

Stakeholders rally around reform plan

At the end of June, Postmaster General Patrick Donahoe mailed to every postal facility in the country a so-called “white paper” titled “Facts About Our Financial Situation—A Real Crisis Requiring Real Solutions.”

“But instead of stating facts, this document was full of red herrings, straw-man arguments, misleading statements and glaring omissions,” NALC President Fredric Rolando said. “It was clearly designed to try to bamboozle postal employees into supporting Donahoe’s disastrous ‘recovery plan,’ not to mention legislation that would empower him to execute it.”

The postmaster general’s plan, the president said, is nothing more than the same old song. “What Donahoe still wants is for Congress to give him the legislative authority to keep cutting costs, cutting service and downsizing,” Rolando said, “under the mistaken notion that the Postal Service can downsize its way to health. But that plan would only hasten the agency’s demise.”

The NALC fully debunked this “white paper” in a special edition of the *NALC Bulletin* that was published and mailed out just before the Philadelphia Convention. That *Bulletin* and a smaller handout version of it are available for download from nalc.org.

“We totally agree with the Postal Service that we desperately need comprehensive postal reform,” Rolando said, “as well as real solutions to the financial crisis the agency faces: a crisis manufactured by a lame-duck Congress in 2006 when it enacted a crushing mandate to pre-fund decades’ worth of future retiree health benefit costs.” (Read more about Rolando’s reaction to the white paper in his “President’s Message” in the July *Postal Record*.)

But rather than wait around for Donahoe to move forward with his destructive proposals, the NALC has been working with the renowned Lazard Co. investment banking firm since 2011 to develop hard-nosed, detailed and comprehensive approaches to comprehensive postal reform that offer a positive alternative to Donahoe’s “shrink to survive” philosophy.

“After years of study and analysis of postal operations,” Rolando said, “and working closely with the other postal unions and our allies from a cross-section of America’s mailing industry, we have begun to rally around a reform plan that will work—but only if Congress rejects the damaging service cuts that Donahoe wants.”

This NALC and postal stakeholders’ plan contains six key elements:

- Reform of the Federal Employees Health Benefits Program (FEHBP), as it relates to postal employees, to follow private-sector practice on integration with Medicare, to dramatically reduce the burden of pre-funding future retiree health benefits.

- Reforms to the way the Postal Service Retiree Health Benefits Fund (PSRHB) is invested and financed, to follow the best practice employed by the private sector and to improve the fund’s returns.

- Return of the USPS’ Federal Employees Retirement System (FERS) pension surplus (measured using postal-specific economic and demographic assumptions) to the agency for use toward debt retirement and investment.

- Repeal of the 2014 exigent postal rate increase, to be replaced by a modified price cap, raising postage rates by 1 percent more than the Consumer Price Index (CPI) each year for four years.

- A provision to preserve the July 2012 service standards, to prevent a further deterioration in service quality.

- Flexibility to offer selected new products and services through the Postal Service’s networks.

“These reforms would fully and effectively solve the pre-funding burden, address pension inequities and promote innovation,” Rolando said, “all without resorting to drastic service and job cuts that would cripple the Postal Service. These reforms would strengthen the Postal Service, not dismantle it.”

As this *Postal Record* was being prepared, the NALC’s legislative and political team was meeting with influential Capitol Hill legislators to discuss ways to insert the industry’s postal reform plan into the lawmaking process before the 113th Congress finishes its work at the end of the year.

6-day language preserved in House appropriations bill

When the House Subcommittee on Financial Services and General Government (FSGG) submitted its draft Fiscal Year 2015 appropriations bill in May, NALC was dismayed to learn that Subcommittee Chairman Ander Crenshaw (R-FL) had intentionally left out the longstanding language mandating six-day mail delivery.

So the union’s legions of legislative activists quickly went to work, and following extensive nationwide lobbying efforts, the six-day language was reinserted into a version of the bill that was approved on June 25 by the House Appropriations Committee, thanks to an amendment co-sponsored by Reps. José Serrano (D-NY) and Tom Latham (R-IA).

But keeping that six-day language in place was by no means a lock. Rep.

The effort to rename Grand Central Station Post Office at 450 Lexington Ave. in New York City as the Vincent Sombrotto Post Office continues to move forward. In late July, the Senate Homeland Security and Governmental Affairs Committee approved the House naming bill—H.R. 2291. The bill has been passed in the House and must be passed in the full Senate before going to the president for his signature.

Darrell Issa (R-CA), the chairman of the House Oversight and Government Reform Committee, submitted a letter to the House Rules Committee requesting its removal, claiming jurisdictional authority by his committee. That brought on a tsunami of phone calls, e-mail messages and office visits by NALC's activists, all of which helped to convince the Rules Committee that it should reject Issa's request. And on July 16, the full House of Representatives passed the FSGG appropriations bill with six-day language still in place.

Meanwhile, the Senate Subcommittee on Financial Services and General Government in June approved its own version of an FY2015 appropriations bill that also includes the language mandating that the Postal Service deliver the mail six days a week. That measure is expected to pass the full Senate Appropriations Committee, although it had not yet reached the Senate floor by the time this *Postal Record* was being prepared.

Six-day mail also made news in late June when the Congressional Budget Office (CBO) released the findings of a second look it had taken at the Postal Service's projected savings from its sought-after reduction in mail service. What the CBO found was that USPS would save only about \$10.9 billion over 10 years—about half of what the Postal Service had projected. Even so, the CBO still accepted the Postal Service's dubious claim that eliminating Saturday delivery would not have a large effect on its revenues and volume.

"What the CBO and some in Congress still fail to understand is that ending Saturday delivery and degrading the postal network would do nothing to solve the pre-funding debacle—the real financial problem



the Postal Service faces," Rolando said later. "And eliminating Saturday mail also would make no sense, because it would stop the postal turnaround in its tracks by driving mail—and revenue—out of the system, while also hurting the residential and business customers who rely on Saturday delivery."

Highway Trust Fund win

As reported in the July *Postal Record*, some legislators in the House and the Senate had kicked around the idea of using a Saturday mail delivery cut as an "offset" to help stimulate the Highway Trust Fund, which was expected to run out of money in August.

"This maneuver makes no sense," President Rolando said at the time. "The Postal Service doesn't rely on taxpayer money or Congress to fund its operations. It earns its revenue selling stamps, and it shouldn't be treated like some sort of congressional piggy bank."

"Besides," he said, "lawmakers are claiming 'real savings for the general fund of the Treasury' from a future hypothetical event—a postal bailout—that no one is calling for or has proposed."

But despite Postmaster General Donahoe's endorsement of this outrageous funding ploy, this postal offset notion received such tremendous resistance from labor, business and conservative groups—not to mention rank-and-file members of Congress—that it was ultimately scrapped. Instead, the House on

July 15 approved a short-term extension of the Fund through May 2015; the Senate was scheduled to vote on a similar plan as this magazine was being prepared.

A full Board of Governors?

A large part of USPS' problems, President Rolando said, stem from what he called "a longstanding leadership crisis at L'Enfant Plaza."

"At a time when the Postal Service needs creative and imaginative leadership," he said, "there is an enormous leadership void at Postal Service HQ, made worse by the vacancies in the nine-member Postal Board of Governors."

On July 14, the Senate Homeland Security and Government Affairs Committee, which has USPS oversight, held a confirmation hearing for President Obama's four nominees to the board—a step toward addressing the vacancy problem. Committee Chairman Tom Carper (D-DE) was the only senator present at the hearing.

The nominees are Stephen Crawford, a member of the board of directors at the American National Standards Institute who has served as a USPS consultant as well as on the Obama-Biden transition team; Victoria Reggie Kennedy, a lawyer and the widow of Sen. Edward Kennedy (D-MA); D. Michael Bennett, chief information officer of BAE Systems, a multi-national aerospace and defense company; and James C. Miller III, a former Reagan

administration budget director who has previously served on the board.

Kennedy testimony indicated that she is mostly in line with NALC's positions on core postal issues. The same goes for Bennett, who seemed eager to discuss postal innovations. Crawford, meanwhile, stated in his testimony his support for six-day mail delivery and for exploring postal banking.

Not so with Miller, who while acknowledging in his testimony that package delivery is a source of increased mail volume and that there are opportunities in the digital age that need to be further explored, said USPS made a mistake by announcing it would go to five-day delivery before getting Congress' approval. Instead, Miller said, the Postal Service should have asked for delivery flexibility: six- or seven-day delivery in some places, two- to three-day delivery in others.

"None of these nominees, nor any of the current board members, meet one of the most important requirements in the law," President Rolando said: "That at least four of the nine board members have experience running an organization employing 50,000 or more employees.

"While these four nominees will at least fill the vacancies on the board," he said, "the Postal Service still desperately needs a growth and innovation strategy and an executive leadership team capable of executing it."

No confirmation vote had been set by the time this *Postal Record* went to press.

Postal CFO tries to con WSJ

For an interview for a *Wall Street Journal* online blog post, USPS Chief Financial Officer Joseph Corbett provided a chart that compared the Postal Service's "total liabilities" to its current

cash balance—a maneuver President Rolando immediately realized was designed to trick readers into buying USPS' plan to continue to dismantle the nation's invaluable postal networks.

"CFOs of major companies don't compare their liabilities to their companies' cash balances," Rolando said. "Rather, they compare total liabilities to total assets, and this bogus comparison was designed to convince *Journal* readers that the USPS is near collapse and that its radical downsizing is in order."

Corbett has been peddling this misleadingly selective liabilities chart for months, the president said. "It's all part of L'Enfant Plaza's strategy to convince Congress that it needs to radically slash services to the tens of millions of American businesses and households that rely on the Postal Service to conduct business and to communicate every day."

Not surprisingly, the CFO failed to inform readers that USPS' financial situation is fragile thanks mostly to Congress' crushing mandate to pre-fund decades' worth of future retiree health premiums. He also didn't bring up the fact that although the Postal Service's \$4 billion cash balance is dangerously low, it's up dramatically from its level of \$1 billion in 2011.

"That's because the Postal Service has bounced back from the Great Recession," Rolando said. "As the economy has slowly rebounded, USPS has recovered on the strength of booming e-commerce deliveries and growing advertising volume."

And not only are the Postal Service's pensions nearly fully funded, the president said, the USPS has pre-funded a much greater share of future retiree health benefits than most, if not all, Fortune 1000 companies.

"We doubt many of *The Journal's* sophisticated readers or writers bought what Corbett was selling," Rolando said. "But the Postal Service clearly hopes Congress will."

Fact-checking a 'Fact Checker'

The Washington Post's "Fact Checker," Glenn Kessler, challenged in a June 16 blog post a statement by NALC that the Postal Service's plan to end Saturday would eliminate 80,000 jobs. Unfortunately, Kessler made a hash of it, arguing that our statement was misleading because it relies on data from a 2010 Postal Service presentation about a 2009 study. Kessler also argued that fewer jobs would be lost and that many of those are part-time jobs.

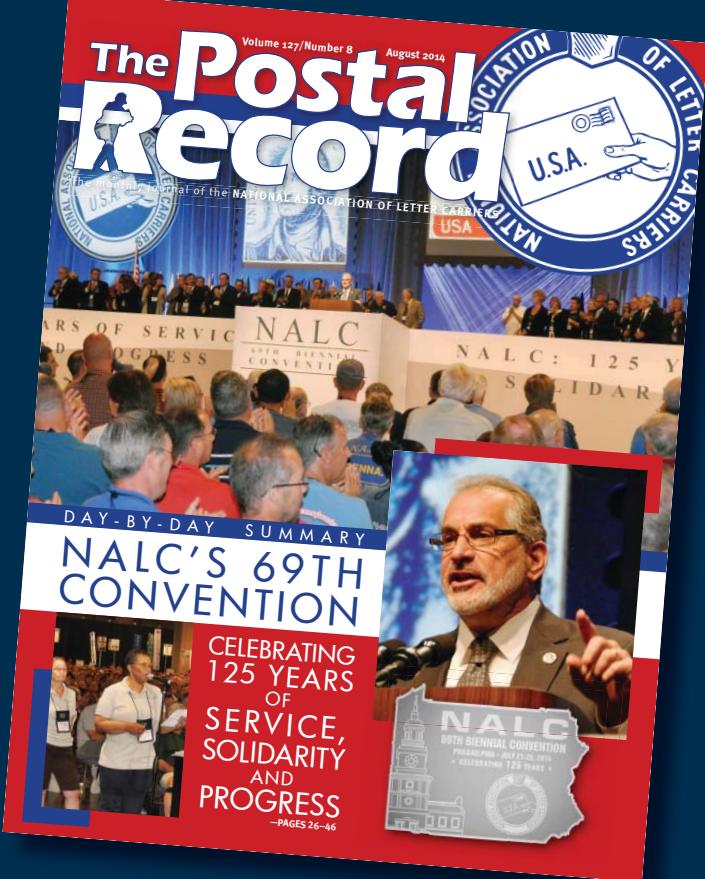
"While the Postal Service's presentation is indeed from 2010, that does not make it inaccurate," President Rolando said. "The number of city and rural carrier routes has declined only slightly since then—total delivery carrier employment is down just 7 percent—and packages make up only a tiny 2.3 percent of total mail volume. So the jobs impact of the Postal Service's modified five-day delivery plan should not be much different today from what was forecast in its 2009 study."

Moreover, Rolando added, that study is the only one that the Postal Service has made public about its five-day plan, and it is the only study that has been subjected to scrutiny and review by the Postal Regulatory Commission (PRC). Kessler also missed the mark in several other ways, which are outlined in detail in the "Latest News" section of nalc.org.

"The bottom line is that tens of thousands of full- and part-time positions would be eliminated under the five-day plan," Rolando said, "imposing hardship on those who are released (laid off)

NALC to publish combined September/October issue

With the delay of the June issue of *The Postal Record* to meet the NALC constitutional requirement to publish proposed amendments prior to the convention, and the delay of this August issue to cover the business of the convention, we will publish a combined September and October issue to get back to a normal schedule. Branch Items, Retiree Reports, State Summaries, Election Notices, Auxiliary Updates, Nalcrest Updates and Mutual Exchange ads for the September/October issue will be due Aug. 22. Please contact us if you have any questions at postalrecord@nalc.org or 202-662-2851.



and on other Americans who would be denied job opportunities in the future.

"And even if the Postal Service could adopt its five-day plan without destroying tens of thousands of current jobs and future job opportunities for young workers and returning veterans, it would make no sense to do so as a matter of strategy," the president said. "Slashing delivery days, slowing mail service and inviting new competitors to provide service on Saturday to meet existing demand does not add up to a winning business plan."

Letter carriers in the news media

President Rolando was quoted in a June 26 *BloombergBusinessweek* story about a House committee's approval of an appropriations bill that included language mandating mail delivery six days a week. He also was quoted in a June 12 *Linn's Stamp News* article about the proposal to temporarily fund highway construction by degrading postal services.

NALC Board of Trustees Chairman Larry Brown was interviewed by Philadelphia radio station WURD on July 23 about postal issues, the life of a letter carrier, and what USPS represents in urban communities.

A July 22 story by a reporter from the Philadelphia group of CBS-affiliated radio stations featured Portland, OR Branch 82's Kevin Card, who is on assignment to NALC Headquarters as a special assistant to the president for workers' compensation. Card spoke about how letter carriers are busier than ever delivering packages seven days a week.

On Sunday, July 20, a positive story in *The Philadelphia Inquirer* about NALC and the convention led the paper's Business section. Near the top of the story, the reporter noted that USPS is largely past the recession, is figuring out how to deal with the Internet, and that the major issue now is the "highly unusual" pre-funding law. The story quoted Region 12 National Business Agent Bill Lucini, Camden Merged, NJ Branch 540 President Chuck Goushian and NALC Chief of Staff Jim Sauber.

On July 14, *Federal Soup* quoted NALC in an article about USPS' announced closure of 82 mail processing plants.

Idaho State Association President John Paige's letter to the editor of the *Idaho Statesman* ran on June 25.

Athens, OH Branch 997's Charlie Rose, winner of NALC's 2012 Special Carrier

Alert Award, received a "shout out" in the June 23 *Athens Voice* for another selfless act: donating to local first responders an Afghanistan-flown American flag that he had he had been given.

Fort Lauderdale, FL Branch 2550 member Mark Gereffi, honored for helping to save a customer's life, was featured in a June 18 news story on WSVN Channel 7.

A June 18 *Labor Notes* article about the history of union activism in the 1960s and '70s referred to the Great Postal Strike of 1970 and used a picture of former NALC President Vincent Sombrotto to illustrate the story.

A June 16 *USA Today* story, about people who move to save money in retirement, led with a quote from Flushing, NY Branch 294 retiree Steven Ramos—who moved to Nalcrest, the letter carriers' rental community in central Florida.

Retired Waterloo, IA Branch 512 letter carrier Ron Brada has written a series of columns for the *Iowa Falls Times Citizen* about the Postal Service and the real reason for its current financial situation. His most recent ran on June 11. **PR**