

FACT & *Fiction*

The U.S. Postal Service

News reports have been filled with articles about the financial crisis facing the U.S. Postal Service, many of them based on false premises. The articles often imply that the problems are irreversible, and that hard-copy mail is destined to be replaced by electronic messages. They also frequently present flawed analyses of the cause of the crisis. Following is an evaluation of the assertions relied upon to arrive at faulty conclusions.

Fiction.

Hard-copy mail is dead. The Internet and e-mail have made it irrelevant.

FACT:

Absolutely untrue. In 2006, well after Americans began using the Internet and e-mail on a mass scale, mail volume reached the historic level of 213 billion pieces. Mail sent from one household to another comprises less than three percent of mail volume, so the use of e-mail and the Internet by individuals has had only a minor effect on total volume.

The mail mix is dominated by business mail, which increases and decreases based on the strength of the economy. The recent decline of 30 billion pieces is overwhelmingly in this category. As the nation experienced a severe recession, most businesses reduced their advertising budgets. Television, newspapers, and radio revenues also are down significantly. The Postal Service's competitors, UPS and FedEx, have experienced severe losses as well.

Advertising mail does not directly compete with the Internet and e-mail. In fact, mail complements other forms of advertising, and increases the effectiveness of commercial messages on the Internet and in e-mail.

Mail volume fluctuates with the economy; as the nation and the world emerge from economic stagnation, hard-copy mail volume will expand.

The Internet and e-mail are the primary cause of the erosion of first-class mail.

Communication has evolved throughout history, from simple voice communications to drums, smoke signals, hard copy, telegraph, telephone, fax, Internet, e-mail and Twitter.

Each of these means of communication represented an evolution; future generations will continue to discover unique and faster means of interacting. Bemoaning these developments will have no impact; it will not prevent or delay the widespread use of new forms of communication.

Hard-copy communication - mail - is the transfer of messages on paper from Point A to Point B. There is no evidence that future generations will discontinue the use of paper messages as a way to transmit information.

The current generation's use of paper messages is primarily to transmit commercial messages, and direct-mail advertising is very effective compared to other options. Paper advertising has unique advantages over other methods, including television, the Internet, newspapers, and magazines, because of its capacity to target audiences without the high cost of broadcasting. The challenges include overcoming the perception that mail harms the environment, and keeping costs within the rate of inflation. Hard-copy communication can continue far into the future, provided the Postal Service employs innovative and creative methods to generate mail, rather than acting as the passive conveyer of communication decisions made by others.

Postal rates drive mail volume.

While postal rates are a factor in determining mail volume, they are not decisive. If rates increase faster than the Consumer Price Index (CPI), volume will suffer because large mailers will use other means, such as television and radio, to convey their commercial messages. But if increases in the cost of postage remain below the rate of inflation, the impact on mailing decisions will be minimal.

The dramatic decline in mail volume over the last two years occurred during a period when the postage discounts offered to major mailers were among the biggest in postal history. In fact, when adjusted for inflation, the rates were three cents lower than they were in July 1976, when discounts were introduced. And postal gimmicks, such as the "summer sale" and giveaway Negotiated Service Agreements (NSAs), have not increased volume commensurate with the rate reductions.

While large mailers have an effective lobby that has been successful in generating huge savings for their clients, these programs have not had a positive effect on postal volume. The bottom line: rates do not drive volume. More than anything else, volume is a reflection of the health of our nation's economy.

USPS expenses exceed postal volume.

During the period of low mail volume since Fiscal Year 2008, the USPS has done a Herculean job in reducing expenses.

The sole cause of the reported financial deficits in Fiscal Year 2008 was the congressionally-imposed obligation to pre-fund retiree health benefits. The Postal Accountability and Enhancement Act (PAEA) of 2006 required the Postal Service to pay annual installments of \$5.4 to \$5.8 billion each year for an 8-year period.

No other public or private entity is required to make payments of this magnitude for future obligations. This legislation did not make allowances for a period when a weak economy would seriously depress mail volume.

Over the two-year period covering Fiscal Years 2008 and 2009, the Postal Service has aggressively responded to the reduction in mail volume with significant cuts in its operating budget. Without the health-fund payment, the USPS would have experienced a \$1.2 billion surplus. If not for the hype surrounding the congressionally-required deficits, the Postal Service would be recognized as a model of efficiency for its response during these challenging times.

The Postal Service must eliminate Saturday delivery and close hundreds of stations and branches to achieve fiscal solvency.

Plans to eliminate Saturday delivery and close retail facilities are in direct response to the obligation to fund future retiree obligations. Relief from this annual payment would eliminate any need for such a drastic reconfiguration of the Postal Service.

The Postal Service is in crisis. The Government Accountability Office (GAO) has designated the Postal Service as a “high-risk” agency whose future is uncertain.

The crisis facing the Postal Service has been imposed by Congress in mandating the payment for future healthcare liabilities during a period of low mail volume.

Legislation is needed to provide substantial relief during this period of economic recovery.

Postage “workshare discounts” are in compliance with the legal standard that stipulates they cannot exceed the “postal costs avoided.”

Since 2006, the USPS has reduced postal work hours by 185 million hours, lowering total mail processing labor costs by 30 percent. During this period, when USPS labor costs decreased significantly, workshare discounts have increased to a level that is now more than significantly more than the USPS cost. (See www.apwu.org/news/burrus/2009/update09-2009-090811.htm)

Postal management is restricted by labor agreements from adjusting the workforce through layoffs.

The five USPS labor contracts include limits on management's right to lay off employees, but more than 100,000 craft employees are not protected against layoff. In addition, more than 50,000 flexible-schedule employees who often work full time are guaranteed only 2 - 4 hours of work in any two-week period, depending on the size of their office. The retention of these employees demonstrates that the total work force is needed to maintain proper service.

The Postal Service's financial problems are caused in large part by impartial arbitrators who award generous contracts to aggressive postal labor unions.

The record of postal contract negotiations refutes this blatantly false assertion. In the 40 years of collective bargaining since passage of the Postal Reform Act of 1970, rulings by postal arbitrators have not imposed unreasonable labor costs on postal customers. In fact, congressionally mandated wage increases preceding enactment of the law exceeded most of the raises granted by impartial arbitrators. (See [www.apwu.org/news/burrus/2009/update 12-2009-090828.htm](http://www.apwu.org/news/burrus/2009/update%2012-2009-090828.htm))

The 1970 Postal Reorganization Act included a compromise: The USPS would be removed from government control and operate like a business; however, workers would be prohibited from striking. In exchange for relinquishing the right to withhold their labor, workers' contract disputes would be resolved through binding arbitration. Since then, wage increases have tracked inflation, while "labor peace" has ensured six-day mail delivery without interruption.

The Postal Service is a model of equal employment opportunity.

The hiring process for USPS craft assignments is transparent and is based on objective factors, such as test scores that reflect an applicant's knowledge and skills. As a result, the complement reflects the population the USPS serves, and is quite diverse.

Unfortunately, this transparency and diversity does not exist in the Postal Service's executive positions. A recent organizational chart showing postal executives seems more reflective of the pre-Civil Rights era. While management claims it has made progress in incorporating women and minorities into positions of authority, the record is abysmal.