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Written Statement of Don Cantriel, President National Rural Letter Carriers' Association

Before the

Senate Appropriations Subcommittee on Financial Services and General
Government

March 18, 2010

Chairman Durbin, and members of the Senate Appropriations Subcommittee on Financial Services and General Government, my name is Don Cantriel, and I am President of the National Rural Letter Carriers' Association (NRLCA), which represents 123,000 bargaining unit rural letter carriers. Our members work in rural, suburban, and urban areas throughout the United States and function as a "post office on wheels" because rural letter carriers offer Postal customers all of the services performed over the counter at a post office. We sell stamps and money orders, accept express and priority mail, offer signature and delivery confirmation, registered and certified mail, and, of course, collect our customers' parcels.

Mr. Chairman, first and foremost, I would like to thank you for allowing me to submit a written statement for the record. Our country is experiencing a myriad of economic challenges, and the Postal Service has not been immune to these difficult financial times. The typical mailers who represent a large portion of the mailing business -- the financial, mortgage, and credit card industries -- have all scaled back their mailings as a direct result in cost cutting measures by businesses and the American consumer, resulting in unusually low mail volumes. This unusually low mail volume has caused the Postal Service to take drastic steps to change its business model and its operations.

One drastic step the Postal Service proposes is to eliminate Saturday mail delivery. Mr. Chairman and members of the Financial Services and General Government Subcommittee, I urge you in the strongest and most forceful way not to eliminate the congressionally-mandated 6-day delivery language provision. The provision stating "That 6-day delivery and rural delivery of mail shall continue at not less than the 1983 level" *must* be included once again in the 2011 Financial Services and General Government Appropriations bill.

The Administration's Budget Proposal recommends the inclusion of the mandated 6-day delivery provision. The Administration recognizes that the Postal Service, through no fault of its own, is facing real financial challenges. The Administration has pledged to work with the Postal Service, the employee unions, Congress, and other stakeholders to make sure that the Postal Service remains viable and a pillar of the economy. I encourage you to follow the Administration's lead by including the mandated 6-day delivery language in the 2011 bill and allow the Postal Service to do what it does best -- serve the American public.

The Postal Service cannot expect that by working less it will achieve more. There is a dispute between the Postal Service and the Postal Regulatory Commission (PRC), which has regulatory oversight of the Postal Service, over how much money may actually be saved by eliminating a day of delivery. The Postal Service claims it will save \$3.5 billion if it were to eliminate Saturday delivery. The PRC disagrees, reporting the savings will be only \$1.9-\$2.1 billion. Either number represents a very small savings compared to the amount of revenue the Postal Service will lose as businesses or consumers find other methods of delivery to have their mail, packages, and products delivered. Recent history supports my contention that there will be a major loss of revenue if the Postal Service is given the green light to stop Saturday delivery. After passage of the Postal Reorganization Act of 1970, the Postmaster General essentially gave away the parcel business, because the Postal Service believed that its future was going to be in the collection and delivery of letters - not parcels. The Postal Service thereafter created an Express Mail product, only to give that business away -- once again -- to private delivery companies. The Postal Service has been fighting ever since to regain a share of each of those markets.

The point I am trying to make Mr. Chairman, is that consumers and businesses will not use a Postal Service that reduces service by one day a week or 17 percent. Once consumers and businesses find an alternative -- and they surely will -- they likely will stay away from the Postal Service for good. The vacuum that would be left by shutting down delivery operations on Saturdays is sure to be filled by a competitor and once we lose that business, we will forever be fighting -- at even greater expense -- to get it back. This is why I urge you to

include the mandated 6-day delivery provision in the 2011 Financial Services and General Government Appropriations bill.

There is an easier way to put the Postal Service on firm financial footing that does not involve eliminating Saturday delivery. First, something must be done about the pre-funding of the Future Retirees Health Benefits Fund (FRHBF). When the 2006 Postal Accountability and Enhancement Act (PAEA) was passed, the Postal Service was experiencing high mail volumes and record revenues. Much has changed since then. Under the PAEA, the Postal Service's statutorily-required payment schedule is too much to bear and is patently unfair during these trying times. No other government agency or corporation is required to pre-fund their retiree health benefits -- let alone required to almost fully pre-fund them at an accelerated pace. Reducing the amount of money the Postal Service is required to pay into the FRHBF has the potential to save the Postal Service billions of dollars and still not put employee pensions at risk.

Moreover, the Inspector General reported that the Postal Service has been overcharged \$75 billion on its CSRS Pension Fund responsibility. According to the OIG report, this overcharge has been used to pay the retirement costs of federal employees, not just postal employees. The report continues to say that if the overcharge was used to prepay the FRHBF; it would fully meet the retiree health care liabilities and eliminate the need to continue for the Postal Service to continue paying \$5 billion annually as mandated by the PAEA. The Postal Service should be permitted to have the monies it was overcharged returned.

Finally Mr. Chairman, I ask that the Postal Service receive its limited appropriation reimbursement as mandated by the Revenue Forgone Reform Act of 1993. Revenue is considered forgone when Congress mandates the Postal Service provides mail services for designated mailers at free or reduced rates; such as free mail for the blind and overseas absentee balloting materials. Congress typically then appropriates money to reimburse the Postal Service for that revenue. While this amount will vary from year to year depending on actual usage, the Postal Service is still owed this revenue and I ask that Congress appropriate the proper amount the Postal Service is owed in forgone revenue.

Once again, I thank you for allowing me to submit a statement for today's Subcommittee hearing. If you have any questions, please do not hesitate to contact me at your convenience.