

# POSTAL NEWS

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## **1. \$2.4 Billion Quarterly Loss for Postal Service**

Updated 12:56 p.m. ET

The U.S. Postal Service lost \$2.4 billion during its third quarter and forecasts a \$7 billion year-end loss, according to figures released Wednesday. Mail volume has dropped 12.6 percent so far this year, adding to a sharp decline in volume thanks to the economic recession that began in 2007 and Americans' wider use of the Internet.

On average, the Postal Service now delivers 4.1 pieces of mail to each address, down from 5.9 pieces in 2000. That decline has contributed to losses in 11 of the last 12 fiscal quarters, according to the new figures released by the service.

Though much of the debate regarding the Postal Service's future focuses on cutting mail service to five days per week, the removal of underused mailboxes and the potential closure of hundreds of Post Offices, the USPS' financial woes can be tied in large measure to roughly \$7 billion in payments it must make each year to fund current and future retiree health benefits. Congress mandated the pre-payments in 2006 when it passed a Postal reform bill.

"We simply cannot afford these costs," Postmaster General John Potter said during a news conference announcing the financial results. The payments will contribute to a \$700 million cash shortfall at the end of its fiscal year in late September, Potter said, unless Congress quickly changes the payment rules.

"If we were part of the federal government and treated as an agency, we would not be paying pre-funding to a retirement benefit trust," Potter said. "On the other hand, if we were in the private sector, we would not be pre-funding these retirement payments. So therein lies a bit of a dilemma."

Competing House and Senate measures to address the problem have cleared committees and are nearing full votes, but the bills would only provide temporary relief. A broader, long-term discussion regarding the future of American mail delivery is necessary, Potter said.

"The Postal Service does not want to do anything that would disrupt this economy. Over a trillion dollars moves through the mail in any given year and we are a hub of

an industry that employs some 8 million Americans. We have no intention of doing anything that would disrupt the flow of mail," he said.

The Postal Service has taken several steps to reduce costs in recent years, including salary and hiring freezes and cuts to its workforce and mail routes. USPS now employs 630,000 career employees, down from a peak of 802,000 in 1999. More than 12,000 city carrier routes have been cut and consolidated with others since 2000. And it recently renegotiated more than 300 service contracts, saving \$200 million.

The troubling numbers follow the Postal Service's classification as a "high risk" government agency, and come just days after it released a list of almost 700 Post Offices it will consider closing. Postal officials will testify Thursday at a Senate hearing on the mail service's future.

By washingtonpost.com Editors | August 5, 2009; 10:52 AM ET

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August 5, 2009, 8:44 am

## **2. The Early Word: Back to the Economy**

By Bernie Becker

The White House shifts its focus back to the economy on Wednesday, with President Obama and Vice President Joseph R. Biden Jr. fanning out to the Midwest to talk up the administration's recovery efforts.

Mr. Obama will make the second trip of his presidency to the Elkhart, Ind., area, where he will speak at Monaco RV, a recreational vehicle business. Mr. Biden heads to Detroit, another area having economic difficulties. (Commerce Secretary Gary Locke and Energy Secretary Steven Chu are also hitting the road, to Kansas City, Mo., and Charlotte, N.C., respectively.)

The Times's Sheryl Gay Stolberg reports on the message the administration will deliver on Wednesday – that, as the president said in his radio address over the weekend, “in the last few months, the economy has done measurably better than expected.” She continues:

“They have some statistics to back them up. Figures released last week showed that the economy contracted more slowly in the second quarter than many economists had expected, suggesting that the downturn might be bottoming out. And after a two-year slide, home prices are showing signs of stabilizing in some cities.

But those reports are likely to be overshadowed by another. Data to be released on Friday are expected to show that unemployment, 9.5 percent in June, rose again in July, perhaps to more than 10 percent for the first time since 1983.

For Americans, double-digit unemployment could be a psychological threshold with political ramifications for Mr. Obama.

In related news, The Times's Monica Davey gives us an update on Elkhart, which has seen its unemployment rate dip to below 17 percent after hovering around 19 percent several months ago. But Ms. Davey reports that "if there are glimmers of economic improvement in the official statistics out there somewhere, it is hard to find them along the streets of this county."

North Korea: The Times's Mark Landler and Peter Baker give the latest details on former President Bill Clinton's whirlwind 20-hour visit to North Korea, which ended in the release of two American journalists, Laura Ling and Euna Lee, that had been sentenced to a dozen years hard labor.

Mr. Landler and Mr. Baker report that Secretary of State Hillary Rodham Clinton, the former president's wife, had immersed herself in the case, proposing to send "various people to Pyongyang — including Mr. Clinton's vice president, Al Gore — to lobby for the release of the women, before Mr. Clinton emerged as the preferred choice of the North Koreans." Mrs. Clinton, currently on a tour of Africa, expressed relief once the women were released.

Cash for Clunkers: Both Transportation Secretary Ray LaHood and Senate Majority Leader Harry Reid predicted on Tuesday that the Senate would add an extra \$2 billion to the Cash for Clunkers program before leaving for its recess later this week. The Times's Matthew Wald reports that, for their part, Senate Republicans said they believed the extra funds would get a vote, but would not predict how that vote would turn out.

With an infusion of cash looking more likely, at least one senator was worried about how to eventually end the program, whose original allocation of \$1 billion was supposed to last for months, not days. "I don't see how you ever shut it down," said Senator Ben Nelson, Democrat of Nebraska. "You just keep feeding the kitty and just keep putting more money into it unless you have a way to end it."

The Washington Post examines which cars consumers are flocking to buy, finding that four of the top five Cash for Clunkers sellers are produced by foreign automakers.

Distracted Driving: In other four-wheeled news, Mr. LaHood announced a federal "distracted driving summit," tentatively scheduled to occur in September. The Times's Matt Richtel reports that the summit will bring police officials, academics and experts to the same room to discuss potential policy changes. Safety advocates, meanwhile, said the "meeting would fail to make a difference if it did not lead to policies that begin to affect drivers' behavior as seat belt and drunken driving laws have," Mr. Richtel reports.

Health Care: The Times's Robert Pear and David Herszenhorn report that, at his Tuesday birthday lunch with Senate Democrats, Mr. Obama pushed for a bipartisan bill to reform the health care system. But the president also strongly urged that legislation get passed this year, even if it meant moving forward without Republican votes.

As they left the White House, senators gave a warm and fuzzy account of the lunch, which included chocolate birthday cake for the president, with Mr. Reid, the majority leader, commenting on the “absolute unity” among the Senate Democratic caucus. But lawmakers also do not seem to have received much guidance on what the White House would like to see in a health care plan, with one major roadblock – whether to have a government-run plan or instead used nonprofit cooperatives – apparently not being discussed at the lunch.

**Climate Change:** Politico’s Lisa Lerer reports that, with the debate over health care sucking up much of the oxygen on Capitol Hill, Democrats are afraid that climate legislation might be ignored for the rest of the year.

**Sotomayor Debate:** Judge Sonia Sotomayor’s backers throw a couple of events on Capitol Hill on Wednesday, a day after the Democratic-dominated Senate started debating her nomination to the Supreme Court. With the judge’s confirmation all but wrapped up, Senator Robert Menendez, Democrat of New Jersey, and other Hispanic leaders will hold a morning news conference to discuss the impact of Judge Sotomayor’s ascension to the top court. Around lunch time, other supporters will hold a rally near the Capitol. And five women senators, all Democrats — Amy Klobuchar of Minnesota, Patty Murray of Washington, Debbie Stabenow of Michigan, Jeanne Shaheen of New Hampshire and Kirsten Gillibrand of New York — will all take to the Senate floor in support of the judge’s confirmation this morning. (Perhaps they’ll be wearing those “Wise Latina” T-shirts that have been sprouting up everywhere.)

On the other side of the aisle, Senator John Ensign, Republican of Nevada, announced on Tuesday that he would vote against Judge Sotomayor, putting the Republican count on the nomination at 28 against, 6 for and 6 to be announced. The Washington Post’s Paul Kane and Perry Bacon report that, with their votes on Judge Sotomayor, Republicans seem to be rejecting “concerns about alienating the growing Hispanic vote.”

**Conservative Youth:** Senator Jim DeMint, Republican of South Carolina, addresses a conservative student conference sponsored by the Young America’s Foundation on Wednesday, a day after a speech from former Speaker Newt Gingrich. Mr. DeMint’s talk is titled “Saving Freedom: We Can Stop America’s Slide into Socialism,” which, probably not coincidentally, is also the name of the senator’s recently released book. Tony Perkins, president of the conservative Family Research Council, will also speak to the conference on Wednesday.

**Chinese Ambassador:** The Senate Foreign Relations Committee unanimously advanced the nomination of, among others, Utah Gov. Jon Huntsman as ambassador to China. The full Senate could vote on the nomination of Mr. Huntsman, a Republican who supported John McCain in last year’s presidential race, before it adjourns for its recess.

**Snail Mail:** The Postal Service’s Board of Governors meets on Wednesday, a day before the Senate Homeland Security Committee holds a hearing titled “The U.S. Postal Service in Crisis.” Our Andrea Fuller last week examined the debate over how to turn around the ailing finances of the Postal Service, which is now projected to run

a \$7 billion deficit in 2009. (One option that might not be off the table, Ms. Fuller reported, is reducing mail delivery to five days a week.)

Battle With CNN's Dobbs: At our sib-blog, Media Decoder, Brian Stelter reviews the air fight over comments anchor Lou Dobbs made about President Obama's birth certificate and an ad protesting the Dobbs remarks that the cable network is refusing to run.

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### **3. Bids Start at \$300,000 for Chicago's Post Office**

William Zbaren for The New York Times

The post office is often described as the world's largest. At its peak, 5,000 workers processed more than 35 million letters annually, using 10 miles of conveyor belts and 48 elevators.

By ROBERT SHAROFF  
Published: August 4, 2009

CHICAGO — After 13 years of failed redevelopment efforts, the United States Postal Service is giving up and auctioning off its largest vacant property: the hulking 2.7-million-square-foot old central post office here.

William Zbaren for The New York Times

Rick Levin, president of a local firm that will conduct the auction, acknowledged that in the building's current state, it represents a significant challenge to developers.

The suggested opening bid for the auction is \$300,000, which is less than an individual condominium goes for in many of the surrounding downtown buildings.

"We're not looking to recoup any investment here," says Tom Samra, vice president of facilities for the postal service in Washington. "We're going to let the auction decide what the ultimate value is."

The service is also not overly concerned about the winning bidder's qualifications or ability to develop the property. "A qualified bidder is someone who can close on it in 30 days," Mr. Samra said. "Potentially anyone with \$300,000 could buy this."

The question, however, is whether anyone will.

Rick Levin, president of a local firm that will conduct the auction, to be held on Aug. 27, said that he expected "a strong handful of bidders" and that he had received inquiries from as far away as Europe and the Middle East.

"It's a very attractive price for 2.7 million square feet of space in downtown Chicago," he said. But even he acknowledges that in its current state the building,

which measures 800 feet long and 350 feet wide, represents a significant challenge to developers.

“It’s not the cost of acquisition people need to focus on,” Mr. Levin said. “It’s the cost of updating. The minimum bid could have been a dollar. We made it \$300,000 in order to weed out complete amateurs.”

Another drawback is maintaining the building, which — even in its current vacant state — costs about \$2.5 million annually for utilities, maintenance and security.

The behemoth, which is nine stories tall with 14-story corner towers, is several blocks southwest of the Loop, the downtown central business district. It was designed by Graham, Anderson, Probst & White in a Neoclassical/Art Deco style and built in phases from 1921 to 1932. (Graham, Anderson is the firm responsible for Chicago landmarks like the Wrigley Building, the Civic Opera House and Union Station.) The total cost was \$22 million.

A peculiarity of the building is that it was built using air rights over railroad tracks that terminate several blocks to the north, at Union Station, and so it has no basement. In addition, the Congress Expressway literally passes through the structure. The two-story-high tunnel carries six lanes of traffic.

The building is often described as the world’s largest post office. At its peak, 5,000 workers processed more than 35 million letters annually, using 10 miles of conveyor belts and 48 elevators. Every day, more than 125 trains and 6,000 trucks arrived at the facility.

Gradually, however, the building became obsolete as the mail-sorting process was automated. “The column spacing and the ceiling height do not work for automated operations,” Mr. Samra said. “Automated operations require a more horizontal building.”

In 1996, it was replaced by a much smaller building — 500,000 square feet — a block south. Still, there is considerable nostalgia for the old facility.

“I miss the grandeur of the lobby,” said Musette Henley, who worked in the building in a variety of jobs from 1961 until its closing day and is now a customer relations representative in the new facility. “They don’t build buildings like that anymore.”

The imposing Neoclassical lobby at the north end of the building, which has cream-colored marble walls and an elaborate inlaid marble floor, is certainly a stunner: 340 feet long and 40 feet wide, with a towering 38-foot ceiling.

For more than a decade, the Postal Service has been working with Walton Street Capital, a Chicago-based real estate investment firm, to find a new use for the building, with a notable lack of success. “There have been many iterations of redevelopment possibilities, and market demand has come and gone,” said Raphael Dawson, a principal of the firm.

One early plan called for the building to be converted into a huge telecommunications data storage facility. That plan, however, was derailed by the collapse of the telecom market as well as by changes in banking regulations pertaining to data storage after the Sept. 11 terrorist attacks. The new regulations made a building constructed over an expressway a problematic candidate for such a facility.

The most recent scheme called for demolishing about a third of the building and renovating the rest into a mixed-used structure including offices, a 236-room hotel and 300 residential condominiums, at a cost of about \$310 million.

This plan — which involved \$51 million in public money from the city — came closer to breaking ground than many of the others, but it ultimately fizzled this spring because of the economic crisis.

“The crux of the issue has always been getting all of the markets to align properly at a time when you could get them financed,” Mr. Dawson said.

Another problem, he added, was the sheer number of agencies with an interest in the development. In addition to having the expressway and railroad tracks, the building borders the Chicago River and is near the city’s elevated mass transit system. “Just about every governmental body you can imagine has some role in making this project work,” he said.

The reaction to the auction has been subdued. John O’Donnell, the president and chief operating officer of the John Buck Company, one of the city’s largest developers, said he had no plans to bid on the property.

“What can you possibly do with it?” he asked. “There’s nothing developable downtown for the foreseeable future in any category. There’s no retail market, no office market and no residential market.”

Thomas Kirschbraun, international director of Jones Lang LaSalle, a large developer and real estate services firm here, expressed similar feelings. “Given the size of it and the condition of the financial markets today, it’s impossible,” he said.

Indeed, many equate the building with Block 37, the square block on State Street in the Loop that remained vacant for some 20 years before finally being redeveloped in the last few years.

“It’s certainly one of the more significant pieces of unfinished business downtown,” said Michael Jasso, managing deputy commissioner for the city’s Department of Community Development.

The auction is one of many that the Postal Service expects to conduct as it begins a major downsizing effort aimed at aligning capacity with declining volume.

By some measures, the Postal Service is the largest government landlord, with a portfolio of 34,000 properties encompassing 314 million square feet of space across the country. About a third of these facilities are owned; the rest are leased.

“We own the larger properties, which are mainly mail processing centers, and lease the smaller ones, which are mainly post offices,” Mr. Samra said.

After the old post office in Chicago, the second-largest vacant property is a 1.5-million-square-foot mail processing facility in Jersey City.

“We’re trying to relate the needs and facilities to the changes,” Mr. Samra said. “We believe some facilities will not be needed in the future.”

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