



June 13, 2007

The Honorable Thomas R. Carper
United States Senate
Washington, DC 20510-0803

Dear Senator Carper:

This letter is to advise you that the Postal Service strongly opposes S.1457, the "Mail Delivery and Protection Act."

This bill would override current collective bargaining agreements and effectively eliminate an important tool needed by the Postal Service to continually introduce greater efficiencies into its operation. If enacted, with an exception of a very limited use, no new contracts for mail delivery could be initiated. The ability of the Postal Service to effectively manage its vast delivery operations would be largely eliminated, and new opportunities for small businesses to carry contracts for transporting and delivering mail would be eliminated. Currently 99 percent of our contract delivery services are performed by small, minority- or women-owned businesses. This use of private-sector services is not new. The Postal Service has used contractors to transport and deliver mail since 1785, when Congress first authorized the Post Office Department to contract with stagecoach companies.

Under the Postal Accountability and Enhancement Act of 2006, the Postal Service can no longer raise postage rates to directly cover its cost increases. The new law broke the link between costs and prices by imposing a Consumer Price Index price cap on 90 percent of postal revenues. This change was intended to encourage further cost reductions and efficiencies. In mandating a price cap, the new law did not provide any new cost control tools. Consequently, the consideration of contracts for delivery service consistent with our established labor agreements remains a critical element in controlling one of our primary costs.

The Postal Service must serve almost 2 million new delivery addresses each year. I would stress that we are not taking work away from career carriers. We are, however, evaluating whether to assign new work to career employees or contractors. A number of factors, contained in our collective bargaining agreements, are considered when determining whether to assign new deliveries to Postal Service employees or contractors. While significant, cost savings is one of several factors. Others that must be evaluated pursuant to the negotiated collective bargaining agreements with our unions are efficiency, public interest, availability of equipment, and qualifications of employees. More than 90 percent of all new deliveries continue to be assigned to union-represented Postal Service employees.

Nonetheless, as I recently testified, we have been exploring the expanded use of contracted delivery services—one of the most cost-effective delivery modes available. Contracting for services is nothing new. Since the earliest days of America's postal system, we have used contractors to move the mail safely and securely from point-to-point and provide box delivery along their routes. In fact, much of the mail you receive each day—whether delivered by a City Letter Carrier or a Rural Letter Carrier—has been handled by contractors providing over-the-road or air transportation. It has been paid for by a postage stamp that may have been purchased at a

supermarket, convenience, stationery or greeting card store, or perhaps at a Post Office cleaned and maintained by a contracted service provider. Just as likely, postage was provided by a meter, owned and leased by a private-sector provider. And you may have deposited or picked up your mail at one of almost 4,000 contract postal retail units operated by respected local business people in their communities.

By augmenting the services we provide directly with the services provided by others, we have been able to better manage costs, improve efficiency, and provide even more convenient access for our customers. Viewed within the totality of our business, contract delivery service represents the smallest portion of our outsourced activities—and less than 2 percent of our total deliveries.

Like the United States House of Representatives, which contracts for all of the internal delivery and collection of its mail, the Postal Service takes a number of steps in assessing contractors and subcontractors who are selected to provide mail delivery service. For the Postal Service, potential contractors undergo background checks, screening, and fingerprinting. Their suitability is ultimately determined by the Postal Inspection Service, the federal law enforcement group charged with protecting the security of the mail. Anyone—whether a Postal Service employee or a contractor—who is involved in the criminal mishandling of the mail is subject to the criminal penalties contained in Title 18 of the United States Code.

The collective-bargaining process is a complex exchange of positions, ideas, and proposals. Because it is a collective process, it requires both parties to consider and adjust their own priorities in the light of those of the other. Ultimately, it is intended to produce a working agreement with provisions acceptable both to management and to the labor unions—and that work for our customers. The Postal Service and the National Association of Letter Carriers (NALC) and National Rural Letter Carriers' Association (NRLCA) are currently engaged in that process for new collective bargaining agreements. Enactment of this legislation would undermine this historical precedent of collective bargaining, thus derailing the negotiating process. Should the Postal Service and a union be unable to reach a consensus, Title 39 of the United States Code requires that binding arbitration be used to settle the dispute.

Since the mid-1970s, the collective bargaining agreements with the four major postal unions have contained provisions that govern the adjustment or contracting out of delivery routes. This subject was then, and continues to be, an appropriate subject for bargaining. In addition, the collective bargaining agreements protect the vast majority of union-represented postal employees from lay offs. No career carrier is being laid off as a result of any contracting for delivery services. These contract provisions are the product of negotiations and were the result of negotiations by two parties, each of whom gained and lost in the negotiation.

As the numbers above demonstrate, career carriers continue to serve as the backbone of the delivery network of the Postal Service. However, given the new law's requirements, it is imperative that the Postal Service retain contracting for all services as an option. For these reasons, the Postal Service strongly opposes S. 1457, the "Mail Delivery and Protection Act." I appreciate your considerations of these views.

Sincerely,


John E. Potter