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Massive Cuts to Postal Service a Step Towards Privatization?
Plan to restructure post office a big real estate play and boon to private courier companies

Transcript

A proposal is currently being considered by the US Postal Service to sell its building in downtown Berkeley, CA and relocate its services. This is just one city that is feeling the impact of a crippling financial crisis currently affecting the Postal Service. In fiscal year 2012 it lost approximately 5.9 billion. And now thousands of buildings may be sold and thousands of workers laid off in what USPS says is an attempt to save itself, but critics argue is a step toward privatization.

It's commonly understood that the internet and e-communication is causing the demise of USPS, but that's not the full story. What seems to be the prime cause is actually a little-known law passed in 2006.

Susan Hammers, APWU: The Postal Accountability and Enhancement Act requires prefunding of pensions 75 yrs into the future.

Augustine Ruiz, USPS: This is a huge burden on us and it's unfair.

Gray Brechin, UC Berkeley faculty/activist: It seems as though it was designed to destroy the postal service.

Postal revenue has taken a drop over the years, but until now the postal service has been able to get by and survive solely from its own revenue, receiving absolutely no US tax dollars, as stipulated by the 1970 Postal Reorganization Act.

However, the pension prefunding is a mandatory requirement, and so in an attempt to address its budget shortfall USPS has begun a program of drastic restructuring. One effort underway is a massive reduction in its workforce. Currently the postal service provides around 550,000 middle-class jobs. But actions proposed by the Postmaster General could cut the workforce down to approximately 300,000, which union representatives say would have a devastating effect not only on workers and their families, but on the overall US economy as well.

In addition to curtailing labor costs, current plans likely include the closing of around 3,700 post offices, although at other times it has been suggested that up to 15,000 locations may be considered for closure, almost half of the 32,000 USPS operates.

Ruiz: we're going to get rid of space we don't need, become more efficient, and continue to offer our services in other smaller locations. Then we can stay in business.

But unions and community organizations say it is hardly a solution to the budget problems. They stress this one-time cash injection will never be able to be repeated, so it's hard to see how this will help alleviate the ongoing pension payments. Additionally, services are often being relocated from the sold buildings to new rented locations, meaning ongoing monthly payments often estimated at a cost greater than maintaining the already owned buildings.

Activists argue this is part of an ongoing divestiture of assets that, along with \$12 billion of annual outsourcing, is a significant step toward the privatization of the US Postal Service. While USPS denies there is a concerted effort to privatize, privatization does have its strong advocates. Tad DeHaven, for instance, of the Cato Institute, a libertarian think tank, believes in full privatization. DeHaven sees the current measures as merely a band-aid, and the entire government-run model as a failure.

Tad DeHaven, Cato Institute: If we don't privatize US taxpayers will have to pick up the tab. This is a failing business model. I envision customers saying what services they need and entrepreneurs filling that role with no government provision.

Also championing paths toward privatization are UPS and FedEx. Already FedEx is the postal service's number one private contractor, transporting Express, Priority, and First Class Mail. In 2011 the company earned postal revenues of \$1.495 billion, an increase of \$122 million over 2010.

Like Tad DeHaven, FedEx CEO Frederick W. Smith is also a member of the Cato Institute, and in the past has been on its Board of Directors. In 1999, long before the postal service's current crisis, Smith testified before a congressional committee urging it to consider privatization:

"Closing down the Postal Service," he stated, "like any other government agency that has outlived its usefulness, is an option that ought to be considered seriously."

In response to these outright demands for privatization, postal service advocates assert the current crisis is manufactured, not a result solely of a poor business model. The additional measures, they insist, are only further debilitating the postal service and making it less functional, thereby setting itself up for a further loss of revenue.

Hammers: They're cutting window staff, so there's longer lines. They're closing centrally located branches, so it's harder to get to. This is costing us customers and revenue.

During this process, some private contractors will do quite well off of the ongoing USPS fiscal crisis. CBRE, for example, is the world's largest commercial real estate broker, chaired by San Francisco billionaire Richard Blum, husband of Sen. Diane Feinstein. Last year CBRE won a contract from the USPS to be the sole manager of its property sales, as well as an advisor on which properties should be sold.

Brechin: CBRE also arranges the leases, so it's involved in all aspects of the sale. They're making a ton of money off this.

CBRE has played this role before. In October 2009, the firm was contracted by the State of California to sell over \$2 billion in office buildings the state wanted to privatize

because of its own financial problems. But USPS dismisses any possible conflict of interest CBRE may have in performing its services.

Ruiz: They're just giving advice, it's up to us if we want to take it.

Activists agree the postal service needs to adjust its model if it hopes to succeed. Instead of scaling back, however, they believe a reinvestment in the institution would lead to a revitalization and bring customers and revenue back to the postal service. But their immediate priority is a congressional repeal of the tremendous burden that is the Postal Accountability and Enhancement Act.

Hammers: Congress created this problem, they have to fix it.

Meanwhile, the Downtown Berkeley Post Office, a nationally registered historic landmark, may soon be up for sale. Under the proposal the building would be sold and current services would be relocated to a leased storefront. But the news has not gone over well in Berkeley.

Brechin: People are organizing and protesting. We're not going to let them sell our post office.

Ruiz: People are passionate about this, but they have to understand our fiscal responsibility.

As activists in Berkeley and elsewhere across the country attempt to alter the current course--whatever motives may be behind it--what is clear is that unless something changes, the likely path will result in drastically less public ownership of assets, thousands fewer unionized employees, and more outsourcing, or in other words a semi-privatized US Postal Service. That is, of course, if it can stay in business.

Reporting from Berkeley, CA, this is David Zlutnick for the Real News Network.