



Inside the radical Republican war on the Post Office

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May 29, 2020

In the weeks ahead America's daily mail delivery may come to a complete halt because the U.S. Postal Service is running out of cash—though Donald Trump may take last-minute action so he can proclaim himself the hero who saved the post office.

But the real story here is one of Congressional neglect, Republican animosity and the craziest pension plan funding scheme ever devised by human beings. Throw in an illegal strike by fed up postal workers a half-century ago, laws tightly restricting what the United States Postal Service may do and the rise of private carriers like FedEx and UPS that deliver only to profitable locations, and you have a manufactured disaster just waiting to be exploited for political gain.

Love/hate relationship? For the GOP the Postal Service is more hate/loathe, with a dose of gaslighting.

For years, Republicans have tried to pack the USPS off to a giant dead letter office while claiming they were only trying to help. Trump quickly fell into lockstep.

Trump Targets USPS

Following the long-standing GOP playbook on axing postal delivery, Trump has made his animosity toward the USPS clear.

A White House postal task force, headed by Treasury Sec. Steve Mnuchin, called for the privatization of the USPS in June 2018. By December of that year, they pushed to kill worker collective bargaining, which would enable slashing wages and benefits, fulfilling another part of the de facto Trump administration policy to make labor cheaper.

In April 2020, Trump called the USPS a “joke because they’re handing out packages for Amazon and other Internet companies.” The postal service says it negotiates prices that turn a profit on those deliveries—indeed, it must by law earn a profit—countering Trump's claims that Amazon is subsidized by the USPS.

FedEx, UPS and many smaller delivery services also have contracts with the USPS to deliver some of their packages, all under negotiated rates whose terms are confidential.

A few hours later—probably feeling the heat— Trump tweeted, “ I will never let our Post Office fail.” Then he blamed mismanagement and threatened to block a necessary loan to the USPS if it didn't jack up prices it charges Amazon.

Does the postal service face fiscal problems? Absolutely. The volume of mail has been dropping for years. Last year, USPS moved 54.9 billion pieces of first-class mail, down 30% from 77.6 billion pieces moved in 2010. Revenue, adjusted for inflation, has fallen only 10% however.

A Strike a Half-Century Ago

In 1970 a local walkout by postal workers turned into a massive strike over poor wages and benefits. The postal employees hit the picket lines even though federal law didn't allow them to strike. The effectiveness of that strike sent politicians scurrying. Congress turned the Post Office Department into the USPS.

The change allowed unions and collective bargaining. The new organization was supposed to be self-supporting and act like a company. But the USPS remained as it is today: Run at the whim of politicians.

There was the continued mandate of uniform service pricing and availability, no matter where citizens lived, because the founding fathers saw it as a service to unite a country. Our Constitution does not require a postal service, however, it only authorizes one, a point conservative Republicans have long seized on to justify ending mail service as we have known it since 1792.

Everyone was to have access at a single price, no matter how much it cost or where they were. No business would operate under such universal service conditions. Instead, a smart private firm would limit delivery to densely populated areas and if required to provide service in remote areas charge premiums and offer infrequent, not daily, delivery.

Milking the Cash Cow

Congress also hamstrung the organization by limiting it to letter and package delivery. No digital mail, no banking (something the old postal system did for nearly 70 years).

In other words, the USPS faces expectations that it should operate like a modern corporation without the authority to do so.

Complicating matters is that the federal government treated the USPS as a "cash cow," according to Philip F. Rubio, former letter carrier and now a professor of history at North Carolina A&T State University.

"They began saddling the USPS with debt and financial disadvantage," Rubio noted in a series of email exchanges with DCReport.

One egregious example came when Congress burdened the USPS with increased government pension benefits for all employees who had been federal government workers before 1971.

Why? Because pension costs grow with the number of years employees have worked for an organization. The federal government, in one stroke, offloaded massive expenses from the federal budget onto USPS.

Those included many veterans, now working for the USPS. "The Bush administration backed Treasury and declared the USPS had to pay the full cost of veterans' pensions, and that was written into law," Rubio said.

"So, the 2003 Pension Reform Act transferred that responsibility from Treasury to USPS, meaning the USPS was on the hook for the whole pension of any veteran who worked for it," Rubio said.

Many postal workers have been veterans. That's because the rules of the old Post Office Department gave veterans a hiring preference.

Essentially, USPS had to pay the pension benefits gained by many employees at another employer without compensation for having to cover that expense. That helped other government budgets look better for years.

The real kicker, though, happened in 2006, when a GOP Congress passed a bill, signed by George W. Bush, requiring the USPS to completely pre-fund 75 years of future retiree health benefits over a span of 10 years. That means USPS has set aside money for the retirement benefits of postal workers who are not yet born and many more who are currently children.

The cost? About \$110 billion for the pension pre-funding according to Rep. Peter DeFazio (D-Ore.), who opposed the plan.

From a business vantage, this is nothing short of insane. No rational corporation would pre-fund expenses so far in advance, nor would it need to. Instead, a company would invest money and let the value grow over time to cover the obligation.

An outrageous irony, as DeFazio notes on his congressional webpage, is that rather than going to the intended purpose, "funds are instead being diverted [by Congress] to help pay down the national debt." Another budget-shifting, face-saving measure.

The Call to Privatize

For years, conservatives have pointed to these artificially imposed financial burdens to blame USPS for its financial woes. Their answer is privatization.

Chris Edwards of the Cato Institute lists multiple benefits the USPS enjoys (without mentioning the crushing financial burden). Edwards and those in his camp say private industry could be more innovative and reduce costs.

But then, with congressional and administration thumbs on the scales, even the most advanced corporation could find itself at a standstill.

Daniel Smith, a free-market economist who is an associate professor at Middle Tennessee University, thinks that privatization done right could provide benefits. He favors an open auction so we would know in advance what the buyer is paying, what levels of service it promises and how it proposed to fulfill those obligations.

But there are big ifs there. How many times in American history have private businesses received federal contracts and then failed to deliver on-time and on-budget? Look at the defense industry, among others.

Prof. Smith also acknowledges that the USPS operates under difficult conditions.

"Part of the problem is that legislators have manipulated and prevented the Post Office from being as flexible as it could," Smith said. "It's politically controlled and prevents them from operating as a business should. The Post Office has done a good job of operating within the constraints."

The bigger question is whether any private company could come close to doing what the USPS does and provide lower rates and better service.

Private Industry Lacks the Scale

Corporations that might take over the USPS include FedEx and UPS. However, most people don't realize that even put together the amount of business the companies handle is small in comparison to what the USPS manages.

In its 2019 fiscal year, FedEx handled about 5.5 billion express and ground deliveries. For UPS, the total was the same. The Postal Service, in comparison, handled almost 142.6 billion pieces.

Put together, FedEx and UPS lack the experience of managing anywhere near the volume of traffic, nor do they know the complex logistics of universal service to rural farms in western Nebraska, little businesses tucked away in Kentucky hollows and homes on stilts in Mississippi delta swamps. Both FedEx and UPS depend on USPS to complete many of their deliveries to such areas or they refuse the business.

Then there is price. USPS tends to be significantly cheaper than UPS or FedEx for services they all offer.

The cheapest UPS cheapest package rate is more than \$8 and can run more than \$40 for those remote areas UPS does serve. The USP letter rate starts at nearly \$20. A USPS first-class letter is 55-cents, a uniform price whether the letter goes to Georgia or Guam.

The Real Target—and the Ultimate Cost

Congress could clear this up quickly. There have been bipartisan efforts in Congress to unstrap the unnecessary economic weights from the organization and to provide pandemic aid.

Trump, Mnuchin, and Senate Majority Leader Mitch McConnell (R-Ky.) have all taken steps to block any such changes.

Trump could clear up his objections, as he appointed a majority of the Postal Regulatory Commission. The commissioners must sign off on deals like the delivery rates that Amazon pays. He also appointed the entire USPS Board of Governors.

“It's apparent that there are some folks for whatever their reasons are opposed to the postal service,” Pete Coradi, national business agent for the American Postal Workers Union, told DCReport.

There are two potential rationales for the ongoing attempts to break the USPS. One is that privatization would transfer enormous amounts of value—untold billions in real estate, trucks, contracts, intellectual property and the marketing value, if harnessed, to know which people and companies sent letters or packages to any individual.

The other would be to attack what is the third-largest employer in the nation, with more than 600,000 mostly unionized workers, historically allies of Democrats.

Although not considered federal employees, postal workers are eligible for federal health and retirement benefits. Push them into the private sector and suddenly there's less of a burden on federal taxpayers, but not Americans.

Privatize the USPS and hundreds of thousands of workers would be affected, potentially seeing worse benefits and pay. That's particularly bad for the African American community, which has historically been heavily represented in the institution.

And by overloading the USPS and then sinking it further, denying the pandemic help freely handed out to large corporations, the GOP might get its way.