News

Contract talks intensified in final week of 2011 National Agreement

As this issue of *The Postal Record* was being prepared, the full negotiating teams of the National Association of Letter Carriers and the U.S. Postal Service were meeting in a downtown Washington, DC, hotel for a final week of collective bargaining prior to the expiration of the 2011-2016 National Agreement on Friday, May 20, at midnight.

NALC's team consisted of the 28 members of the union's Executive Council, which was called into session on Sunday, May 15, to discuss plans for the final week of contract talks.

NALC President Fredric Rolando set the agenda for the week on Monday: full, undivided and intense attention to the goal of reaching a contract addressing the wages, benefits and working conditions for America's 205,000 active city letter carriers.

Postal Service Vice President for Labor Relations Doug Tulino, the agency's principal spokesman in the negotiations, attested to USPS' dedication to the same goal.

For the previous 11 weeks, in addition to main table discussions on key economic provisions, the parties had been working in several subcommittees to address specific provisions of the National Agreement. Those subcommittees were set to continue to work during the week, the second of two scheduled weeks of sequestered negotiations. The first week took place in March.

NALC preparing for fight in PRC to mandate new way to set postage rates

The Postal Regulatory Commission (PRC) is poised to consider a new way to regulate most postage rates in the United States. And the NALC—along with postal management and dozens of mailers, trade associations and other stakeholders—will be right there to convince the Commission about the best way to do it.

It could get ugly.

Currently, postage rates for letter mail, magazines, catalogs and other categories of mail where the Postal Service has a dominant share of the market are capped as part of the requirement that the Postal Service fully support itself with revenue from selling stamps and postage. The price cap does not apply to competitive products such as package delivery, and the USPS can choose to raise rates by less than the cap.

Before 2007, USPS could raise rates to keep up with its rising costs. But the Postal Accountability and Enhancement Act (PAEA), a major postal measure Congress passed in 2006, capped for 10 years the amount the Postal Service could increase the mailing rates it charges customers—tying it to increases in the Consumer Price Index (CPI). Only in emergency situations or "exigent" circumstances, with the permission of the PRC, can the Postal Service increase rates beyond the cap. (For more information about the PAEA and the postage rate issue, see the President's Message in the December 2015 issue of *The Postal Record*.)

Now that 10-year period is about to expire, and the law gives the PRC the power to decide whether the price indexing system should continue or not. Starting in December, it will conduct a review of the price setting system, and NALC will be arguing for change.

The problem with the current price cap

The CPI may be the most common measure of inflation, factoring in the average prices for a set of common consumer goods, including such items as food, but it bears very little relation to the prices the Postal Service pays for the goods and services it needs to do business, such as fuel and other transportation expenses, and other labor costs such as health insurance premiums. As a result, it's not the best benchmark for indexing postage rates.

Under PAEA, Congress gave the PRC a long list of objectives and factors to consider when fashioning a new system of regulation. "Of the many factors, there are two that are the most important," NALC President Fredric Rolando said. "First, the system must assure the long-term financial stability of the Postal Service—that is, allow it to cover its costs from year to year and adapt to changing economic conditions. Second, it must provide mailers both predictability and affordability when it comes to rate increases."

The PRC could choose to use some other existing index of inflation, providing a more relevant benchmark. The CPI actually is made up of thousands of different prices for

On Monday, May 16, President Rolando issued the following statement:

"The work of negotiating a mutually acceptable contract between 205,000 city letter carriers and an employer of the size, complexity and unique character of the USPS is a daunting task. Both sides are committed to make their best good-faith efforts to reach a settlement by Friday at midnight. That is our intention.

"Should more work remain to be done, and should we need more time, we will have a process in place to continue our negotiations beyond the Friday deadline.

"So long as there is a path to success, we will pursue a negotiated contract without resorting to mediation or interest arbitration.

"Of course, by law, there will be no work stoppage or interruption of operations. And our existing labor contract will remain in effect until a new contract is either negotiated or arbitrated.

"Both sides are firmly committed to the same end product: a full and fair contract, fully and fairly reached, for America's most trusted workers." **PR**

goods and services, and the Bureau of Labor Statistics (BLS), a division of the Department of Labor, reports many sub-indicies that cover specific types of goods and services.

For instance, it could choose the Consumer Price Index for Delivery Services (CPI-DS), which measures the price that consumers pay for deliveries provided by private delivery companies such as FedEx and UPS—an index that NALC favored when the PAEA was before Congress in 2006.

The PRC also could choose to employ a different kind of price index, such as the BLS' Producer Price Index for Delivery and Warehouse industries, which measures the prices businesses charge other businesses for their services. Since most mail is sent by business mailers, this might make a lot of sense.

Of course, the PRC could choose to stick with the standard CPI. Or, it could devise its own formula based on one or more of these indicies, or even make up its own.

As the PRC mulls its choices, the requirement that USPS pre-fund future retiree health care benefits is the elephant in the room. This requirement is responsible for 90 percent of the Postal Service's so-called losses over the past 10 years, and it will have to be built into the baseline postage rates for the Postal Service to regain financial stability. That is why we have been working so hard with many mailers to reduce the cost of pre-funding through legislation *before* the PRC conducts its review. A huge price spike is in nobody's interest.

Pre-funding is a serious drain on postal finances. The original schedule in PAEA called for USPS to deposit 75 years' worth of projected retiree health care benefit dollars with the U.S. Treasury over just 10 years. Though it covered its operational costs in most of those years, the Postal Service didn't make enough money to meet that pre-funding schedule, so it still must pay more than $50 billion in pre-funding over the next 40 years.

Another factor weighing on the PRC's proceedings will be the expiration in April of the 4.3 percent exigent rate increase, which pushed postal rates down just two years after the Postal Service returned to operational profitability. The end of the exigent increase also makes the need for reform more urgent. (See last month's *Postal Record* for an explanation of the rate increase's expiration.)

"If we don't get meaningful relief from Congress soon from pre-funding, the rates the Postal Service charges and the rate cap index will need to reflect those costs," Rolando said. "Pre-funding is a big drag on the ability of the Postal Service to modernize, to grow its products and services for the long term, to adapt to the e-commerce economy and to provide reasonably priced services to its customers."

NALC will participate in the PRC's deliberations on the new regulatory system, including gathering data, evaluating alternatives, making recommendations and testifying before the PRC. The process is set to begin in December, with a new system in place as early as Jan. 1, 2018. NALC officers and staff members are discussing the issue with other postal stakeholders in anticipation of that process.

"It's our hope that the mailing industry and other stakeholders will join us in the effort to fix the pre-funding issue, because one way or another it's coming out of their pockets, threatening to hold back the Postal Service's ability to prepare for the future," Rolando said. "Our ultimate goal with regard to the rate index, and to postal reform in Congress, is a Postal Service that has the resources to stay healthy and efficient, as well as a robust mailing sector that is charged reasonable rates. Those go hand-in-hand." **PR**