

GAO calls for bloodletting to restore USPS to health



In the Middle Ages, doctors superstitiously believed that most ailments could be traced to excess body fluids and “bad humors” that accumulated in patients’ blood. They prescribed bloodletting as a cure for just about any disease—with predictably regrettable results. Patients often died when doctors drained blood directly from their veins in the mistaken belief that doing so would return them to health.

I could not help thinking about this curious and counterproductive practice when I read the Government Accountability Office’s so-called business model report submitted to Congress in April. Rather than offer new ways to exploit the Postal Service’s retail and delivery networks to serve the country’s evolving needs, the GAO essentially proposed a bloodletting—an austerity plan to massively downsize the Postal Service in the face of projections of long-term mail volume decline.

Unfortunately, the patients in this case are you and me, along with 700,000 other USPS employees. And it is our blood that they want to drain off. This “science” will most likely kill the patient, and Congress should reject this proposed remedy out of hand.

The GAO report gets off to a bad start when it characterizes the \$12 billion in losses over the past three years as evidence of a “failed business model” since the Postal Service could not cut costs as fast as revenues had fallen. This appears to be a willful misreading of the past three years. In fact, thanks in large measure to the cooperation of the NALC and other unions, the USPS did in fact cut costs in line with declining revenues.

The GAO simply brushes past the real driving force behind the losses incurred over the past three years—the crushing cost of retiree health pre-funding payments that no other business is required to pay. The Postal Service lost \$11.7 billion between 2007 and 2010. The entire cumulative loss can be explained by the pre-funding payments of \$12.4 billion that began in 2007. If not for the payments, the Postal Service would have been profitable

in two of the past three years, despite the onset of the worst recession in 80 years.

The GAO report barely mentions the Great Recession. And while it acknowledges that the Postal Service might need some relief from the cost of the pre-funding obligation, it never provides Congress any context about how much money other federal agencies and most other large companies set aside for future retiree costs (none), and it fails to report that the pre-funding burden and the recession were the primary causes of the Postal Service’s recent losses. Instead, it attempts to blame USPS’ woes on high labor costs and excessive employment in the face of rising electronic substitution.

Not surprisingly, the GAO’s solutions center on downsizing and cutting pay and benefits. Special and repeated attention is given to the postmaster general’s proposal to tilt the process of interest arbitration in favor of postal management by adding a statutory requirement that arbitrators consider USPS finances in their awards—without any offsetting consideration of workers’ interests. And special and repeated attention is given to the fact that postal employees receive a bigger employer contribution for health premiums (80 percent) than other federal employees (72 percent)—without stating that this higher contribution resulted from trade-offs in bargaining or that our contribution is comparable to that made by large private-sector employers. These facts did not make it into the report.

But the GAO report was also disappointing because it blindly accepted questionable USPS projections about the future and took a generally dismissive attitude toward new revenue generation. The possibility that the Postal Service might diversify its products and services to meet new needs was not taken seriously. Like the doctors of the Dark Ages, the auditors at the GAO stuck blindly to their “tried and true” anti-labor cures, rather than opening their eyes to see the injury those “cures” would cause.

The prescription is simple: Congress needs to look for a new doctor. ✉