Postal finances improve, but postal reform goes from bad to worse

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The Postal Service is gradually recovering along with the economy. Measured by the standards applicable to private companies, it has returned to profitability.

In the third quarter of the current fiscal year, it would have announced a $660 million profit—but for the congressionally mandated $1.4 billion charge to pre-fund retiree health benefits that are not due for decades from now. So, instead, it reported a loss of $740 million. That no other company faces such a ridiculous policy mandate—or that the USPS will not actually pay this expense since it has been bled dry by this insane policy over the past seven years—does not seem to matter.

But the truth is: The decline of mail volume has slowed to near zero (-0.8 percent so far this year) as the housing market has bounced back, and surging package volume and revenues are offsetting more modest declines in first-class mail. Total revenue grew by 3.8 percent in the third quarter (more than twice the growth rate of the national economy) and positive accounting adjustments on the cost of future workers' compensation benefits improved the Postal Service's finances. (Such non-cash adjustments added $8.4 billion to postal losses over the past seven years—and are now being reversed with the recovery.)

The Postal Service's market share in the domestic shipping business increased from 14.2 percent in 2007 to 23.5 percent in 2012, and has climbed even higher so far this year. So yes, the Internet is replacing some traditional letter mail, but it is also creating a boom in e-commerce for the USPS—so long as we don't foolishly destroy its networks and cripple its capacity to innovate.

All this follows a massive downsizing of the USPS in recent years—more than 175,000 jobs have been eliminated through a mix of productivity gains, early-out offers and reduced service standards. Although the latter will likely prove to be counterproductive, nobody can claim that the Postal Service is bloated or inefficient, or that the USPS is in some sort of free fall.

Yet judging by the slash-and-burn legislation emerging from House and Senate committees over the past month, Congress has not seemed to notice any of this—or to recognize that the pre-funding mandate accounts for 80 percent of the Postal Service's losses since 2007 (and 100 percent of the losses this year). Instead, key leaders seem to believe that the Internet is killing the Postal Service (it's not) and that the only answer is more reduction in service. Sadly, their legislation would do to the Postal Service what the Great Recession didn't—tip us into a death spiral. The gory details are inside this magazine, but here's a quick summary.

In July, House Republicans on the Oversight and Government Reform Committee passed Chairman Darrell Issa's Postal Reform Act of 2013 (H.R. 2748) on a party-line vote. Rather than ending the pre-funding mandate, giving the USPS the tools it needs to reduce retiree health costs in the future, or allowing it to cover these costs with sensible pension and retiree health fund reforms, the bill calls for ending Saturday delivery and eliminating door delivery to 30 million households at a cost of at least 100,000 full- and part-time jobs. In other words, let's double down on the irrational status quo: Cut service and downsize the Postal Service to pay for the Bush pre-funding policy of 2006.

Perhaps that is to be expected from the GOP, which seems to be lost in anti-government nihilism at the moment. But we expect much better from the Democratic Senate. So far, we are not getting it.

Sen. Tom Carper (D-DE), the chairman of our Senate oversight committee, introduced S. 1486 in August with the support of the committee's ranking Republican, Sen. Tom Coburn of Oklahoma. It basically accepts the premise of current law and the Issa bill—the Postal Service must be downsized to preserve the pre-funding policy. Although the pre-funding payments will be deferred for a time, they will resume in 2016 as so-called *normal cost* and amortization payments, which together are likely to exceed the $5.5 billion payments called for by current law. To pay for this, service would be cut—Saturday delivery would be sacrificed and all American businesses (and most households) would lose door delivery—and future postal employees would be forced to fight in collective bargaining to retain pension and health benefits that other federal employees and members of Congress enjoy by law.

Of course, destroying the trust- and brand-building connection between letter carriers and business customers by eliminating door delivery and throwing away the Postal Service's unique advantage in the booming package business (Saturday delivery made inexpensive by sharing overhead costs with other types of mail) has never made sense. Doing so now when things are turning around makes even less sense.

NALC has offered many common-sense alternatives to these destructive policies and we will not back down. We will fight for real reform that strengthens the Postal Service, and do all we can to defeat legislation that would dismantle it.