The Postal Service could be the comeback story of next year

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Two years ago, three years after the worst financial crash in 80 years, the Postal Service was all but left for dead. The media was filled with stories (inaccurately) chalking up massive financial losses to technological change, government incompetence or greedy unions. (If mentioned at all, the 2006 retiree health pre-funding mandate that accounts for most of the losses was an afterthought.) The politicians in Washington were busily planning the post office's funeral, calling for massive downsizing, service cuts and salary and benefit cuts. Even President Obama seemed to be giving up on the Postal Service, offering to slash Saturday delivery as a deficit-reduction measure in budget talks with Republicans.

Thank God NALC was there to stop the burial, because today the Postal Service is poised to make an epic comeback. We just need Congress to enact a limited set of sensible reforms, and then get out of our way. And we need the postmaster general to back away from his obsession with eliminating Saturday delivery of mail so as to not short-circuit the comeback before it permanently takes hold.

The Postal Service returned to profitability in fiscal 2013—earning a $600 million surplus on operations, before taking account of the $5.6 billion pre-funding expense imposed by Congress in 2006. Once again, the Postal Service could not afford to make the required pre-funding payment that no other agency or company faces. But judged by private-sector accounting standards, it recorded a profit. Its revenues are again rising and it's gaining market share in the competitive shipping business.

Indeed, the Postal Service is showing many signs of strength. Its package revenue spiked by 9 percent even as the decline of First Class Mail moderated and Standard Mail volumes picked up. Overall letter mail revenue declined only slightly during the year. And rather than being a burden to the Postal Service, the collective-bargaining process has proved to be instrumental in preparing for a future focused on shipping and packages.

This emerging comeback gained widespread notice in November with two prominent business stories. First, nine years after the USPS rolled out its first flat-rate package options, FedEx announced the introduction of its own competing flat-rate shipping options, named FedEx One Rate. FedEx, a private company, is starting One Rate because it sees a successful product in the marketplace and wants to replicate that success. A private company essentially copying a product model pioneered by the USPS runs counter to the way in which most politicians and media like to describe the USPS. FedEx One Rate (Express Saver) is marketed in a similar way to the USPS Priority Mail flat-rate product. However, a side-by-side comparison shows that FedEx One Rate generally has higher prices and a lower level of service than USPS' flat-rate options, in particular when one factors in free USPS Saturday pick-up and delivery. You know the old saw about imitation and flattery. The Postal Service is now beginning to set the standard for residential delivery of e-commerce packages.

Second, on Nov. 10, the tech-savvy e-commerce giant Amazon.com initiated a national rollout of its partnership with the Postal Service to provide delivery services to its online shoppers seven days a week—adding Sundays to the Monday through Saturday schedule. The new service was successfully tested in a handful of ZIP codes for several months and now will be expanded to more than 900 ZIP codes across the country. The same services will be offered to merchants of all sizes and varieties, from other online merchants such as eBay and Best Buy to traditional brick-and-mortar stores such as electronics chains and department stores.

So the comeback is underway. That does not mean we are out of the woods.

The Postal Service's financial condition remains extremely fragile and service cuts are damaging the quality of our traditional services. We are operating with very small cash reserves and the pre-funding burden has absorbed all of the Postal Service's borrowing authority. This has starved the Postal Service of needed investments in state-of-the-art scanning and communication technology and new vehicles—LLVs built to handle letter mail must be retired and new vehicles designed for package delivery must be acquired. Indeed, the Postal Service is so short of capital that it is actually being forced to lease vehicles rather than buy them. Congress funding burden and free the Postal Service to innovate and keep its comeback going.

Unfortunately, neither of the bills introduced by the chairs of our committees in the House and Senate (H.R. 2748 or S. 1486) offers real solutions. They don't solve the pre-funding burden, and therefore rely on downsizing and service cuts (the elimination of Saturday and door delivery) and attacks on postal employee collective bargaining (aimed at reducing our pay and benefits) to meet that burden.

NALC has never been a union that just says "No." Over the years, we have worked with the other postal unions, major mailers and friends in Congress to offer a package of solutions that would resolve the pre-funding problem without undermining the quality of service or hurting postal employees.

In the last Congress, we built majority support in the House for the Lynch bill (H.R. 1351) that would have used surplus pension funds to cover the cost of retiree health. We also suggested applying a private-sector "best practices" standard for pre-funding. Neither approach was acceptable to most Republicans in Congress.

But we have not given up. We have focused on fixing the pre-funding problem rather than attacking postal workers and cutting service to the American public. In recent weeks we have developed a balanced legislative package that includes reforms to the Federal Employees Health Benefits Program that would help reduce those costs in the future by fully integrating FEHBP coverage for postal annuitants with Medicare Parts A and B and requiring FEHBP plans to offer postal seniors the low-cost prescription drugs provided by the law that created Medicare Part D.

These reforms would require FEHBP plans to set premiums for postal employees and annuitants (pooled together) separately from other federal employees and annuitants to reflect Medicare's primary payer status and therefore reduce the cost of postal retiree health benefits. Medicare integration would reduce FEHBP premiums for active and retired employees alike and zero out the Postal Service's unfunded liability for future retiree health benefits—without leaving FEHBP and harming other federal employees (as the PMG has proposed), or causing major disruptions to FEHBP plans by introducing inferior Medigap policies for annuitants who are Medicare-eligible (as proposed by S. 1486). Most important, the FEHBP reforms would both fully fund our future retiree health benefits and save the Postal Service $6 billion to $8 billion annually—freeing up resources for the growth and innovation needed to achieve true long-term financial and job security.

In addition to these FEHBP reforms, our legislative package includes measures to increase the Postal Service's pricing flexibility, promote product and service innovations using the Service's existing networks, preserve jobs and service standards and pay down the Postal Service's debt with surplus funds in the FERS pension plan. As such, it offers practical ways to strengthen the Postal Service that both parties in Congress can and should support.

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But we not only have to convince Congress and the public to choose wisely, we also have to convince the top leadership of the Postal Service to do so.

We must convince the postmaster general and the Board of Governors that slashing Saturday services at the same time you expand deliveries on Sundays makes no sense. It not only sends a confusing message to the Postal Service's customers, new and old alike, but also risks choking off future growth by ceding Saturday mail and advertising delivery to competitors. It would be a strategic blunder of historic dimensions.