

OPENING SUBMISSION
to the
COMMISSION ON THE POSTAL SERVICE



BY THE

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The National Postal Mail Handlers Union (NPMHU) serves as the exclusive bargaining representative for approximately 60,000 mail handlers employed by the U.S. Postal Service. These employees are an essential part of the mail processing and distribution network utilized by the Postal Service to move more than 200 billion pieces of mail each year. Mail handlers work in all of the nation's large postal plants, and are responsible for loading and unloading trucks, transporting mail within the facility (both manually and by using powered industrial equipment), preparing the mail for distribution and delivery, operating a host of machinery and automated equipment, and sorting and containerizing mail for subsequent delivery. Our members are generally the first and the last employees to handle the mail as it comes to, goes through, and leaves most postal plants.

The majority of mail handlers are employed in large postal installations, including several hundred Processing & Distribution Centers, Bulk Mail Centers, Air Mail Centers, and Priority Mail Processing Centers. The largest of these installations, most often measured as those which utilize 200 or more work-years of bargaining unit employees, currently employ more than 90% of the mail handlers represented by the NPMHU, and at least 80% of mail handlers work in installations that have 500 or more postal employees.

Although mail handlers are located throughout the United States, they are not spread evenly across all geographic areas. For example, more than 40% of all mail handlers are employed in seven of the largest Consolidated

Metropolitan Statistical Areas that are tracked by the Census Bureau -- i.e., New York, Chicago, Washington-Baltimore, Los Angeles, San Francisco, Philadelphia, and Boston. And thousands of other mail handlers are working in or near other large cities, including Buffalo, Cincinnati, Cleveland, Dallas, Denver, Detroit, Hartford, Houston, Indianapolis, Milwaukee, Pittsburgh, Providence, Richmond, St. Louis, Minneapolis-St. Paul, Phoenix, Seattle, and Springfield, Massachusetts. A vast majority of mail handlers, therefore, work in the nation's twenty-five largest metropolitan areas.

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For the past eight years, the NPMHU has been an active participant in the congressional debate about postal reform. Throughout this process, the NPMHU has been guided by, and completely open about, its underlying objective: to maintain the strength of the U.S. Postal Service because only the Postal Service will be able to ensure an American postal system that will continue to operate in the public interest. The NPMHU therefore believes it is imperative, when discussing the future of the Postal Service, to make sure that the driving force behind any particular proposal or recommendation remains the best interest of the American public. Any recommendation for reform that puts the Postal Service or its employees at risk will not serve the public interest, but instead will simply embolden those who give little thought to destroying this unique aspect of the American communications experience.

It thus should not be surprising that the NPMHU stands in direct opposition to the interests of large, profit-driven corporations that seek to

dismantle the Postal Service so that – through increased competition or decreased regulation – they and other USPS competitors can carve up those portions of the Postal Service that produce profits, while at the same time allowing other, deficit-producing aspects of postal operations to lie dormant and eventually be destroyed. The interest of the public in maintaining the strength and vitality of the Postal Service and its employees, therefore, must be the primary factor in the deliberations of the Commission during the coming weeks and months. We urge the Members of this Commission to recognize this reality, prior to making its recommendations.

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A key component of the Postal Service's historic mission has been its willingness and its ability to provide universal service to the mailing public. For well more than two hundred years, the Postal Service and its employees have served the Nation by ensuring universal service of postal communications at reasonable rates. The NPMHU strongly believes that the mandate of universal service must be continued, and that postal employees must continue to process and deliver letters and packages to all residential and commercial customers. Although postal rates must remain affordable, these rates also must be sufficient (a) to protect and support the infrastructure that universal service requires and (b) to provide postal employees with a decent and fair standard of living. To ensure universal service, the postal monopoly over letter mail must continue, and efforts to make wholesale cuts or reductions in postal services must be defeated.

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During the past several years, the NPMHU has been working with other employee organizations, with representatives of the mailing community, and with postal management to reach a consensus about so-called “postal reform.” Many of these groups have come to recognize that the Postal Service cannot successfully operate without changes to the Postal Reorganization Act of 1970 (PRA), which originally was enacted more than thirty years ago. In particular, the Postal Service needs additional flexibility in pricing, the freedom to design or introduce new postal products, and the ability to borrow and invest with fewer constraints. Although much work remained to be done, and significant roadblocks were evident in the legislative process necessary to enact statutory changes, there was a sense of optimism that appropriate reform of the PRA eventually could deal with the difficult statutory issues that continue to confront the Postal Service.

In addition, the Postal Service in April 2002 adopted and started to implement its comprehensive Transformation Plan, which is aimed at preserving the core mission of the Postal Service at reduced cost. Although the NPMHU expressed serious reservations about some aspects of the Transformation Plan – especially those portions of the Plan that suggested decreasing reliance on career postal employees – to this point implementation of the plan has proven successful. Thus, even prior to the appointment of this Presidential Commission, the Postal Service already had begun to confront the problems caused by the combination of stagnant or even decreasing mail

volume and, at the same time, increasing costs because of general inflationary trends and heightened concerns about national security. For example, the postal workforce already has been cut by tens of thousands of employees, and total work hours have been reduced. At the same time, customer satisfaction with the mail service provided by the Postal Service remains at an all time high, and the Postal Service continues to receive accolades as one of the most trusted and respected government agencies. Meanwhile, the Postal Service discovered that it has been seriously over-funding its retirement obligations for employees working under the Civil Service Retirement System, and therefore it currently appears that a lengthy period with steady postal rates is on the horizon. Similarly, the Postal Service and its major unions are all operating under long-term collective bargaining agreements, and there is every reason to believe that the relationship between labor and management will remain relatively stable for the foreseeable future.

This Presidential Commission therefore enters the debate, and is asked to issue recommendations, not at a time when the Postal Service faces an imminent crisis, but rather when the Postal Service is approaching a period of apparent calm. The Commission therefore would be wise to tread lightly. The mere issuance of recommendations calling for radical or even substantial change, either in the statute governing the Postal Service or in everyday operations controlled by postal management, very well could precipitate the atmosphere of crisis that all postal stakeholders, and the American public, want to avoid.

It is in this light that the NPMHU, in the remainder of this opening submission, addresses some of the more important issues being considered by the Commission and its subcommittees:

Workforce Subcommittee: The Postal Service is a labor-intensive business, and a large proportion of its costs are attributable to the wages and benefits for its 750,000 career employees. It therefore is not surprising that one of the Commission's subcommittees will focus on workforce issues, including an assessment of the current collective bargaining and dispute resolution procedures, as well as issues of pay, worker productivity, employee training and recruitment, workers' compensation, and funding of pension benefits and retiree health insurance. After that assessment is made, however, the NPMHU believes that the Workforce Subcommittee should conclude that the statutory rules governing these issues should remain unchanged, and that labor relations should continue to operate – without legislative or executive interference – between the unions or management associations that have been freely elected by postal employees and the representatives chosen by postal management.

First, the NPMHU strongly endorses the current process for collective bargaining under the PRA, including initial face-to-face negotiations, followed by possible mediation or other dispute resolution procedures agreed to by the parties, and culminating, if necessary, in binding interest arbitration. During the past thirty-three years, the NPMHU and the Postal Service have engaged in twelve rounds of collective bargaining, seven of which (including the last two, in

1998 and 2000) have resulted in voluntary agreements that were endorsed by postal management and ratified by the union membership. The other five were resolved through arbitration, with the results willingly accepted by both parties.

Of critical importance, for almost three decades, there have been no work stoppages or other disruptions of postal operations, and therefore the mailing public has enjoyed uninterrupted service without even the threat of a slowdown in mail processing or delivery. The Commission should contrast this record of labor peace with some of the alternatives to binding arbitration that sometimes are proposed. Under the National Labor Relations Act, for example, employees have the right to strike upon impasse, and that is why the United Parcel Service (UPS) suffered a total shutdown for several weeks in 1997. Ironically enough, it was the Postal Service and its employees who willingly took on the monumental task of processing and delivering millions of additional packages during that UPS strike to ensure that the American economy was not damaged.

Similarly, the statutory mechanisms for dispute resolution under the Railway Labor Act (RLA), which often are mentioned as a possible substitute for the PRA, have fared even worse. Both the airline and railroad industries have been faced with constant work disruptions and threatened strikes during the past decade. In most instances, these disputes are resolved not by the parties at the bargaining table or in an arbitration hearing room, but either through the vagaries of economic warfare or through direct actions taken by Congress and/or the President. Tellingly, in recent months, the representatives of airline

management actually have called on Congress to amend the RLA so that bargaining disputes would be resolved in mandatory arbitration, under a system much like that already contained in the PRA.

The substantive results of bargaining under the PRA also have proven quite successful. Certainly, in each round of bargaining, the NPMHU has sought, and will continue to seek, higher pay and improved benefits for mail handlers. But that is the core function of a union representing employees in bargaining against management. When viewed with a historical perspective, the collective bargaining provisions contained in the PRA have produced a series of fair and equitable wage adjustments and working conditions, especially over the past decade, that have been supported by both labor and management. The wages of mail handlers generally have kept pace with inflation in the economy, in part because of a contractual provision that gives mail handlers semi-annual cost-of-living adjustments (COLAs) that guarantee wage improvements approximating 60% of the increase in the Consumer Price Index. At the same time, the existence of this COLA provision means that employees receive relatively small general wage increases. Overall, the wage increases obtained by mail handlers, including COLA, have been similar to improvements granted by the federal government or by large employers in the private sector, as measured by the Employment Cost Index.

During this same period, moreover, the productivity of mail handlers and other postal employees has increased dramatically. The Postal Service today processes and delivers more than 200 billion pieces of mail using

approximately 750,000 employees. The same number of employees was once used to process and deliver half as much mail, not too many years ago.

Through a combination of automation, worksharing by private mailers, and improved mail flow, today's mail handlers and other postal employees are more productive than ever before.

In short, the NPMHU believes it would be foolish, and ultimately harmful to the Postal Service, if the Commission were to recommend a change in the collective bargaining process currently mandated by the PRA. The current mechanism for negotiations followed by binding interest arbitration has worked well, and should not be changed.

The NPMHU also strongly opposes calls for increased privatization that might be aimed at mail handlers or other postal employees. To those extremists who seek privatization of the postal workforce as a means of eliminating hundreds of thousands of career postal employees, their interests are more political than practical. Even more pernicious, however, can be proposals to privatize smaller parts of the Postal Service through increasing the subcontracting of traditional postal work to private contractors. If countenanced, such subcontracting could mean that the Postal Service would lose the services of dedicated career employees at precisely the wrong time in our nation's history. Not only do postal employees have a special understanding about how to process mail efficiently and effectively, but in recent years they have been especially adept at dealing with issues related to mail security, and working to protect the American public against anthrax

attacks, mail bombs, or other hazardous materials or similar threats of terrorism that might, and sometimes actually do, find their way into the U.S. mail. It would be truly unfortunate if this Commission were to encourage additional contracting out of postal work at a time when the American public and Congress finally have recognized that only federal civil servants, and not low-paid and untrained subcontracted employees, are capable of protecting our nation's airports and border crossings. The nation needs similar homeland security for its mail. As with airport security, a dedicated workforce of professional postal employees is the best defense against those who would use the mail to harm our national security.

It bears noting, moreover, that many examples of recent subcontracting by the Postal Service have been colossal failures. Approximately five years ago, for example, 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. Today, the work at those facilities finally has been returned to mail handlers and other career employees, but not before the Postal Service suffered losses in the hundreds of millions of dollars. At a recent meeting of the USPS Board of Governors, one Governor said publicly that the Emery subcontract was one of the worst decisions that the BOG ever had made. This Commission should not encourage similar errors in future subcontracts.

At the same time, the NPMHU generally has not opposed certain pricing flexibility that allows the Postal Service to provide incentives to private mailers to perform pre-sorting or otherwise obtain workshare discounts. These

programs, however, have evolved slowly and thoughtfully over time, and have become part of the delicate balance and symbiotic relationship between private mailers and the Postal Service. By private mailers, moreover, we refer to those companies whose aim is to use the Postal Service for final processing and delivery of mail, and not those competitors of the Postal Service whose aim is to skim the cream off of the Postal Service's business.

Finally, the NPMHU strongly opposes any recommendations that would support changes to the workers' compensation, retirement, or health insurance programs now provided to postal employees. Each of these programs, which are legislated by Congress to cover all federal and postal employees, need to be preserved. The postal community only recently learned that the Postal Service has been seriously over-funding the CSRS retirement system for several decades, and any adjustments necessary to other legislated programs can be negotiated between the parties or accomplished administratively.

Business Model Subcommittee: As noted earlier, the NPMHU strongly supports the maintenance of the Postal Service's universal service mandate, and the accompanying protections to the postal monopoly. The NPMHU also supports legislative changes needed to grant the Postal Service increased pricing flexibility and reduced rate regulation. It is patently absurd, for example, for the rate making process before the Postal Rate Commission (PRC) to take well over one year, including ten months of active consideration by the PRC, before the Postal Service is able to adjust rates to reflect changing economic conditions. When the price of gasoline spiked in 2000, for example,

all of the Postal Service's competitors (including UPS and FedEx) added fuel surcharges to their rates, but the Postal Service was unable to do so. It also is ridiculous that the Postal Service is unable to change its pricing structure to compete for the \$500 million in overnight mail business generated by the Federal Government. It is embarrassing, to say the least, that the very government which demands universal service from the Postal Service does not utilize the Postal Service's Express Mail option because competitors are able to outbid for that business without any response from the Postal Service.

The NPMHU also opposes any increase in the powers of the PRC. Current provisions of the PRA grant the PRC sufficient authority to review postal rates, and if anything the rate-making powers exercised by the PRC should be restricted. Under current procedures, it is safe to say that UPS, FedEx, and other Postal Service competitors have enough information about the Postal Service without allowing them to use the PRC as a conduit for further restricting the Postal Service from fairly competing with these private corporations.

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In prior months, before the establishment of this Commission, the NPMHU opposed the creation of a commission to study the Postal Service because we believed that the parties most knowledgeable about the Postal Service needed to reach a politically-viable consensus about the changes needed in the PRA before any such changes would be possible. The same remains true today. We urge the Commission to pay close attention to the

views of the traditional postal stakeholders, for recommendations that contain significant or radical changes in the PRA or in postal operations that are not acceptable to these parties could do more harm than good, and could unduly delay whatever changes have become necessary.

The NPMHU appreciates the opportunity to file this opening submission, and looks forward to working with the Commission and its staff in the coming weeks and months. We are available to answer any questions that the Commission may have, or to present testimony if and when the Commission deems it advisable.