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USPS puts significant blame on shift to online communication for \$8.5 billion loss

By Alexis Levinson - The Daily Caller 12:33 AM 11/15/2010



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The U.S. Postal Service announced Friday that it lost \$8.5 billion dollars this fiscal year and blamed its [financial problems](#) on a significant decline in mail volume. The USPS operates off the revenue it generates from stamps and shipping costs, though it also has a \$15 billion line of credit with the U.S. Treasury.

Mail volume has declined by 3.5 percent this year, according to a USPS press release, in large part because more people are paying their bills on-line and are now communicating primarily by e-mail. This has left the USPS severely short of funds.

Eighty percent of Postal Service costs are “compensation and benefits,” said Mark Saunders, a spokesperson for the USPS. The USPS is the second largest U.S. employer after Wal-Mart, with 583,000 employees. Saunders said USPS jobs are “labor intensive,” pointing out that the USPS is “the last vestige in America to make house calls.”

In addition, he explained, “Congress passed a bill that requires us to pre-fund future retiree benefits — that means we’ll have to pay 5.6 billion per year for the next 10 years to pre-fund retiree benefits.”

But Tad DeHaven, a [budget](#) analyst at the Cato Institute, called that nothing more than “the big excuse.”

“It’s a bloated operation,” he said, “as one would expect any government run commercial operation to be.”

The USPS, however, touts “Record Efficiency Levels and Work Hour Reductions,” in a press release —

though this cannot compensate for the loss in revenue.

“There needs to be a lot of changes made by Congress to put us on solid financial footing,” Saunders said, citing the issue of pre-paying retirement benefits as one major area that needs to be looked at. He also noted USPS efforts to operate more efficiently by closing unprofitable post [offices](#) have often been met with resistance from members of Congress who do not want post offices closed in their districts.

California Republican Rep. Darrell Issa responded to Friday’s announcement by calling on the USPS to reduce operating costs. “This loss only underscores the urgent need for the Postal Service to trim its operating costs to match revenues,” Issa, the ranking member of the Oversight and Government Reform Committee, said in a statement. “Congress has an obligation to ensure that effective solutions are implemented and taxpayers don’t get stuck paying for a bailout.”

The USPS is working to reduce costs by asking Congress to stop Saturday mail delivery. It is also working to improve access to customers by partnering with [OfficeDepot](#) and putting mail boxes in places like drugstores to make it more convenient for customers to drop off mail. They have also worked to improve USPS.com, which Saunders called the “world’s largest post office.”

But unions are raising a fuss about this. The USPS would like to strike a deal with the unions in order to help with its current financial woes. “We want to negotiate a contract that’s fair to our customers, fair to our employees, and fair to the future vitality of the business,” Saunders said.

But the American Postal Workers’ Union (APWU) has attacked attempts by Congress to help alleviate falling revenue. Last week, APWU attacked a proposal put forth by Delaware Democratic Sen. Tom Carper, which, among other things, would have allowed USPS to close smaller, unprofitable post offices. According to [Post and Parcel](#), APWU said, “the proposals in the [POST](#) Act were of ‘significant concern’ to postal employees, and that the legislation was not worthy of support without ‘major modifications.’”

Both Saunders and DeHaven agree that the unions are another source of the Postal Service’s financial troubles. The four unions that represent USPS employees are not permitted to strike. Labor disputes must be settled in negotiations, and if an agreement cannot be reached, an arbitrator who is not required to decide in the best interest of USPS can decide the terms.

“Postal [employees](#) have enjoyed a total compensation premium for years,” DeHaven said.

The average executive compensation at the USPS is \$141,000 a year, as compared to \$172,260 for senior executive service for the rest of the federal government for the 2010 fiscal year. There are 290 postal service employees who make \$150,000 or more each year.

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