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An Insulting One Page Brief from the Republican House Conference August 12, 2009

Earlier today, the House Republican Conference (HRC) distributed a wildly inaccurate and grossly misleading “One Page” issue brief attacking the United States Postal Service and its 700,000 employees nationwide in a transparently partisan attack on the health insurance reform legislation now being considered by Congress. Sadly, misinformation about the Postal Service is being used in the most dishonest way to discredit the government’s ability to provide high quality services in an affordable way. This memo will correct the record.

The introduction to the piece, *An Omnibus Model for Government Takeover of Health Care*, describes the Constitutionally mandated USPS as a “government-run organization that is supposed to be self-funded.” In fact, the Postal Service *is* self-funded. Other than minuscule appropriations to pay for free mail to the blind and military voting, the Postal Service has not received a cent in taxpayer subsidies since 1983, despite serving 148 million addresses six days a week, including the most expensive-to-serve rural areas in the country. The Republican diatribe goes on to make six inaccurate or misleading claims. Each is examined below.

“Uncontrollable debt.” The Postal Service has a debt of \$10.3 billion to finance the operations of 37,000 post offices and the world’s largest fleet of vehicles. As recently as 2005, it had no debt and financed its investments from ordinary postage revenues. While the Postal Service’s debt has increased from \$0 to \$10.3 billion in recent years, the main reason is a 2006 policy change developed by the Bush administration to impose a grossly unfair burden on the Postal Service that no other company in America (including UPS and FedEx) faces. The Postal Service is required to pre-fund 80% of its **future** retiree health benefit costs, a 75-year liability, over just 10 years.¹ Starting in 2007, this \$5.5 billion annual cost has been charged at the same time the economy entered the worst economic crisis since the Great Depression. The first two payments in 2007-2008 **account for all the increase in debt** by the Postal Service and, had it not been for this onerous requirement, the Postal Service would have earned a \$2.7 billion profit in 2008 despite the economic meltdown.

“Over Budget.” The Postal Service is not “over budget.” As an independent agency, it is off-budget and entirely self-supporting. It does expect to lose \$7 billion this year, but that loss is due to the collapse of the U.S. economy last fall (which reduced mail volume dramatically) and the requirement to make another exorbitant pre-funding payment into the Postal Service Retiree Health Benefit Fund (which already has more than \$32 billion sitting in it). In recognition of the Postal Service’s extraordinary efforts to cut costs in the face of the crisis, some 340 Members of Congress, including 100 Republicans, have co-sponsored H.R. 22 to help the Postal Service overcome the crisis by reducing the excessive burden of pre-funding over the next eight years.

“Increased Costs for Consumers.” As the HRC document notes, the price of a First-Class stamp has increased by 33% over the past 10 years. That is roughly in line with the overall increase in the overall Consumer Price Index (CPI) measured by the Bureau of Labor Statistics (BLS). In fact, in inflation adjusted terms, stamp prices are no higher now than they were in 1970. But because all taxpayer subsidies were phased out in the 1970s, the real cost of mailing letters *has actually fallen* by more than 25 percent. At 44 cents, the cost of a First-Class stamp is among the

¹The change was included in the Postal Accountability and Enhancement Act of 2006. More than two-thirds of the Fortune 1000 do not pre-fund such benefits at all and most the rest have pre-funded much less than the Postal Service. (See the Watson Wyatt Survey Report on Accounting for Pensions and Other Postretirement Benefits 2008).

best bargains in the world. And, as the BLS CPI data below indicates, the Postal Service has done a much better job in holding down consumer costs than private delivery companies (again including both UPS and FedEx):

Consumer Price Index (U.S. city average)

Base Period: 1982- 84=100

Year	Postage	Private
		Delivery
1999	165.1	108.7
2000	165.1	114.5
2001	171.5	123
2002	181.8	127.9
2003	190.9	134.9
2004	190.9	150.1
2005	190.9	160.2
2006	201.1	172.9
2007	206.067	183.936
2008	213.098	210.976
Pct Inc	29.1%	94.1%

Source: Bureau of Labor Statistics

“Lesser Quality.” The HRC notes that the Postal Service has lower customer service ratings from the American Customer Satisfaction Index than FedEx and UPS (74% vs. 84% and 82% respectively). However, it misreported the USPS score (it was actually 76% in 2009) and failed to mention that the score concerned only express delivery services, not core of the Postal Service’s delivery business (letter mail, magazines and regular parcels). According to the external measure of customer satisfaction developed in consultation with the Postal Regulatory Commission, the USPS received a record score of 93% overall satisfaction in February 2009.² Moreover, as the December 2008 issue of *Consumer Reports* magazine found, the Postal Service matched the private companies in terms of quality service at much more reasonable prices. As the report concluded: “Bottom line, all three [companies] delivered next-day mail as promised, but the good old U.S. Postal Service is often cheapest by far.” The article included the following chart:

3 shippers, 3 time frames

Charges to send a 5-pound package from Yonkers, N.Y., to Folsom, Calif., as of late September.

<u>Shipper</u>	<u>Next-day air</u>	<u>2-day air</u>	<u>Ground</u>
Postal Service	\$36.85	\$16.80	\$10.58
FedEx	73.50	43.65	10.06
UPS	73.50	43.65	13.99

Posted: October 2008 — Consumer Reports Magazine issue: December 2008

“Bailouts.” The claim that the Postal Service was “bailed out” in 2003 and 2006, is patently false. The 2003 Postal Civil Service and Retirement System Act (P.L. 108-18) was not a bailout. Rather, it partially corrected a funding formula error that was causing the Postal Service to grossly over-fund its future pension obligations. Unlike many private companies, the Postal Service has fully funded its future pension costs – a sign of success, not failure.

² See http://www.usps.com/communications/newsroom/2009/pr09_014.htm.

Indeed, it has massively over-funded these costs and the Bush administration's Office of Personnel Management short-changed the Postal Service when it calculated the amount of the postal surplus in the CSRS Fund before transferring it to the Postal Service Retiree Health Benefits Fund in 2007. Congress should correct this error in order to provide relief to the Postal Service from the excessive cost of pre-funding future retiree health benefits mentioned above.

Similarly, the 2006 Postal Accountability and Enhancement Act (P.L. 109-435) of 2006 was not a bailout, either. In fact, it was used by the Bush administration to lock in the unfair retiree health pre-funding schedule that is causing the Postal Service such financial pain in today's recessionary economy. To describe the comprehensive postal reform bill passed in 2006 as "another USPS benefit reform bill which ended up costing another \$1.5 billion" is grossly inaccurate. That bill reformed the rate-making process and created a strengthened Postal Regulatory Commission and also saddled the Postal Service with annual pre-funding payments of \$5.5 billion annually over the next 10 years. Again, companies like UPS and FedEx are not required to make such payments, much less on such an accelerated schedule.

"Costly Risk." As the GAO has recently noted, the Postal Service faces a dire financial challenge in the wake of the economic crisis and the long-run challenge of adapting to the Internet age, just like every other major company and industry in the country. The suggestion that its troubles say anything about the ability of government organizations to provide high-quality, affordable services is ludicrous. Quite to the contrary, over its long history, the Postal Service has served the country well and has provided the most affordable postal services in the world. Universal, reliable service for 44 cents is a bargain by any standard. The American people value the services provided by the Postal Service – it was voted the most trusted agency of the government for the fifth straight year in a survey by the Ponemon Institute.³

The shoddy and misleading One Page issue brief issued by the Republican House Conference is an insult to the 700,000 men and women who are working so hard to help the Postal Service survive this national crisis. The House Republicans should withdraw it and to give the American people what they deserve: an honest debate about the need for health care reform.

³(See http://www.usps.com/communications/newsroom/2009/pr09_016.htm.)