Staff Reports

'A deep financial hole'? Not so, says new report

Research Director Jim Holland

Over the last couple of years, the Postal Service has regularly shown a slide in its quarterly and annual results presentations titled, "A Deep Financial Hole." On this slide, it has noted that accounting "liabilities exceed assets by $46 billion," and, "The USPS only has 35 cents of assets to cover each dollar of its liabilities."

The Postal Service has made the argument with this slide that its accounting assets, including real estate assets valued at net book value, are hugely outweighed by its liabilities. Others have made this argument as well, citing a figure of "$100 billion" of unfunded liabilities.

A Jan. 23 white paper by the USPS Office of the Inspector General (OIG) provides a welcome reality check about the Postal Service's financial position. The OIG white paper notes that higher interest rates would have a dramatic impact on the Postal Service's reported liabilities. The paper states that "even a modest 1.25 percent increase in the current interest rate assumptions would reduce unfunded liabilities by $72.3 billion, significantly reducing the estimated unfunded balances."

This statement might not mean as much if interest rates were very high, but as the paper states, "Given the low interest rates in the current economic environment, increases in rate assumptions would significantly improve the Postal Service's financial outlook."

The OIG white paper also shows how the Postal Service's real estate holdings, measured at estimated market value, are nearly the same size as all of its unfunded liabilities. In the "Deep Financial Hole" slide, the Postal Service has shown its real estate assets at net book value. Showing real estate assets at book value is an acceptable accounting practice, but it in no way reflects the market price that the Postal Service could get for its assets. According to the OIG, the roughly estimated fair market value of Postal Service real estate is about $85 billion–more than six times the $13.2 billion accounting value of real estate assets shown in the Postal Service's slide.

In other words, in a worst-case scenario, the market value of Postal Service real estate could cover most of the (unfavorably tabulated—see previous paragraph on interest rates) unfunded liabilities.

Another OIG report that may be of interest to members is on the Postal Service's brand value. This is the first time the Postal Service's brand value has been estimated. According to the report, the Postal Service's brand value is conservatively estimated at $3.6 billion.

The report includes the following note about the constant barrage of negative news on brand value: "Negative news or projections of lack of cash or bankruptcy can impact mailers' future plans and speed migration to digital or other alternatives. While public relations strategies should, of course, be truthful, postal management should recognize that public relations strategies that repeatedly stress negative cash flow or other 'doomsday' scenarios can easily dilute brand equity and put key brand attributes at risk."

Indeed.

The brand value report is available at https://www.uspsoig.gov/sites/default/files/document-library-files/2015/rarc-wp-15-005.pdf.

Branches step up to 'Stamp Out Hunger'

Community and Membership Outreach Coordinator Pam Donato

The success of the NALC is connected to the level of activism and engagement of our local branch leaders and our rank-and-file members who work together to achieve a goal. The success of the letter carriers' "Stamp Out Hunger" food drive is direct evidence of this.

This year we need our local leaders and coordinators more than ever as we adjust our stance in the batter's box to hit some pre-season curve balls. (Yes, it's the beginning of *that* season, too.)

With the exit of a national partner that would have funded the entire order of food drive postcards, NALC has searched for ways to minimize this loss. We reached out to another national partner, Feeding America, and their affiliate food banks, which often are our local partners on the ground and who receive the majority of our collected donations. Working with the NALC's regional leaders, we asked those Feeding America affiliates for direct monetary contributions for postcards in these local areas.

As of this writing, many of those food banks have stepped up to make arrangements to fund postcards. As the recipients of food drive donations, they understand the incredible importance of raising awareness of the drive. NALC National also is paying for many of the postcards.

But, with 120 million delivery points nationwide, there still is a need for more funding help. While this is not how we planned for this year's food drive preparations to go, I know from experience that when presented with any challenge, letter carriers and local NALC leaders will rise to the occasion.

So, what can you do? First order of business is to make a list of needs. How many postcards do you need? Then check with your local food bank or food pantry. Can they help pay for the

The importance of resolutions

Director of Legislative and Political Affairs Kori Blalock Keller

At the beginning of every year, we get to hit the reset button and resolve to do better in the New Year. Whether it's eating better, exercising more or showing patience and kindness toward others, resolutions are well meaning and guide us toward a more positive and healthy outcome—if we give it our all.

The same can be said of our postal resolutions in the 114th Congress. On the legislative front, NALC has resolved to protect the Postal Service, and that begins by gathering strong support for House Resolutions 12 (six-day), 28 (door delivery) and 54 (service standards). We have an opportunity to rally around services, and now is the time!

This is not going to be easy to do with an administration that has once again included service cuts in its latest budget. Unlike previous years, the president seems to be creeping away from the outright elimination of a day of delivery—opting to preserve six-day for 2016 but setting a trigger for its elimination in the future. While this approach is disappointing and makes absolutely no business sense, it appears to be a signal that the administration is exiting the fog of 2008—perhaps resolving to reassess where the Postal Service is now. Who knows?

Maybe next year, the administration finally will realize that these cuts never belonged in the budget to begin with. In the meantime, we must contend with the administration's budget move and continue a conversation on Capitol Hill, with new players leading our relevant committees—Senate Homeland Security and Government Affairs Chairman Ron Johnson (R-WI) and House Oversight and Government Reform Chairman Jason Chaffetz (R-UT). We don't know what their read of the president's budget message will be, but we do know that we must work harder and get our message out quickly to their colleagues: Service cuts—no matter the source—will not be welcome.

From all accounts on Capitol Hill, our two new committee chairmen and the new postmaster general will need some time to get settled in before they wade into postal reform. That means big decisions and the postal agenda will take time.

What is clear is that there is general agreement that postal reform is one of those things that can and should be done. It has been identified as "low-hanging fruit" where actual bipartisanship could work. That's saying a lot in this highly politically charged environment, where much is being debated for political gain (56 votes to repeal the Affordable Care Act, and counting).

We must take advantage of this time to strengthen our resolve and build a case for maintaining services and service standards. This means engaging the 74 new faces in Congress and educating them on what it means to have a strong and vibrant Postal Service. It means we need to visit old and new friends and emphasize the importance of their co-sponsoring these resolutions, which is all we have right now to build our defense.

If we take this time to prepare on the back end, we will be strongly positioned to point to a bipartisan majority of lawmakers who believe in protecting the Postal Service when the momentum for real postal reform takes shape. This is where we can and should begin.

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postcards you need? Check the food drive database (at nalc.org/food) and talk with your regional food drive coordinator. Assess your situation.

If you have a different local partner or business that is willing to sponsor your local postcards, the artwork template is on our toolkit at nalc.org/food. A local sponsor's logo can be added to the template for local printing. Often, a friendly local printer will donate part of the normal costs for printing as a contribution to help those in need. At most, these postcards cost a few pennies each and, like those printed at the national level, the postage is provided by the postmaster general with the use of the G10 Permit.

If you already have postcards and bags, continue to work toward securing other campaign materials, such as billboards, radio ads or lawn signs. Or, organize volunteers from faith community groups, the Rotary, United Way, VFW, American Legion and youth groups. This is a community event and we can often use volunteers for very physical activities to more sedentary work. Every bit helps.

At this point in the year and given the challenges ahead this year, one of the most valuable assets you have is the online toolkit. It has artwork, information, tips and talking points, regional food drive representative contact information and our national partner network links to locate affiliates in your own area. Look to the United Way, the AFL CIO, National Rural Letter Carriers' Association and the USPS. Each has a local infrastructure and each is committed to working with you, shoulder to shoulder, in your own back yard. Contact them and enlist their support to help Stamp Out Hunger.

Ultimately, this food drive is the *letter carriers'* food drive. Yes, we partner with other groups, businesses and organizations. And yes, our work in this food drive is helped by a diverse list of like-minded folks who want to support those in need. But as it was in the beginning, letter carriers are now and always will be at the core of the food drive effort. There's no one better in the world than letter carriers at the local level to take the reins and lead this food drive to our stated goal: to stamp out hunger.

We are *America's letter carriers, delivering hope!*