

USPS shows operating profit for Q2

On May 10, the U.S. Postal Service released a report on its financial performance for the second quarter of Fiscal Year 2017, covering January, February and March of 2017.

The report showed an operating profit of \$12 million, putting USPS in the black by \$533 million at the halfway point of Fiscal Year 2017, which ends on Sept. 30.

“The financial report shows the underlying business strength of the Postal Service while also indicating the need to address external matters beyond USPS’ control,” NALC President Fredric Rolando said in a statement, noting that since the start of FY 2014, postal operations have a total operating profit of \$3.7 billion.

“That’s impressive for a government entity that earns its revenue and gets no taxpayer money while enjoying strong public and political support,” Rolando said. “It shows the importance of strengthening the unparalleled postal network—the centerpiece of a \$1.3 trillion national mailing industry that provides 7 million private-sector American jobs.”

The president pointed out that as positive as this report was, the pre-funding of future retiree health benefits and last year’s rollback in stamp prices are two key matters that need to be addressed going forward.

“The reported red ink in recent years has stemmed from a factor unrelated to postal operations,” Rolando said: “the 2006 congressional mandate that the Postal Service—alone among all public and private entities—pre-fund future retiree health benefits, at an annual cost of \$5.8 billion.”

The president added that the second-quarter report would have reflected revenue about \$500 million higher if it weren’t for the 2016 rollback of first-class stamp prices from 49 cents to 47 cents—

the first rollback since 1919.

“That made little sense,” Rolando said, “because USPS already has the industrial world’s lowest rates.” The rollback reduces postal revenue by \$2 billion per year, he said.

The Postal Regulatory Commission (PRC) could hold the key to solving the postage-pricing problem, he said.

“The PRC is reviewing the postage rate-setting system, with a decision scheduled for later this year,” Rolando said, adding that NALC is fully participating in the review, which is required under the 2006 Postal Accountability and Enhancement Act (PAEA), the law that not only mandated the pre-funding burden but also set a 10-year cap on the level to which USPS could raise some of its prices—tying any adjustments to the general Consumer Price Index (CPI).

PAEA also gave the PRC the ability to let the Postal Service increase rates beyond the cap in emergency (or “exigent”) circumstances. This happened in 2013, when a 4.3 percent exigent hike took the price of a first-class stamp from 47 cents to 49 cents as a way of helping USPS recover from the precipitous drop in mail volume and revenue that resulted directly from the Great Recession. Despite NALC’s best efforts to find a way to make the increase permanent, the PRC ended it in April of 2016.

Following its review, the PRC could choose to modify its current rate-setting system, opt to make no changes to it at all or come up with a brand-new system. No matter what course the PRC takes, the impact of pre-funding will necessarily play a role in the agency’s decision-making process. (For a more detailed report on this ongoing rate review, see the February *Postal Record*, available for download at nalc.org.)

Another solution to USPS’ financial situation may lie with legislation before the House of Representatives—specifically the Postal Reform Act of 2017 (H.R. 756) and the Postal Service Financial Improvement Act of 2017 (H.R. 760). The House Oversight and Government Reform Committee approved both bills in March. H.R. 760 now awaits consideration by the full House, while sections of H.R. 756 must be reviewed by the House Energy and Commerce Committee and the House Ways and Means Committee before the bill can proceed further along the process. (See “Postal reform’s road map through Congress” on page 24 for a fuller explanation of the next steps for both bills.)

“Addressing the external financial burdens posed by the price rollback and by pre-funding would allow USPS to continue to provide Americans and their businesses with the industrial world’s most-affordable delivery network,” Rolando said.

Many media outlets and publications that covered the quarterly report’s release—including *Government Executive* and Federal News Radio—also quoted Rolando’s statement. So did the Associated Press, whose article was carried in major news sources such as *The Washington Post*, *Chicago Tribune* and ABC News.

Resolution support growing

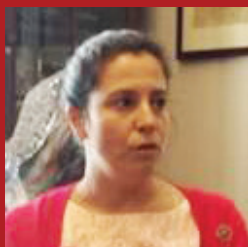
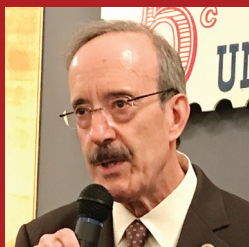
At press time, more than half of the voting members of the House of Representatives—225—had signed on to H.Res. 28, the non-binding resolution that calls on the Postal Service to do what it takes to maintain door delivery of the mail for all residential and commercial mailing addresses that currently enjoy that service.

Congressional visits

In late April, letter carrier activists from the New Jersey State Association of Letter Carriers traveled to Washington, DC, on their annual trip to lobby members of Congress on issues important to their fellow NALC members. Pictured at right are activists meeting (from l) with Reps. Chris Smith (R 4th), Josh Gottheimer (D 5th) and Rodney Frelinghuysen (R 11th).



In mid-May, activists from the New York State Association followed suit. Pictured at left: activists met with Sen. Kirsten Gillibrand (D). Below, from l: Speaking with New York activists at a congressional reception at NALC Headquarters were Reps. Thomas Suozzi (D 3rd), Carolyn Maloney (D 12th), Adriano Espaillat (D 13th), Claudia Tenney (R 22nd), Paul Tonko (D 20th) and Eliot Engel (D 16th). Letter carriers visited (bottom row, second from l) Reps. Elise Stefanik (R 21st), Grace Meng (D 6th) and John Faso (R 19th).



Although resolutions do not carry the force of law, they do indicate to congressional leaders how members would likely vote should an actual bill on the subject reach the floor for consideration. This is why it's so important for NALC members to lobby their representatives to sign on to these resolutions.

Meanwhile, H.Res. 15, which calls for maintaining six-day mail delivery, had 202 co-sponsors, while H.Res. 31, the resolution pressing for the Postal Service to return to its 2012 service standards, had 170.

One bright indication that letter carrier activism on these resolutions gaining some traction on Capitol Hill is that a number of states can claim that their House delegations support all three of these NALC-backed measures, Alaska, Hawaii, New Hampshire, Rhode Island and South Dakota. Others are quite close to reaching that milestone, including New York and New Jersey, which are just

a co-sponsor or two away from achieving similar bragging rights.

While majority co-sponsorship of these resolutions is a positive thing, Rolando encouraged letter carrier activists not to be satisfied with "good enough" when it comes to support for these measures.

"Attend a town-hall meeting," he suggested. "Make phone calls. Write letters. Showing an elected representative that you chose to spend some of your valuable time making the case for a subject you're passionate about could mean the difference between a 'yea' or 'nay' vote on a crucial piece of legislation."

In the news media

On May 15, *The Atlanta Journal-Constitution* published online a commentary piece by President Rolando that noted, among other things, how pre-funding disguises the actual profits earned by postal operations. Rolando's commentary was set to be run in the paper's print edition after this magazine went to press.

The NALC president had a guest editorial in Marshalltown, IA's *Times-Republican* on May 4. His piece informed readers in north-central Iowa about postal finances, the value of USPS and letter carriers, and the way forward legislatively.

A commentary by Rolando ran in Sunday, April 23's *Billings Gazette*, the biggest circulation day for Montana's largest newspaper. The president's piece responded to an earlier news story that discussed delivery problems in the state. The piece also ran on May 1 in the *Montana Standard*.

On April 20, the American Legion published an online story about three of NALC's 2016 Heroes of the Year who are military veterans. The organization plans to publish the story in a future edition of the monthly *American Legion* magazine, which has 2.2 million readers.

Find links to these and other stories filed under "Postal Facts" at nalc.org. **PR**