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APWU Responds to Former Postmaster General

Bill Henderson Has it Wrong

By William Clay and William Burrus

This is in response to former Postmaster General William J. Henderson's op-ed piece, "I Ran the Postal Service; it Should be Privatized," which appeared Sunday, Sept. 2, in The Washington Post (See article at right.)

We note with some trepidation, but even more surprise, that Mr. Henderson's proposal for the privatization of the Postal Service trots out the same tired, bland, discredited statements for justification that we have heard before. We would be remiss if we failed to express our disappointment with this proposal, notwithstanding the fact that everyone has a right to debate this issue.

We readily admit that the U.S. Postal Service is in need of reform. We further acknowledge that the reform the USPS and the American public deserve is thoughtful, careful and economically sound reform. If the USPS is to survive, it is critically important that it be permitted to compete more effectively for Priority Mail business that is now virtually monopolized by Postal Service competitors. To do that, the USPS must have pricing flexibility to adjust volume discounts when justified by economics or necessitated by competition.

The present system of establishing postal rates is antiquated and cumbersome. It now takes between nine months to a year for a rate change requested by the Postal Service to become effective. To effectively compete in the market place, provisions must be enacted that permit escalation and reduction of rates in a timely fashion.

Bill Henderson, like so many other critics of the Postal Service, contends that costs and rates are out of control and that privatization of mail service is the only viable means of eliminating periodic budget deficits. Unfortunately, some critics have distorted the facts about the size of the anticipated deficit and misled the public about its causes. When discussing the financial difficulties of the USPS, the Postal Service and the nation would be better served if those participating in the debate stuck to the facts.

The deficit will probably be in the range of \$1 billion, approximately 1.5 percent of the USPS's gross revenues. A significant part of the deficit is the result of management's propensity to cater to large business-mailers. Its policy of providing unnecessary, unconscionable discounts to those who pre-barcode or pre-sort their mail is fiscally irresponsible. These discounts are in excess of \$17 billion per year, far in excess of the costs avoided by Postal Service. Average citizens pay 34 cents to mail a first-class letter. Why are most large business mailers only paying 25.5 cents?

Limiting discounts to actual costs avoided — or offering a more business-like, reduced incentive than the \$17 billion presently allotted — would go a long way toward establishing management as "fiscally prudent" in ameliorating the budget deficit.



William Clay



William Burrus

The Postal Service does have problems. But privatizing is not the magic wand to cure what ails it. It will only exacerbate the problems. Mr. Henderson's implication that "universal service . . . is not cost-effective" suggests that, as a private business free of government regulation, the Postal Service would not be compelled to deliver "in the Grand Canyon and in rural Alaska and in high-risk neighborhoods." That position is certainly a dramatic change from the original purpose of the USPS and should at the very least form the basis of a national debate.

Mr. Henderson stated that "the idea of privatizing... became clear" to him when he was the Postal Service's chief operating officer in the mid-1990s. Curiously, he never broached that concept publicly when he was in a position to direct a strategy for implementing his fantasy.

Advocating privatization as the solution for resolving the Postal Service's budget deficits, improving mail delivery, reducing costs, and holding down rates is a form of bureaucratic wordsmanship. Like his father before him, Mr. Henderson was in the employ of the post office a long, long time — long enough to know that giving up the "protection [of monopoly] for the greater benefits of privatization" would be a disaster, causing higher rates or non-delivery in "remote areas or the inner cities." We point out that major competitors of the USPS do not service those "remote areas or inner cities" that he mentions.

We hope that Mr. Henderson might see the light and join with us in calling for a moratorium on the wild speculation and ill-founded predictions that Postal Service privatization would create a cornucopia overflowing with benefits for the American public.

William Clay is the former Chairman of the House Post Office and Civil Service Committee; William Burrus is Executive Vice President of the American Postal Workers Union, AFL-CIO.

Statement by APWU President Moe Biller

'Cowardly Terrorist Acts'

(September 12, 2001) — On behalf of the National Executive Board of the American Postal Workers Union, AFL-CIO, all national officers and the entire APWU membership, I want to express our complete outrage and disgust at the cowardly terrorist acts committed yesterday at the World Trade Center and at the Pentagon.

We join with all Americans in standing with President Bush and our other national leaders in this hour of shock and sorrow. We pray for the thousands of victims and their families and friends during this time of grief and mourning. We also call on all APWU members who are able to donate blood to the American Red Cross. We join the entire labor community in offering to assist in any way we can.

As we reach out to each other during this trying period of horror and sadness, let us give thanks that, to the best of our knowledge, no postal workers in New York City or Washington, DC, became victims of this mayhem while moving the public's mail. At the same time, we say a special prayer for our brother and sister

trade unionists who were killed or injured while performing their critical public-safety and rescue duties.

Now is the time for all Americans to stand as one. May God Bless the United States of America.

What You Can Do

The APWU urges all members to send their donations to labor's charity, the Union Community Fund, which is putting together a relief fund for our brothers and sisters in need in New York City and the Washington, DC, area. Please make checks payable to the Union Community Fund, and designate them for the Sept. 11 Relief Fund. Mail to Union Community Fund, 815 16th St., N.W., Washington, DC 20006. Donations also may be made online at www.unioncommunityfund.org.

End of the Route
I Ran the Postal Service; it Should be Privatized

By William J. Henderson

(Reprinted from Outlook, The Washington Post, Sunday, Sept. 2, 2001)

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Not long ago, it would have been unimaginable. But last week, under the terms of a \$7.2 billion contract, FedEx began carrying and helping to sort some first-class, priority and express mail for the U.S. Postal Service.

While having contracts with private companies is nothing new (airlines have tossed sacks of mail into their cargo holds for as long as they've been flying), the deal with FedEx, the Postal Service's traditional competitor, is a major step forward in the Postal Service's increasing collaboration with private business. The most visible sign of that collaboration, and the symbol of the extent to which the Postal Service is rethinking business as usual, are the distinctive FedEx drop boxes that began appearing at neighborhood post offices last spring.

As the postmaster general until I retired three months ago, I oversaw the negotiation of the FedEx deal. And I continue to see it as an innovative solution for a Postal Service struggling to remain competitive under market conditions that have changed strikingly over the past decade. But such alliances with private business don't go nearly far enough.

What the Postal Service needs now is nothing short of privatization.

And while I've said in the past that privatization is inevitable, I'm saying now that it's something that must be done.

Privatization may seem far-fetched, but it's not. For all intents and purposes, the U.S. Postal Service is already a \$65 billion corporation. It is the only government structure organized along corporate lines. It has a board of directors. It is concerned with profit and loss. It is the only government agency I know of that publishes a profit and loss statement for public consumption. And like any corporation, all of the Postal Service's operating revenue comes from its customers.

There's a misconception that the Postal Service gets a huge appropriation from Congress every year. In fact, it is no longer a ward of the U.S. Treasury and the taxpayer; it hasn't received tax dollars for its operating expenses since 1983. The only federal funding it gets — and this represents a tiny fraction, less than 1 percent, of its budget — pays for services rendered to the government in two ways: first, providing free mailing services for the blind, as required by law; and second, Congress's own franking privileges.

"We're acting like a real business because we are a real business," Deputy Postmaster General John Nolan told this newspaper in June.

But for all the ways in which the Postal Service already resembles a private company, it lacks the advantages of any other corporation, such as being able to turn on a dime when it comes to rate changes, perhaps raising prices at times of high demand and lowering prices to entice customers during traditionally slow times, which for the Postal Service means summer. Today, a price change requires the permission of the Postal Rate Commission — a yearlong process.

And unlike a private company, the Postal Service has a universal service obligation, meaning it must deliver everywhere, six days a week, at a regularly scheduled time, making the delivery even for a single piece of mail, which is not cost-effective. And it means delivering in the Grand Canyon and in rural Alaska and in high-risk neighborhoods and lots of other places where delivery is not cost-effective.

The trade-off is that the Postal Service gets monopoly protection; no private company is allowed to compete with it head to head by carrying letter mail or using the mailbox. It should give up that protection for the greater benefits of privatization.

Exactly how the Postal Service should be privatized is a public-policy question, and I'm not suggesting we should simply sell the whole thing to the highest bidder. One possibility is for it to be largely publicly owned — even if the government has a "golden share," a means by which it would retain some decision-making authority in the corporate structure without owning it.

But the best option, it seems to me, would be an employee-owned Postal Service using an ESOP, an employee stock-ownership plan,

which would motivate workers by allocating stock to them over time. Postal employees would benefit most and would work hardest if they owned the company, in much the same way that employees of Delta Airlines own theirs. In an employee-owned postal company, raises would be based on stock value. And as the company grew in value, employee wealth would grow as well.

How the monopoly would be phased out — whether it would happen everywhere, and whether it would be phased out gradually — would also have to be hammered out in public debate. As a matter of public policy, the government can't and won't allow an end to its universal service obligation. We can't end up having remote areas or the inner cities grossly overcharged for the delivery of goods. The cost of meeting that obligation will have to be built into the rates. But I firmly believe this can be accomplished, because a company freed from the current constraints will be able to raise enough revenue to continue to deliver mail to all its customers — and be successful.

And what about those rates? Would they rise under privatization? Not necessarily. They might even go down. Under the current system, the postal system makes money in the fall and winter. And it loses money each summer. With flexibility, it could do what it takes to make money in the summer, like lowering prices. It could also raise prices during the peak — from September through February. But lowering prices during the lull would be a more prudent business decision.

However radical the idea of privatizing the national postal service may seem to many Americans, it's a concept the rest of the world has been taking seriously for years. That became clear to me when I was the Postal Service's chief operating officer in the mid-1990s, when postal administrations in New Zealand, the Netherlands, Germany, Ireland, Britain, France and Canada were considering restructuring how they did business. Some have since commercialized — that is, they have become companies wholly owned by the government. The Dutch and the Germans have opted for outright privatization, an option that every other postal service in the industrialized world is considering. In an interesting twist on the public-private debate, the privatized Deutsche Post is now the majority shareholder of DHL, the international shipping company. Deutsche Post also owns the largest bank in Germany in addition to its express-mail business and a regular-mail business. Although the geographic and demographic challenges those systems face are very different from our own, I believe they provide powerful models for change.

Persuading the postal workers' unions that privatization is a good thing won't be easy. But even there I see encouraging changes. Ten years ago, the rank and file viewed privatization as a failure of management. Today it's seen more as a natural outcome of a changing marketplace. Postal workers understand far better today than a decade ago that competition — from great companies like UPS and FedEx, and from e-mail and telemarketing — is a fact of life. Just like you, they see the brown truck and the FedEx truck everywhere, and they have adapted. As a result, there is much less of a culture of entitlement than before. Employees know the organization must make changes to survive.

Ultimately, if privatization is to take place, it will need the support of President Bush, who should see the move for what it is — fiscally prudent. The Postal Service's "market capitalization" — that is, its total value at current market prices if it were a publicly traded company — is probably between \$65 billion and \$100 billion, an all-time high. That figure is likely to dwindle over the next few years as competition increases further.

I can't believe that 25 years from now the Postal Service will still be owned by the federal government. But the point is that, as with any government asset, this one needs to be maximized. And that means we need to free ourselves from the usual discussion about controlling costs or keeping rates stable or mailing more, all of which is simply a form of denial about the real issue. The model itself is not going to work for the long haul: It must be changed.

William Henderson was the U.S. postmaster general from 1998 to 2001.