

# US Postal Service demands right to slash jobs

**Patrick Martin**  
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The chief executive of the US Postal Service appeared before a Senate committee Tuesday to seek legislation giving him the power to wipe out 220,000 jobs, tear up union contracts, close thousands of local post offices and end Saturday delivery.

Postmaster General Patrick Donahoe told the Senate Homeland Security and Governmental Affairs Committee that without such authority, USPS would default on a \$5.5 billion payment to its retiree health benefit fund September 30, and might shut down operations altogether this winter. “Without legislative change this year, the Postal Service faces default, as available liquidity at the end of this month will be insufficient to meet our financial obligations,” he warned.

Donahoe said that his goal was to cut payroll by an additional 138,000 jobs over the next three years, bringing total postal employment down to 425,000 jobs, less than half the number employed by the postal service in 1990.

USPS posted a loss of \$10 billion for the fiscal year ending September 30, on top of the \$8 billion lost in the previous year. The agency receives no public funds, and is financed entirely by revenues from postage and other services.

Donahoe said he was not seeking a congressional appropriation of funds to bail out the postal service, but rather legislative action to allow USPS to conduct its affairs like a private corporation—in other words, the right to force postal workers to pay for the financial crisis through cuts in jobs and benefits.

The top personnel official for the Obama administration indicated that Donahoe’s savage anti-worker proposals have White House backing. John Berry, director of the Office of Personnel Management, said a plan to deal with the postal deficit would be presented as part of the deficit reduction package the administration is to release later this month.

He claimed that the administration had not yet taken a position on Donahoe’s proposals for cutting jobs and benefits. “There will be a plan,” he told the Senate hearing. “The White House will have that submitted with the deficit reduction package within the next few weeks.”

Berry asked the Senate panel to give a 90-day extension on the September 30 deadline for making the \$5.5 billion payment to the retiree health fund while the details of the plan were finalized.

This statement makes clear the White House intends to impose an auto-style “solution” to the postal crisis, using the threat of bankruptcy as the battering ram to attack the jobs, wages and benefits of both current and retired postal workers.

The postal service has been losing business steadily for two decades, as e-mail and the Internet have become the principal means of day-to-day communication, bill-paying and advertising. Mail volume fell to 167 billion pieces this year and is projected to drop to 125 billion by 2020. Despite this decline, however, the US Postal Service is still an enormous enterprise, delivering between 40 and 50 percent of the total world volume of mail.

The September 30 deadline cited by Donahoe is an artificial one, created by the 2006 Postal Accountability and Enhancement Act, which required USPS to fully fund in advance its pension and healthcare obligations to retirees. Private corporations routinely underfund such obligations and then default on them if they run into financial difficulties.

Donahoe made the comparison explicit, telling the Senate committee that the Postal Service suffers from a “restrictive business model” and needs legislation that would allow it to operate like “a private-sector business.” He added, “We do not have the flexibility to achieve these cost reductions.”

Among the cuts he proposed are tearing up the no-

layoff clause that has been in union contracts with the postal service for three decades; shifting new workers from a standard pension plan to a 401(k) defined-contribution plan; and eliminating the mandatory annual payments into the retiree benefit funds. The Postmaster General would also close 300 of the 500 mail processing centers and thousands of post offices, both in blighted urban areas and in many small towns.

He also asked for a provision that would allow the postal service to recapture \$6.9 billion in what he described as “overpayments” to the retiree benefit funds. In other words, the benefits of retirees and future retirees would be raided to cover the current deficit.

Senate Democrats and Republicans indicated their support for these demands. Senator Tom Carper, a Delaware Democrat, said the postal service “needs to reduce its head count,” adding, “they want to do it humanely. We need to let them.”

Although Donahoe told the *New York Times* in an interview this weekend that the postal service might exhaust its ability to borrow and close down entirely this winter, at Tuesday’s hearing he pushed back the closure deadline until next summer, suggesting that sometime towards the end of next fiscal year, in July or August of 2012, the USPS might actually shut down.

A postal service white paper spelled out the demand for tearing up contracts with the American Postal Workers Union and the National Association of Letter Carriers. “It is imperative that we have the ability to reduce our workforce rapidly,” the white paper argued. “It is not likely that the Postal Service will be able to eliminate these layoff protections through collective bargaining.”

The APWU contract, negotiated this year, runs through 2015. The NALC and a third union, the National Postal Mail Handlers Union, have contracts that expire November 20.

Officials of all three unions have voiced opposition to Donahoe’s demands, but continue to support the Obama administration and the congressional Democrats, who are working to ensure these cuts in jobs and benefits are imposed in some slightly modified form.

In the course of the first three years of the Obama administration, USPS has cut costs by some \$12 billion and reduced its career workforce by 110,000, despite the no-layoff clause.

The goal of USPS management is to reduce labor costs at the postal service to the level of its two main competitors, United Parcel Service, which spends 53 percent of revenues on labor costs, and FedEx, which spends 32 percent. The two private companies specialize in high-profit package delivery, however, and are not under the legal obligation to provide daily service to 150 million individual addresses in the United States, the mandate that makes the postal service truly universal.

The attack on postal service jobs will have an enormous impact on the most oppressed sections of the population. USPS is traditionally one of the largest employers of African-Americans, who made up 21 percent of its work force, and the largest single employer of military veterans, who make up 22 percent. One third of the veterans who work at USPS are disabled.



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