



April 14, 2014

The Honorable Darryl Issa  
Chairman  
House Committee on Oversight &  
Government Reform  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Elijah Cummings  
Ranking Member  
House Committee on Oversight &  
Government Reform  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Issa and Mr. Cummings:

We write to share our views on the hearing held on April 8, 2014 on the President's proposals in the FY 2015 budget regarding the U.S. Postal Service. We write on behalf of nearly 500,000 postal employees who live and work in every Congressional District in America and who belong to our unions. We respectfully request that this letter be included in the record of the hearing.

We strongly oppose major elements of the Administration's proposed reforms as out-dated and counter-productive to the goal of strengthening the Postal Service for the 21<sup>st</sup> Century. The USPS has strongly recovered over the past 18 months as the economy has bounced back and the e-commerce boom has gathered pace. In the absence of the prefunding burden, the Service was profitable in 2013. Reducing deliveries and slashing the quality of service never made sense as a business strategy. Market research conducted by Opinion Research Corporation for USPS found that service cuts (ending Sat. service, etc.) would cause mail volume to fall by 7.7% and reduce revenue by nearly \$5.3 billion – that is, by more than it would reduce costs. (See the attachment.) Now that the USPS is recovering and has eliminated some 75,000 career jobs since 2011, slashing service further makes even less sense. It would discourage businesses from partnering with the Postal Service.

Simply re-amortizing the disastrous retiree health pre-funding mandate that was enacted in 2006, and which accounts for more than 80% of the Postal Service's losses since 2007, is totally unacceptable. "Kicking the can down the road" is not a solution to the Postal Service's most pressing financial problem. The payments are unaffordable now; they will be unaffordable two years from now. The USPS has already set aside more than \$50 billion for decades of future retiree health benefits. It's time to repeal the pre-funding burden that no other private or public enterprise in America faces (without taxpayer appropriations) or dramatically reduce the cost of that burden by enacting other reforms.

Congress should either implement the recommendations of the Postal Regulatory Commission's independent audit of the postal CSRS account (*Report on CSRS Pension Allocation Principles*, Segal Company, November 22, 2010) or adopt FEHBP reforms that will reduce postal retiree health benefit costs. Any reform that fails to address the pre-funding burden will doom the Postal Service to endless cycles of service and job cuts that will destroy this national treasure.

The administration's proposal to allow the Postal Service to eliminate Saturday delivery was not developed after an independent analysis – it was driven by misleading data presented by the Postal Service to the PRC (later refuted by the attachment) and accepted as part of the Cantor-Biden budget talks in 2011 aimed at reducing the budget deficit. It has shown up in every administration budget since then. Given that the Postal Service receives no taxpayer subsidy, we have always rejected service cuts aimed at improving the federal deficit measured on a unified basis.

But more importantly, it defies business sense. Saturday delivery makes the USPS unique in the delivery industry. American businesses operate 24 hours a day, seven days a week and more than a third of the Postal Service's customers say they want Saturday service. The Postal Service of the 21<sup>st</sup> Century must meet these business demands and many customers, like Amazon.com, have already begun to partner with the Postal Service to provide seven-day delivery. The ability of USPS to provide this service at very affordable rates is made possible by the Postal Service's shared networks for letter, flats, books, magazines and parcels.

Granting the Postal Service the right to end Saturday delivery, which the Postmaster General has advocated since 2009 in the wake of the global financial crisis, would eliminate 81,000 jobs. Congress should not sacrifice these jobs or risk the long-term survival of the Postal Service.

The administration proposal to allow the USPS to phase out door delivery would severely damage the Postal Service's business, by severing the revenue-generating relationship letter carriers have with millions of small businesses and home-based merchants and enterprises. These relationships have helped the Postal Service generate billions in new shipping revenues through Customer Connect and Rural Reach. Ending door delivery to millions of businesses and 35 million households located in every Congressional District would be deeply unpopular with the American people and unnecessarily risk another 16,000 to 20,000 jobs.

The proposal to codify the Postal Service's unpopular PostPlan, which has slashed retail office hours at more than 13,000 post offices located in rural communities and inner-city neighborhoods, is also unacceptable. The relentless service cuts, downsizing and reductions to service standards in recent years has gone too far – Congress should seek ways to reverse these cuts in order to strengthen the Postal Service, not codify them. Giving the Postal Service the freedom to provide new services through its networks and relieving the crushing burden of pre-funding are the best ways to improve service and the long-term viability of the Postal Service.

The administration offered some modestly positive proposals in its budget too, for which we are grateful. Mandating the use of postal-specific assumptions to fairly calculate the surplus in the postal account in FERS makes sense – returning the surplus to the USPS would allow it to make much-needed investments in new vehicles and new technology. The Postal Service has been starved of such investments – as every available dime has been irrationally directed to pre-fund future retiree health.

We also support measures to free the Postal Service to offer new services that will generate new revenues to support universal service. The administration's proposals to allow the Postal Service to deliver beer and wine through the mail and to collaborate with state and local governments to provide their services through the postal service's retail network offer a good start on such measures.

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The administration proposal to make the exigent case permanent is acceptable, though we note there are other pricing reforms that may make more business sense. Our unions remain open to exploring alternative reforms with Congress and the mailing industry that will strengthen the Postal Service, not weaken it.

At the hearing, Chairman Issa indicated that the Committee would seek to mark up a new bill based on the administration's proposals. Although we welcome the apparent decision to set aside H.R. 2748, which we strongly oppose, we do not believe the Obama administration's plan offers a viable way forward. Both H.R. 2748 and the President's plans were devised at the height of the global financial crisis and proceed from the false premise that the internet is destroying the Postal Service. But it's not 2009 anymore. The Postal Service has more than right-sized itself in response to the decline in mail volume; it now faces staff shortages and inadequate capacity to maintain high quality service. Its operating finances have recovered as letter mail revenue has stabilized and e-commerce volume is exploding.

Rather than slashing services in a way that will drive business away, it's time for sensible, targeted reforms that will free the Postal Service to innovate and grow. These reforms should include a permanent fix to the pre-funding burden as suggested above, the fair calculation of postal pension surpluses, suitable pricing reforms and new freedom to offer services through our existing networks to meet unmet public needs. These reforms would allow the Postal Service to do what our founding fathers intended when they established the Post Office in our Constitution: To bind the nation together and to adapt to meet the evolving needs of America's citizens and businesses.

Sincerely,

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Fredric V. Rolando, President  
National Association of Letter Carriers, AFL-CIO

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Mark Dimondstein, President  
American Postal Workers Union, AFL-CIO

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John F. Hegarty  
National Postal Mail Handlers Union, AFL-CIO

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Jeanette Dwyer  
National Rural Letter Carriers Association