

# New Congress, new opportunities

## Rolando testifies on Capitol Hill



Subcommittee Chairman Rep. Dennis Ross of Florida (r), and ranking member Stephen Lynch of Massachusetts

New Postmaster General Patrick Donahoe (l-r), Postal Regulatory Committee Chairman Ruth Goldway and the Government Accountability Office's Phil Herr are sworn in.

**I**n his first testimony to the 112th Congress, NALC President Fredric V. Rolando told a House of Representatives subcommittee that fixing the pre-funding requirement for retiree health care should be the top priority this year in the effort to restore the financial health of the Postal Service.

"The single most important thing this subcommittee should do to address the crisis facing the Postal Service is to permanently reform the pre-funding provisions of the law," Rolando told the subcommittee on the Federal Workforce, Postal Service and Labor at its March 2 hearing on Capitol Hill.

Under the 2006 postal reform law, the Service is required to make annual \$5.5 billion payments into the Postal Service Retiree Health Benefit Fund.

"In the absence of the pre-funding mandate, which no other agency or private company in America faces, the USPS would have recorded a net surplus of \$837 million over the past four years, despite the worst recession

since the Great Depression of the 1930s and despite continued electronic competition," Rolando said. "It is clear in hindsight that [pre-funding] was a terrible mistake—particularly with the onset of the deep recession just around the corner."

Postmaster General Patrick R. Donahoe told the committee that his agency has been profitable in operations since the pre-funding mandate took effect in 2007. He called for immediate action to address the pre-funding issue.

Rep. Stephen Lynch of Massachusetts, the panel's ranking Democrat and a longtime friend of the NALC, agreed that solving the pre-funding problem should come before consideration of dropping a day of delivery or other drastic measures.

"We need to revisit the Postal Service's arbitrary and fixed retiree health benefit payment schedule," Lynch said.

Postal Regulatory Commission Chairman Ruth Goldway added her voice to



the call for reform of the pre-funding requirement.

“A majority of the commission believes the Postal Service’s current financial predicament is rooted in the PAEA mandate to rapidly pre-fund health benefit premiums for future retirees,” she told the panel.

### **A budget solution**

President Barack Obama’s budget proposal for 2012—which includes the provision for maintaining six-day mail delivery service—calls for a substantial reduction in the pre-funding payment for 2011 and a gradual return of the USPS’ \$6.9 billion surplus in the Federal Employee Retirement System (FERS). These measures would save the Service \$4.55 billion this year, but they still do not resolve the larger Civil Service Retirement System (CSRS) overfunding issue, which is key to permanently solving the pre-funding of retiree health benefits.

Donahoe emphasized that the proposed changes to the pre-funding mandate were not a “taxpayer bailout” as some members of Congress and a few media outlets claimed, and he said no taxpayer funds are needed to solve USPS’ problems. In fact, the Service has not received a dime of taxpayer money in more than 25 years. The pre-funding payments come from money the Postal Service earns through sales and services, he said, and reducing pre-funding would simply allow the Service to keep more of its own money for operations.

Also discussed during the hearing was the Postal Service’s CSRS pension

account, which two independent audits by private consultants have concluded is overfunded by \$50 billion to \$75 billion. This surplus stems from government actuarial errors made when the payments began in 1971, yet the Office of Personnel Management (OPM) continues to resist efforts to transfer some of these funds back to the Postal Service to make the pre-funding payments.

### **30,000 or 7,500?**

Initial reports of the Postal Service’s plans to cut ranks by 30,000 raised much media attention, but a closer look at the actual figures shows that Donahoe’s strategy largely follows the Service’s playbook over the last several years.

In a March 9 interview, the PMG told *Federal Times* that the targeted positions include 3,500 administrative positions and 2,000 supervisory and managerial positions in as many as 10 district offices and at headquarters, plus the 2,000 local postmaster jobs throughout the country that would be eliminated if Donahoe’s plan to close thousands of post offices were approved.

That’s 7,500 positions right there.

Then, on average, the Service loses about 22,500 employees a year through attrition.



**Top: NALC President Fredric Rolando touts the work the union has done to help USPS remain flexible during the economic downturn.**

**Above: PMG Donahoe testifies that the Postal Service would have been profitable during the last four years if not for the pre-funding requirement.**





President Rolando talks with Rep. Gerry Connolly (VA) before the hearing.



Above (l-r): Rep. Darrell Issa (CA), Rep. Justin Amash (MI), and Rep. Connie Mack (FL)



Rep. Danny Davis (IL)

So, 7,500 plus 22,500 equals the magic 30,000.

The Service now employs about 575,000 people, Donahoe said. He indicated that, over the next five years, he would like to see that figure fall to 400,000—with the largest group of employees continuing to be letter carriers, with delivery points growing by millions each year.

Donahoe said that 215,000 USPS employees are eligible for either optional or early retirement and that

another round of early-out offers is always a possibility.

Unfortunately, though, Donahoe continues to harp on cutting Saturday mail delivery as a way to save money and cut positions, even though the 17 percent drop in service would net the USPS a savings of only 4 percent, or only around \$3.1 billion a year.

In addition, eliminating Saturday deliveries would result in the loss of 80,000 solid, middle-class postal worker jobs—this at a time of high unemployment. Cutting a day of mail delivery could also jeopardize future revenue for the USPS as competitors rush to fill the service vacuum. And losing access to Saturday service would inconvenience millions of business and residential customers who depend on it.

## A friend in Texas

**A**ssuring that the country has a strong Postal Service and that residents and businesses continue to get service six days a week—including Saturday—is a bipartisan goal, as shown by the vocal support of the conservative Republican governor of Texas.

Several times in the past few months, in speeches and on television, Gov. Rick Perry has listed mail delivery as a key function of the federal government that needs to be preserved, even as he seeks to limit what he terms federal meddling in state affairs.

Typically, his statement goes something like this: “The federal government ought to be doing three things really well: standing up the military; delivering the mail, preferably on time and on Saturdays; and securing our borders.”

So why is a frequent critic of Washington speaking up so forcefully for the Postal Service and Saturday delivery?

“It’s his view that government shouldn’t be doing everything. It should do a few things, and do them well,” Perry’s deputy press secretary, Lucy Nashed, told *The Postal Record*.

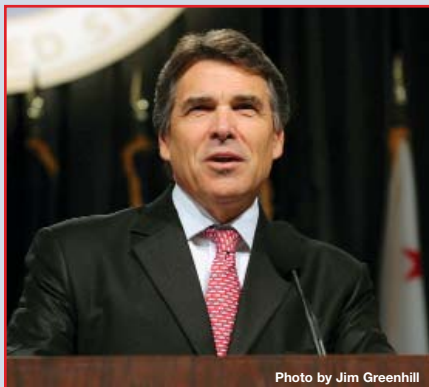


Photo by Jim Greenhill

As for including the mail along with national defense and border security, Nashed said, “It’s kind of a personal touch he always throws in. He says he learned a lot from his Dad. He’s said, ‘My Dad told me three things the government should do are protect the country, deliver the mail and secure the borders.’”

Nashed added that while six-day delivery may not be on everyone’s mind in Texas, a lot of people are aware of the issue because it’s been in the news, and Gov. Perry considers timely mail delivery to be a core function of government. ☒

### Outside the Beltway

The Postal Service’s drive to drop Saturday mail delivery was among the concerns addressed during by the more than 100 people who attended a public meeting in Portland, OR, on Feb. 21 to discuss concerns about the plan. Portland Branch 82 President Jim Cook also told the gathering that a freeze on hiring new carriers in his city has led to increases in mandatory overtime and an impact on customer service.

Local management in Portland has told customers that the freeze is needed because of declines in USPS revenue, but Branch 82 Secretary-Treasure Kevin Card explained that the Service’s financial woes could be largely resolved if Congress repealed the pre-funding requirement. ☒