

## APWU to Commission: Work-Sharing Works Only When Mailers Pay Their Fair Share

"The American Postal Workers Union supports work-sharing discounts," APWU President William Burrus told the President's Commission on the U.S. Postal Service, but only when they are priced so that they do not exceed the costs avoided by the Postal Service.

"It is very clear that some postal discounts are excessive and have a negative effect on postal revenues," Burrus said. "These excessive discounts cause revenue shortfalls that must be paid by future rate payers, and they threaten the economic security of the postal system."



William Burrus testified before the presidential commission on Feb. 20.

The APWU president's testimony was delivered in Washington on Feb. 20, during the second gathering of the full commission. The focus for the day was the USPS "government corporation business model," which includes its universal service obligation and pricing flexibility.

Burrus said that the union accepts the "fundamental economic principle" behind work-share discounts. However, "over the recent past," he noted, "rate discounts have been set at artificial levels and have caused repeated deficits. The continuation of postal deficits while billions of dollars are arbitrarily transferred through excessive rate discounts cannot be sustained."

"The Postal Service serves all Americans – individuals, small businesses and large mailers," the APWU president said.

"It binds our nation together by providing service to every American regardless of age or economic status, or place of residence. It connects people of all means and all ages, including those who are not privileged to use computers or the Internet."

The costs of providing the discounts to big mailers are funded by the rates established by the Postal Board of Governors and approved by the Postal Rate Commission. Burrus cited academic studies and the Postal Service's own numbers that "clearly show that many discounts for first-class and Standard A mail are excessive.

"Based on the Postal Service's own calculations, discounts are approximately 1.5 cents per piece too large for both three-digit and five-digit first-class automation mail, and Standard A mail discounts exceed costs avoided by as much as 160 percent."

Burrus suggested that panel members be guided by simple principles. "We urge you to adopt the principle that sound economics should be the guidepost – discounts must not be permitted to exceed costs avoided. Postal revenues cannot be predicated on the persuasive powers of lobbyists who do not include the American public on their client list."

The union president told the commission to be sure to consider postal employee wages and its relation to work-sharing. Given a level playing field, Burrus testified, "I will compare postal employee productivity and costs, any day."

"APWU supports work-sharing that results in discounts, but only if they do not exceed costs avoided. Our interest is to preserve the institution. The Postal Board of Governors, the Postal Rate Commission and postal management have demonstrated that they are unable to resist the demands of the lobbyists for major mailers in establishing the level of discounts.

"It is critically important that this commission recognize and embrace 'costs avoided' as the guiding principle. Excessively discounted postal rates – which I should note are far below rates in any other postal system in the world, public or private – cannot be sustained.

"Even more important than competition from the Internet or the added burden of 1.7 million new addresses each year, the financial stability of the Postal Service and the continuation of universal service depend upon the cessation of gross subsidies through improper rate discounts," Burrus said.

"Universal service is not a private interest; it is the interest of the American public and our nation."

## Commissioners Hear Range Of Largely Similar Views

The President's Commission on the U.S. Postal Service heard from big mailers, academics, postal workers' union representatives, and various other interested parties at its public hearing on Feb. 20. The daylong session focused on the current "government corporation business model."

Most of the participants on the seven different panels making presentations to the commission found fault with the model and criticized the rate-setting process. The mailers and academics noted, however, that even though they favor continuation of universal service, they see cost-cutting as essential to the institution's survival.

Murray Comarow, a veteran of the 1960s presidential commission that led to the Postal Reorganization Act of 1970, testified that he favors the abolishment of binding arbitration for postal workers, whose wages and benefits already, he said, "are much higher than those that private-sector employees receive for comparable work."

APWU President William Burrus and National Association of Letter Carriers President William H. Young characterized that sort of thinking as over-simplified. "There is no truth that binding arbitration has damaged the Postal Service," Burrus said. "We only go to arbitration when the Postal Service refuses to negotiate."

Robert H. Cohen, director of rates and planning for the Postal Rate Commission, said that the postal monopoly isn't necessary to ensure universal service. "The cost of a monopoly exceeds its benefits," he said.

Many participants echoed the assertion offered by Rutgers University professor Michael Crew. "The business model is flawed because it can't control labor costs," Crew said, adding that he favors privatization or "commercialization" of the Postal Service. "The only question is whether you should do it on a gradual basis or with a 'Big Bang'."

### The Commission: What's Next

The President's Commission on the Postal Service has held two public hearings and has scheduled three more.

The full commission will meet next in Austin, TX, on March 18. The focus of this hearing is the work of the **Technology Challenges and Opportunities Subcommittee**, which is studying the impact of new technologies (such as online billing).

The focus of the commission hearing in Los Angeles scheduled for April 4 will be on the work of the **Private-Sector Partnership Subcommittee**, which is analyzing the current role of the private sector in the mail-

delivery system. This panel is looking at the possible expansion of negotiated service agreements, "outsourcing," and "work-sharing."

The **Workforce Subcommittee** is responsible for reviewing current collective bargaining and dispute-resolution procedures. It is reviewing employee compensation and productivity, workers' compensation claims, and the USPS pension and retiree health-care obligations. This panel's work is to be the focus of the full commission hearing in Chicago on April 29.

At least two other hearings are expected between May 1 and July 31, the commission's deadline.

### An Opportunity to Reduce USPS Deficit

## Lawmakers Seek to Adjust CSRS Funding Formula

Bills introduced in the House and Senate on Feb. 12 would adjust the formula that funds the Civil Service Retirement System (CSRS) and instead use the money that would have gone to the retirement system to reduce the Postal Service deficit.

If enacted this year, the legislative measures would help the USPS reduce its \$11 billion debt. Under the proposed legislation, an adjustment to the formula that determines payment into the CSRS fund would drop this year's Postal Service pension liability by \$2.9 billion, without affecting retiree benefits.

The Postal Service has said it would have to raise rates next year unless it is given some kind of debt relief.

Both the House and Senate bills would require the Postal Service to use the money saved on pension contributions to pay down the debt to the Treasury Department in fiscal years 2003, 2004, and 2005. After that, the Postal Service and the Office of Personnel Management would recalculate the amount still outstanding.

Pension fund contributions cannot be changed without congressional approval. An OPM review last year revealed that if contributions continued at the current rate, CSRS would eventually be overfunded by approximately \$71 billion. A report by the General Accounting Office (GAO)

last month concluded that the retirement system could be overfunded by as much as \$100 billion, but raised policy considerations as well, such as which agency is obligated to pay benefits for postal retirees who also served in the military. The bills do not address the issues raised by the GAO.

The Civil Service Retirement Fund pays – and will pay – the retirement annuities of career employees who were on the rolls prior to Jan. 1, 1984. It is funded through contributions by employees of 7 percent of their salary, a matching 7 percent contribution by the Postal Service, and an additional yearly payment by the USPS for the difference between 14 percent of employee salaries and the expected cost of retirement for CSRS employees and their survivors. Legislative relief would address this additional payment by the Postal Service.

"The APWU supports legislation to adjust the CSRS formula," APWU President William Burrus said. "Without the change, the Postal Service will be required to continue payment to the Treasury at the present level of funding. That payment pattern will do nothing to address the current deficit, which could be significantly reduced and therefore lead to a secure and more viable institution.

"Clearly that is in the best interests of retirees, the current postal work force, and the public at large."