

NALC president tells Senate committee consensus postal reform is possible

USPS financial report shows strong profits so far for 2016

On Jan. 21, NALC President Fredric Rolando was among those called to testify before a Senate committee hearing on the financial state of the U.S. Postal Service.

“We are pleased that the Senate Homeland Security and Government Affairs Committee is taking the opportunity to examine the reality of the Postal Service prior to advancing any postal reform package,” Rolando said in a statement before the hearing. “NALC is proud to be a part of this conversation and is encouraged that the committee has called upon us to address legislative and regulatory burdens, such as the pre-funding of future retiree health benefits.”

NALC President Fredric Rolando testified before the Senate’s Homeland Security and Government Affairs Committee (HSGAC) during a hearing to discuss the “Reality of the Postal Service.”

Rolando’s testimony focused on the effect of the 2006 congressional pre-funding mandate. He called on the committee, which has Postal Service oversight, to address three major impediments:

- pre-funding, which accounts for 86 percent of USPS’ \$57 billion in reported losses;
- the policy that requires all postal retirement funds to be invested in low-yielding Treasury bonds; and
- the scheduled expiration in April of the 4.3 percent exigent rate increase.

“NALC has suggested a variety of legislative measures to address the pre-funding mandate,” the president told the committee. “Reforms to the Federal Employees Health Benefits Program [FEHBP] to maximize participation in Medicare among eligible postal retirees would all but eliminate the \$50 billion unfunded liability for future retiree health, while raising Medicare spending by less than two-tenths of 1 percent annually.”

The committee paid particular attention to investment of the retiree health benefits fund, and Rolando called on senators to “undertake prudent investment change to raise the long-term rate of return on the retiree health fund’s assets, to achieve pre-funding goals, to offset the cost of postal Medicare integration, to relieve upward pressure on postage rates, and to reduce the misguided impulse to cut services.”

Rolando said that the pension accounts under the Civil Service Retirement System (CSRS) and the





Federal Employees Retirement System (FERS), when combined with the postal retiree health benefits fund, account for nearly \$340 billion in Treasury securities. “That makes the Postal Service and its employees the third largest creditor of the U.S. federal government,” the president said, “just behind China and Japan.”

“No private company in America would invest its retirement assets in such an unsophisticated way,” he said, “especially during a period when Treasuries are yielding 2 to 4 percent returns while health care costs grow 5 to 7 percent annually.”

During the hearing, much attention was focused on a discussion of the consensus among those with particular interest in USPS around the principles of successful postal reform, including:

- stabilizing postal finances by making the exigent increase permanent while freezing capped postage rates until the Postal Regulatory Commission’s (PRC) review is complete;
- resolving the pre-funding burden by maximizing Medicare participation among postal participants covered by FEHBP; and
- sensibly changing the way USPS invests the retiree health fund.

“All four unions, the Postal Service and a wide range of companies providing financial services, pre-



scription drugs, newspapers, direct mail products and e-commerce sales have agreed on a set of principles,” Rolando said. “Our coalition’s recommendations are grounded in best private-sector practice, and are drawn from the consensus provisions of Senator [Tom] Carper’s bill [S. 2051]. They represent the measures on which the coalition could agree while remaining confident that they would stabilize the Postal Service for years to come—which will allow the Service to adapt to meet the evolving needs of the nation.”

Later, the president acknowledged that some mailers have pressed for many of the same reforms as NALC’s broader coalition—except for any reform that includes room for an increase in postal rates. “We’re proud to be a part of the broader coalition that includes mailers who have stepped up to embrace the bigger postal picture,” Rolando said, “and who understand that rate increases might be part of that picture.”

“My goal for today’s hearing is to focus the committee on the places where the Postal Service needs the most immediate help and where we can find agreement on solutions,” said Sen. Ron Johnson (R-WI), the committee’s chairman (above left).

Johnson showed particular interest in the stakeholders’ consensus plan. “In terms of what we must do from my standpoint,” he said, “you’ve got a four-point plan. Having done this a couple of years ago—and having the scars on my back trying to come to a compromise solution—what are the areas of agreement? What are the things we must do? “I know Senator Carper wanted a touchdown,” Johnson said, “but maybe we should be thinking about a field goal: What are the things that we absolutely must do to avoid a real calamity in terms of [the Postal Service] and pricing, and what is even possible to do here in the short term?”

Also testifying at the hearing were Postmaster General Megan Brennan, Postal Regulatory Commission Acting Chairman Robert Taub, General Accountability Office Director of Physical Infrastructure Lori Rectanus, outgoing USPS Inspector General David Williams, former Treasury Department Chief Restructuring Officer James Millstein, National Newspapers Association President John Hutcheson and Domtar Paper Company's Rothschild Mill General Manager Kathy Collins.

News coverage of the hearing

Washington Post columnist Joe Davidson, who writes the popular "Federal Diary," devoted his entire Jan. 21 column to the hearing, with Rolando the first person quoted, followed by Brennan, Carper and others. No one was more quoted in the article than Rolando; Davidson quoted him referring to recent billion-plus annual operating profits being "totally wiped out" by pre-funding charges.

Davidson went on to note that some lawmakers, unions and customers previously had taken a stand against eliminating Saturday delivery, and said, "The Postal Service got the message." A USPS spokesman acknowledged as much and said the agency now is advocating for the proposals "capable of gaining broad support" about which Rolando testified.

This particular "Federal Diary" column was distributed to newspapers across the country via the *Post's* news service (e.g., in Keene, NH's *Sentinel Source*) as well as via the Associated Press (e.g., in the *Reading [PA] Eagle*).

The *Government Executive* story's headline cited the urgent need for

reforms by Congress. Rolando played a prominent role in the Jan. 21 story, speaking for the consensus effort and then providing an upbeat concluding quote:

"While no one appears to be completely satisfied with the senator's bill, there is some optimism. 'It's not perfect,' Rolando said. 'It needs work. But we'll get there.'"

Politico's well-read Jan. 22 short item on the hearing focused solely on Rolando, NALC and pre-funding, while *Federal Times'* Jan. 21 story had this paragraph high up:

"But the panel said the most significant issue fueling the service's losses is a 2006 law that requires it to pre-fund retiree health benefits, a condition that applies to no other federal agency."

For links to these stories, visit nalc.org, where you also can watch a video of Rolando's appearance, download his submitted testimony and read his full pre-hearing statement.

Another profitable quarter

On Feb. 9, USPS released its

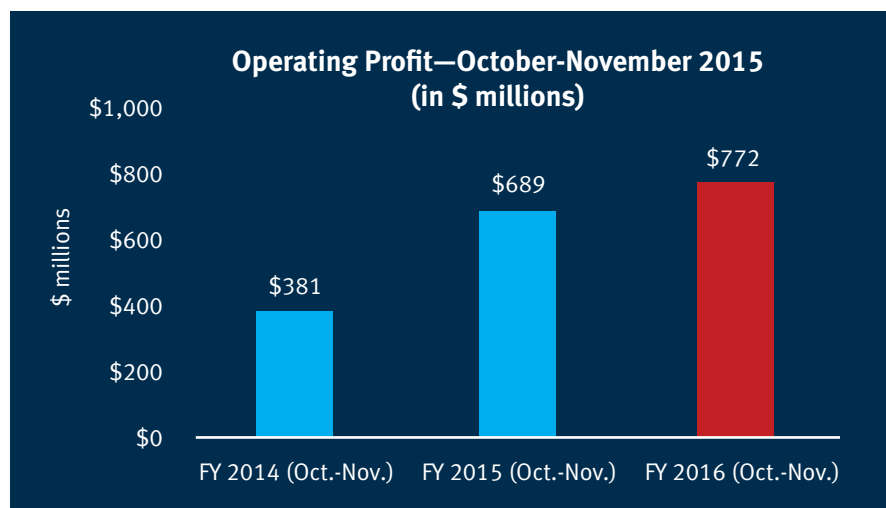
financial report for the first quarter of Fiscal Year 2016, covering October through December of 2015. The report showed a \$1.3 billion quarterly operating profit, a fact that Rolando called "positive news that augurs well for the future."

"The continuing financial upswing shows the importance of maintaining and strengthening the unparalleled—and profitable—postal network, which offers Americans the world's most affordable delivery services," he said in a statement.

Rolando noted that this impressive performance at the start of FY 2016 builds on back-to-back years of operating profits each exceeding \$1 billion, all without relying on a dime of taxpayer money.

"These results aren't a fluke," he said. "They stem from two structural factors: an improving economy has helped stabilize letter revenue, and Internet-driven online shopping has sent package volume sharply upward—up 16.2 percent over the first quarter of last year."

The president said that this latest



bit of good news was consistent with—and reinforces—the emerging consensus on practical postal reform embraced by key lawmakers, the Postal Service, postal unions, businesses, mailers and industry groups.

“Such reform should include stabilizing rates,” Rolando said, “as well as addressing the pre-funding mandate that is responsible for the red ink that’s been reported in previous quarters.”

News coverage of the quarterly report contained a great deal of input from NALC; in fact, more than from any other source.

On the day of the report’s release, the story by the Associated Press—the wire service used by thousands of newspapers, TV and radio stations, and online news outlets around the country—quoted Rolando, Brennan and USPS Chief Financial Officer Joseph Corbett, but Rolando was quoted at greater length than Brennan and Corbett combined. The AP story was carried by outlets such as ABC News and *The New York Times*.

Rolando also was quoted extensively in stories about the report by Federal News Radio, *The Hill*, *International Business Times* and *Linn’s Stamp News*, as well as in *The Chief-Leader*, a New York City-based weekly for all levels of government employees. And the president figured heavily in a Feb. 14 “Federal Diary” column about the report by *The Washington Post*’s Joe Davidson.

Catching up on news coverage

President Rolando had a strong letter in the *Las Vegas Review-Journal*—posted online on Sunday, Jan. 10, and printed as the lead letter in

the paper the next day—that effectively rebutted an editorial that had misrepresented the Postal Service’s financial situation. Rolando also offered readers a number of things to think about regarding USPS.

Rolando had a lengthy commentary piece posted on the home page of *The Daily Caller*’s website on Jan. 8. The piece responded to an article by Brian McNicoll, a conservative freelancer. *The Daily Caller* is one of the leading online conservative news and commentary websites.

The president had a commentary piece in the Dec. 23 *Echo Press*, which serves Alexandria, MN. The piece corrected a Dec. 16 editorial the paper ran that, while talking about USPS’ importance, also blamed the Internet, unions, pensions and more for alleged poor customer service at the Postal Service.

NALC Executive Vice President **Timothy O’Malley** had a letter to the editor in the Feb. 2 *Washington Post*, effectively rebutting a Jan. 27 editorial that was largely negative, although it did manage to acknowledge the “onerous” nature of pre-funding. O’Malley’s letter explained that the growing consensus on postal issues is in fact based on a recognition that, with the Postal Service’s financial turnaround, degrading now-profitable networks “would be counterintuitive and counterproductive.” Following O’Malley’s letter—in print and online—was one from Sen. Carper, who registered his own concerns with the editorial and who highlighted NALC in his letter.

NALC Chief of Staff Jim Sauber’s comments in a Dec. 15 *Washington Post* story on rental trucks and holiday deliveries not only helped to

shape the perspective and improve the quality of the story, they helped lead to USPS being the first agency mentioned in the story.

Idaho State Association President **John Paige’s** letter to the editor of the *Idaho Statesman* ran on Jan. 14. It also ran in Twin Falls’ *Times-News* on Jan. 23.

York, PA Branch 509 letter carrier **Brian Durgin** was featured in a Dec. 20 “on the road with a letter carrier” story on local Fox TV affiliate WPMT-TV.

New Jersey Merged Branch 38 letter carrier **Garfield Scott** was featured on FiOS 1 News in New Jersey on Dec. 17. He recently saved a woman’s father by breaking down the elderly man’s front door and finding him on the floor after he had a stroke. Scott, who also is an EMT, rendered aid—and then went back to delivering his route. (Read more about Scott’s heroism on page 25.)

Royal Oak, MI Branch 3126 letter carrier **John Dick** was featured in a Dec. 10 story for Royal Oak’s *Daily Tribune* about his work helping to deliver answers to letters to Santa Claus. The story was picked up by the Associated Press and appeared in such news outlets as *The Detroit News* and *The Washington Times*, as well as on WWTW-TV and WFQX-TV.

Camden, NJ Merged Branch 540 President **Chuck Goushian** had a letter to the editor in the *Courier-Post* on Dec. 31. Goushian’s letter responded to a Nov. 17 commentary in the paper that bore the headline, “Get government out of postal business.”

You can find links to these and other news stories on the Postal Facts page at nalc.org. **PR**