

Post Office BLUES

Overtaken by technological advances and budget cuts, the U.S. Postal Service – with its 105,000 veteran employees – faces an uncertain future.

BY PAUL GLADER

Juan Feliciano is a man on a daily mission inside the Equitable Building at 120 Broadway in Manhattan, a majestic tower where he has delivered mail for 20 years.

Starting at the 40th floor and working his way down, Feliciano deftly moves back and forth between banks of freight and passenger elevators, dropping mail off at hedge fund offices packed with large computer screens designed for traders, law firms with opulent oak-paneled lobbies and industry associations with formidable mailrooms.

“The mailman is here,” Feliciano says, buzzing in at the Jewelers of America office on the 28th floor. Receptionists greet him warmly. Hispanic mailroom staffers call him “amigo,” chatting with him in Spanish. Lobby sentries slap him on the back. But most white-collar workers he passes each day don’t know why Feliciano walks with a slight limp and why his cheery disposition is balanced with a sense of focused duty. They don’t know that he’s a Vietnam War veteran with three Purple Hearts.

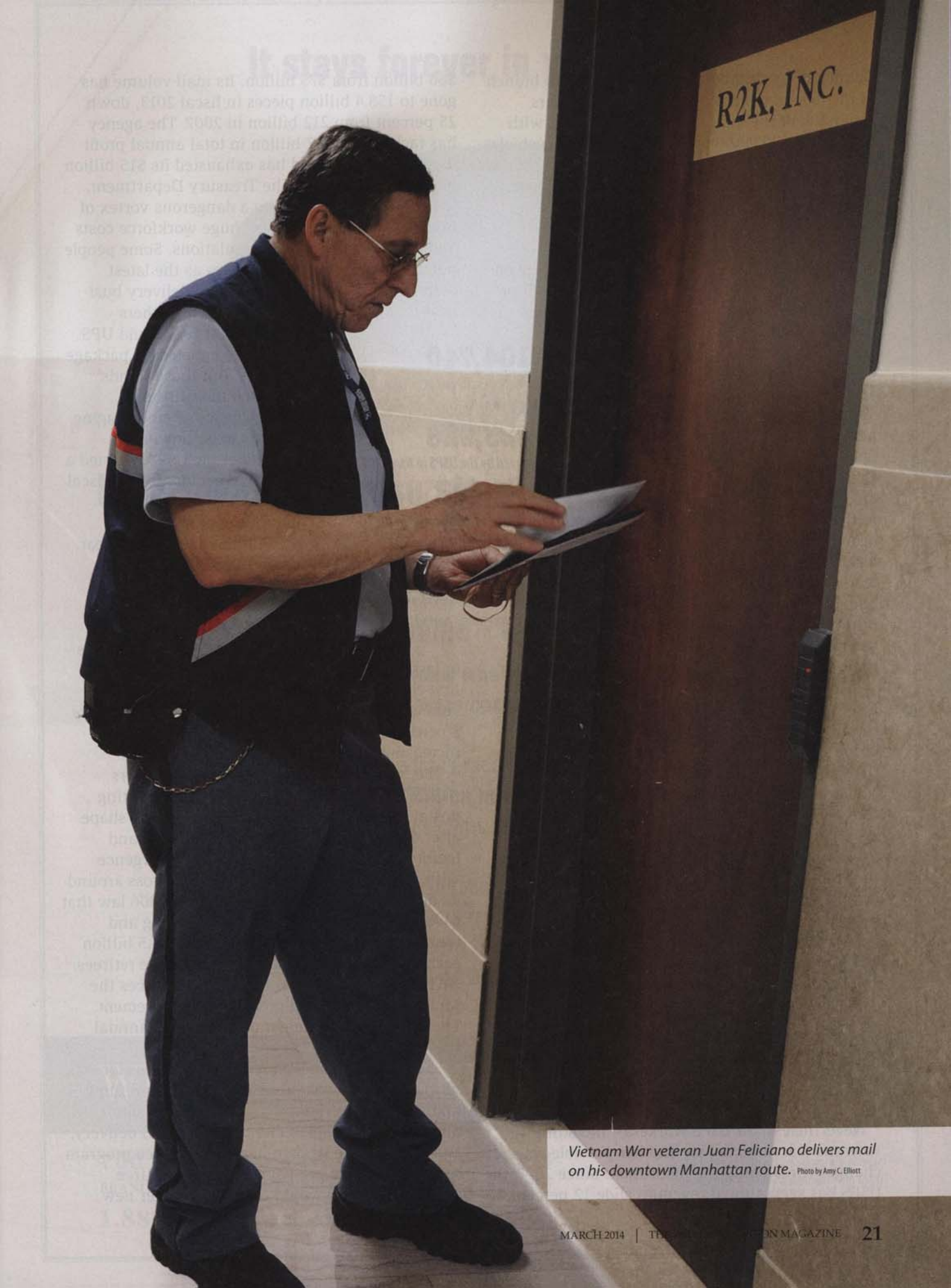
Feliciano, 68, came to New York at 17, hoping to escape a dismal economic future and an abusive father in Puerto Rico. He lived with relatives in Queens, N.Y., working during the day, studying English and attending high school

at night. Just before finishing high school in 1968, he was drafted to serve in Vietnam.

Assigned to infantry and demolition crews in the Mekong Delta, he was injured three times. He was in a truck that ran over a mine, killing a few passengers and leaving him with cuts on his head. During a firefight, he was hit in the leg by an artillery shell. On another occasion, shrapnel pierced his armpit and ribs when a medic stepped on a nearby mine.

After the war, Feliciano returned to New York and married his high school sweetheart. He worked a series of odd jobs and pursued more education at community and Bible colleges. But a steady, decent-paying job proved elusive. Finally, he applied to work for the U.S. Postal Service in 1982.

For thousands of veterans like Feliciano, the USPS is a job where they feel at home. Like the military, the USPS relies on a vast workforce to carry out daily logistical tasks and missions with singleminded focus. Many former service-members don’t mind wearing uniforms. A job that sends them outside beats a desk job any day. Annual pay ranging from \$34,752 to \$57,704, with good benefits that brought total compensation to \$79,000 on average in 2009, isn’t bad either.



R2K, INC.

Vietnam War veteran Juan Feliciano delivers mail on his downtown Manhattan route. Photo by Amy C. Elliott

Crunched by numbers As an independent branch of the federal government, the USPS delivers roughly half the mail on the entire planet, with more than 600,000 workers using 260,000 vehicles to get to every address in the United States six days a week. It's the second-largest civilian employer in the United States behind Walmart and, if private, would rank among the 100 largest companies in America.

The USPS, as directed by federal law, has given hiring preference to veterans in the form of 5- or 10-point (disabled veterans receive the higher number) bonuses on their entrance applications. As a result, the USPS has been an incredible employer of veterans. But with real and perceived financial and operational woes, some in Congress are calling for ongoing cuts and changes to the federally operated agency that include closing locations, phasing out workers and trimming budgets. The cuts are hitting veterans at the USPS as hard as – or harder – than anyone.

In 2013, roughly 104,740, or 17 percent, of the USPS' 616,369 workers were veterans, down from the 125,926 veterans who made up 19.5 percent of the workforce in fiscal 2011 and a drop of more than 20,000 veteran employees in two years.

Veteran employment at the USPS dropped 16.8 percent during those two years, compared to a 4.3 percent drop in overall employment. The agency claims its staff reduction has occurred through attrition and incentives rather than layoffs.

USPS spokeswoman Patricia Licata says veterans are a good fit at the USPS, bringing leadership skills, experience in structured settings and the ability to adjust in a rapidly changing environment.

"As the Postal Service's workforce continues to grow smaller, adapting to the changed economic environment, we remain committed to recruiting and retaining diverse talent that includes the hiring and development of veterans," Licata said in an email response to questions.

Nevertheless, all USPS workers – including veterans – are bracing for another possible wave of changes threatening the institution. Since 2007, the USPS has seen annual revenues slide 12 percent, to

\$66 billion from \$75 billion. Its mail volume has gone to 158.4 billion pieces in fiscal 2013, down 25 percent from 212 billion in 2007. The agency has racked up \$37.7 billion in total annual profit losses since 2007 and has exhausted its \$15 billion borrowing limit from the Treasury Department.

The USPS is staring into a dangerous vortex of brisk technological change, huge workforce costs and onerous government regulations. Some people point to email and fax machines as the latest culprits killing the first-class mail delivery business that used to yield a huge profit. Others

suggest that FedEx and UPS have outcompeted on package delivery. But those trends don't tell the full story.

The agency's hemorrhaging appears to be slowing. In November the USPS reported a \$5 billion net loss for the fiscal year ending Sept. 30, an improvement from the \$15.9 billion net loss the year before. Operating revenue increased to \$66 billion, up from \$65.2 billion the year before. Mail volume only dropped by 1.5 million pieces –

or less than 1 percent – in fiscal 2013. And while first-class mail declined roughly 30 percent in volume and revenue, shipping and packaging grew 8 percent to 3.7 billion pieces, with that revenue increasing to \$12.6 billion from \$11.5 billion.

The National Association of Letter Carriers (NALC) and the other two unions representing postal workers believe the USPS is in good shape after all the cost-cutting, staff reductions and facility closings, and is poised for a resurgence with a brightening economy. The albatross around its neck, they say, is the Postal Act of 2006 law that gave the USPS some flexibility on pricing and innovation but also requires it to pay \$5.5 billion each year into a health fund for its future retirees. NALC staff say no other U.S. company faces the same budget-crushing prefunding requirement. The agency has defaulted on three such annual payments.

The USPS has repeatedly asked Congress for several changes, including an \$11 billion refund that it says it overpaid into one of its pension funds. It also wants to end Saturday mail delivery, and to introduce its own health-insurance program so it can stop the pre-payments on its retiree health benefits. It would also like to enter new

104,740

Approximate number of veterans employed by the USPS in fiscal 2013

125,926

Veterans employed by the USPS in fiscal 2011

16.8

Percent drop in veteran employment at the USPS between fiscal 2011 and fiscal 2013

4.3

Percent drop in overall employment at USPS during the same period

business areas such as delivering wine and beer by mail, which is currently prohibited.

The agency struck a deal with Amazon.com in November to deliver the company's packages on Sundays, a move USPS leaders hope will strengthen revenues. NALC praised the financial results; "If allowed to innovate and grow, the Postal Service is poised for a fantastic comeback," NALC President Fredric Rolando declared.

While the unions see the glass as half full, those in Congress who want to see a reform, overhaul or possibly even a privatization of the USPS see the glass as half empty.

"This is likely the last year that ongoing cost-cutting measures will generate significant savings," said Reps. Darrell Issa, R-Calif., chairman of the House Oversight & Government Reform Committee, and Blake Farenthold, R-Texas, head of the subcommittee that oversees the agency, in a joint statement last November. "Without legislative reform that includes modified Saturday delivery, USPS expenses will begin to increase once again."

Worried? Who's worried? At the NALC monthly meeting at its local headquarters in a basement union hall on West 41st Street near Times Square, postal workers from around New York City gather to eat sauerkraut hot dogs and drink sodas as union leaders give business updates. Several veterans sit around a table, discussing their military days, their USPS careers and their futures.

Pat McNally, a vice president of the union, wears a Navy baseball cap and joined the USPS in 1983. Another veteran, Jonny Delvalle, wears a headband; his friends jokingly call him "Rambo." Delvalle says he grew up running with "the wrong crowd" in Coney Island, Brooklyn, and got involved with gangs and drugs. His older brother was a Special Forces soldier and persuaded Delvalle to enlist in the Army in 1986. He became a field artillery specialist and continued in the Army Reserve until 2008. He joined the USPS in 2005 and has delivered mail on routes in Manhattan ever since.

Are these guys worried about their jobs? About Saturday delivery ending? About robots delivering mail in the future?

"To be perfectly honest with you, no," McNally says. "We're the only single organization (that reaches) every single house in America for six days a week." He says Amazon's contracting the USPS to deliver on Sundays is a good thing, and predicts that "eventually, we'll be a parcel business" mostly delivering e-commerce packages to customers.

Delvalle admits to being concerned when he sees veterans on the streets begging for money. "What I've been through helps me listen" to homeless veterans or depressed senior citizens as he delivers the mail, he says. He's experienced periods of unemployment and was even homeless for a time after Hurricane Sandy flooded his home in the Rockaways section of Brooklyn in 2012. The USPS has offered a lifeline for many veterans, but a changed agency could alter that.

"All it takes is a flick of the pen from Washington and we're out the window."

Pat McNally, second vice president of Vincent R. Sombrotto Branch 36, National Association of Letter Carriers

While McNally is not worried for now, he concedes that the fate of postal workers lies in the hands of Congress. "All it takes is a flick of the pen from Washington and we're out the window."

In the hands of Congress Lorelei St. James directs the Physical Infrastructure Team at the U.S. Government Accountability Office in Washington, which produces regular in-depth research reports on the USPS. She says the agency's main difficulty is that 80 percent of its budget goes to its employees. Benefits such as health care and pensions make up a huge percentage of those costs.

"We have suggested to Congress that it needs to take a look at the workforce," St. James says. Veterans and other employees in unions "would expect to see incentives for retirement, a smaller workforce." New workers likely won't have the kind of benefits and pay enjoyed by current workers. These cuts aren't enough, St. James says; in addition to figuring out how to fund its retirement and health-care obligations, the USPS must also replace an aging fleet of vehicles.

The USPS continues to close facilities, reduce operating hours of branches and shrink its workforce through attrition, St. James says. But these the organization can't continue squeezing blood from a stone. "As we talked with the Postal Service (officials), they are at a point where they really need Congress to make some decisions," she says. The agency updated its five-year business plan looking toward 2017 - rife with charts, spread-

sheets and numbers of its cost-cuts, efficiency gains and action steps – after consulting firms' recommendations.

One idea St. James and her team have considered is commercializing or privatizing the USPS. Other less free-market-oriented countries – such as the Netherlands, Sweden, New Zealand and Germany – have done that with their postal systems. Sweden's Posten AB now runs only 12 percent of the nation's post offices. Deutsche Post is a private company that runs just 2 percent of the post offices in Germany. A *Bloomberg BusinessWeek* story in 2011 noted that customers of Swiss Post can decide if they want their mail delivered to their home, or scanned and sent to an Internet-connected device. On the flip side, privatization can be bad for service in some ways. For example, customers in Germany must grow accustomed to dropping off packages or buying stamps in strange outpost locations such as Germany's McPaper stationery stores, which are sometimes unable to ship packages that Deutsche Post branches can.

The bottom line for veterans NALC spokeswoman Pam Donato joined the Army in 1982, serving two years on active duty and then four years in the Reserve. She took a job with the USPS in Minneapolis in 1986 and eventually moved into union leadership. Being a mail carrier “involves an enormous level of responsibility if you honor people's privacy and the job in front of you,” she says. “It may sound silly, but when you are out in a truck with a load of packages, someone has placed trust in you.”

Donato says letter carriers, like members of the U.S. military, raise their hands and take an oath. She says many veterans see postal service as an extension of their military service. “Whatever job you go into after serving in the military, you are a different person,” she says. “You are less reluctant to look at barriers.”

Some cities involve mail carriers in readiness projects to distribute antidotes to people in the event of bioterrorism. The union honors several mail carriers each year for acts of heroism. This past year, three of the six awardees were veterans. David Tozzolino of Freehold, N.J., is a Marine-turned-mail carrier who in March 2012 saw a car veer out of control, cross a divided highway and hit a house, causing a natural gas leak. He sprinted from his route, climbed over the wreckage and pried the driver free, taking her to safety.

Donato says that the USPS has faced plenty of obstacles during its 200-year history – from the

Pony Express to planes, trains and automobiles – and that the current money, operation and technology hurdles are just that: hurdles. Even so, she fears that cutting Saturday delivery and other dramatic moves could doom the agency. “There would be a sizable loss of jobs,” she says. “Quite honestly, our veterans would suffer.”

Donato and other union officials say the economy is showing positive signs that are playing out in USPS financials. The annual profit gaps would evaporate if Congress alleviated USPS prefunding obligations, she says, pointing out that liberalization models in places such as Britain, Germany and Sweden have failed, often leaving rural areas, outer-ring suburbs and low-income areas with lousy mail service. Meanwhile, other national postal services, such as Japan's, are thriving. For Donato, it's too early to abandon the idea of a national postal system as a common good funded by taxpayers.

“The fear in general is that they (Congress) will do something so stupid that it will be catastrophic to the whole idea of a postal service,” she says.

Back to Broadway A few weeks before Christmas, Feliciano starts his day at a post office building at 90 Church Street in lower Manhattan, a massive limestone structure that takes up a city block. It was built in 1935, when Franklin D. Roosevelt was president. On a warehouse floor resembling Santa's workshop, postal workers scurry about, pushing orange mail containers on wheels, throwing, sorting and binding mail. Dispatchers bark orders from metal desks in the middle of the room.

Feliciano huddles in his makeshift cubicle, preparing mail bundles and strategizing on how to get all the mail to his route a few blocks away.

“It's rare that a person will have a one-building route,” says Kevin Ingram, manager of customer service at this branch. “There was a point in time we delivered floor to floor.” New buildings such as the Freedom Tower, just across the street, will have centralized mail processing – metal boxes on the ground floor, where companies receive mail. No mail carriers will hand-deliver mail to each floor. That costs too much.

“I was about three blocks away” at a different USPS building when the last tower fell on 9/11, Feliciano says. He was sorting mail and getting ready to go out on his route when “everything shook like an earthquake.” Lights went out. The workers closed windows so dust couldn't enter the building. Was he scared? “Not really. I've been through a war,” he replies. When he was dismissed



Feliciano's time in Vietnam prepared him for 9/11. Photo by Amy C. Elliott

from work that day, he put on a mask and walked 80 blocks north to his mother-in-law's home.

As Feliciano prepares to go out on his route, one colleague says he didn't know Juan was a veteran and asks, "What Army? Puerto Rico?" Feliciano smiles and says, "Vietnam." Then he adds, under his breath, "Before I retire, I gotta show these people some photo albums from my Army days."

Feliciano walks outside against the biting wind to the Equitable Building, which was the largest office building in the world (with 1.8 million square feet) when completed in 1915. Walking through the Beaux Arts lobby, complete with a vaulted central ceiling, he migrates past the swish of men in business suits and the clickety-clack of women in high heels on the white marble floors. He wears a uniform of his own: a USPS baby-blue polo shirt, gray slacks and navy winter jacket.

It used to take three to four carriers to deliver the mail in this one building. But with the decline in mail volume, Feliciano has been the sole carrier for the past few years. One godsend has been the American Arbitration Association, which moved onto the 18th floor in 2013. "Oh my God! It's a lot of mail," he says, wheeling square white buckets of mail behind him.

Feliciano makes his way from a trading firm on

the 41st floor down past law firms on the 38th floor to a consulting firm on the 34th floor. He records delivery receipts on digital devices and stuffs receipts in his shirt pocket. He notes that Amazon has outfitted the USPS with devices that record exactly when its products are delivered. Founder Jeff Bezos worked for firms on Wall Street – not far from where Feliciano is delivering mail – after he graduated from Princeton University and before he started the e-commerce behemoth.

Amazon is now both a possible savior and grim reaper of the USPS. On one hand, Bezos benefits from cheap delivery rates and inked the deal to deliver Amazon packages on Sundays at a time when the agency is considering ending Saturday deliveries. Meanwhile, a few weeks later, he was talking about bypassing the USPS, FedEx and UPS entirely by eventually creating drones that deliver his company's packages.

"I don't think it's gonna work," Feliciano says. "Take it to Brooklyn and someone's going to shoot it down." 🍀

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