



NATIONAL ASSOCIATION OF POSTAL SUPERVISORS

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STATEMENT OF

TED KEATING, PRESIDENT

NATIONAL ASSOCIATION OF POSTAL SUPERVISORS

ON

THE ECONOMICS OF UNIVERSAL MAIL POST-PAEA

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

**COMMITTEE ON OVERSIGHT AND
GOVERNMENT REFORM**

UNITED STATES HOUSE OF REPRESENTATIVES

MAY 8, 2008

Chairman Davis, Ranking Member Marchant and Members of the Subcommittee:

I am grateful for the opportunity to appear on behalf of the 33,000 postal supervisors, managers and postmasters who belong to the National Association of Postal Supervisors.

This year marks the 100th anniversary of the National Association of Postal Supervisors. On September 7, 1908, 50 postal supervisors from post offices in 13 states met in Louisville, Kentucky, to establish an association, first called the National Association of Supervisory Post Office Employees, that was dedicated to the welfare of postal supervisors and the improvement of the United States Post Office Department.

In 1908, poor working conditions and an unfair salary system were among the challenges that faced the founders of our association, all of whom risked their jobs to participate in these early organizational activities. At that time, no standard eight-hour workday or forty-hour workweek existed for postal workers. The workday began at a specified time, but ended only when all mail on hand had been processed. Saturday and Sunday were regular workdays, and there was no overtime or compensatory time. The sick leave benefit was years away, and upon completion of a "career" in the Post Office Department, there was no retirement annuity.

Moreover, a gag order was imposed on the efforts of any postal employee who attempted to redress these conditions. By order of the

Postmaster General in 1895, and through subsequent executive orders in 1902, 1906 and 1909, all postal employees faced immediate dismissal for lobbying any member of Congress on pay or other postal issues, even if they lobbied on their own personal time. In addition, no cooperative relationship existed between postal supervisors in the field and postal managers in Washington, and the phrase "management team" had not yet been invented.

That is why the progressive founders of the National Association of Postal Supervisors a century ago set the organization on a remarkable course, as proclaimed in the NAPS Constitution, "to promote, through appropriate and effective action, the welfare of its members and to cooperate with the United States Postal Service in a continuing effort to improve service, to raise the standard of efficiency and to widen the field of opportunity for supervisory employees who make the post office their life work."

Since that time, with the continued help of Congress and alliances with the other postal and federal employee groups, NAPS has helped to achieve a wide number of improvements in the working conditions and compensation of postal supervisors and all postal and federal employees. The focus of the Association has grown to embrace the interests of all managers and supervisors throughout the United States Postal Service, not only in mail processing and delivery, but in all functional units, including customer service, marketing, human resources, training, corporate relations, law enforcement, and health and safety. As managers and supervisors have moved on to become postmasters, many have chosen to retain their membership in NAPS.

“Unity through strength” has exemplified not only the character of the managerial and supervisory ranks, but the ranks of all postal employees, and the progress that the postal management associations and the unions together have achieved.

The Preservation of USPS Financial Strength

Today the challenges continue. While we have made great strides in improving the service and efficiency of the nation’s mail system over the past century, new and unprecedented challenges remain before us. As the economic focus of this hearing suggests, the preservation of the financial strength is the paramount challenge to the future of the Postal Service. The triple-threat of declining mail volume, increased service demands and delivery points, and a weakening economy have not provided a healthy base for the launch of the postal reform law over the past year. Weakened economic conditions have disproportionately affected postal revenues. The financial, credit and housing industries – key users of the mail – have slackened in their mail usage, and retailers have reduced their mailings of catalogs and advertising mail.

These conditions underscore my belief, as I noted in my testimony to this Subcommittee last year, that the sweeping reforms of the new postal reform law and the pressures of the inflation-adjusted cap upon price increases in market-dominant products will require the Postal Service to become more entrepreneurial, accountable and transparent in the conduct of its business operations. The Postal Regulatory Commission similarly needs to assure that the Postal Service retains the flexibility to operate in a manner that preserves affordable

and universal service. And the Congress needs to exercise oversight to monitor and assess whether the objectives of the postal reform law are being achieved, while remaining ready to modify the terms of the law as developments may require.

The Need for Additional Revenue to Assure USPS Viability

The new law affords the Postal Service tremendous opportunities to benefit current users of the mail and to attract new customers. The Postal Service needs to explore every opportunity to pursue additional revenue through new products and services. This includes not only the introduction of new and innovative mail products, but also provide greater accessibility to commercial services within the network of more than 30,000 post offices. For example, post office lobbies are underutilized; they should afford access to bank ATM services and other commercial products. The availability of ATM service in small post offices in rural areas would be well-received in many communities. Similarly, the last mile of USPS delivery service provides untested opportunities for expanded courier and delivery services by USPS carriers.

In addition to USPS efforts to grow new revenue, the Congress needs to assure that the Postal Service receives every dollar to which it is entitled. For example, the Revenue Forgone Reform Act of 1993 provides for a \$29 million annual governmental payment over 42 years to the Postal Service to pay off a \$1.2 billion debt Congress created by mandating preferred postage rates to nonprofits and others in the early 1990s. Too often Congress has sought to avoid payment of this

obligation through budget chicanery to the detriment of the Postal Service. The revenue forgone payment should never be held hostage and should be automatically funded by Congress every year in recognition of the prior pledge that Congress has made.

On another revenue-generating front, a request by the Postal Service for payment of the Medicare Part D prescription drug subsidy, projected to save postal customers at least \$250 million annually, has been resisted by the Bush Administration since 2005. While private sector competitors of the Postal Service may qualify for subsidies that offset the cost of prescription drug coverage they provide to their retirees, the Postal Service has been barred from receipt of the subsidy by the Office of Personnel Management. We trust that the next Administration will take a more enlightened attitude toward the payment of the prescription drug subsidy to the Postal Service, recognizing the need to assure a level playing field.

The expansion of voting by mail not only will broaden citizen participation in election processes at the local, state and federal levels, it will generate additional revenue for the Postal Service. At the same time, we will continue to urge state lawmakers to continue to demonstrate continued wisdom in regarding Do Not Mail legislative proposals as misguided and unnecessary, in light of their significant negative impact upon postal income and the viability of opt-out mechanisms that already are available to households to diminish their receipt of advertising mail.

The PRC Report on the Universal Service Obligation

The Postal Regulatory Commission has embarked upon and completed an impressive schedule of regulatory initiatives over the past year, including rules for the rate-setting process for market-dominant products and service standards for most postal products. It is now engaged in a study, mandated by the Postal Accountability and Enhancement Act, to report to the President and Congress by December, 2008 on "universal postal service and the postal monopoly in the United States ... including the monopoly on the delivery of mail and on access to mailboxes."

Universal service is a term commonly used to refer to postal service to all parts of the country, the notion of service to anyone anywhere throughout the 50 states and the territories. It has evolved over time in policy and operational terms to connote the ability to mail a letter from anywhere to anyone within the United States at a relatively uniform price. Widespread, reliable geographic coverage at a consistent cost, from Hawaii to Maine, has become the hallmark of America's postal system.

Universal service encompasses postal services and costs that would not necessarily be provided were the private sector controlling and administering the American postal system. That unacceptable outcome – the deprivation of reasonable access in the collection and delivery of the mail to some Americans – is why the universal service obligation has become a core component underlying the mission of the Postal Service. That is also why the mailbox monopoly -- the

unrestricted right to facilitate the collection and delivery of letters through exclusive use of the customer's mailbox -- has become a twin policy requirement to assure economic viability of universal service.

The PRC's responsibility to study the future of the universal service obligation in a report to the President and the Congress comes at a time when declining mail volume and increased service demands to new households and businesses may strain the economic viability of universal service as we have come to know it. This prompted the PRC to declare last month its intent, in preparing the report, to focus on the universal service obligation, as characterized by its geographic scope, product offerings, access to postal facilities, delivery frequency, rates and affordability, and quality of service. (See Postal Regulatory Commission Notice regarding the Universal Service Obligation, Federal Register, April 30, 2008). The identification of these study areas means that the PRC's study will likely involve examination of a number of controversial proposals: the termination of unprofitable delivery routes, the closing of small post offices, abandonment of the Alaska air subsidy, the realignment of the processing and distribution network, reduction in the numbers of stops in the delivery network, cutbacks in the number of delivery days, and other measures. These initiatives arguably would reduce Postal Service capital and labor costs, but also threaten the ubiquity and accessibility of America's postal system.

To prepare its report, the PRC has contracted with a consultant team from George Mason University to receive significant assistance in acquiring the underlying research, distilling public input, and drafting the report due to the President and Congress. The PRC's scheme for the

consultant's drafting of the report envisions the GMU team playing a dominant role in the drafting of the report. The PRC's request for proposals even envisions the PRC's possible adoption of the much of consultant's draft report as the final report of the PRC.

Given the significant role of the consultant team and its draft report in shaping the ultimate views of the PRC on the universal service obligation, we are concerned that the PRC has not provided for adequate transparency and the opportunity of meaningful public review and comment. We believe the failure to provide for public comment on the consultant's draft report represents a serious, perhaps fatal, flaw in the PRC's study process. Section 702(c) of the PAEA requires the PRC to "consult with the Postal Service and other Federal agencies, users of the mails, enterprises in the private sector engaged in the delivery of the mail, and the general public" in the preparation of the PRC's report. Adequate and meaningful consultation by the PRC with these postal stakeholders can result only after the findings and recommendations of the consultant's report have been made available to the public and postal stakeholders for study and review. Similarly, the PRC's scheduling of the three upcoming public hearings later this month and in June is premature. Constructive input by the general public to the PRC will be better generated after the findings and recommendations of the consultant's report are revealed and studied.

We urge this Subcommittee to encourage the Postal Regulatory Commission to review its study process and adopt a process that is imbued with greater transparency and dialogue, by sharing the

consultant's findings and recommendations and by providing the opportunity for public review comment on the consultant's draft report.

Preventing the Denial of Employment Protections to Veterans

Last year I brought to your attention the existence of new Postal Service rules that deny employment protections to military veterans in management or supervisory positions in the course of downsizing actions. Since then these rules have remained in place, and the situation has remain unchanged. These rules will allow the Postal Service to involuntarily transfer supervisors or other management employees to locations far from their homes, without the right of appeal, despite their veterans' preference status, in the course of the closing or consolidation of a post office or other facility at which the veteran is employed. This is clearly contrary to the spirit of government-wide personnel law and rules, and repugnant to the sacrifices that veterans have made to their country.

In response to the Postal Service actions, Rep. Stephanie Herseth-Sandlin (D-SD) has introduced the Veterans Reassignment Protection Act (H.R. 728), which prohibits federal departments and agencies, including the Postal Service, from involuntarily transferring a federally-employed military veteran to another geographic location without the benefit of veterans' protection and reduction-in-force rules, which guarantee the right of appeal. This legislation has been referred to the Committee on Oversight and Government Reform, and I urge the Members of this Subcommittee to support the consideration and approval of this measure.

While no veterans in supervisory or management positions have yet been involuntarily transferred in downsizing actions by the Postal Service, this is only because of the delay in the Postal Service's plans to undertake what could ultimately become potentially significant realignments in its processing and distribution network. When the time comes and those realignment initiatives do in fact begin, veterans preference-eligible employees clearly will suffer harm if the Postal Service repositioning rules are allowed to stand. There is no reason for Congress to wait for that harm to occur. The rights and protections of our nation's veterans, in light of their continuing sacrifice in Iraq, Afghanistan and other dangerous lands, should never be compromised.

Thank you for the opportunity to present these views. On behalf of the National Association of Postal Supervisors, I look forward to continuing to work with the Subcommittee in its oversight of the Postal Service and its mission. I am available to answer any questions you may have.