Before The

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

UNITED STATES SENATE

TESTIMONY OF CLIFF GUFFEY, PRESIDENT

AMERICAN POSTAL WORKERS UNION, AFL-CIO
(May 17, 2011)

Mr. Chairman and members of the Committee; I am Cliff Guffey, President of the American Postal Workers Union, AFL-CIO – the APWU. Thank you for providing me this opportunity to testify on behalf of our more than 250,000 members.

As the Chairman and this Committee know, legislative relief is necessary to restore the financial stability of the Postal Service. The APWU very much appreciates the leadership shown by the Chairman in proposing legislation that will meet the Postal Service's critical need for immediate financial relief. We strongly support, and we believe the entire postal community will strongly support, the proposal to give the Postal Service more than $5 billion in breathing room each year by permitting it to use its overpayments in the Civil Service and FERS retirement accounts to meet its obligations to pre-fund postal retiree health benefits and pay workers compensation obligations.

There is also a broad consensus in the postal community to support proposals to revise the prohibition on offering non-postal products, to permit the Postal Service to partner with States and Local Governments to offer additional governmental services in postal facilities, and to accept beer and wine for shipment. We also support efforts to help the Postal Service adapt to changes in communications while continuing to fulfill its essential mission. These measures will help bolster postal revenues and help maintain a postal network that can deliver postal services to every part of the country.

It bears emphasis that this is not a request for a subsidy or bailout of the Postal Service. The Postal Service is very capable of dealing with the challenges it is facing because of declining mail volumes and a shift to electronic transmissions. What it cannot sustain is the burden of the unique and unreasonable requirement that it pre-fund its retiree health benefits over a ten-year period without access to the billions of dollars by which it already has overfunded CSRS and FERS retirement benefits.

Exhibit A to this testimony is a chart that shows the Postal Service's net income for fiscal years 2007 through 2010. As this chart shows, during this period that included the most severe recession since the Great Depression, the Postal Service had an a net income excluding retiree health benefits pre-funding payments of more than six hundred million dollars ($600 million). During that four-year period, the statutorily-required payments to pre-fund retiree health benefits totaled nearly twenty-one billion dollars ($21 billion). In FY 2010, the payment for retiree health benefits consumed 8.2 percent

EXHIBIT A
TESTIMONY OF CLIFF GUFFEY
ON BEHALF OF AMERICAN POSTAL WORKERS UNION, AFL-CIO

	2007	2008	2009	2010	Cumulative
Revenue	74.973	74.968	68.116	67.077	285.134
Net Income	(5.142)	(2.806)	(3.794)	(8.505)	(20.247)
Payments to Retiree Health Fund	8.358	5.600	1.400	5.500	20.858
Percent of Revenue	11.15%	7.47%	2.06%	8.20%	7.32%
Net Income excluding Retiree Health Fund Payments	3.216	2.794	(2.394)	(3.005)	0.611

Future PSRHBF Commitments as reported in 2010 10-K (does not include President's budget proposal)

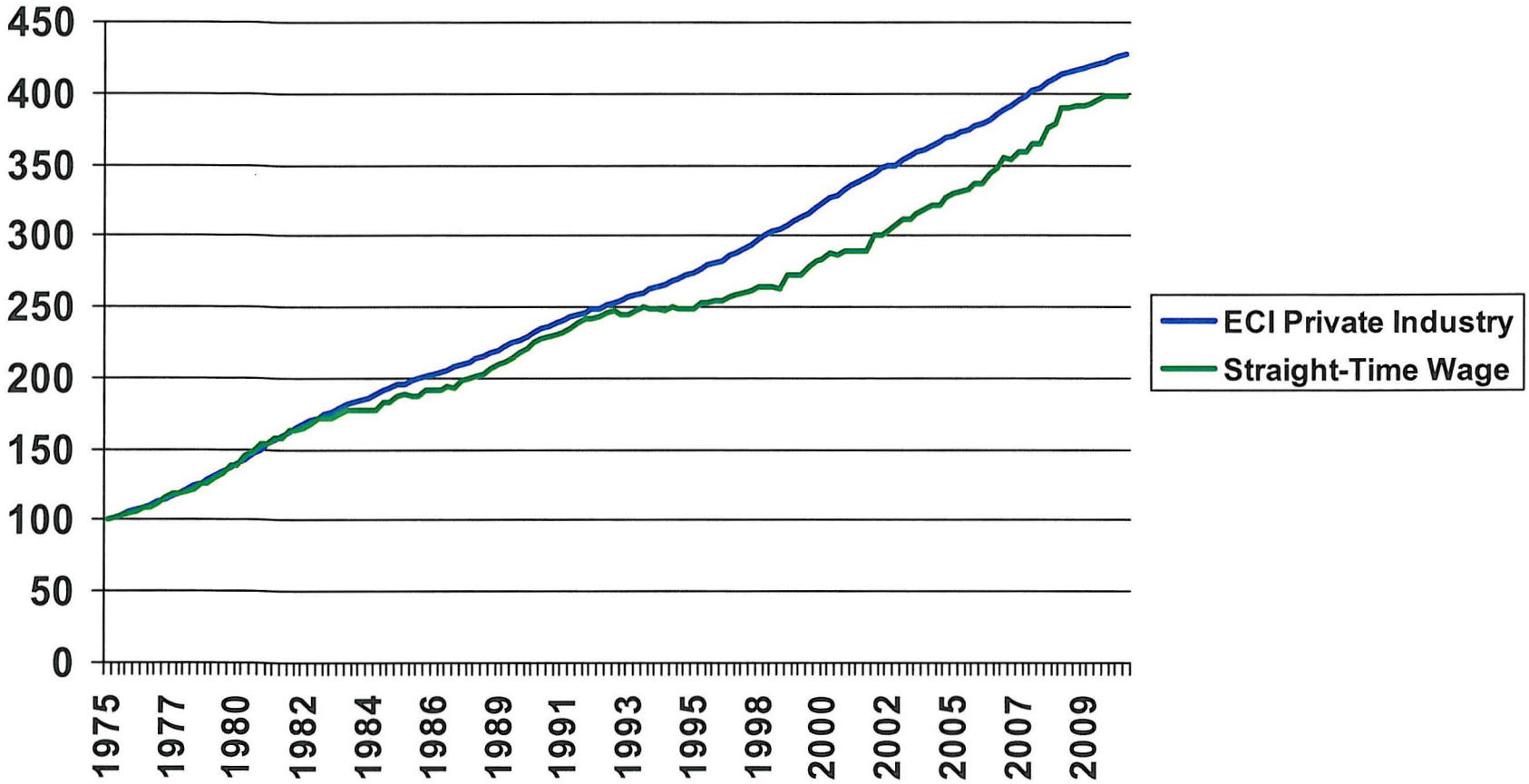
2011 5.5
2012 5.6
2013 5.6
2014 5.7
2015 5.7
After 2015 5.8

of postal revenue. With the additional payment of $2.247 billion to fund retiree health benefits for current employees, this meant that the Postal Service was required to pay 11.5 percent of its revenue for retiree health benefits. These payments deprived the Service of capital needed to improve and maintain its distribution networks, and to develop and launch new products; and they resulted in twelve billion dollars ($12 billion) in debt.

It also bears emphasis that real postal wages have closely tracked wages in the rest of the economy and the Consumer Price Index (CPI) for the entire history of the Postal Service. Exhibit B shows that the average straight-time wage for the APWU bargaining unit has increased less than wages and salaries of private sector workers as measured by the Employment Cost Index (ECI) since that measure of employment costs was first published in 1975. Exhibit C to this testimony graphs increases in nominal and real wages of postal workers from the effective date of the last legislated wage increase in 1970 through 2010. As you will see, real wages have increased slightly over that period of time. However, as Exhibit D shows, Postal Service Total Factor Productivity and Labor Productivity have grown far more over the same period of time. Thus, postal workers have shared the benefit of increased postal productivity in the form of slight increases in real wages since 1970. And the American public also has benefitted from the fact that postal wages have been constrained as postal productivity has increased. As Exhibit E shows, postage rates today are, in real terms, no higher than they were in 1972.

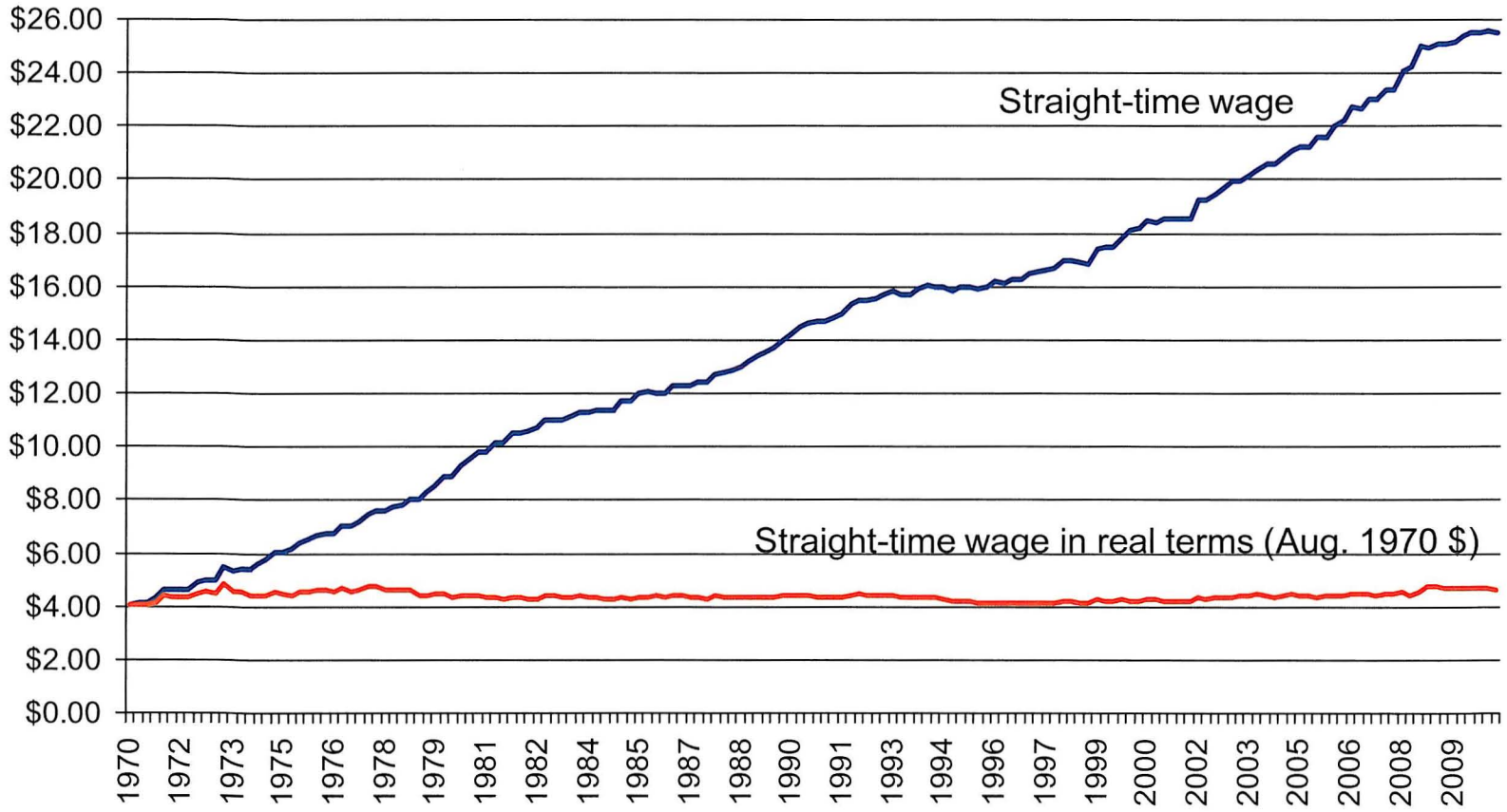
Exhibit B: Increase in the Wages and Salaries of Private Industry Workers Compared to the Increase in the Average Straight-Time Wage for the APWU Bargaining Unit

(Sept 1975=100)



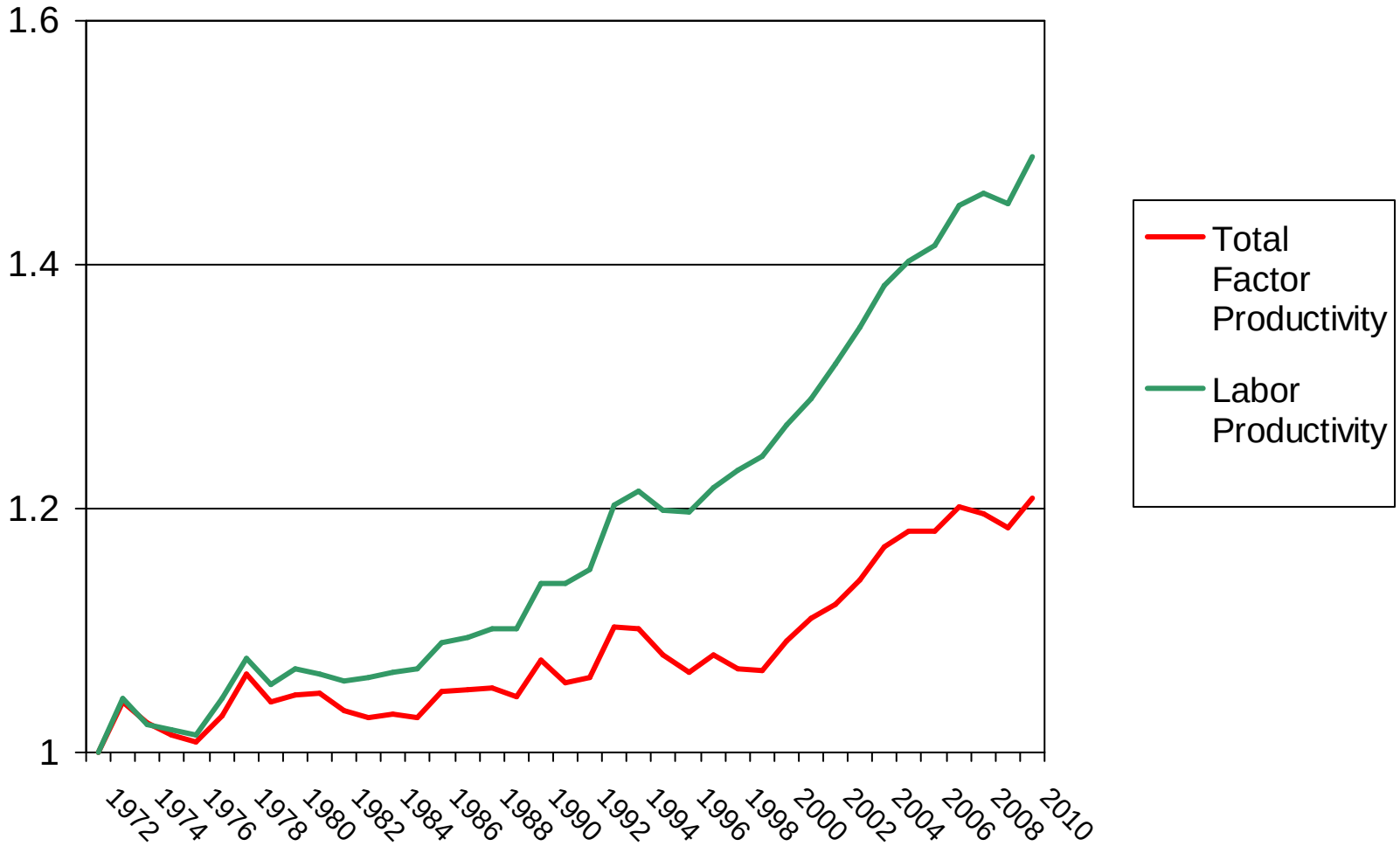
Source: Bureau of Labor Statistics, DOL and USPS-National Payroll Hours Summary

Exhibit C: Straight-time Hourly Wage of the APWU Bargaining Unit in Current Dollars and After Adjustment for Inflation



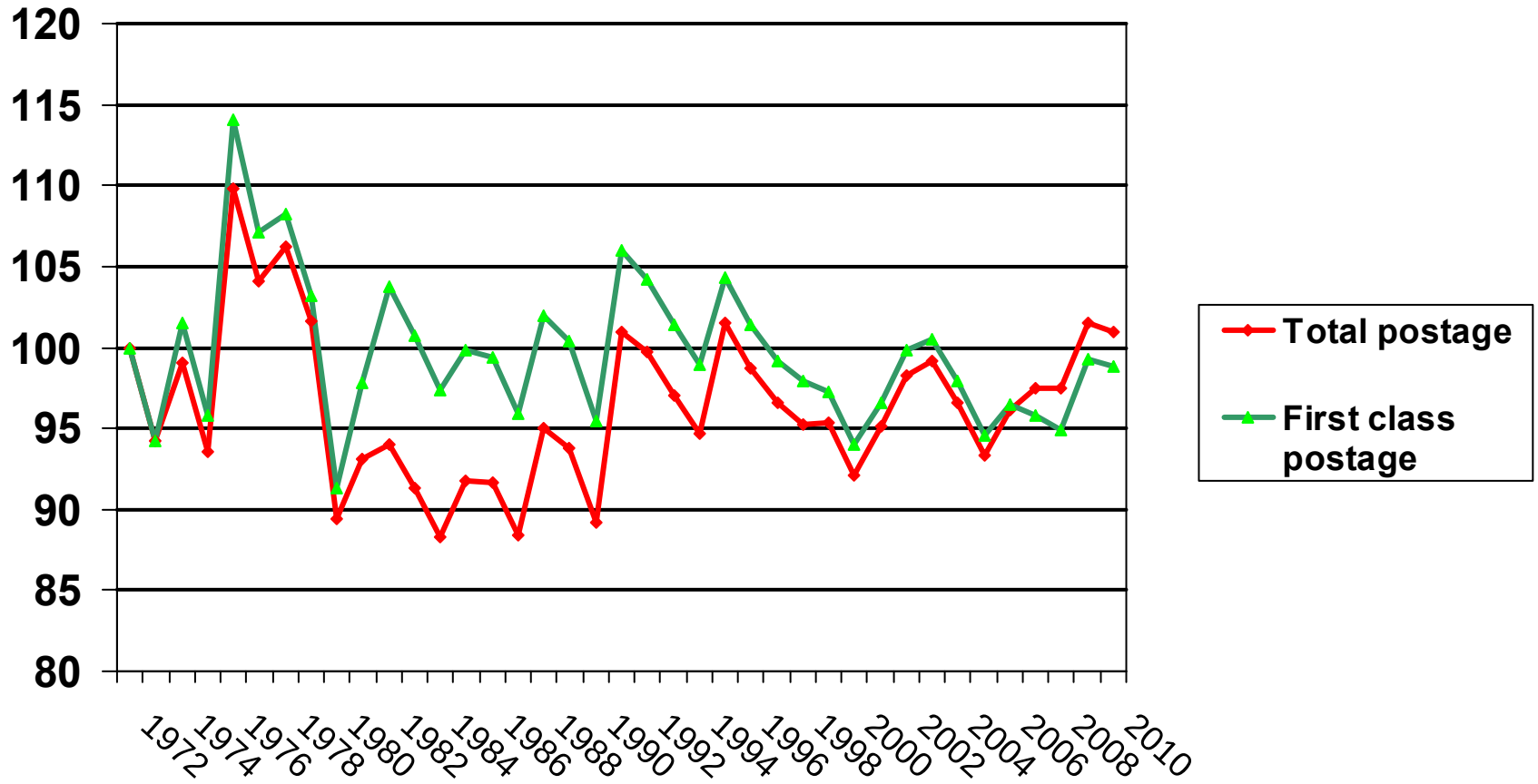
Source: Straight-time wage is calculated from USPS National Payroll Summary Hours
Converted to real terms using the CPI-W from the Bureau of Labor Statistics

Exhibit D: Postal Service Productivity Growthð Total Factor and Labor Productivity
1972-2010 (1972=1.0)



Source: USPS-Total Factor Productivity Tables

Exhibit E: In Real Terms (Adjusted for Inflation) Postage Costs are at 1972 Levels (1972=100)



Source: Bureau of Labor Statistics-Producer Price Indexes for USPS and CPI-W

Returning to the topic of possible legislative changes, I want to particularly emphasize the importance of maintaining a postal presence in small communities. The Post Office provides a unique public service that is still a necessity for many people. Being from Oklahoma, which has many small towns and rural post offices, I can tell you from first-hand experience that the Post Office is a focal point of many small communities; it is "where the flag flies;" it is where the government provides support for the community.

For this reason, and for other reasons, I must tell you Mr. Chairman that we cannot support the provisions of your bill related to post office closings. Consideration must be given to the availability of postal services, and other services that may be offered through the post office.

We are sensitive to the issue of cost and the possibility of deficits in small postal offices. In our new National Agreement, we have agreed to flexible schedules and to the use of lower-wage and temporary workers in small facilities where such savings might increase the viability of small postal facilities.

This leads me to two other points I need to make concerning proposals to require the Postal Service to develop a plan for the expansion of alternate retail options, including contract postal units. First, while we appreciate and support the policy emphasis on providing services to all communities, the manner of providing

those services is not the sort of broad policy question that is suitable for legislation. The Postal Board of Governors is responsible for making this sort of strategic decision and for requiring management to develop means and methods for delivering postal services in accordance with an overall plan. The Congress should not attempt to become the strategic overseer of the Postal Service.

The second point is that this sort of legislative provision would diminish the flexibility of the parties in negotiating collective bargaining agreements. This is not the time to get into great detail on our new agreement; but I can tell you that it makes provision for the effective and less expensive delivery of retail postal services. Our emphasis throughout our new agreement is that professional postal workers should perform postal work whenever it is least costly or more efficient for them to do so. We are seeking to eliminate contract postal units that are redundant to or more expensive than post offices run by postal employees. Legislation in this area would interfere with the parties' agreement on these issues and limit the flexibility of the parties in their mutual efforts to make small postal facilities more viable.

We also urge reconsideration of the provisions that would invalidate legislation guaranteeing six-day delivery, and that would prevent the Postal Regulatory Commission from taking the time it may need to consider important

changes in postal services. It would be a mistake for the Congress to micro-manage the Commission. There are important reasons why Commission consideration of the proposal for five-day delivery took nine months. This is an issue that implicates the future, not just the present, level of service to be provided by the Postal Service. The importance and sensitivity of this issue explains why it has been the subject of regular legislative riders that preserve six-day delivery. Several Commissioners filed separate opinions on the Postal Service proposal. The Commission's thorough hearings and careful deliberations informed and improved the debate over this important issue.

Furthermore, this issue is not only important and sensitive, it is very complex. As evidence of the difficulty the Commission faced in dealing with it, consider the fact that postal reform legislation was introduced in every Congress for about ten years before it was enacted; and when it finally passed, it proved to be an imperfect piece of legislation. The Commission acted responsibly and well in its consideration of this question.

We have reservations about the suggestion that Negotiated Service Agreements should be permitted without a showing that they would increase net income or create other efficiencies that benefit the Postal Service. We recognize that these standards may not work in an era of declining mail volume; but NSAs

should still be subject to a requirement that they be justified by improving the net income that otherwise would have been achieved in a situation where it is necessary to negotiate an NSA to mitigate an otherwise more negative outcome.

Finally, Mr. Chairman, with all due respect, I must state our unalterable opposition to proposals to change the standard for interest arbitration necessary to resolve collective bargaining disputes. These proposals would substantially undo the enactment of free collective bargaining established by the Postal Reorganization Act of 1970. That legislation, which was precipitated by a nationwide postal strike, recognized that it is not practical to permit strikes by postal employees. It also recognized the necessity of a fair and impartial interest arbitration process to replace the right to strike.

Before my election as President of the APWU in November 2010, I served as Executive Vice President or as Clerk Division Director of the Union for 25 years, so I have bargained with the Postal Service in good financial times as well as bad. In our recently-concluded negotiations, we and the Postal Service were confronted by financial difficulties that required aggressive, creative and far-reaching solutions. I am proud to say that we were able to find such solutions.

The Postal Service has estimated that our new national agreement will save the Postal Service $3.8 Billion over the term of the agreement, and more than that

in subsequent years. The agreement also provides a substantial measure of protection against the disruption of employees' personal lives due to changes in the Postal Service.

The new collective bargaining agreement was ratified by our members in a vote that was tabulated last Wednesday, May 11, 2011.

It has become fashionable in some circles to bash public employee unions and to blame them for financial problems they have not caused and cannot solve. In that regard, this proposal places postal unions in good company. The draft legislation we have seen would destroy the fairness of postal bargaining in several ways. It would put an arbitrary time limit on interest arbitration; it would make postal employees pay the price for congressionally-caused deficits employees have been powerless to prevent or alleviate; and it would place a de facto CPI cap on increases in postal wages. I hesitate to use such loaded language, Mr. Chairman, but these provisions would gut free collective bargaining by postal employees. The APWU is adamantly opposed to them.

I do not want to end this testimony on such a negative note. We very much appreciate the leadership of the Chairman in addressing the issue of CSRS and FERS overfunding and retiree health benefits pre-funding. We believe that there is a broad and strong consensus in the postal community to support these measures,

and we will cooperate in any way we can to help achieve them.

I will be happy to answer any questions the Committee may have.