Do they not see this as an issue just as important as service problems or the consolidation of facilities? I have no problem telling you this is an issue that is just as important as the others.

Letter carriers are the face of the Postal Service. We are the ones the American public sees out in the streets every day delivering their mail. They get to know us; they become our friends; and they trust us. This honor, for the third year in a row, has earned the Postal Service the distinction of being named the most trusted government agency by the Ponemon Institute, LLC.

The Postal Service scored 83 percent, according to the survey. It was one of the few federal agencies to increase its customer satisfaction and trust scores from the previous year. The average trust score among the 60 agencies surveyed was 47 percent.

I reference this survey because the public perception of the Postal Service is **DELIVERY**. If the Postal Service fails to deliver because of here-today-gone tomorrow contractors, the mailers will find another way to get their message to the public. I care about the future of the Postal Service. I want the Postal Service to succeed. But hiring non-loyal, non-liable contractors is not the way to ensure the success of the Postal Service.

So why is the United States Postal Service contracting out? The Postmaster General would have you believe that the recent enactment of the Postal Accountability and Enhancement Act (PAEA) is the reason. This law, of course, mandates the USPS must adjust rates only up to the Consumer Price Index (CPI). Because of this, the Postal Service is pleading poverty, saying it must now consider and evaluate any new territory to be delivered using CDS.

While we as a Union are used to the Postal Service pleading poverty (we are of course in a contract negotiation year and it is expected the USPS will claim "poverty"), but in our view, the PAEA did more than just mandate that the USPS must operate under the CPI Index. It also released billions of dollars in the repeal of the escrow account and the transfer of the military pension obligation back to the Treasury Department. With the repeal of the escrow account and the transfer of the military pension obligation, the USPS is freed up of $105 billion in obligations they no longer have (the escrow account was valued at $78 billion over the course of its payments, and the transfer of the military pension obligation was commonly valued at $27 billion dollars).

But the Postal Service is still pleading poverty. Why? Because the PAEA also mandates they must make payments into the newly created Retiree Health Benefits Fund. Payments into this fund have made the Postal Service broke, or has it?

The transfer of the escrow account only changes the way the Postal Service reports the money on their fiscal report. These funds have previously not been available to use for operations in the first place. Also, under accounting rules, the outstanding debt from retiree health care is not recognized until a payment is made toward it - at which point the debt becomes real. So, the payment is counted as an expense. But, in real financial terms, paying down a debt does not make you poorer. In fact, every dollar paid is matched by a decrease of one dollar in outstanding debt. Mr. Chairman, this is analogous to prepaying a mortgage.

Instead of the escrow money showing up as an asset, it is now reported as a liability because the escrow money was transferred into payments made for the Retiree Health Benefits fund. But the Postal Service has already paid that amount to the escrow account, and has already collected the money to offset the payment. The rate increase in January 2005 was meant to cover this escrow expense.

In addition, the payments made into the new Retiree Health Benefits fund consist largely of the repayment of an existing obligation of the USPS to its retirees. After ten years, the USPS will have a fully funded health benefits fund for its retirees. In other words, the USPS is paying down a debt that it already owes itself.

Mr. Chairman, you, and Senator Collins spent years passing Postal Reform to make the Postal Service more viable for the 21st Century. I don't believe the Postal Service of the future you all envisioned while working on Postal Reform was going to be made up of contract employees. Instead, I think you envisioned the Postal Service of the future as a good paying, middle-class job, with decent health and retirement benefits. Delivering the mail for this Postal Service of the future should be properly trained, professional, and dependable employees.

I thank you for allowing me to testify before you today and I would be happy to answer any questions you may have.

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United States Senate

Subcommittee on Federal Financial Management, Government Information, and International Security

Senator Tom Carper, Chairman

Testimony of

William H. Young

President

National Association of Letter Carriers

July 25, 2007

Affiliated with the AFL-CIO &
Union Network International

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 subcommitee 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 collecting 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 coorelation 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.

STATEMENT OF
LOUIS ATKINS, EXECUTIVE VICE PRESIDENT
NATIONAL ASSOCIATION OF POSTAL SUPERVISORS

SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT INFORMATION, AND INTERNATIONAL SECURITY

UNITED STATES SENATE

JULY 25, 2007

Chairman Carper, Ranking Member Coburn and Members of the Subcommittee:

Thank you for holding this hearing today and for the opportunity to appear on behalf of the 35,000 postal supervisors, managers and postmasters who belong to the National Association of Postal Supervisors.

Throughout its 99-year history as a management association, NAPS has sought to improve the operations of the Postal Service and the compensation and working conditions of our members. Many of our members are involved in the management and supervision of mail processing and delivery operations. We also represent the interests of men and women engaged in every functional unit in the Postal Service, including customer service, marketing, human resources, training, corporate relations, law enforcement, and health and safety.

The sweeping reforms brought about by the new postal law, the first major change in over 30 years, will require greater financial, service and operational accountability on the part of the Postal Service. The new rate-setting system established under the law will provide for more stability and predictability for

mailers and rate-payers, while ensuring universal service at affordable rates. These and other reforms would not have been possible, Mr. Chairman, without your leadership and that of others on the Subcommittee.

Indeed, the Postal Service indeed stands at the beginning of a new era. The new law – crafted on the basis of principle and compromise – presents opportunity and challenge to the Postal Service: opportunity in the sense of greater flexibility within the Postal Service to design and price its products and services; and challenge because of the heightened competition the Postal Service faces in an increasingly wired world.

The Postal Service stands unique as time-tested public institution. Paramount in its distinctiveness is its obligation to satisfy an iron-clad public mandate existing since the birth of the republic – to provide mail service to all Americans at uniform and affordable rates – while at the same time operating like a business without the aid of taxpayer funds.

Now, the creation of a new pricing framework under the reform law – a price cap limiting increases to no more than the rate of inflation – will require the Postal Service to be more creative and focused than ever in growing new business and expanding revenue. At the same time, the price cap framework will place new demands upon the Postal Service to become smarter in how and where it spends its funds and serves its customers. These demands will extend from the front counter to the back office, from post offices to plants, from Maine to Alaska.

The Postmaster General, his leadership team, and the postal workforce have done an excellent job over the past six years in increasing productivity, reducing

costs and focusing attention on mail as the core business of the Postal Service. Two transformation plans – promoted by GAO and mandated by Congress – have paved the way for policy and operational changes that have permitted the Postal Service since 2001 to serve an additional 12 million delivery points with a dedicated workforce that is approximately ten percent smaller than it was in 1999.

For a successful Fortune 500 company, the dynamics of growing and reshaping its business and operations goes with the terrain. Innovation, agility and speed are the ingredients of business success, especially in the service sector. For the Postal Service, the will to innovate, accelerate and compete for success has not come as easily. Historically, America's indispensable reliance on mail, the comfort of a quasi-monopoly, and the size of the USPS bureaucracy have spawned a culture more resistant to change. To survive and thrive, however, and especially under the new law, the Postal Service will need to change faster and smarter, undergoing a greater transformation of its people and operations than ever before.

What does this mean for Postal Service managers and supervisors? Undoubtedly, the financial pressures – especially to remain within the price cap, will place new demands upon managers and supervisors to continue to reduce costs, yet continue to deliver universal service at the same high levels of quality. We are already seeing these financial pressures play out within the current policy debate over contracting out of delivery services. Unacceptable service levels in Chicago also have demonstrated what happens when service quality is allowed to deteriorate. The next big structural challenge within the Postal Service is yet to come, involving the potentially massive realignment and consolidation of processing plants and post offices, along with the postal transportation network.

The increasing insistence to do more with less, to maintain and exceed expectations with fewer resources, to cut costs, all are placing unprecedented demands upon managers and supervisors, demands that are not healthy, either in the long-run for the Postal Service and its customers, or the vitality and loyalty of its employees.

When performance goals are arbitrarily set, staffing needs go unmet, demands increase to "make your numbers" – all within a context of pay for performance – the conduct of managers and supervisors is likely to be skewed in perverse ways, getting some supervisors into trouble through time clock falsification and other unacceptable behavior. This is not a path toward progress. All of us within the Postal Service – corporate executives, mid-level managers and front-line supervisors – need to be increasingly sensitive to avoid the creation of expectations and incentives that bring about these kinds of negative outcomes.

The broader solution to success within the Postal Service will rely upon realistic, jointly-arrived-at goal-setting, better communication at all levels, less paperwork, training and genuine support for problem-solving, and greater teamwork at all levels. These are the building blocks of an organization whose business success will rely upon sharp-edged focus on the bottom line, merged with a realistic sense about what is possible today, and what we need to work together to achieve tomorrow. These things cannot be legislated; they can come about only through the desire and determination of Postal Service employees at all levels to work together in ways that reflect courtesy, dignity and respect, joined together for a common purpose: the timely and affordable delivery of mail to all Americans.

In that same sense, as the new law becomes implemented, and as the Postal Service and the Postal Regulatory Commission undertake their responsibilities, Congress may find it necessary to retool the reform law in remedial ways, recognizing that a statute as sweeping and comprehensive as the postal reform law is never quite perfect.

In the meantime, Mr. Chairman, we look forward to continuing to work with you and the Congress in making the Postal Service stronger than ever.

I will be happy to answer any questions you and members of the Subcommittee may have.

NATIONAL ASSOCIATION OF POSTMASTERS
OF THE UNITED STATES

TESTIMONY OF

OSCAR "DALE" GOFF, JR.

NATIONAL PRESIDENT

BEFORE THE

SENATE SUBCOMMITTEE ON

FEDERAL FINANCIAL MANAGEMENT,
GOVERNMENT INFORMATION, FEDERAL SERVICES
AND INTERNATIONAL SECURITY

JULY 25, 2007

Mr. Chairman, Ranking Member Coburn, and distinguished Subcommittee members, I am Dale Goff, President of the 40,500-member National Association of Postmasters of the United States (NAPUS). I welcome the opportunity to appear before the Subcommittee to share with you my thoughts regarding the ongoing implementation of the Postal Accountability and Enhancement Act – Public Law 109-435. As Postmaster of Covington, Louisiana, I understand the challenges and opportunities that the new law is currently presenting to the U.S. Postal Service. Additionally, I recognize the benefits that my customers will reap from the new law, as the Postal Service meets the new challenges, and exploits the opportunities presented to it.

As signed into law, the Postal Reform Act is still not a finished product; I believe that Congress did not intend it to be so. Congress charged postal managers, craft employees, the Postal Regulatory Committee, postal stakeholders, and the Postal Service itself to complete and perfect the legislative project. Implementation is the key to success. Together, the postal community needs to put the finishing touches on your artwork. However, postal reform is not "paint-by-the-numbers" and the lines within which we must employ our brushstrokes are not so clearly defined. Therefore, Postmasters are working with the postal community to help guarantee the triumph of Postal Reform to present to America the finished product. I have faith that implementing the new law will not be as daunting as passing it. Presently, Postmasters are discussing with

Postal Headquarters, the PRC and others strategies on how to ensure the new postal paradigm enhances this postal system.

Thirty-six years ago, people of postal faith labored to make the Postal Reform Act of 1971 work for the benefit of this country. In the early 1970s, I recall there was tremendous anxiety about the creation of the Postal Rate Commission and the establishment of a self-sufficient federal entity that was mandated to break even. How would this new postal creation be able to survive? Well, it did, and it evolved into the most efficient postal system in the world. In 2006, we created a Postal Regulatory Commission with new powers, and instead of break-even self-sufficiency we are now anticipating the Postal Service will be a profit-making enterprise. Postmasters believe that the new law provides the Postal Service with new tools to maintain its high standards.

As you may recall, on April 19, NAPUS submitted testimony to the Subcommittee. I would like to very briefly outline the key points that NAPUS made earlier at that time. First, we underscored the timeless importance of a universal, affordable, and accessible Post Service. Second, we highlighted the role that Postmasters will continue to play in ensuring the quality and reliability of mail service to your constituents. Third, we cautioned the Subcommittee that chronic Post Office understaffing undermines mail service, and could jeopardize the ability of Postmasters to ensure compliance with certain aspects of the section 404

of the Sarbanes-Oxley (SOX) Act, as applied to the individual Post Offices by Postal Headquarters.

In order to meet this last challenge, NAPUS is currently meeting with the USPS SOX point people on how Post Office should put into practice SOX requirements. Indeed, we all want successful accountability. For this reason, NAPUS intends to continue to work with Postal Headquarters to secure the necessary staffing levels to efficiently and effectively operate our nation's Post Offices, whose core function is to accept and deliver mail.

NAPUS is working to educate the managers-in-charge of the approximately 26,000 Post Offices about the fresh approach necessary under PL 109-435. We are explaining to Postmasters the responsibilities that they may have under the new Act. Obviously, education and training are an absolute necessity. Therefore, it is important for NAPUS, in conjunction with the Postal Service, to develop an appropriate instructional program and to effectively and clearly communicate the new processes and expectations to frontline postal managers.

Postmasters and the Postal Service are accustomed to a long-lead time between filing a rate case and the implementation of the new rates. Congress recognized the adverse consequences of a protracted lag time between a proposed rate adjustment and its execution. Therefore, the

new law authorized periodic predictable rate adjustments. It will be incumbent that the Postal Service anticipates regular rate adjustments in its software and the software packages developed for mailers. The Postal Service will have to download new rate data into retail postal facilities software expeditiously. At the same time, Congress and the PRC need to recognize that there may be a time, or times, in which the Postal Service may be forced to file the much-reviled exigent rate case. Although, under the new law, postage for market-dominant products is indexed, the American public's access to a universal postal system is not.

Postmasters are familiar with the over-three-decade concept that the Postal Service operated within a breakeven world. Now that the Postal Service can retain earnings, a "profit" incentive is built into the postal model. In order for this new business model to operate properly, Postmasters need to be allowed to make operational decisions, without the level of micromanagement to which they have grown accustomed. Implicit in this empowerment is idea that the Postmaster will be equipped with the necessary resources, including personnel, to market postal products to the community that they serve. Indeed, the Postal Reform Act presents Postmasters with the prospect of promoting new post products to their customers and being able to market "competitive" postal products. I have been telling my members that the future of the Postal Service may very well depend on how well we are able to expand our product line, both in the market and in the competitive domain.

Currently, the Postal Service earns 90% of its revenue from market-dominant products. These are the items that will be indexed to inflation. Postmasters are cognizant of the challenge imposed in operating under a price-index system. It is also important to understand that over the life-span of the Postal Reorganization Act of 1971 – a time period when faxes became widespread, emails began to encroach on mail volume, and health care costs were accelerating at record velocity – postage rates were still able to keep pace with inflation. Employee productivity, creative management, and committed teamwork made this possible – and I believe these same factors will continue under the new rate system.

We have witnessed the precipitous erosion of first-class mail, which used to represent the preponderance of mail volume. We have inherited a postal culture that relies on volume mailings, not necessarily value mailings. The system has bred volume discounts, not value incentives. It will be important that the Postal Service and the Postal Regulatory Commission work together to create appropriate incentives to encourage mailers to emphasize value in their mail program, rather than simply generate volume. Certainly, the advent of *Intelligent Mail* creates that "eureka" opportunity for the Postal Service.

In a large part, the Postal Service's success with marketing competitive products will depend on whether the agency will be permitted to operate

on a truly competitive basis – that is unimpeded by regulatory interference. NAPUS strongly believe that unfettered competition was Congress' intent in creating the competitive products category. The Postal Service needs sufficient breathing space to bring new, as well as time-tested competitive products to the marketplace. It should be anticipated that the Postal Service will need to increase the competitive-product-generated revenue beyond the current 10%. As this growth occurs, Postmasters will need to sharpen their skills and have the assets to be an aggressive sales force. In addition, Postmasters will need the tools to differentiate between the market baskets of postal products.

Mr. Chairman, implementation of this new law will rely on everyone's dedication to the principle that the Postal Service must be true to its historical mission – universal, affordable and accessible service. Moreover, it is equally true that Postal Service, the Postal Regulatory and postal customers must be willing to invest in the infrastructure and the personnel that will be needed to support the new postal business model, as envisioned by PL 109-435.

Thank you.

Statement of Charles M. Mapa

National League of Postmasters

July 25, 2007

The National League of Postmasters would like to thank the Subcommittee for inviting it to testify during its 2007 oversight hearings of the Postal Service, and is pleased to submit this Statement for the record of the Subcommittee's hearing.

Started in 1887, the National League of Postmasters is a management association representing the interests of postmasters across the United States. Although we represent postmasters from all across the country—from the very smallest to the very largest post offices—rural postmasters are a sizable portion of our membership. The League speaks for thousands of retired postmasters as well.

State of the Postal Service

The Postal Service has been working for some years now to increase its efficiencies and to trim costs. The League is fully supportive of those efforts. Postmaster General Jack Potter should be commended for recognizing—years ago—that if the Postal Service is to remain a strong and healthy national institution, it must embrace new technology and more efficient ways of doing business. We need to ferret out innovative ideas that can help us improve service but lower costs. PMG Potter has worked wonders reducing the debt of the Postal Service and transforming it into a much more efficient entity than it was a mere decade ago. We applaud those efforts and stand ready, willing and able to help in any way we can.

Implementation of the Postal Accountability and Enhancement Act (PAEA)

The League would like to thank Chairman Carper, as well as Senators Collins, Lieberman and all those who helped pass the Postal Accountability and Enhancement Act (PAEA). The fact that the PAEA became law is going to be a very important element in assuring the continuation of the long-term ability of the United States Postal Service to provide affordable, universal mail service to every individual, home, and business in America. The new law has shifted the responsibility for funding the military retirement of postal CSRS retirees back to the Treasury where it belongs, and also dissolved the escrow, freeing those monies so that they may be placed in a trust account to pay for retirement benefits of postal employees. These two provisions will save rate-payers billions upon billions of dollars per year over the next decade, as well as ensure postal retirees that the money for their retirement will be there when it is needed. Each billion dollars of savings that these provisions have gained roughly equals one cent saved off the First-Class Stamp, with comparable rate savings on the other rates.

The League is also pleased that the Postal Accountability and Enhancement Act did not negatively affect small rural or inner-city post offices. As we pointed out many times during the legislative debate on postal reform, the cost of the 10,000 smallest post offices is less than one percent (1%) of the total budget of the Postal Service. Local post offices are icons in rural America and not to be tampered with, for once a town's post office disappears, the town often shrivels up and dies.

One of the subjects that we were asked to address in our testimony is the implementation at the Postal Regulatory Commission of the Postal Accountability and Enhancement Act (PAEA). While the League is not actively participating in the debate,

we have been following its progress. We can report to the Committee that things are well under way, and the Commission has a series of rulemakings in progress. Close to 100 sets of comments have been filed so far in those proceedings in response to the Commission's various Notices of Proposed Rulemakings. The League expects to see draft regulations at some point, with final regulations coming this fall, sometime perhaps in October.

As this Committee well knows, the PAEA was intended to give the Postal Service more control over its pricing, and through such pricing flexibility encourage it to act more like a business. Not surprisingly, several parties have filed comments at the Commission whose recommendations clearly reflected an intent not to create a more flexible, more responsive, and more business-like pricing regime, but rather to create a much more rigid, technical, and hair-splitting system that would be the very antithesis of what Congress has intended. We trust that the Commission will use its common sense to not let theoretical economics overcome common sense and the development of a business-like regulatory and pricing system. In any case, we know that Congress is watching and feel confident that the regulatory process will produce a system that reflects Congressional intent.

Postmaster Concerns

The League strongly supports Postmaster General Potter's efforts to achieve greater efficiencies and to have the Postal Service run more like a business. He has changed the culture of the institution, and we know that there are more changes to come. However, we do have some concerns about certain aspects of that process, including the workload that is being thrust upon Postmasters. Postmasters are being asked to work

more and more hours, and workloads are reaching 60 and 70 hours per week, week in and week out. There is nothing wrong with that on an occasional basis, but work loads such as that are not sustainable over the long term, year in and year out, without doing serious damage to the postal system.

Today, Postmasters are reaching the breaking point, and more burnout is occurring. Something needs to change. The idea of efficiency is to do the same amount of work in less time, because of new and more efficient ways of doing things, not simply to force people to put in much longer days, doing the same amount of work per hour, or doing two and three jobs instead of one. We hope that Postmaster General Potter will take steps to ensure that the regular 60 and 70 hour weeks do not become part of the permanent postmaster landscape. Where there are clerk and carrier vacancies, they must be filed. Postmasters simply cannot continue to do their own job, as well as part of the job of a missing carrier or clerk, or two.

Closely related to this problem is the issue of Contract Delivery Service (CDS). Indeed, contracting out is often in the postal headlines these days and is the focus of a dispute between the Postal Service and some of our unions. Legislation and legislative resolutions have been introduced and other hearings have and will be held on this issue. This is not surprising since at least one postal area has mandated that every new carrier route be considered for CDS.

While the League has no position on any of the legislation on this issue, and is confident that the Postal Service and the involved unions will reach agreement on this issue, we do have a number of concerns with contracting out. In considering these concerns, the Committee should remember that Postmasters have a great deal of

experience with contracted out routes, since they are the individuals that directly supervise the routes.

Our Postmasters' reactions fall into three categories.

First, in some places and in some circumstances CDS routes seems to work just fine. The contractors are good; they work hard; they get things done.

Second, in other places and in other circumstances, however, the contract routes create major problems and enormous headaches for postmasters. Individual contractors are not sufficiently trained, some don't show up on time, and some are not very reliable. The individuals who take these contract positions are sometimes not of the "highest" caliber, have little training or postal background, and are not always properly screened. When routes are bided out, the lowest almost always wins, and often one gets just what one pays for . . ..

Finally, in some cases CDS routes have proven to be utter disasters, with postmasters spending scores of extra hours supervising them. These contractors not only don't show up on time, but occasionally don't show up at all. Such incompetence and unreliability make the postmaster's job next-to-impossible in these situations. One of our postmasters even quit her job because of the nightmares of managing CDS routes.

The problems are enormous sometimes. For instance, another one of the League's Postmasters had a series of contractees working for her over the course of several months, and had trouble with all of them, except one. He was great. He did show up every day. He did his work. He was pleasant and efficient. One day the postmaster received a call from the area[1] and was told to fire him immediately. When the postmaster inquired as to why she should fire the person since the person was by far the best of the

[1] While postmasters supervise CDS contractees, they do not do the hiring or firing.

lot, she was told that a background check had revealed that the individual had a number of tickets, including two DUIs, and was an alcoholic. The contractee was terminated and the tedious process of finding a new person started all over again.

If the individuals who performed these jobs were trained and understood the postal system, and the duties of the letter carrier, it would be one thing. But many are not trained and have little understanding of what they are doing. Not only does such unreliability and incompetence make a postmaster's job next-to-impossible, but they also project a horrible image of the federal government and the federal government's level of competence. The carrier is the face of the Federal Government for most Americans.[2] If a postal carrier is unreliable and incompetent, not only is the Postal Service perceived as unreliable and incompetent, but so is the Federal Government.

Besides the issues of the reliability and competence, there are also issues filling CDS slots in some areas. Indeed, it is not unusual for a new route to be established as a CDS route, at the direction of the Area Office, yet not have the contract filled in a timely manner. In these cases, the spot remains open for months and Postmasters end up sending clerks or custodians out to work the route, to the detriment of that person's normal job. Indeed postmasters or supervisors themselves often end up delivering the route themselves, in the middle of their day as a Postmaster or supervisor. These individuals thus end up doing two jobs, not one.

Finally, one of the major concerns the League has in this area is a philosophical one. Putting aside the question of possible union busting, there is a very real public policy question of whether we want to end up creating another class of postal-related personnel that receive little training, low pay, no medical insurance, and no benefits.

[2] *Embracing the Future, Report of the President's Commission on the Postal Service* (July 31, 2003) at 76.

What will that do to our society? How many more uninsured people would that throw into the mix? What will this do to the postal system? Also, what will this do to the image or the reality of the postal letter carriers? While it is hard enough in our modern system trying to measure up to that famous unofficial motto of the Postal Service "Neither rain, nor snow, nor sleet, nor gloom of night stays these couriers from their appointed rounds," a massive shift to contracting out would make that simply impossible.

In conclusion, the issue of CDS routes and the parameters of contracting out is a very important issue that must be worked out between the Postal Service and the Unions. Until and unless the Unions and the Postal Service agree on some reasonable solution to this issue, the problem is not going to go away. It has already brought down morale in the field to a noticeable degree, and it will potentially bring it down even farther. Both the Postal Service and the Unions need to work together to come to some common understanding on this issue, and not just for a six or nine month period, but for the long term. That is the only way that the issue is going to be satisfactorily resolved, and the only way Postmasters, Supervisors, Clerks, and Carriers can get back to working together to make our postal system faster yet more efficient.

Thank you for considering our views.

Written Statement of

John V. "Skip" Maraney

Executive Director of

The National Star Route Mail Contractors

Association

Submitted to the

Subcommittee on Federal Financial Management, Government Information

And Security International of the

US Senate Committee on Homeland Security and Governmental Affair Committee

July 25, 2007

Chairman Tom Carper, Ranking Member Tom Coburn and other members of the Sub-Committee: My name is John V. "Skip" Maraney and I am Executive Director of the National Star Route Mail Contractors Association. The Association is comprised of small family owned businesses including many by women and other minorities who contract with the USPS for the over the highway transportation and delivery of the mail. We ultimately represent some 17,000 contracts located in every state throughout the country. Of this total, approximately 7,600 are Contract Delivery Service (CDS) contractors (formerly known as Box Delivery Contractors) who, for the most part, deliver mail in rural America. The Highway Contract industry is the only dedicated industry with which the USPS contracts, as the sole livelihood for approximately 85% of our contractors is hauling and delivering mail.

On the matter before you today, the Association agrees with the position of the American Postal Workers Union (APWU) which is that this issue is best left to the Collective Bargaining Process. The United States Congress rid itself of micro managing the USPS back in 1970 when it gave up setting postal rates, appointing Postmasters, setting salaries, establishing the collective bargaining process for its unions, and other measures by passing The Postal Reorganization Act. One would think that the Congress would not want to go back to legislating every little dispute between the USPS and its unions when the mechanism of Collective Bargaining (established by Congress) is in place to resolve differences between management and labor. If you do so here you are going to open the door for other stakeholders to come back and start asking for relief from certain leftover issues with the recently signed Postal Reform Act.

The Association does not have a seat at the bargaining table with respect to CBA's between the USPS and its unions. Therefore we must abide, and do so, by agreements they make which may impact us.

As stated in my April 24, 2007 statement to the House sub-committee, CDS Contractors, formerly known as Box Delivery Contractors, deliver mail mostly in rural areas, driving millions of miles and they sell stamps, money orders, accept express and priority mail, collect signatures and/or deliver confirmation pieces, pick up registered, certified mail and customer parcels. These contractors also travel everywhere everyday, serving America to the "last mile". As you may have noted, they provide the same services as rural carriers but save the USPS 15 cents per unit (rural carriers testimony, 04/17/07). The USPS says it's more like 21¢ per unit (delivery address) which is a huge amount of savings. These contractors are subjected to criminal background checks, including screening and fingerprinting, must provide satisfactory driving records, are undergoing drug testing, and are scrutinized in detail by the Postal Inspection Service. As PMG Potter testified "... Any carrier whether a Postal Service employee or a Contractor who is involved in the criminal mishandling of the mail is subject to the same criminal penalties contained in Title 18 of the United States code".

I have provided the sub-committee with a copy of the Highway Contract Route Drivers Security Clearance Booklet as published by the USPS Inspection Service which outlines screening procedures of which the Contractor must comply in order to receive a Security Badge before they have access to the mail. Also, as you are aware Title 39 Section 5005 (c) states: "The Postal Service, in determining whether to obtain transportation of mail by contract under Subsection (a)(3) of this section or by Government Motor Vehicles, shall use the mode of transportation which best serves the public interest, due consideration being given to the cost of the transportation service under each mode." Thus, the USPS is required by law to make cost comparisons of the relative modes before implementing new service.

In an oral response on April 17th the House Subcommittee heard one of the witnesses say that postmasters tell patrons that they can't do anything about contractor service deficiencies because they are contractors. This is simply not the case. The Postmasters have administrative control over their post offices, which include contractors and rural carriers. If a contractor exhibits a service deficiency, the deficiency is written up by the Postmaster

through a USPS Form 5500 report and sent to the contractor's Contracting Officer. If the deficiencies continue the contracting officer will hold the contractor in default, cancel the contract and resolicit the service. Postmasters wield a great deal of control over CDS contractors and use this control every day. CDS Contracts do not have "no layoff provisions." I have also provided the sub-committee with a copy of the USPS P-5 Handbook on Box Delivery Contract Routes, which outlines the responsibilities of the Contractor and the authority, control, and supervision by the Administrative Postmaster over such contractors. The House Subcommittee heard testimony on April 17th from the Rural Carriers citing cases of contractor abuses, which could very well be true. However, one can find many similar abuses within the ranks of postal employee carriers as well. Attached is an example of such abuses as published in an article by the Association's Attorney. Neither of our organizations has all members who are pristine perfect but an entire industry should not be denigrated by citing a few anecdotal cases, which are rare; the exception not the rule. Although similar instances occur within the letter carrier and the rural carrier ranks, the overwhelming majority of these carriers are honest and hard working Americans serving their country and the USPS with honor and dignity, as are the contractors.

With respect to benefits, I have attached a CDS Information and Requirement pamphlet for contract service where you will note that on page three the contracting office tells prospective bidders that their bids should include benefits (health, welfare and vacation pay) costs. The Service Contract Act is applicable to these contracts, so CDS contractors must pay their employees the prevailing wage rate and fringe benefits set by the Department of Labor for the particular geographic region. These costs are included in the bid, so the cost of benefits is already included in the annual contract rate.

Mr. Chairman, let me re-state that my research indicates the 1st contract to haul mail was in 1785 with the Continental Congress to transport mail in New England with a contractor in Shrewbury, Mass. This was 232 years ago and before the Post Office Department was created. In 1845 the U.S. Congress passed the 1st law requiring the Post Office Department to solicit competitive bids from stagecoach companies to haul the mail. As I am sure you are aware, the famed Pony Express Mail Service was contracted out. The USPS and its highway contracting industry have a long and storied past and it is hoped that the relationship continues well into the future.

In closing, Mr. Chairman, I quote from a letter written by John E. Lee, the Postmaster in Beaverton, Oregon to the Beaverton Valley Times Newspaper in Oregon. I found the article on the Letter Carriers Website: *"Contractors play important role in USPS* (Soapboxes are guest opinions from our readers, and anyone is welcome to write one. (John E. Lee is the postmaster in Beaverton.) [Mar 15, 2007, Updated Mar 15, 2007 (26 Reader comments)]"

"The March 8 Valley Times Soapbox by postal employee and National Association of Letter Carrier member Peter Shapiro raised concerns over contracted mail delivery and suggested America's universal mail service could be threatened. Nothing could be further from the truth. In reality, contracted mail delivery has always been part of the overall delivery process. It is not new and individuals under contract to deliver mail do it just as well as our unionized employees."

Along with USPS employees, our contractors' dedication to excellence is helping us continue to improve the level of service we provide to our customers. Contractors already deliver mail in several communities in the metropolitan area, elsewhere in the state and throughout the nation. They are required to provide the same service – and do it just as well – as unionized USPS employees.

Contract mail delivery is being raised as an issue by the union now because the Postal Service is offering more contracts for residential delivery, primarily in new housing developments. Only new developments are being considered for contract delivery in Portland area; no delivery routes currently handled by postal employees are being converted.

The decision to consider contracts is driven by cost and efficiency – and the Postal Service's contract with the NALC union expressly allows the use of contractors to deliver mail. As long as the mail service provided to our customers is the same or better, the Postal Service will make a decision based upon the best value. This helps us maintain postage rates that continue to be among the lowest in the world, without receiving a single tax dollar for our operations.

Contrary to Mr. Shapiro's assertion, contracts do not always go to the "lowest bidder." Contracts are awarded to those who demonstrate they can provide the expected high level of service. Also, contractors must pass a through screening process, ensuring that the privacy and security of the mail – so important to our customers – are maintained.

We are proud of the people who work for us, be they career or contract. They are all dedicated to providing quality customer service. As always, if a customer ever experiences a problem with mail delivery, we want to hear about it, just call 1-800-ASK-USPS or visit your local Post Office.

The accomplishments of the U.S. Postal Service over the past two centuries provide a foundation of our continued success in offering universal service across this great nation. Contractors have played an important role in that proud tradition and will continue to do so in the future."

Thank you for permitting me to submit this statement and I will be happy to respond to questions.

Attachment

Legal Corner article – June 2007 issue

People in Glass Houses Shouldn't Throw Around the Security Issue

by David Hendel

The overwhelming majority of postal employees are good, honest, hardworking, law-abiding citizens. They regularly perform heroic deeds, above and beyond the call of duty. But when their union representatives start slandering postal contractors as being security threats, your Association's legal counsel has no choice but to dredge up some recent history that isn't so flattering.

Let's start with the slurs. The National Association of Letter Carriers (NALC) Legislative and Political Affairs Department issued a "Fact Sheet" entitled "Postal Service Contracting Out," which it distributed on February 12, 2007. When it comes to voicing an opinion, this is a free country, so I have no qualms with a person or organization who takes an opposing view. But when it comes to distorting facts, that's where I draw the line. NALC's "Fact Sheet" makes the following statements:

- "By using contract delivery workers, the Postal Service has bypassed the normal requirement and hiring processes that ensure that only qualified and trustworthy people are entrusted to handle Americans' mail."
- "Recruited with minimal screening, CDS contractors and their unscreened sub-contractors open the possibility that convicted felons, identity thieves and other undesirable worked will gain access to Americans' mail and their mail boxes."
- "Granting access to the mail stream to an unaccountable, low-paid work force foolishly risk the security of the mails."

Star Route association members know that these assertions are not true. HCR and CDS contractors go through the same security clearance screening process as postal employees. Indeed, the Association has frequently badgered the Postal Service about its allowance of unscreened drivers at postal facilities from other sources, such as consolidators and large mailers.

But since the NALC has raised the issue, let's look at some recent events where mail has been stolen and where postal patron's security has been placed in jeopardy.

Carrier steals, but honorably buries, the mail

On May 11, 2007, the *Burlington Times-News* reported that a rural carrier in Almanace County, NC had been charged with stealing hundreds of pieces of mail along her route, and two family member accomplices were charged with helping her conceal the stolen mail. The arrest warrant states that she had stolen mail since December 2005. According to the Sheriff's Department, some mail was burned and other was buried. They found more than 22 bins worth

of mail buried in the front yard. Authorities had to get a backhoe to unearth much of the stolen mail. According to a Sheriff's Department spokesman, "It looked like it was a family business."

Shopping spree in Alabama

On May 18, 2007, the *Press-Register* of Alabama reported that a former postal clerk was charged with stealing gift cards sent in the mail in Gulf Shores, AL. The employee intercepted seven Target gift cards and one Best Buy card. And just one month earlier, a rural mail carrier at the Fairhope post office pleaded guilty to mail theft in connection with allegations that she failed to deliver thousands of letters, packages, and postcards. Postal inspectors discovered more than 3000 pieces of mail that the carrier had hidden and not delivered.

Two now have time to dry out in Phoenix

Then there is the case of Michelle O'Connor, a letter carrier from Phoenix, AZ. On March 16, she pled guilty to one felony count of Theft of Mail Matter by a Postal Service Employee. O'Connor worked out of the Phoenix Post Office's Washington Station for approximately 8 years. According to her plea agreement, she stole various credit and debit cards and used them on multiple occasions at the local grocery store, which she drove to in her official postal vehicle in full uniform.

Again in Phoenix, there was the case of Minnie Nez. On July 27, 2006, she pled guilty to Theft of Mail Matter by a Postal Service Employees. Between December 2001 and February 2005, Nez stole approximately 42 social security checks while sorting mail into post office boxes at the Pinion Post Office in northern Arizona. Nez endorsed the checks in the names of the beneficiaries and converted the money to her own use. She was sentenced to six months imprisonment and required to pay restitution of $21,739 for the stolen checks.

How not to celebrate the millennium

Back in January 2000, a part-time letter carrier in Chicago was charged with burning undelivered mail in his back yard on New Year's Day. The carrier was charged with failing to deliver more than 8400 pieces of mail after being caught red-handed burning the unopened mail in two yard trash cans. (No word on whether marshmallows were being toasted over the fire.) The police were alerted by a call to 911. After they saw the pyre, they found more mail in the back seats of two of the carrier's cars.

More carrier culprits

On December 15, 2005, a letter carrier in Delaware was indicted and charged with stealing checks out of the mail she was responsible for delivering. According the indictment, between June and August 2005 the carrier stole at least 50 checks totaling in excess of $50,000.

Then there was the May 24, 2005 indictment of a rural letter carrier in Rockford, IL. She was charged with embezzling thousands of pieces of mail while performing his postal duties.

Insider Trading in Connecticut

Rural and letter carriers are not the only ones to find some of their colleagues looking through metal bars. On March 28, 2007, Tanisha Chiles of West Haven, CT pled guilty to one count of embezzlement by a postal employee. According to court documents, she embezzled more than $2,600 while employed by USPS as a Sales and Service Associate. She took cash from customers who purchased stamps or other products and kept the cash for her own use.

LA Not-So-Confidential

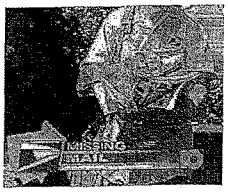
Then there was the scheme run out of the Los Angeles-based check-stealing ring that stole approximately 6,700 United States Treasury checks from the mail, worth about $18 million. The success of this scheme depended on a postal employee who stole checks from the mail stream. The theft ring instructed him to only keep checks with a face value of more than $1,000, so when he came across those of lesser value he simply threw them away. The judge hearing the case said it was the largest theft of government checks he had ever seen. The ring-leader of the scheme (not a postal employee) received 262 months in federal prison.

Those stones may come back and break your house

This list could go on and on, and I could have searched for cases of postal employees caught faking disability, but I think I've made my point. These individual cases are not the norm for postal employees, but they do exist. There may similarly be stories about HCR and CDS contractors who have been convicted of a crime involving the mail. The point is this – postal carriers do not have a monopoly on trustworthiness. HCR and CDS contractors go through the same security clearance screenings as postal employees, are just as honorable and reliable as postal employees, and pose no greater security risk. Say what you will about the Postal Service's policy of contracting out certain operations, but don't say that it will put the mail system into the hands of less trustworthy and dependable individuals.

Got Mail? Local Letter Carrier Accused of Stealing Your Items!

June 30, 2007 03:44 PM EDT



Related Video

- Got Mail? Local Carrier Accused of Stealing Your Mail!

Missing mail: a local letter carrier faces charges, after he is accused of stealing items he should have delivered!

34-year-old Scott Gross, a letter carrier from the Glenville Post Office, is facing a felony charge of grand larceny. Gross was arrested after an eight-month long investigation by the police and the USPS (United State Postal Service). Police say he was stealing some of the mail he was supposed to deliver to the customers on his route.

Gross has been working for the Post Office for the last 13 years, but he has since resigned from the job after he was charged. NEWS10's Latricia Thomas has more on what the investigation turned up.

They cart valuable items to your home six days a week - but Glenville Police say Gross' alleged sticky fingers swiped a huge stash of loot from his own mailbag.

"He would take all the mail for his route for that day, and he would basically sit down and go through it," says Glenville Police Chief Michael Ranalli.

Police tell us Gross pocketed razors and other freebies - a stash totalling over a thousand-dollars, all from the mail on his route, before they ever made it into his customers mailboxes.

"We really don't know what the full implications of it are because a lot of people just might not have been expecting these things, so they never

knew they never came," Chief Ranalli says.

The initial tip-off, police say, came from a resident who ordered a gift card, but never received it. Police then used surveillance video from the stores who cashed the cards, to nab the mailman.

"Now, I'll check my mail more carefully," Glenville resident Vita Nemeyer says.

Police also tell us Gross made off with so much, because he knew what envelopes to look for. When we went looking for Gross, no one answered his door. But what was not hard to find: some very disappointed customers on the Glenville Post Office's route.

"I'm really surprised, because I look at them the same way I think of policemen and firemen," says Nemeyer. "They're public servants and you have a lot of trust in them."

"It's very deceiving, I mean, you don't think someone's going to take your mail," Glenville resident Joelle West says.

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Postal pilfering

By Hannah Winkler / Times-News
May 12, 2007 3:00 AM

A U.S. Postal Service employee has been charged with stealing hundreds of pieces of mail along her route — and two other people have been charged with helping her conceal it, the Alamance County Sheriff's Department said.

Sandra Gayle Wilson, 47, of Turner Road, Mebane, was charged Thursday with larceny by employee, misdemeanor possession of stolen goods and resisting a public officer.

The warrants state the mail was stolen between December 2005 and this month.

She is a rural carrier based in Hillsborough. While details about her route were not available, most of her customers were in Alamance County, said Sheriff's Department spokesman Randy Jones said.

Jones said that Jordan Casey Wilson, 21, of Farrell Road, and Samuel Armstrong Wilson, 70, of Turner Road, helped burn and bury stolen mail.

"It looked like it was a family business," Jones said.

Detectives from the Alamance County Sheriff's Department and inspectors from the U.S. Postal Inspections Service obtained a warrant to search Sandra Wilson's home Thursday.

They found more than 22 postal bins worth of mail buried in the front yard, Jones said. Authorities had to get a backhoe to unearth much of the stolen mail, Jones said.

The mail recovered, both opened and unopened, was mostly advertisements, bills and general mail.

"We don't know what to expect out of this," Jones said, noting that there will be more charges forthcoming, and that more people may be involved. "There is a whole shopping list of potential crimes that we'll have to investigate."

Other charges could include forgery, uttering and conspiracy, Jones said.

Both the U.S. postal inspector and inspector general were called in to investigate the charges.

There is a possibility that Sandra Wilson will face federal charges, Jones said

Additionally she has been charged with larceny of chose in action. She was also charged with misdemeanor larceny, and misdemeanor possession of stolen goods.

A person is charged with larceny of chose in action when he or she steals "any bank note, check or other order for the payment of money."

Samuel Wilson, who is not related, has been charged with felony accessory after the fact, possession of stolen goods, and accessory to burying/burning stolen property.

Jordan Wilson, Sandra's daughter-in-law, was charged with accessory after the fact of a felony and possession of cocaine.

Enola Rice, spokeswoman from the U.S. Postal Service, said that Sandra Wilson has been given an administrative leave of absence pending the outcome of the investigation.

Authorities have received numerous complaints about undelivered mail from Sandra Wilson's route, both in Alamance and Orange counties, Jones said.

Authorities said that the investigation began with last weekend's arrest of Lennie Samuel Wilson Jr., Sandra's 22-year-old son. He was charged with five counts of financial identity card theft and one count each of obtaining property by false pretenses.

"Everything spiraled from that one outward," Jones said.

INFORMATION ISSUED BY U.S. ATTORNEY'S OFFICE FOR ARIZONA ON MARCH 16: FORMER PHOENIX LETTER CARRIER SENTENCED TO PROBATION FOR STEALING CREDIT, DEBIT CARDS FROM HER ROUTE

PHOENIX, March 16 -- The U.S. Department of Justice's U.S. Attorney's office for Arizona issued the following press release:

Michelle Lynn O'Connor, 39, of Phoenix, was sentenced here today to three years probation, and ordered to pay $2,215 in restitution and to perform 100 hours of community service, by U.S. District Judge Earl H. Carroll. On October 10, 2006, O'Connor pleaded guilty to one felony count of Theft of Mail Matter by a Postal Service Employee.

In the course of her guilty plea, O'Connor admitted she had been a mail carrier and worked out of the Phoenix Post Office's Washington Station for approximately eight years prior to December 1, 2005. During the period of June 29, 2005 through December 1, 2005, O'Connor stole two Bank One Visa credit cards and one Bank of America Visa debit card.

During the period of September 11, 2005 through November 5, 2005, O'Connor used one of the stolen Visa credit cards on multiple occasions to buy groceries and related items from three Fry's Grocery Stores in Phoenix. On several occasions, O'Connor drove to the stores in her official **+Postal+ +Service+** vehicle and made the **+purchases+** while dressed in her letter carrier's uniform. On December 1, 2005, a Postal Inspector sought to interview O'Connor at a Postal facility regarding her conduct at the grocery stores. During the interview, O'Connor was permitted to use the restroom where she hid stolen debit and credit cards in order to avoid their seizure. The cards were later found by fellow Postal Service employees and turned over to the inspector.

O'Connor resigned from the Postal Service after these incidents. At sentencing, the government noted that O'Connor had abused her position of trust as a letter carrier by stealing from her route and then using a stolen credit card to make purchases while in uniform. Before the court, O'Connor accepted responsibility for stealing the three cards and advised Judge Carroll she had no excuse for her conduct and there was no one to blame but herself.

O'Connor was on pretrial release pending sentencing and will remain out of custody while serving her three year term of probation. The investigation in this case was conducted by the United States Postal Inspection Service. The prosecution is being handled by Frederick A. Battista, Assistant U.S. Attorney, District of Arizona, Phoenix.