POST Act: Flawed fix includes delivery frequency, arbitration changes

Top (from l): Sen. Scott Brown (R-MA) and Sen. Tom Carper (D-DE) discuss the Postal Service's financial challenges in a subcommittee hearing held May 17.

Above: Postmaster General Patrick Donahoe gives an interview before the hearing.

In May, Sen. Tom Carper (D-DE) introduced the Postal Operations Sustainment and Transformation (POST) Act, S. 1010, which he said aims to resolve the retiree health pre-funding burden that continues to weigh heavily on the Postal Service's ledgers.

"The NALC strongly supports the POST Act's retirement-cost provisions and the new commercial freedoms it offers," President Fredric V. Rolando said. "These provisions would go a long way toward restoring the long-term viability of the Postal Service.

"Unfortunately, the bill is marred by two provisions that we cannot support —the elimination of six-day delivery and the addition of pro-management changes to the law governing collective-bargaining disputes."

If passed, POST would require the Office of Personnel Management (OPM) to accurately calculate the Service's surpluses in both the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), and allow the USPS to use those surpluses to help pay off its burdensome obligation to pre-fund 75 years' worth of future retiree health benefits within just 10 years. That results in annual pre-funding payments of $5.5 billion. This requirement, an outgrowth of the 2006 postal reform law, is something that no other government agency or private firm faces.

POST also calls for opening up the Postal Service's networks to offer new products and services to generate additional revenue.

But there are two major roadblocks in POST that prevent the NALC from throwing its support behind the bill. For one thing, the measure calls for allowing the USPS to reduce the number of days it delivers mail without first seeking congressional permission and without limit. Under POST, management could cut two or even three days of delivery.

Another non-starter is a tired one that letter carriers have heard again and again: an attempt to write into law an unneeded mandate to force interest arbitrators to consider pro-management factors—such as the Postal Service's financial condition—without considering worker-focused factors, before issuing an arbitration decision to resolve contract impasses.

"Our stance continues to be that the delivery-frequency provision is unwise and that the arbitration changes are both unfair and unnecessary," Rolando said. "The NALC believes that a narrow finance bill that enjoys the broad support of the postal industry and wide bipartisan backing in Congress stands a better chance of enactment than does the comprehensive reform proposal that Sen. Carper has introduced."

One such finance bill that focuses on recovering the Postal Service's pension surpluses is H.R. 1351, the USPS Pension Obligation Recalculation and Restoration Act, which Rep. Stephen Lynch (D-MA) introduced in March. As this magazine went to press, 149 representatives from both parties had signed on as co-sponsors of H.R. 1351.

"The survival of the Postal Service is not a partisan issue," Rolando said. "The NALC looks forward to working with Democrats and Republicans in the House of Representatives and the Senate to ensure the financial viability of the Postal Service without damaging its ability to provide affordable universal postal services six days a week and without cutting costs on the backs of postal employees."

As Rolando noted in his June President's Message in *The Postal Record,* the NALC is preparing an outline of media talking points that will be sent to every branch president to help letter carriers across America spread the truth about the Postal Service's financial problems.

"Our goal is to get the truth out about the real causes of the Postal Service's financial situation and to educate the public about the true value of the work we do for the country and the economy," Rolando said. ✉

American Postal Workers Union President Cliff Guffey (r) testifies about the contract with the Postal Service that his union recently ratified.

NALC reacts to, rejects USPS report

The U.S. Postal Service submitted a report to Congress last month that challenges the March 22 advisory opinion of the Postal Regulatory Commission regarding the potential savings from cutting mail-delivery frequency.

The PRC, an independent agency with regulatory oversight over the USPS, completed an analysis of the Service's proposal to eliminate Saturday mail delivery, and estimated that such a cut would save the USPS $1.7 billion a year. The PRC figure was 45 percent lower than the $3.1 billion in savings initially claimed by the Postal Service. In its report, the USPS stood by its savings estimate.

NALC continues to reject the USPS proposal and its findings, not to mention the very notion that the USPS can secure its future by cutting its services.

"Any proposal that suggests that the Postal Service can cut its way to fiscal health through absurd service reductions distracts us all from focusing on the real reasons behind our employer's financial problems," President Rolando said.

At the core of those fiscal difficulties is the part of the 2006 postal reform law that saddles the USPS with $5.5 billion in annual pre-funding payments. Without that unique burden, the Postal Service would have been profitable in operational terms since then, despite the recession.

That's why the NALC supports Rep. Stephen Lynch's (D-MA) USPS Pension Obligation Recalculation and Restoration Act, H.R. 1351, a real and immediate solution to the Postal Service's financial woes.

The act calls for the Office of Personnel Management to accurately calculate how much the USPS has overpaid into its pension accounts in both the Civil Service Retirement System and the Federal Employees Retirement System since the Postal Service was created in 1971. It's estimated that there is a surplus of $50 billion to $75 billion in the CSRS account and $6.9 billion in the FERS account.

H.R. 1351 then calls for an internal transfer of those surpluses to completely cover the Postal Service's pre-funding obligation, with any leftover money held back for use toward paying down any future benefits responsibilities, such as workers' compensation expenses.

"Congressman Lynch's bill is a true first step toward restoring the USPS to fiscal health," Rolando said, "rather than reducing mail delivery frequency by 17 percent to save only about 3 percent in costs and inconveniencing the residential and business customers we serve." ✉

NALC President Fredric Rolando explains to a group of Texas letter carriers why it is vital that they convince their members of Congress to help fix the Postal Service's financial situation.

Rhetoric vs. reality

Lately, it seems that a lot of the old myths and misconceptions have resurfaced surrounding the future and financial shape of the Postal Service. Here are some of the things you might have heard—from customers or others who might not be familiar with all the facts, or from members of Congress or the media who play fast and loose with them.

Rhetoric: At 80 percent of total costs, the Postal Service spends too much on salaries and benefits.

Reality: Of course, that raises the question: What would the right percentage be? The United States Postal Service is, with its networks of post offices and sorting facilities, a service industry. Serving 150 millions homes and businesses six days a week is, by definition, a highly labor-intensive endeavor. We take mail from one address and make sure it gets to another address quickly, reliably, and at the most affordable postage rates in the world. In any event, the 80 percent figure is inflated by the heavy cost of pre-funding future retiree health benefits (which other companies don't do). Without this cost, the USPS spends about 76 percent on labor, down from 86 percent 20 years ago.

Rhetoric: The Postal Service's two main competitors, FedEx and UPS, spend far less of their budgets on employee-related costs.

Reality: Of course they do. The private companies perform one-tenth the number of daily deliveries (15 million) the USPS does. The Postal Service goes to every house and business six days a week. And since FedEx and UPS deliver mainly parcels and provide heavy shipping services, they have enormous capital costs—FedEx is even considered an airline. So a great deal of their budgets is tied up in capital costs, rather than labor costs. Also, neither has spent the money to build a truly universal service network;

Tell Ryan: Hands off Medicare

A group of letter carrier activists accompanied NALC Executive Vice President Timothy O'Malley plus a number of Headquarters staff members for a demonstration in Washington, DC, against the federal budget proposal written by House Budget Committee Chairman Paul Ryan (R-WI) and passed by the full House.

The NALC was part of a coalition of labor unions that joined Rep. Donna Edwards (D-MD) on June 13 outside the Newseum (pictured above). Rep. Ryan was inside the building for the taping of a town hall discussion.

Ryan's 2012 budget plan calls for trillions of dollars in cuts to Medicare, ending the program as it now works and replacing it with a voucher system for purchasing private health care. It uses the Medicare savings to fund a permanent extension of the Bush tax cuts and to expand them for the wealthiest Americans. For letter carriers and all federal workers, the Ryan budget calls for doubling our own pension contributions, amounting to a 6 percent pay cut, plus a federal wage freeze until 2015, which would not affect us directly but likely would influence the Postal Service's approach to bargaining on our contract this fall.

The Ryan budget is expected to meet fierce opposition in the Democrat-controlled Senate, and it will likely be a subject of heated town hall meetings during Congress' summer recess.

in many cases, carriers serve as the last mile of delivery for both companies.

Rhetoric: The Postal Service could default this year because of a broken business model.
Reality: The Postal Service is profitable in terms of delivering the mail. The major factor pushing it toward financial danger is the $5.5 billion annual pre-funding payment, which no other agency or company faces. That's why the NALC is pulling out all the stops in our effort to support H.R. 1351, Rep. Stephen Lynch's bill that calls for allowing the Postal Service to use its own money to pay off its future retiree health benefit obligations *(see story, page 4)*. Congress could also do again what it did in 2009 and grant the Postal Service temporary relief from having to make the $5.5 billion payment, or it could extend the Postal Service's line of credit.

Rhetoric: The Postal Service is asking to be relieved of its obligation to build a health care trust fund for future retirees.
Reality: Providing for the welfare of our active and retired members is the heart of NALC's mission. We welcome the opportunity to build such a health care trust fund for our future retired members, but we're being unfairly compelled to pre-fund a 75-year liability within 10 years, something no other agency or corporation is required to do. With H.R. 1351, we would fully fund the retiree health trust fund and our pensions as well, without depleting operation budgets.

Rhetoric: USPS is asking Congress for a taxpayer bailout.
Reality: The Postal Service is not seeking a bailout of any type, let alone from taxpayers. The overcharges and resulting surpluses in the CSRS and FERS accounts were paid for by money the USPS earned from sales of its products and services and by payroll deductions from our bi-weekly checks. It's our own money. "Bailout" is just a scary soundbite word that suits the purposes of the Postal Service's foes.

Rhetoric: Arbitrators side with unions over management because the law does not require them to consider the financial condition of the Postal Service.
Reality: This is totally false. In postal labor-management disputes, arbitrators are obliged to consider issues and evidence either side presents. The law is neutral, and both sides appoint advocate arbitrators who serve with a neutral chair of the arbitration board; the USPS and its advocate arbitrator have every opportunity to present financial evidence.

Rhetoric: The Postal Service's employees get better health benefits than most other federal employees.
Reality: The benefits contained in contracts are the result of negotiations—and trade-offs—by both sides. Indeed, over the past several years, the employee share has been gradually rising under the terms of the most recent labor contracts. Although the USPS has paid a higher share of premiums than other federal agencies, it pays about the same as other large private employers, a goal that was included in the 2006 postal reform law.

Rhetoric: The Postal Service should be allowed to lay off any employee.
Reality: This is a matter that is negotiated. The Postal Service can fire any employee for cause, provided the evidence supports such action, and it may reduce employment through layoffs in some circumstances. Under the NALC contract and those of the rural carriers and mail handlers, the USPS can lay off workers with less than six years of service. This exposes tens of thousands of workers to layoffs and gives the USPS all the flexibility it needs. Recently, both the USPS and the American Postal Workers Union agreed to an extension of a ▶

Texas & New Jersey carriers lobby

NALC members from Texas and New Jersey came to Washington for their annual lobbying trips in late May and early June, respectively, to help lobby Congress to pass H.R. 1351. As this *Postal Record* was going to press, 149 legislators had signed on as co-sponsors of H.R. 1351.


Rep. Silvestre Reyes (D-TX)


Rep. Sheila Jackson Lee (D-TX)


Rep. Charlie Gonzalez (D-TX)


Rep. Gene Green (D-TX)


Rep. Lloyd Doggett (D-TX)


Rep. Bill Pascrell Jr. (D-NJ)

no-layoff clause in a contract the APWU ratified this spring. Despite the no-layoff clause, the USPS has other options to reduce headcount. Over the last 11 years, the Service has reduced its agency-wide rolls at a faster rate than first-class mail volumes have dropped, from about 820,000 in 2000 to fewer than 573,000 now—partly through early-outs, but mostly through attrition. The last few years alone have seen a decline of about 100,000 jobs.

Poor economy contributes to USPS' financial state

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>
> —NALC President Fredric V. Rolando

The national economy's continuing struggle toward recovery plays an important role in determining the financial status of the U.S. Postal Service, NALC President Fredric V. Rolando says.

"The key to the revival of the Postal Service is the revival of the U.S. economy," Rolando said. "Unfortunately, the impact of the recession is still strong, and it's holding us back."

Meanwhile, the USPS' ongoing and unfair obligation under the 2006 postal reform law—to pre-fund 75 years' worth of future retiree health benefits in just 10 years—remains the single biggest factor behind the Service's financial struggles.

The Postal Service reports that it lost $2.6 billion in the first half of fiscal year 2011, from October 2010 through March 2011. Over that same period, it had to set aside $2.75 billion to pre-fund future retiree health benefits. While acknowledging that the loss was driven by the pre-funding burden, the USPS also blames declining mail volume for its revenue shortfalls even as delivery points keep increasing.

"While some of that volume loss can be attributed to electronic diversion of the mail," Rolando said, "we also have to consider the renewed decline in home sales and home values.

"We saw the same sort of thing just three years ago, when the housing bubble burst, foreclosure rates soared, and mail volume fell," he said, noting that advertising from both the housing and credit markets tends to significantly contribute to mail volume. "Sadly, both of those markets virtually dried up during the recent recession and they're still fighting to regain their previous strength."

The numbers back this up. In the last three months of 2010 (the first quarter in the fiscal year), the gross domestic product (GDP) increased by 3.1 percent, and mail volume grew with a rise in Standard Mail. But in the first three months of 2011 (the second quarter of FY2011), the economy slowed, GDP slipped 1.8 percent, and mail volume fell again.

The fact that the national unemployment rate has inched back above 9 percent also belies some economists' claims that the economy is recovering. "It's unfair not to acknowledge that the poor economy is going to have a major impact on the Postal Service's financial situation," Rolando said.

More broadly, the sluggish economy tamps down personal and business spending and hurts postal revenues.

"When the economy struggles, the USPS struggles," Rolando said. "The NALC can't fix the economy—at least, not directly—which is why we keep our focus on fixing the pre-funding obligation that continues to weigh us down and hurt our bottom line.

"But we can use our considerable political influence to press our leaders to work harder to create the jobs and spur the housing growth, which are crucial to helping the economy recover."