

Post Office in crisis: the real story

For those of you who have followed postal issues including the latest press release from USPS headquarters your outrage is well placed. For the rest of you this article is an overview of a scandal every bit as outrageous as the banking crisis and driven by the same motivator, pure greed.

To tell the story of the demise of what we have come to know as the United States Postal Service (USPS) you need not look at the economy, mail volume or reductions in first class mail volume. It isn't the fault of overcompensated employees, 6-day delivery or having to service rural America. The current state of the Postal service was ensured the moment President Bush signed into law the Postal Accountability and Enhancement Act of 2006 (PAEA). Like every other bill in Washington was given a positive sounding name, which doesn't reflect the intent or its effect on the American people.

To completely understand the devastating effect of PAEA lets look at how the USPS operated pre PAEA. In 1970 to end the political firestorm every time stamp increases were announced congress passed legislation making the Postal Service self-funding. This created the USPS out of the Postal Department and placed the USPS on a three-year cycle for stamp increases. Profitable first year, break even second year and operating at a loss the third year until the next stamp increase repeated the cycle. Using this formula the USPS's speed of delivery increased and the cost of the stamp increased *less* than the rate of inflation while paying over 100% of its employees retirement obligation and paying 100% of its current and retirees health care costs from 1970 until 2006. The USPS had the lowest postage rates and highest service in the world. The USPS was an extremely rare governmental success story and the most trusted government agency by the American people.

The PAEA of 2006 mandated that the USPS prefund its retirement health care obligation for current employees. No public or private employer is mandated to do this prefunding, only the USPS. The scant few companies that do prefund retirement healthcare fund at 30% of the forecasted obligation. The USPS was mandated to prefund a 100% of the obligation. The normal actuary tables would have the USPS prefund this obligation over a 75-year time frame. The USPS was mandated to prefund 100% of future healthcare obligations in ten years. The cost of this prefunding to the USPS averaged 6 billion dollars per year. At the inception of the PAEA in 2006 the USPS was a 70 billion dollar a year government service entity mandated to have revenue equal expenses, there was no profit margin as that would effectively be a stamp tax on the American people. There were no existing funds to

pay the 6 billion dollar a year cost of prefunding retiree healthcare, PAEA forbade any increase in postage rates to cover this cost. The PAEA further limited rate increases for stamps and services to a rate of inflation not the actual cost increases of fuel and expenses that worked so well for four decades. The effect of PAEA was to make the USPS run at a 6 billion dollar a year loss for ten years. Given all this information in 2006 the Postmaster General touted the PAEA as noting less than the salvation for the USPS. Postmaster John Potter and his staff from USPS headquarters testified and promised congress that the USPS could afford this enormous financial burden through cost savings and pressed for passage of PAEA.

This begs the question why? Why would the Postmaster General abuse his position of public trust and press for a law that would ensure the USPS would not have the funds to operate? In a word, GREED. Also in the PAEA were provisions to increase the compensation of the Postmaster General and his staff through salary, bonuses, increased retirement benefits and deferred compensation into "special" retirement funds. It didn't take long for the Postmaster Generals yearly compensation to double that of the President of the United States and quadruple that of Generals and Admirals who make life and death decisions as part of the job.

Fast forward to yesterday where the Postmaster General Patrick Donahoe (a close colleague of John Potter) announced a plan to break labor agreements by laying off 120,000 employees, take control of the employees health care and retirement funds and use these funds as a way to keep the USPS financially solvent. Donahoe states the USPS has lost 20billion dollars in the last four years and mail volume has dropped 20%. These facts may be true but are very misleading. The reason the USPS lost any monies during this unprecedented recession/depression is the congressional requirement to make the payments to prefund retirement. Had PAEA not been enacted the USPS would have operated at a small profit during this traumatic period. Lets be clear there is no fund with money for postal worker retirement health care in it. That money was spent by the federal government the second it arrived. So in effect congress has enacted another unfunded program where the money is spent and an I-owe-you is placed in its place.

The USPS and the American Postal Workers Union were in contract negotiations for over 8 months and the union made many concessions in exchange for a contract that maintained the health care and retirement of its members to be administered just like all other federal employees. Postmaster Donahoe signed this contract May 23rd 2011. Not even three months later he is asking congress to break this contract to lay off 120,000 workers and allow him to use healthcare and retirement funds to balance his books. However the concessions made by the workers would still be contractually binding. These are the actions of someone bereft of integrity and devoid of honor.

The actions of the principals responsible for the banking crisis are the same as those by Postal Headquarters. Blatant self interest with the comfort of knowing when the bubble bursts they will not pay the price, it will be the American people. Bonuses

have no place in public service. A fair days wage for a fair days work? Absolutely. At the end of the day every public employee should be motivated by one thing, to serve the American people to the best of their ability. It only took one generation of postal management to take the USPS from a culture of service to the American people to a "company" that is in the business of "making money". No kidding this is the kool-aid that is being drunk at L'enfant Plaza. We pay no property taxes, have a monopoly on mail service, are exempt from state sales taxes and we do not have to even license our vehicles or insure them. We are not a company we are a government service. If we consistently make money on our products then we are overcharging the American people, the owners of the postal service.

The Bush administration in its war on the working class took direct aim with the PAEA and their insistence of the prefunding of healthcare. They knew full well three things would happen: one, the USPS would be out of money no matter how hard they tried to cut costs and run more efficiently, two this would force concessions from the workforce that otherwise were not needed and three the USPS in an attempt to stay financially solvent would be forced to destroy its own infrastructure aiding private sector competition and push toward privatization. In their sick, warped view a job that keeps a family off food stamps, out of subsidized housing and not dependent on government health care is one with "excessive compensation" and to be able to retire with dignity makes one part of the "privileged class". There is no crisis at the USPS that is not politically induced and easily solvable. An additional 120,000 workers unemployed would further suppress a struggling economy. The measures suggested by Postmaster General Donahoe would be laughable if not so ominous their precedent. The whole point of having a third party handle retirement and healthcare is to protect employees from nefarious managerial actions and prevent a government bailout of another pension fund.

In conclusion: Let me get this straight the same group of managers that squandered the massive cash savings of automating postal operations in the nineties, that continues to have the same bloated regional management structure from when all information flowed on pen and paper, that entered into agreement after agreement with Emery, FedEx and UPS where costs exceed benefit, that strongly supported a law that critically underfunded the postal service and also agreed to a contract with its employees and then requested a third party to break that same contract less than 90 days later now wants to manage its employees health care and retirement funding without any previous experience in those fields. In the words of the Daily Shows Jon Stewart "Are you f\$@&ing kidding me?". Representative Issa has voiced concerns about a postal bailout when the USPS asked for the return of its 70 billion dollars of overfunding into the governments retirement system. That is not a bailout that is a return of excess monies paid. Makes one see exactly what will happen when postal employees retire and it time for healthcare. That's another 70 odd billion that postal service won't get back. Having congress foot the bill for the unfunded retirement and heath-care of postal employees once postal management spends the money on neither healthcare nor retirement that will be a bailout of massive proportions. If the wizards of L'enfant Plaza can turn the USPS from a model of a self-

funded government agency into a debt ridden shell of its former self in 5 years imagine what they can do when they have no idea how to administer healthcare or retirement benefits. The solution is to return the postal service to its mission of serving the American people and its funding to the model that worked so well for 4 decades and clean house of the suits operating within the protection of the public sector that fancy themselves private business executives. We should allow the postal service to move into banking and money transfer services as well as other areas that help low income families while enhancing postal revenues. To believe postal management you have to be willing to swallow that they were wasting 6 billion a year prior to 2006. They did not need a law to fix that, just give the orders. The truth is that was a lie to congress, their employees and the American people they serve. Since PAEA management has tried with abysmal results to reach these savings by gutting the postal service. Closing offices, reducing hours, not replacing 25 year old vehicles, not training its technical employees on new equipment, reducing the maintenance on its facilities and sorting machines sending them into disrepair, severe reductions to rural America and the list goes on and on. What the postal service did not do was bring back the work sub contracted out to private sector mailing houses via "work-sharing". The USPS's own inspector general reports the money paid to these mailing houses exceeds the cost avoided. That's government speak for the USPS paid mailing houses more to process mail than if their own employees performed the work at a time mail volume was declining by 20%. With reduced volumes this mail would have been worked for almost no cost while capturing much needed revenues. The postal service also did not terminate a contract with FedEx that once again the OIG reported was costing the USPS money not saving it as intended. They did continue with "network realignment" which, you guessed it; the OIG reported that the savings stated by the USPS could not be substantiated or real costs actually went up. Network realignment is the closing of smaller processing centers and consolidating them into large mega-processing facilities. This is after the USPS spent 20 odd years and untold billions to de-centralize processing resulting in reduced transportation costs and faster mail delivery this is what allowed stamp increase to lag behind inflation. In a panic to "do something" the USPS is cannibalizing this great achievement and according to the OIG spending money they don't have to do it.

Congress trusted postal executives and special interests when it passed PAEA in 2006 under the guise it was to fix the postal service. The problem was that the postal service was not broken and PAEA has pushed it into a crisis. Congress must act now to address the postal service again. It will either be action to benefit the special interests or to benefit the American people. The special interests already have their paid lobbyists and have written the checks. Only loud, continued contact with congressional representatives by the American people demanding quality universal service can overcome money and ideology. If this insane march to extinction is allowed to continue the protection of secure communication that binds this nation together through universal rates and equality of service to all Americans regardless of income or location will be lost. A government service so important to a free country that the post office was created in the original Constitution of the

United States of America will be sacrificed on the alter of special interests and political zealotry.