

Editorial: Postal Service says check's not in the mail

Post Office can't make looming retiree health-plan payment

Now it's the U.S. Postal Service that's basically bankrupt. It lost \$3.2 billion in the second quarter of this year. It's unable to make a \$5.5 billion payment Aug. 1 for its retiree health account for 2011 and could miss another \$5.5 billion payment Sept. 30 to cover 2012. Missing the 2011 payment "wouldn't directly affect service or [USPS'] ability to pay employees and suppliers," reported the Wall Street Journal. So, junk mail still will choke your mail box.

The problems with the USPS are obvious. The primary business, delivering first-class mail, has largely been by superseded by email. Package delivery largely was taken over by Federal Express and UPS, two private firms that do a better job even though they have to pay taxes, unlike the USPS, a nonprofit independent government agency.

A third problem is that the USPS still operates, like many government agencies at all levels, on a "defined benefit" retirement model. Retired employees get pension and medical benefits, no matter the cost, with taxpayers supposed to pick up any unexpected expenses.

By contrast, in the private sector, almost every business has switched to "defined contribution" plans, in which employees pay into a 401(k) or similar retirement fund or a medical savings account. The employee invests the contributions, and the benefit depends on how well the investments perform. The company (which can opt to match employee contributions) – and taxpayers, for governments that have adopted defined-contribution plans – are not on the hook.

"I operate on the assumption that the federal government can do whatever it wants with the Postal Service," Tad DeHaven told us; he's a budget analyst with the libertarian Cato Institute and has written extensively on the USPS. "It's the federal government's business – literally. There are no good options here."

As the Journal article noted, in April, the U.S. Senate passed a bill "that largely shores up the agency's finances by returning an estimated \$10.9 billion overpayment made into the federal employee pension system," separate from the retiree health plan.

The U.S. House of Representatives isn't expected to work on reform until it returns from recess in September – that is, after the Aug. 1 retiree health-plan payment is missed. According to the Journal, the House reform "would require the agency to operate more like a business, in part by setting up a panel to reduce the network of post offices." But rural representatives are worried about local post office closures. Mr. DeHaven said, "They're just tinkering and kicking the can down the road."

The obvious solution is privatization, which actually was advanced in the final months of the Reagan administration in 1988. Subsequent administrations have had no interest in privatization. Mitt Romney, the presumptive Republican nominee for president, hasn't talked about it – although it has been advanced by one of his economic advisers, Kevin Hassett.

The American Postal Workers Union, with 330,000 members, is affiliated with the AFL-CIO, a top ally of President Barack Obama. Those are key voters in November. Wednesday, as reported on the APWU website, union "President Cliff Guffey [blasted] House Republican leaders for their 'utter failure to solve the nation's problems.'" We note that Mr. Guffey's remarks were posted on the Internet, which is free, instead of being distributed by mail.

It looks like this is another problem that won't be "solved" except by Congress mailing the bill to taxpayers.