

**BEFORE THE
PRESIDENT'S COMMISSION
ON THE UNITED STATES POSTAL SERVICE**

**ORAL TESTIMONY OF
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(April 29, 2003)

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On behalf of the American Postal Workers Union, AFL-CIO, the largest postal union in the world, I appreciate the Commission's invitation to testify today about issues affecting the Postal Service's collective bargaining process. It is important to bear in mind that there are more than 180,000 employees of the Postal Service who are not covered by the collective bargaining provisions of the PRA. This number includes approximately 75,000 managerial and supervisory employees.¹

My oral testimony will summarize the written submission and briefly address other issues of concern.

Postal employees are accustomed to the public discussion of their compensation in terms of comparability to the private sector. We invite these comparisons to the compensation paid by our closest competitors, UPS and FedEx. These delivery companies pay wages and fringe benefits that are comparable to and, in some cases higher than, postal compensation. And in a broader sense, we invite comparison to the private sector wherever postal operations are performed.

While the parties have sharp disagreement over the scope of the legal requirement of comparability, when comparison is made for postal costs with private sector contractors performing the same work, postal collective bargaining has achieved lower costs to the rate payers.

For example:

- The Priority Mail Processing network;
- Remote Encoding Centers (REC sites);
- Mail Transport Equipment Service Centers (MTECs).
- Corporate Call Centers
- Mail trucking contractors.

¹ See 2002 Annual Report of the United States Postal Service, Operating Statistics Table; see the first attachment to this Paper.

These examples show that postal workers are the most cost efficient workers performing postal services. Time after time, when postal operations have been contracted to the private sector, cost increases and inefficiency have been the result. When the work is returned, costs decrease and efficiency improves.

The history of the past 32 years of postal bargaining reveals a record of notable achievement for the authors of the PRA.

Strengths and Weaknesses

Considering how to respond to the Commission's request that I address the strength and weaknesses of the present system, I am reminded of Winston Churchill's famous statement about democracy being the worst form of government except for the others that have been tried. Our collective bargaining system is the worst form of industrial governance for the Postal Service, except for all the others.

There are two fundamental rights that make the present system of collective bargaining strong and effective. They include the right to bargain about wages and working conditions and the right to a prompt and effective resolution of any dispute. In our industry, strikes are not permitted, so our process includes the right to interest arbitration to resolve disputes. This is important because, without an effective dispute resolution mechanism, bargaining rights are illusory.

The right to free collective bargaining also gives effect to our constitutional rights of freedom of association and freedom of speech. So, the right to bargain and an effective dispute resolution process must be preserved.

Strengths

Our system of collective bargaining has shown notable strengths.

* Postal wages have been maintained and stabilized over a period of 33 years. When Congress and the President provided 14% wage increases in 1970, they set the benchmark for comparability and from 1970 to today, real postal wages have been virtually unchanged.

Throughout this period of Congressional determined wages and postal bargaining, wage increases -- legislated, negotiated and arbitrated have averaged 2.60 percent per year. Excluding the 1970 congressionally mandated increases, postal wages negotiated and arbitrated have averaged 2.33 percent per year. In addition to these wage increases, negotiated semi-annual cost of living adjustments have provided protection from inflation at about 60 percent of CPI.

* Collective bargaining under the PRA has not resulted in any strike since 1970. Thirty-three years of labor peace is a significant accomplishment.

* The strength of the parties' collective bargaining relationship was tested by the tragic anthrax attack that resulted in the deaths of two of our members. Management and labor cooperated during that crisis and, while we did not always agree, we worked together to protect employees and the public. It would have been easier during the anthrax crisis to advise our members not to report to work.

* Under our collective bargaining system, postal unions, most notably the American Postal Workers Union, have cooperated with dramatic changes in postal technology. This was an explicit goal set by the proponents of the Postal Reorganization Act, and it has worked. Since 1972, we have progressed from a manual mail processing system to a mechanized system during the 1980s, and now to an automated system.

* The Postal Service has reported that between 1993 and 2001, letter-mail productivity increased 83 percent. In the past two years, flat sorting productivity has increased 78 percent.

* The increased productivity has permitted the Postal Service to keep postage rate increases at or below inflation. For large business mailers who have been able to take advantage of worksharing discounts, rates have increased substantially *less* than inflation since 1976.

I have heard the general comparisons of postal productivity with productivity gains in unspecified industries. In this comparison the changes in mail processing are equal to or greater than productivity increases in

other service industries. It is unreasonable to expect productivity increases in activities requiring the physical delivery to every home, every day to match productivity increasing in manufacturing or technology driven industries. We should compare apples to apples, not to oranges.

The Strength of Tripartite Arbitration

One of the strengths of the present collective bargaining system is the tripartite arbitration process used to resolve collective bargaining disputes.

Under the PRA, the Federal Mediation and Conciliation Service must be informed of the parties' efforts to negotiate a new agreement. Before the expiration of the agreement, the FMCS assists the parties if agreement is possible. If the parties do not reach agreement, a statutory dispute resolution system is automatically triggered. This system requires that the parties participate in factfinding, with an appointed factfinder and, if agreement is not reached, to proceed to tripartite interest arbitration.

This system provides the parties the opportunity to modify the procedure by mutual agreement. Over the years, we have jointly agreed to bypass fact-finding; engage in formal mediation prior to arbitration; and to modify the traditional arbitration procedures.

One of the most important features of interest arbitration under the PRA is the tripartite involvement. The participation of the party-appointed arbitrators ensures that the parties' positions will be understood and considered, and that the neutral arbitrator will understand the implications of the decisions made.

All the emphasis that is placed on interest arbitration may be misleading. More often than not, the parties reach agreement without proceeding to arbitration. In the 33 years since the passage of the PRA, there have been **85** separate collective bargaining agreements between the Postal Service and postal unions. Of those agreements, **61** have been voluntary without resort to formal dispute resolution, three additional voluntary agreements were reached after fact-finding, and **21** have been arbitrated. In the case of the APWU, we have been party to **34** collective bargaining agreements, **27** of which have resulted from voluntary

agreements.² This record demonstrates the effectiveness of the system of collective bargaining.

Weaknesses of the Collective Bargaining System

A weakness of the present system is that postal workers do not have the right to strike. This is a policy decision made by Congress that we do not realistically expect to see changed, but it is the position of the APWU that all workers should have the right to strike.

Another weakness is that it permits managers to engage in blatant violations of the collective bargaining agreement with the opportunity to defer final resolution for many years.

There have been numerous efforts by the parties to reduce the large grievance backlog. We are now engaged in another effort that we hope will reduce the backlog by half. We have also attempted to reach common interpretations of the collective bargaining agreement to avoid disputes and APWU has submitted a complete set of questions and answers on our negotiated agreements to the Postal Service. We are awaiting their response.

Alternatives To The Present Collective Bargaining System

Any meaningful evaluation of our present system must include a comparison to alternatives available under our system of laws. Congress considered, but rejected various alternatives:

- **One alternative is no collective bargaining rights.**

This is the situation that existed in 1970 when the postal strike occurred. Postal operations had grown larger and more complex as volume grew and the country expanded. The Post Office Department had become a major industry, but it lacked the means of dealing effectively with the needs of its workforce. Postal wages were notoriously low, but postal

² The second Attachment to this Paper is a Table showing the number of agreements by bargaining unit and the number settled by agreement and by arbitration.

workers had no right to bargain for wages, and had no effective means of protesting intolerable conditions.

- **Legislation Of Wages Did Not Work**

It is not surprising that the Congress was not able to deal successfully with the difficult issues of postal compensation. As this Commission is aware, the Postal Service is a very complex business organization. Congress was aware that wage increases and capital investments would require rate increases but not surprisingly, wages and capital investment became inadequate over time. By 1970, postal problems had resulted in a crisis in service. Mail simply could not be moved.

- **The Railway Labor Act**

I have emphasized the problems caused by leaving decisions on wages in the hands of Congress in part because I want to caution against any effort to apply the Railway Labor Act or any similar scheme to the Postal Service.

Application of the Railway Labor Act to the Postal Service would be tantamount to the elimination of free collective bargaining. Under the Act, no strike would be permitted and inevitably, the dispute would be dumped in the lap of the President and Congress. Postal management could simply abdicate its bargaining responsibility, knowing that Congress would be required to act. Not surprisingly, given the problems under the Railway Labor Act, there are legislative proposals to amend that Act to require arbitration to resolve disputes.

As the Commission struggles to recommend a new business model including whether or not to amend the collective bargaining provisions I offer a word of caution. Your recommendation and subsequent legislation cannot serve in lieu of holding decision makers accountable. This includes the Postal Board of Governors, the Postal Rate Commission and every level of management. They should not be permitted to hide behind the rules as they found them to justify their inability to succeed.

There are many pluses and minuses in the structure of the Postal Service. They include the monopoly, the exception from taxes and the

prohibition of strikes. These are balanced by public oversight in rate proceedings, restrictions in competing with private enterprises and interest arbitration. Many who come before you will seek to tilt this delicate balance to make their tasks easier. This is not the real world of business where managers are judged not on the basis of utopian conditions but on the rules and regulations as they exist. The affect of technology on mail volume, the recession and bargaining results could and should have been anticipated with adjustments made accordingly. One can always find excuses for failure.

The success or failure of the United States Postal Service is not dependent upon a new or old business model. It is dependant on decision makers who take the world as they find it and act responsibly.

Closing

In closing, I want to return to the point that Collective bargaining worked as intended by the authors of the PRA. Postage rates have risen no more than inflation over 30 years even though the Postal Service

- is vulnerable to energy and transportation costs increases;
- has experienced the same increases in health care costs as other major employers;
- has met the inexorable requirement that it service as many as 1.8 million new delivery points every year; and
- has absorbed more than \$16 billion in costs shifted to it from the federal budget; and has overpaid its contributions to the Civil Service Retirement System by billions of dollars.

It has done all this while profitable portions of its business, large package delivery and expedited delivery, were ceded to our private sector competitors. And, postal collective bargaining has fostered labor peace through 61 voluntarily negotiated agreements.

To critics of postal bargaining who seek lower wages and lower postage as a means to a predetermined end, I pose the question “compared to what?”

- Has the postal service in any other industrialized country had labor peace for the past 33 years?
- Does the Postal Service in any other industrialized country offer lower rates?
- In what other country have business mailers seen their postage rates decrease in real cost over the past 27 years?
- Why have the rates charged by other advertising media increased faster than postal rates, and why has their share of the advertising market declined while our share has increased?
- What other service sector in our economy has seen prices rise less than inflation over a 30-year period?
- Why do our closest private sector competitors, UPS and FedEx pay higher wages and fringe benefits than the Postal Service?

Finally and perhaps most important, I caution the Commission in arriving at wage and operational judgments after limited exposure to the many complexities of the United States Postal Service. Your greatest contribution will be to put in place a management and legal structure capable of dealing with the future and refrain from substituting your judgment for that of those responsible.

Our collective bargaining system, while not perfect, has permitted the parties to meet the challenges of technology and competition. As a union official, I would have liked to have done better for the employees I represent: they are deserving of more. I am sure that postal management did not reach all of their objectives. This is collective bargaining, and it is alive and well in the Postal Service.

Contract	Union	Fact-Finding				Total Impasses	Total Contracts
		Voluntary Agreements	Impasse Arbitration	Followed by Agreement	Mediation Arbitration		
Tool & Die Shop	IAM	5				0	5
Nurses	NPNA	5	2	1		3	8
Police	FOP	8	1	1		2	10
National Agreement	PCBC	2		1	1	2	4
National Agreement	JBC	2	2			2	4
National Agreement	NALC	1	2			2	3
National Agreement	NRLCA	7	2			2	9
National Agreement	NPMHU	4	4			4	8
National Agreement	APWU	2	2			2	4
Research & Development	APWU	1	1			1	2
Data Automation	APWU	1				0	1
Automatic Data Processing	APWU	1	1			1	2
Operating Services	APWU	9	1			1	10
Data Centers	APWU	7	2			2	9
Mail Bag Depositories	NPMHU	Combined					
Mail Equipment Shops	APWU	Combined					
Supply Centers	APWU	6	0			0	6
Totals		61	20	3	1	24	85
Subtotal - APWU (alone)		27	7	0	0	7	34
Subtotal - APWU (with PCBC & JBC)		31	9	1	1	41	42



OPERATING STATISTICS

	2002	2001	2000	1999	1998
Headquarters Career Employees*					
Headquarters	1,712	1,836	2,279	2,372	2,231
Headquarters—Field Support Units	3,848	5,653	5,566	4,357	4,307
Inspection Service (field)	3,875	4,047	4,190	4,334	4,280
Inspector General	722	713	664	387	223
TOTAL HQ AND RELATED EMPLOYEES*	10,157	12,249	12,699	11,450	11,041
FIELD CAREER EMPLOYEES*					
Area Offices	2,107	1,377	1,597	1,875	1,703
Postmasters/Installation Heads	25,771	26,113	26,121	26,108	26,156
Supervisors/Managers	37,829	38,754	38,797	38,835	36,508
Prof. Admin. Tech. Personnel	9,661	9,764	9,959	11,097	11,703
Clerks	256,656	269,792	281,956	292,400	293,829
Nurses	173	180	191	188	189
Mail Handlers	59,259	60,102	60,851	62,237	62,247
City Delivery Carriers	233,639	240,295	241,079	242,300	240,813
Motor Vehicles Operators	9,092	9,325	9,347	9,270	9,026
Rural Delivery Carriers—Full Time	60,817	59,790	57,111	54,588	52,241
Special Delivery Messengers	—	—	—	—	7
Bldg. & Equip. Maintenance Personnel	42,275	42,604	42,284	41,873	41,054
Vehicle Maintenance Personnel	5,513	5,558	5,546	5,574	5,524
TOTAL FIELD CAREER EMPLOYEES*	742,792	763,854	774,839	786,345	781,000
TOTAL CAREER EMPLOYEES	752,949	775,903	787,538	797,795	792,041
NON-CAREER EMPLOYEES*					
Casuals	19,065	30,317	29,572	25,067	25,711
Non-Bargaining Temporary	807	761	712	707	784
Rural Subs/RCA/RCR/AUX	56,474	58,134	57,532	57,357	56,265
PM Relief/Leave Replacements	12,234	12,313	12,423	12,485	12,613
Transitional Employees	12,847	13,577	13,461	12,355	17,222
TOTAL NON-CAREER EMPLOYEES*	101,427	115,102	113,700	107,971	112,595
TOTAL EMPLOYEES	854,376	891,005	901,238	905,766	904,636
OFFICES, STATIONS AND BRANCHES					
Post Offices	27,791	27,876	27,876	27,893	27,952
Classified stations and branches	5,900	5,835	5,802	5,788	5,661
Contract stations and branches	2,500	2,876	2,833	2,903	2,974
Community Post Offices	1,492	1,536	1,549	1,585	1,572
TOTAL OFFICES, STATIONS AND BRANCHES	37,683	38,123	38,060	38,169	38,159
RESIDENTIAL DELIVERY POINTS					
City	77,014,294	76,578,169	76,131,249	75,575,844	75,088,866
Rural	32,141,581	31,004,518	29,915,385	28,753,812	27,683,441
PO Box	15,772,964	15,818,625	15,904,400	16,048,325	16,575,127
Highway Contract	2,073,145	2,004,837	1,938,395	1,857,689	1,784,522
TOTAL RESIDENTIAL	127,001,984	125,406,149	123,889,429	122,235,670	121,131,956