Financial malpractice in the service of an outdated legislative strategy

Fredric V. Rolando

In early February, as the Postal Service prepared to release its financial results for the first quarter of fiscal year 2014, I wrote to the Board of Governors urging it to address a serious management problem. Over the past four years, the Postal Service has developed a doom-and-gloom routine with the press when it comes to reporting on the agency's finances and operations. Its press releases are routinely very negative, its leaders never miss an opportunity to lead with bad news—real or manufactured—and management constantly portrays the Postal Service in the worst possible light. My letter provided a chart listing the relentlessly pessimistic titles of the Postal Service's press releases going back to 2009.

When the Postal Service was reeling from the perfect storm caused by the Great Recession, and when the congressional mandate to massively pre-fund retiree health benefits decades in advance first kicked in, this negativity might have been understandable. But four years later, with the economy recovering, and after amassing $50 billion in the retiree health fund, and staging a major comeback with the e-commerce boom, I expected a different tune from the Postal Service. Package volumes are surging and the Postal Service returned to operational profitability in 2013, and it now projects a $1.1 billion operational profit for 2014.

Yet the Postal Service has seemed hell-bent on convincing anybody who will listen that the Post Office is doomed—or at least failing miserably. The fact that 80 percent of the $46 billion in net losses reported since 2007 resulted from the unprecedented mandate to pre-fund future retiree health benefits is routinely ignored or buried in the press releases and results presentations.

Worse, the Service trotted out misleading charts to convince reporters that the Postal Service is hopelessly insolvent. A chart used in November showed the Postal Service with $62 billion in liabilities and just $22 billion in assets at the end of fiscal 2013—after USPS pumped up the liabilities with unpaid retiree health pre-funding payments that no other company in the country is required to make. Yet the Postal Service's own annual report shows that its total assets of $439 billion (including pension funds, retiree health fund assets, and real estate measured at market value) exceeded its liabilities.

Sadly, my plea to the Board of Governors fell on deaf ears. A few days later, the Postal Service doubled down on its campaign of misleading negativity. The opening line of its press release stated: "The U.S. Postal Service ended the first quarter of its 2014 fiscal year (Oct. 1, 2013-Dec. 31, 2013) with a net loss of $354 million. This marks the 19th of the last 21 quarters that it has sustained a loss."

That lead was repeated by virtually every media outlet in the country, including *USA Today, The Wall Street Journal* and *The New York Times*. Left out of the press release was news that the Postal Service earned a profit of $1.1 billion before pre-funding in the first quarter of 2014—thanks to double-digit growth in parcel volume and revenue and stabilizing letter mail revenue.

No other company in America would do what the Postal Service does routinely—bad-mouth itself. Other companies would never purposely damage their employees' morale by harping on the negative. They would never risk sending a message to vendors and customers that they might want to take their business elsewhere by relentlessly painting a picture of failure. But the Postal Service's top leaders have routinely done it.

Why? The answer lies in the title of the press release: "U.S. Postal Service Records Loss of $354 Million in First Quarter, Underscoring Need for Comprehensive Legislation." The Postal Service appears to be willing to commit financial malpractice in order to convince Congress to adopt a plan devised in 2009 and 2010 to slash service and cut jobs to deal with a then-immediate crisis that has largely dissipated. It seems to think it must hide any evidence of the Postal Service's comeback to convince Congress that it is still 2009—so that it can degrade its retail and delivery networks and attack its workforce.

This strategy is recklessly risking the destruction of the Postal Service. The legislation reported out by the House Oversight and Government Reform Committee in 2013 embraces the false impression that the Postal Service is failing and hopelessly insolvent. It provides no relief on pre-funding and calls for a radical downsizing of the Postal Service, even though the Postal Service has emerged as the star of the e-commerce boom—FedEx and UPS would have died for our coverage during the holiday season.

The bill that emerged from the Senate Homeland Security and Governmental Affairs Committee was poisoned with the same outdated mentality of failure. It would, nonsensically, end door delivery to businesses and pave the way for the elimination of Saturday delivery at a time letter carriers are using their personal contact with companies to generate new revenues through Customer Connect and city carriers are making history with Sunday and same-day deliveries for Amazon.

NALC is determined to stop the Postal Service from self-destructing. We are not doomed—but the Postal Service's outdated legislative strategy certainly is.