APWU

American Postal Workers Union, AFL-CIO

1300 L Street, NW, Washington, DC 20005

Cliff Guffey
President

202-842-4250 (Office)
202-842-4297 (Fax)

December 2, 2010

Mr. Bruce Reed, Executive Director
National Commission on Fiscal Responsibility and Reform
1650 Pennsylvania Avenue, NW
Washington, DC 20504

Dear Mr. Reed:

On behalf of the 220,000 members of the American Postal Workers Union, I write to correct several inaccuracies regarding the U.S. Postal Service in the final report of the Commission, and urge the Commission to reject **Recommendation 4.10 – Give Post Office Greater Management Autonomy.**

The most troubling example of these inaccuracies is the use of the word "bailout" to describe legislative actions taken in 2009. ***The Postal Service did not receive a bailout: No funds of the federal government were transferred, loaned, or given to the USPS, and taxpayers suffered no adverse consequences.*** Congress simply permitted the USPS to reschedule a portion of prefunding payments for future retiree health care benefits, which are mandated by an ill-conceived law that was enacted just three years earlier.

Under the terms of the Postal Accountability and Enhancement Act of 2006 (PAEA), the USPS is required to prefund its health care obligation for future retirees. The law requires the Postal Service to prefund a 75-year liability over a 10-year period, while continuing to pay its share of the retiree health care premiums of current retirees. The prefunding payments amount to more than $5 billion annually.

During the most threatening economic environment since the 1930s, the 111th Congress amended the payment schedule by enacting H.R. 2918, the Legislative Branch Appropriations Act [of] 2010, which temporarily reduced the USPS's FY 2009 payment from $5.4 billion to $1.4 billion.

The legislation did not relieve the USPS of the $4 billion obligation; it simply deferred payment. In FY 2017, the $4 billion will be added to whatever remaining outstanding health care obligation may exist.

As the Government Accountability Office (GAO) acknowledged recently in testimony before the House Oversight and Government Reform Committee, no other American entity – in government or the private sector – bears a burden similar to the Postal Service's prefunding obligation.

The Postal Service's financial problems are the direct result of the onerous prefunding requirements of the PAEA. In fact, without the prefunding mandate, the USPS would have enjoyed a surplus of $3.7 billion in Fiscal Years 2007-2009, despite the worst recession in 80 years.

Based on a faulty premise, the Commission recommends "reversing restrictions that prevent the Postal Service from taking steps to survive – such as shifting to five-day delivery and gradually closing down post offices no longer able to sustain a positive cash-flow." These proposals are ill-advised.

No business can survive and prosper by cutting service to its customers. Closing post offices that are often the center of small communities would be devastating to the communities and to the Postal Service. In a Nov. 28 letter to the *Federal Times,* Mark Strong, President of the National League of Postmasters, explained the fallacy of evaluating post offices based on their ability to generate revenue:

> Third, some have said that 80 percent of post offices lose money. The figure is wrong — and meaningless. That is because the revenue generated from the largest part of our mail — commercial mail — is credited to the post office where the mail is entered into the system and not to the post office whose carriers end up delivering that mail.
>
> Under USPS' cost accounting system, all of the final costs of delivering the mail in a post office's area are included in the costs of the delivering post office — but none of the revenue associated with that mail is allocated to that post office.
>
> Of course the delivery post office loses money. How could it not, when it bears the delivery costs but gets none of the associated income?

Closing post offices based on their inability to sustain a positive cash flow would ensure the continuation of services in large cities and those close to the nation's largest mailers, while slashing service in small towns throughout the country – those least likely to have access to broadband and other conveniences that are readily available in large metropolitan areas.

If the Commission wants to "put the Postal Service on a path toward long-term solvency" as the report suggests, it should encourage Congress to adopt legislation that would allow the USPS to recoup excess funds paid into the Civil Service Retirement Fund due to an inequitable methodology for computing USPS liabilities. Studies performed by two independent actuarial firms, the Hay Group (for the USPS Office of Inspector General) and the Segal Company (for the Postal Regulatory Commission), concluded that use of a more equitable methodology would result in a refund to the Postal Service in the range of $55-75 billion.

I urge you to reconsider your support for Recommendation 4.10.

Thank you.

Sincerely,

Cliff Guffey
President

CG:hjp(sd)//opeiu#2/afl-cio