

USPS reports \$1.2B operating profit; Canada reconsidering door delivery? More



On Nov. 13, the U.S. Postal Service announced that it had made \$1.2 billion in operating profit in Fiscal Year 2015.

“This marks the second consecutive year in which the Postal Service’s operating profit has exceeded \$1 billion,” NALC President Fredric Rolando said in a statement following the release of the agency’s 2015 financial report. “This is a remarkable achievement for a government entity that receives no taxpayer money and whose business model until recently was seen by some as being unsustainable.

“Equally important,” he said, “this impressive performance results from two ongoing structural factors: As the economy continues to improve from the worst recession in 80 years, letter revenue is stabilizing. And as the Internet drives online shopping, package revenue is skyrocketing, boding well for the Postal Service’s future.”

The president observed that the annual report arrived just as USPS was preparing for its busiest time of year.

“Historically, the Postal Service does well financially during a fiscal year’s first quarter, since that October-through-December period includes the always-busy holiday season,” Rolando said.

That’s expected to be all the more true this year, he said, given that USPS was projected to deliver 15.5 billion pieces of mail in December—not only cards and letters, but also an estimated 600 million packages, with the latter an increase of 10.5 percent over last year’s volume.

The president said that these financial results were neither a fluke nor a one-year wonder. “Fiscal Year 2015 is the third straight year when the Postal Service has recognized an operating

profit—that is, the money it earned by selling stamps and services exceeded the costs of delivering the mail.”

In fact, he said, in the past two years alone, USPS’ earned revenue actually left its operations \$2.4 billion in the black. Moreover, the changes stem from structural factors—an improving economy and the increase in online shopping.

“Any talk of deficits, losses or red ink has nothing to do with the mail,” Rolando said, “but rather with congressional politics: the 2006 decision by a lame-duck Congress to compel the Postal Service to pre-fund its future retiree health benefits.”

USPS is alone among public and private entities in the United States in being required to pre-fund these benefits, he noted. “No one is obliged to do this for even one year in advance,” Rolando said, “yet the 2006 law forced the Postal Service to pre-fund 75 years’ worth of future retiree health benefits.”

“If Congress fixes the pre-funding fiasco it created,” the president said, “the Postal Service will be able to focus on addressing the evolving communications landscape while continuing to provide its customers—residential and commercial alike—with the world’s most-affordable delivery network.”

The Associated Press story about the report noted the Postal Service’s \$1.2 billion operating profit in Fiscal Year 2015 and other positive news, and it quoted two people—NALC President Fredric Rolando and USPS Chief Financial Officer Joseph Corbett, with Rolando quoted more than Corbett.

The *Federal Times* story had a good headline (“Postal Service revenue gain allows ‘limited flexibility’ to invest”) and it did an effective job of getting in both good and bad financial news. The

The flawed report from the Brookings Institution



story quoted USPS Postmaster General Megan Brennan, Corbett and Rolando, who was quoted more than the other two combined.

The *Washington Examiner's* story quoted Rolando more than anyone else, and it noted that taxpayers don't fund USPS.

Government Executive's story quoted Rolando and Brennan equally, stating that this was the third consecutive year USPS' revenue had exceeded its controllable costs and that its \$68.9 billion in fiscal 2015 revenue was a 1.6 percent increase over the previous year.

Bad Brookings paper —still wrong

Even though it has been thoroughly debunked in a number of arenas, a Sept. 18 Brookings Institution study—calling for Congress to partially privatize the U.S. Postal Service—continues to be referenced in news reports. So on Oct. 19, President Rolando sent a strongly worded five-page letter to the paper's author, Elaine Kamarck, asking her to withdraw it.

"Dismantling the USPS as you have suggested would cause a death spiral in the surviving public enterprise," Rolando wrote. "I am frankly stunned by the errors and omissions in this paper and appalled by the recommendations it offers."

In the letter (posted at nalc.org), the president took the opportunity to correct a number of the paper's mistakes. "The Postal Service has not reported massive losses in recent years because of the Internet or the inability to cut costs," he wrote. "The financial crisis at the Postal Service was manufactured by Congress in 2006 when it imposed pre-funding.

"USPS package delivery and revenue are booming," he wrote, "and

Standard Mail volume and other mail segments are growing again as the economy recovers from the Great Recession.

"The Postal Service does not face a crisis of obsolescence," Rolando wrote. "In the age of the Internet and e-commerce, universal last-mile delivery is becoming more important, not less. The main problem facing the Postal Service is bad public policy."

The president wrote that one possible solution, embraced by all of the major postal industry players in recent years, would be the full integration of USPS retiree health benefits with Medicare.

"In fact, the unions have coalesced around several other reforms," he wrote. These include investing the Postal Service Retiree Health Benefits Fund in private-sector stock index funds, applying private-sector standards to USPS pension valuations, providing financial services through the nation's post offices, and enacting the right to vote by mail in all federal elections.

"While private companies can choose to serve or not serve whole areas of the country and effectively limit themselves to profitable areas by setting prices in ways to ensure profitability," he said, "the USPS is required by law to deliver it all.

"Breaking up the Postal Service into a 'universal service' public enterprise and a 'competitive' private enterprise makes no sense, logically or economically," Rolando wrote, "because it would destroy the economies of scale and scope that make the Postal Service so valuable. Indeed, that's why UPS and FedEx are among the Postal Service's largest customers.

"Your paper makes no attempt to analyze the implications of your

proposal," the president wrote: "how it would affect millions of businesses and households, what it would do to the broader mailing industry and how it would affect nearly 500,000 postal employees. Unfortunately, the recommendations in your paper would effectively destroy the Postal Service."

As this issue was being prepared, Kamarck wrote a reply to Rolando, indicating that she intended to revise her paper, taking the president's points into account.

Could Canada Post ditch cluster-box conversions?

In September, Sen. Tom Carper (D-DE) introduced S. 2051, a postal bill that President Rolando has called a "good place to begin the conversation about how to preserve and strengthen the Postal Service"—although the bill's many flaws prevent NALC from supporting it.

One such flaw is the bill's language encouraging the conversion of door delivery access points to cluster or curbside delivery points for residential and business customers, on a voluntary basis requiring customer consent.

"NALC has adamantly opposed inclusion of this language and will fight for its removal," Rolando said. (Read more

its removal,” Rolando said. (Read more about S. 2051, also known as iPost, in the October *Postal Record*.)

But while Carper has recently signaled a willingness to call for making such conversions voluntary, an article on the “Save the Post Office” blog speculated that the recent national election outcome in Canada could spell the end of Canada Post’s announced plans to end door-delivery of mail there.

“Canadians have not been happy about the conversions,” Save the Post Office notes, “and the issue probably played a role in the election.”

In fact, part of the platform of incoming Prime Minister Justin

“The lessons from Canada’s elections can teach us here in the United States a lot about the importance of staying active and informed regarding political issues,” Rolando said. “If we all pitch in and make a strong case for positive postal reform, imagine the effect it could have on the outcome of next year’s elections.”

Visit nalc.org for a link to the “Save the Post Office” article and to read a statement by Canadian Union of Postal Workers President Mike Palecek.

In the news media

In a letter to the editor in the Nov. 10 *Washington Times*, NALC President Fredric Rolando explained Postal Service operating profits and the bedrock values and principles that USPS represents.

Gainesville, FL Branch 1025 member **Alan Symonette**, NALC’s 2015 Eastern Region Letter Carrier Hero of the Year, was featured in a Nov. 9 front-page story in *The Gainesville Sun*.

Branch 84 letter carrier **Sean Matulevic** was the focus of a Nov. 6 feature story in the *Pittsburgh Post-Gazette*. Matulevic, a city carrier assistant at the time, broke down a door to an apartment in June and rescued a 14-year-old boy from a fire. Matulevic, who received a Postmaster General Hero Award for his effort, became a full-time letter carrier in October.

Grand Rapids, MI Branch 56 letter carrier **Tom Nauta** was featured in an Oct. 30 story on WOOD-TV about

his retirement following 52 years of service with USPS.

Maine Merged Branch 391 member **John Curtis**, recipient of NALC’s 2015 Education Award, was featured on Oct. 29 in a story about the honor in Blue Hill, ME’s *The Weekly Packet*.

Canton, OH Branch 238 letter carrier **Ray Bourquin**, an Army combat veteran of Vietnam, was featured on Oct. 28 in a story in Canton’s *The Repository* about having a bullet finally removed from his hip nearly 50 years after being shot in the war.

Kinston, NC’s *Free Press* ran a story on Oct. 22 about Kinston Merged Branch 1044 member **Mitch Hamilton**, who received a certificate of recognition for assisting an elderly customer during a snowstorm in February. The story also noted that Hamilton’s fellow Branch 1044 member, **Terry Moten**, was honored at the same time for his 35 years of federal service—25 with USPS and 10 with the Marine Corps.

Carmichael, CA Branch 4494 letter carrier **Scott Gallegos**, NALC’s 2015 National Hero of the Year, received a certificate on Oct. 18 from Rep. Ami Bera (D-CA) in recognition of that heroism. A story about the honor aired on Sacramento’s KTXL-TV.

Idaho State Association President **John Paige’s** letters promoting mail-in balloting ran in Twin Falls’ *Times-News* on Oct. 11 and in *The Idaho Statesman* on Oct. 18.

On Sept. 25, Chicago Branch 11 letter carrier **Gary Reategui** rescued a UPS driver who was being attacked by a pit bull on Reategui’s route. The letter carrier’s heroism was covered in a story by WBBM-TV.

Links to these stories and more can be found in the Postal Facts section of nalc.org. **PR**

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Trudeau specifically stated that his administration intends to halt plans to end door-to-door mail delivery in Canada. “We will begin a new review of Canada Post to ensure that [it] is fulfilling its public mandate to provide high-quality service at a reasonable cost to Canadians—urban, suburban, and rural.” The platform also noted the party’s strong disagreement with the previous administration’s decision “to ask Canadians to pay more for a reduced quality of service.”