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## **APWU Tentative Agreement Will Save \$3.8 Billion *Postmaster General, Governors, Testify before House Committee***

**WASHINGTON** — The tentative labor agreement the U.S. Postal Service has reached with the American Postal Workers Union (APWU) is a “responsible” pact that is the “best possible outcome we could have achieved” under current law, Postmaster General Patrick R. Donahoe testified today before the House Committee on Oversight and Government Reform.

Donahoe noted, “It’s the nature of such negotiations that neither side got everything they wanted,” but with this contract he said the Postal Service was able to achieve its goals of “greater workforce flexibility, immediate cost relief and long-term structural changes.”

The tentative agreement, which now goes before the APWU members for ratification, would cover some 205,000 career postal employees for a four-and-one-half-year period up to 2015. Postal and APWU leadership have been negotiating the plan for the past eight months.

As written, the agreement provides immediate cost relief for the Postal Service as it freezes wages for the first two years. It establishes a two-tier career pay schedule for new employees that is 10.2 percent lower than the existing schedule and allows the increased use of non-career employees from 5.9 percent today, with restrictions, to some 20 percent unrestricted. The contract represents \$3.8 billion in savings to the Postal Service.

Also testifying and expressing support for the plan was the chairman of the Postal Service Board of Governors, Louis J. Giuliano. “After many months of difficult negotiations, (the agreement) was the best achievable under existing law.” He also expressed satisfaction that binding arbitration had been avoided. “Years of experience have taught us that these types of breakthrough changes in workforce utilization are very unlikely in an arbitrated settlement,” he said.

Underscoring the need to reach a “responsible” agreement, Donahoe told the committee that since 2008, the Postal Service has been responding aggressively to an unprecedented 21 percent decline in mail volume prompting a regimen of process improvements and personnel reductions. Since 2008, Donahoe said, “We have reduced 110,000 employees and \$11 billion in costs.” Despite those efforts, however, in 2010, the agency recorded a net loss of \$8.5 billion, the majority of which was not related to postal operations.

Donahoe stressed that postal finances would be far better but for an inflexible business model. “We need reform in the laws that govern us,” he said. “We must get beyond the mandates that we prefund retiree health benefits, that we overfund Federal Employee Retirement System (FERS) and that we deliver mail six days a week.”

A 2006 law requires the Postal Service to prefund retiree health benefits in amounts approximating \$5.5 billion per year (an obligation unique to the Postal Service); the statutorily mandated formula employed to determine Postal Service contributions to the FERS has to date caused an overpayment of some \$6.9 billion; and the legal requirement that the Postal Service deliver six days a week is costing the Postal Service \$3.1 billion annually.

Noting that a ratified contract was preferable to binding arbitration, Donahoe pointed out that “Neither side

was willing to take the expedient way out, to simply roll the dice, and leave our respective fates to a third party arbitrator. We need the flexibility to properly schedule our workforce and we have achieved that. Interest arbitration is not going to result in flexibility gains of this magnitude.”

Guiliano added, “We are hopeful that we will achieve further flexibility in our negotiations with our other three unions.”

The Postal Service receives no tax dollars for operating expenses, and relies on the sale of postal, products and services to fund its operations.

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A self-supporting government enterprise, the U.S. Postal Service is the only delivery service that reaches every address in the nation, 150 million residences, businesses and Post Office Boxes. The Postal Service receives no tax dollars for operating expenses, and relies on the sale of postage, products and services to fund its operations. With 32,000 retail locations and the most frequently visited website in the federal government, *usps.com*, the Postal Service has annual revenue of more than \$67 billion and delivers nearly 40 percent of the world’s mail. If it were a private sector company, the U.S. Postal Service would rank 29th in the 2010 Fortune 500. *Black Enterprise* and *Hispanic Business* magazines ranked the Postal Service as a leader in workforce diversity. The Postal Service has been named the Most Trusted Government Agency six consecutive years and the sixth Most Trusted Business in the nation by the Ponemon Institute.