# A time to focus on the long game

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**The Postal Service is not** a free agent. It is subject to constraints no other enterprise faces—it has its own dedicated regulator, the Postal Regulatory Commission (PRC), and is the creation of Congress. The PRC has extraordinary power to regulate postage and postal services, while what Congress has created, it can destroy—by intention or through neglect.

These inescapable facts make it imperative that postal management exhibit focus and common sense in the face of a very fragile economic and operating environment. Let's review the situation.

**On the one hand, after an** amazing comeback from the Great Recession that saw the Postal Service return to operational profitability following a painful restructuring, the agency is expected to go into the operational "red" this year. This is because the PRC allowed the recession-related "exigent increase" to expire last year, costing the Postal Service $2 billion in annual revenues. The PRC's decision to make the exigent increase temporary was clearly misguided, given the permanent decline in mail volume that occurred following the recession.

Fortunately, the PRC has the chance to rectify this error and adopt a more flexible and sensible rate-setting system. That's because our regulator, which is operating with less than a full complement of presidentially appointed commissioners in place, is now in the process of a mandatory 10-year review of the rate-setting process established by the Postal Accountability and Enhancement Act of 2006.

That law called for a price index system that tied postage rate hikes to increases in the Consumer Price Index (CPI) for the first 10 years. After that, the law required the PRC to establish a new rate-setting system if, during its 10-year review, it finds that the system is failing to reach the law's objectives.

That failure is self-evident. The current system clearly does not allow the Postal Service to pay for the pre-funding mandate, much less reach financial stability on an operating basis. So, the PRC will have to devise something new—and all of the Postal Service's stakeholders will have to weigh in on the right approach.

**On the other hand, the Postal Service is operating without** a functioning board of governors (all nine presidentially appointed seats remain vacant) and Congress has so far failed to enact sensible postal reform legislation. That means the clock is ticking and pressure is mounting.

Congress cannot control the glacial pace of presidential appointments from the Trump administration. But Congress could certainly address the disastrous policy—which forces the Postal Service, and only the Postal Service, to pre-fund future retiree health benefits decades in advance—and do so without attacking the agency's two most important assets: its employees and its networks. Legislation to do this also would make easier the PRC's challenge to develop a more appropriate rate-setting system. We've been working for years with our allies in the other postal unions and the mailing industry to enact such postal reform. It is not clear whether Congress is capable of acting in time, if at all.

**So where does that leave the Postal Service at this crucial** moment?

Clearly, postal management must balance its need to achieve financial stability with the need to maintain affordable quality service, with or without a board of governors in place. As management approaches issues of staffing, mail volume and network structure, it must also balance short-term financial objectives with long-term operational capacity. As it does so, management should not compromise the workforce and networks that are vital for long-term health.

NALC is prepared to partner with postal management to make sensible decisions in the months ahead. Our new contract gives us the tools to address operational problems that lead to waste and inefficiency—and to change a workplace culture that breeds discontent. But for those tools to work, we must have confidence that management knows the importance of nurturing a quality workforce and protecting the integrity and capacity of our networks for the future.

We can all be proud of the Postal Service's comeback in recent years. Thanks to the hard work of letter carriers and other postal employees, USPS has emerged as an industry leader in e-commerce delivery even as we preserved our core letter-mail business. The Postal Service has rebuilt its cash reserves to a healthier level. Our pension funds are well funded by private-sector standards, despite being forced into sub-optimal investments. And we've managed to sock away $50 billion toward future retiree health benefits costs—a level of pre-funding unmatched in the private economy.

Now that we face some financial headwinds from the loss of the exigent revenue, softness in some of our letter-mail business and the failure of Congress to act, the leadership of this institution must maintain its focus in the months ahead. It should conserve our cash, protect our vital networks, preserve the quality of service and ensure that no operational decisions weaken our ability to grow and adapt.

Let us play the long game.