

POSTAL NEWS

No. 39/2010

**Formulated by UNI-Japan Post in cooperation with UNI-Apro,
ASPEK Indonesia and SPPI**

U.S. Postal Service Facing 'Major Financial Crisis,' Report Says. April 27, 2010.

1. U.S. Postal Service Facing 'Major Financial Crisis,' Report Says

Tuesday, April 27, 2010

By Edwin Mora

(CNSNews.com) – Failure to achieve a “major restructuring” of the U.S. Postal Service “will increase the risk that taxpayers and the U.S. Treasury will have to provide financial relief,” says a recent report from the Government Accountability Office.

“USPS is facing a major financial crisis,” projecting a record loss of over \$7 billion in fiscal year 2010, says the April 22 GAO report. Moreover, without cost-cutting and revenue-raising measures, “USPS expects financial losses will escalate over the next decade.”

In July 2009, the GAO listed the USPS’ financial condition as “high-risk” and said immediate attention was needed to improve its financial viability.

Now, almost a year later, the U.S. Postal Service is close to exhausting its \$15-billion borrowing limit with the U.S. Treasury, and it has unfunded pension and retiree health obligations and other liabilities of about \$90 billion for fiscal 2010, the GAO said.

Phillip Herr, the GAO’s director of physical infrastructure issues, says wages and benefits represent 80 percent of USPS’ costs. Herr made the comments in written testimony he presented to a Senate subcommittee on April 22, 2010.

For fiscal year 2010, USPS has reported that “it is ‘highly uncertain’ whether it will have sufficient cash to cover its required prefunding payment [to retiree health benefits] of \$5.5 billion that is due by September 30, 2010.”

When asked how the USPS would meet its financial obligations when it is facing a \$7 billion deficit, Herr told CNSNews.com that Congress has the ability to defer part of USPS’ most costly payments.

For example, in 2009 Congress reduced USPS’ retiree health benefit payment by \$4 billion to address a looming cash shortfall, but even so, USPS still recorded a loss of \$3.8 billion.

And unless the USPS revamps its “current business model,” financial problems will persist. According to Herr’s prepared statement, the USPS projects that by 2020 it

will incur \$238 billion in cumulative financial losses if cost containment and revenue raising measures are not put in place.

A major cause of USPS' financial woes is a decline in mail volume caused by the economic downturn and a consumer shift to electronic mail.

“Mail volumes, the primary source of USPS revenues, declined by 36 billion pieces (about 17 percent) over the last three fiscal years (2007 through 2009),” explained Herr in his prepared testimony. “Mail volume declines were largely due to the economic downturn and changing use of the mail linked to the continuing shift to electronic communications and payments.”

“Looking forward, USPS projects that by fiscal year 2020, total mail volume will further decline by 15 percent, to the lowest level since 1986,” added Herr.

In order to contain financial losses, the USPS has proposed, among other things, limiting its mail delivery service from six days to five days, a move that will save an estimated \$3 billion a year.

However, cutting mail service to five days requires congressional authorization, and some lawmakers are reluctant to do that.

The GAO also recommends that USPS reduce its compensation and benefits costs.

“USPS and its employee unions will begin negotiations for new agreements in 2010 and 2011,” stated Herr. “In this regard, the time has come to reexamine the structure for collective bargaining that was developed 40 years ago.”

According to Herr, changing existing collective bargaining practices will be “critical” since wages account for one of USPS' biggest expenses.

The GAO also urged Congress and USPS to determine what, if any, changes should be made in the products and services that the postal service provides. For example, should USPS diversify into nonpostal areas such as banking, insurance, or other government services?

“The current crisis presents an opportunity to act and position this important American institution for the future. The longer it takes for USPS and Congress to address USPS's challenges, the more difficult they will be to overcome,” the GAO report concluded.

Meanwhile, the U.S. Postal Reform Commission is inviting public comments on a proposal to end Saturday mail delivery.

“This is one of the most significant changes the Postal Service has ever presented to the Commission,” said Commission Chair Ruth Goldway.

Like this story? Then sign up to receive our free daily E-Brief newsletter

Viewer Comments

The following comments are posted by our readers and are not necessarily the opinions of either CNSNews.com or the story's author. To be considered for publication, comments must adhere to the Terms of Use for posting to this Web site. Thank you.

Showing 1-10 of 17 Comments

1 2 Next

fanofthegreatone (5 days ago)

You made good points, signsoftimes. Likewise, I think Obama had a slip of the tongue awhile back and admitted that UPS and Fed-Ex were in better shape than the (government-managed) USPS. Hmmmm. I wonder if he was reading a teleprompter when he said that? Regardless, unless Obama-care is repealed, it's appalling to know that the same government will soon manage our entire health care system!!.....Oregondave is also right: "Everything the government touches turns to cr@p....."

moriarity (5 days ago)

Let's not forget that the Postmaster General (a Democratic bootlicker) is paid almost 1 million bucks a year to run this mess. How many folks even know the name of the Postmaster General? Merely another sterling example of a Govt run agency, indeed!

gogosian (5 days ago)

SOMEHOW, my "compassion fatigue" prevents any feelings of either empathy or compassion for USPS self-inflicted, fatal wounds. Here is UTAH during 2009, we were faced with a postal worker - union-driven "work slow-down"! Examples = Seven calendar days on delivery of first class letters over distances normally driven in 1-1/2 to 2-1/2 hours. WE TOOK "AFFIRMATIVE ACTION" = Notifying Members of Congress and U. S. Senate resulted in restitution!!! Postal service was returned to the 'status quo ante' -- before the unseemly work slow-down Postal workers are still in denial on these matters! * * * * ELIMINATE THE MULTIPLE LAYERS OF SUPERVISION & also ADMINISTRATION, which have become repositories to meet federally imposed ethnic, racist & also gender "goals, quotas & time-tables" expressly forbidden and never intended by "The Civil Rights Law (1964)"! SAVE JOBS of POSTAL WORKERS behind counters & who do ACTUAL WORK on MOVING THE MAILS! REWARD THEM - not the USPS office dead-beats!

tallyho (5 days ago)

The USPS is another pitiful government bureaucracy that should be done away with and turned over to either Parcel Post or FedEx. The US government should be outsourced for that matter, they certainly don't work for the people but their own special interests. We deserve better but all we get is graft, fraud and corruption at every level. Nobody has any idea where the money goes and nobody cares cause the government prints more or taxes hardworking Americans more to pay for the US government total incompetence. Time to pull the plug on this den of thieves and go back to a real free market economy. How about getting rid of IRS, EPA, DOE, ED for starters. Drastic times require drastic measures and that doesn't mean massive tax increases.

chenjian (5 days ago)

nmrabbit (5 days ago)

Here's another thing wrong with the PO's. The PostMasters are KINGS or QUEENS. They run there domain like King Geo did England 1n 1775. They can Hire&Fire without cause. Sometimes women have to --to get ahead and advance in their PO. Know a PM who got canned on a sting. No jail time tho. Wonder why those people shoot up their job sites? Very poor personnel training.

nmrabbit (5 days ago)

Here's what a retired PostMaster in a big city told me 10 years ago when he showed me his new 36 ft motor home. That he saved his bonuses for 5 years to buy the MH. He got a 10% bonus for ever dollar he did not spend of his yearly budget. Sometimes you had to wait in line 30 minutes in his PO. My mailman who is a RuralRoute driver told me 5 years ago he made \$150K for his route + parttime work on 2 other routes.+Milage and W/T on his vehicle which bought a new vehicle every 2 yrs. Is this true I don't Know. Our friend sent an Easter card March 28th from Cal to WV to a forward address. Then it had to travel a 100 miles to Charleston, laid there a week, sent some place else for a week, finally sent to our forward address just 20 miles away from the original address, which we received on April 21. Total time 24 days. Pony Express was just 10 days from St. Joe to Sacramento, Ca. Name 1 org. that the government runs on time and money. Go ahead. Name one!

Walt (5 days ago)

Useless worthless gov't union fat lazy slackers no better than welfare handout recipients. I will absolutely not use usps. I have been boycotting for years. Use local neighborhood post centers, and make sure you tell them to fed-ex or ups. Don't give the usps another dime. I don't feel inconvenienced at all, and anytime I can put the hurt on the unions I feel profoundly American. Like I'm doing my part. I will pay more to get more, but I will not pay more to get less.

mrmoonray (6 days ago)

I mailed a letter to the IRS which was delivered, then returned because I forgot to put a stamp on it. Talk about effectiveness. Handling the same mail twice for the same price.

Stillours (6 days ago)

I'm with you oregondave...sell it off to people who can make it run

000