The Postal Service is on track to break even delivering the mail this year, and without the pre-funding requirement, it would have made a $330 million profit.

Surprised? Some letter carriers might be, if they’re paying attention only to the doom-and-gloom spin put on the third quarter numbers released by the Postal Service in August.

Savvy carriers who drilled down into the CFO’s Aug. 9 financial report for the third quarter of Fiscal Year 2013, however, discovered that postal finances have significantly improved and that USPS made a profit.

And while, yes, e-mail and online bill payment continue to eat away at First Class Mail use, the credit for this small but important revenue uptick goes to an improving economy as well as to the rise of package-delivery volume, powered largely by goods ordered over the Internet.

“The real news in the third quarter report is that the Postal Service is in much better financial shape than advocates of a slash-and-shrink approach to postal ‘reform’ care to admit,” NALC President Fredric Rolando said following the financial report’s release.

What continues to hurt the Postal Service’s bottom line, of course, is pre-funding—the part of the 2006 postal reform law that requires USPS to set aside billions each year to pre-fund the

The real picture of USPS finances

Remove pre-funding and the USPS reports a $330 million profit for the fiscal year

Source: USPS Quarter III, 2013 Report on Form 10-Q

USPS pre-funding vs.
S&P 500 companies’ savings for retiree health care obligations

USPS has already banked $49 billion for pre-funding

In the private sector, pre-funding would be tracked as Other Post Employee Benefits (OPEB), which is what is compared here.

Sources: USPS Financial Statements, Database of OPEB Liabilities for S&P 500 Index companies for year-end 2012, Milliman 2013 Pension Funding Study
What about workers’ comp?

Popping up among the factors in the Postal Service’s reported losses in recent years are adjustments in workers’ compensation interest rates. These accounting adjustments are necessary because workers’ compensation costs fluctuate from year to year.

One thing to bear in mind, though, is that workers’ comp calculations are only actuarial projections. No actual money is paid out.

But more importantly, USPS tends to use these ups and downs to bolster its own business agenda, cherry-picking data and highlighting only those figures that suit its narrative from one year to the next.

For example, when the impact of workers’ comp interest rates is bad, USPS just lumps that figure into its loss column, without explaining it.

But when the impact isn’t as bad, as was the case with this year’s third quarter report, postal management goes out of its way to act as if those costs are completely separate from postal operations. And that helps it tamp down any talk of an operational profit.

So as far as USPS is concerned, workers’ comp costs only actually count when they can help make postal losses look sky-high, which in turn helps USPS press its cost- and service-cutting agenda. And you tend to only hear about the issue when USPS needs to send a “sky-is-falling” message to Congress.

It’s important to note that workers’ compensation is a legitimate expense and that all workers need to be compensated—and deserve to be—when they are injured on the job.

“So if it weren’t for pre-funding,” NALC President Fredric Rolando said, “workers’ comp costs would simply be considered part of the cost of doing business, and our conversation would turn to how the Postal Service and its unions could work together to find out what we could do—if anything—to bring those costs down.” PR