

What Every Member Needs to Know About the House Republican Conference's

Misleading Attack on the Postal Service Relief Act (H.R. 22)

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Background: Contrary to claims made by today's One Page brief by the House Republican Conference (HRC), the Postal Service has not been delinquent in controlling its costs. Over the past year it has cut 50,000 jobs and cut its costs by more than \$6 billion. Over the past 10 years it has reduced employment by 175,000 career positions through automation and other measures while maintaining high quality service. In the current economic crisis, the NALC and the Postal Service have used a jointly administered process to adjust routes three times in the past year to reflect the impact of the recession on mail volume, eliminating some 12,000 positions by attrition.

The fact that labor makes up a higher percentage of costs in the Postal Service than it does in FedEx and UPS (80% vs. 47% vs. 65%) is not surprising or an indication of postal inefficiency -- it merely reflects the fact that the Postal Service must serve 148 million homes and businesses each day while the private companies serve only one-tenth as many customers each day. It also reflects the fact that the Postal Service prefunds its retiree health benefits while the private companies either do not (FedEx) or do so at much lower level (UPS) -- excluding prefunding costs, the Postal Service labor costs are just 71% of total costs. Delivering letters, flyers, periodicals as well as Parcels and Express Mail to every address every day is by definition more labor-intensive than what the business-oriented private shippers do. American mailers enjoy some of the lowest postage rates in the world and the USPS has a customer satisfaction rating of 93 percent.

The Postal Service's deficit in 2009 and its expected debt level is a result of a policy change mandated by the Postal Accountability and Enhancement Act of 2006 (PAEA) that requires to the Postal Service to massively prefund its future retiree health benefits, a 75-year liability, in just 10 years. This policy mandate, which no other company in America faces (including UPS and FedEx), is responsible for more than 75% of this year's projected \$7 billion losses. The projected increase in USPS debt to \$13 billion in 2010 is the direct result of more than \$16 billion in required prefunding payments between 2007 and 2010, a period of deep recession.

A Recent History of Bailouts: The HRC brief claims that Congress has repeatedly passed legislation "to relieve the USPS of its debts -- and thus transfer its liabilities from rate-paying customers to taxpayers." In fact, just the opposite is true. Legislation passed in 2003 to correct the massive overfunding of the Postal Service's CSRS pension obligations also transferred to the USPS the liability for military pension benefits earned by postal workers before they were hired by the Postal Service. This liability is rightly the responsibility of American taxpayers, not postage ratepayers. It requires a peculiar logic to call this legislation a bailout of the Postal Service. Even more peculiar is the HRC's claim that reversing this unfair policy in the 2006 postal reform legislation constitutes another bailout -- especially when Congress fixed one problem (regarding CSRS pension benefits) by creating an even bigger with the adoption of the unaffordable retiree health prefunding schedule included in the PAEA.

Postal Service Financial Relief Act: The HRC brief notes that H.R. 22 “allows the USPS to tap the Retiree Health Fund by \$6.7 billion over three years” but doesn’t mention that the USPS would still contribute more than \$16 billion into the fund over the same three years, increasing the net balance in the Fund by more than \$10 billion after interest earnings. The legislation simply reduces the level of prefunding to provide the USPS with temporary relief in the face of the worst economy in 80 years. Suggesting that the Postal Service would draw down its Retiree Fund instead of growing it more slowly for three years is grossly deceptive.

The HRC leadership cites a Congressional Budget Office score of \$2.5 billion that relies on an unusual “behavioral model” for scoring the impact of H.R. 22 on the Postal Service. It essentially punishes the Postal Service for announcing ambitious plans to massively cut spending in order to make onerous prefunding payments since any legislative relief would allow the Postal Service to enact painful cuts instead of catastrophic reductions. The reality is that the Postal Service has slashed its expenses by an unprecedented \$6 billion over the past year, cutting work hours by more than 100 million. The severity of the Great Recession means that the Postal Service has no choice but to seek additional efficiencies, with or without H.R. 22.

True Reform Instead: The HRC brief concludes by mischaracterizing H.R. 22 as a “bailout from the Retiree Health Fund” and calling for “real reform” of the USPS instead of “bailing it out . . . at the expense of taxpayers.” This is the most noxious misinformation of all. H.R. 22 is not a bailout – in fact, it does not seek or require any taxpayer funds whatsoever. To suggest otherwise is simply false. And the legislation will not reduce the balance in the Retiree Health Fund, which is comprised of ratepayer funds, not taxpayer funds. Instead, H.R. 22 will increase the balance of the Fund at a slower pace – a sensible step that UPS and most other companies that prefund have taken during this recession.

The solutions offered by the HRC would do more harm than good. Massive post office closures and the elimination of Saturday delivery would damage countless businesses that rely on six-day delivery and throw tens of thousands of Americans out of work at a time of mass unemployment. We don’t need to kill the Postal Service to save the Postal Service. Mindless service cuts that will prevent the USPS from serving the country once the economy recovers would be self-defeating. The best solution is to reform the unsustainable prefunding provisions of the PAEA.

Congress should pass H.R. 22 as a vital first step towards preserving the most affordable and reliable universal postal service in the world.

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