

# US Postal Service defaults on \$5.5 billion payment to retiree fund

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The United States Postal Service (USPS) defaulted Wednesday on a \$5.5 billion payment to the US Treasury for future retirees' health care. The USPS also said it would not be able to make a \$5.6 billion payment due next month.

The default comes as the Postal Service continues to lose \$25 million a day, due in large part to the decline of first-class mail. The USPS is seeking drastic cost-cutting measures, including shuttering mail-sorting facilities, ending Saturday delivery, and attacking the jobs and benefits of hundreds of thousands of postal workers.

In a statement in the run-up to the default, the USPS said, "This action will have no material effect on the operations of the Postal Service. We will fully fund our operations, including our obligation to provide universal postal services to the American people," it insisted. "We will continue to deliver the mail, pay our employees and suppliers and meet our other financial obligations."

It is clear, however, that the default will be seized on by the Postal Service, as well as politicians in both the Democratic and Republican parties, to escalate the assault on both the provision of mail services to the American public, as well as the jobs, wages and benefits of current and future postal workers and retirees.

The USPS, the second biggest US employer after Wal-Mart, operates as an independent agency of the federal government. It currently employs about 574,000 career employees. The agency receives no tax dollars and is run as a business, not a public service. It is expected to fund its operations through the sale of postage and other services. The agency posted a \$10 billion loss for the fiscal year ending September 30, 2011.

Since 2007, the Postal Service has been battered by the recession's effect on mail volume as well as the impact of email, online bill payment, and electronic advertising. Mail volume fell to 167 billion pieces last year and is projected to fall to 125 billion by 2020. Despite this

decline, however, the USPS is a massive entity and still delivers between 40 and 50 percent of the total world volume of mail.

Last September, Postmaster General Patrick Donahoe appeared before Congress seeking legislation to give him the power to close thousands of local post offices, reduce six-day delivery to five days, wipe out 220,000 jobs and tear up union contracts. The postmaster made clear that he was not asking for a government bailout, but legislative action allowing the Postal Service to conduct its operations like a private corporation, i.e., the right to force postal workers to pay for the agency's crisis through cuts to their jobs and benefits.

The USPS eventually abandoned this plan after opposition in Congress (mainly due to politicians' fears of a backlash from home constituencies over post office closures) and said it would instead cut operating hours at as many as 13,000 locations to save \$500 million annually. However, the Obama administration and politicians of both big-business parties are in agreement that drastic action is still required, and are intent on pushing through severe cuts.

In April, the US Senate passed a bill that would allow the agency to reduce its workforce from 550,000 to 450,000, ending a no-layoff provision that has been in postal union contracts for three decades. The bill, however, placed some restrictions on the agency's ability to close money-losing post offices and eliminate Saturday mail delivery.

In the US House, Representative Darrell Issa, Republican from California, has co-authored legislation overhauling the Postal Service that would mandate deep cost-cutting through closing post offices and possibly ending Saturday mail delivery. Issa chided postal officials for failure to make sufficiently deep cutbacks, commenting, "The Postal Service continues to fail to do all it can under current law to cut costs."

However, the Republican-controlled House is expected to adjourn for the summer recess today without taking action on the bill. While Postal Service officials are critical of elements in both the Senate and House proposals, they are anxious to see the House bill pass so that a compromise can be reached in conference committee and the attacks on postal jobs and services can begin in earnest.

The USPS has already moved forward with a plan to consolidate 46 facilities over the next month. The move will affect 5,000 workers who may be offered other jobs, some requiring relocation to other cities or states. The agency has also offered retirement incentive packages, which are projected to eliminate the positions of about 4,000 local postmasters and 3,000 mail handlers.

For its part, the Obama administration has outlined a plan to destroy tens of thousands of postal jobs. In the course of Obama's first term the USPS has already cut costs by more than \$12 billion and reduced the postal career workforce by 110,000, despite the no-layoff clause.

Wednesday's \$5.5 billion default by the Postal Service stemmed from 2006 legislation in Congress that required the agency to begin prefunding its benefits for retiree health care and pensions. Up to that point, the USPS handled its retiree benefits on a "pay as you go" basis. Under the Postal Accountability Act, the Postal Service is supposed to allocate about \$8 billion a year toward retiree health care costs, reaching full funding in about 10 years.

The unions representing postal workers have focused their efforts on opposing the elimination of Saturday delivery and the loss of dues-paying members. The contract signed in March 2011 with the largest postal union, the American Postal Workers Union (APWU), surrendered the no-layoff clause and instituted a new category of Non-Career Assistants with lower pay and benefits.

In a statement, Fredric Rolando, president of the National Association of Letter Carriers, described USPS' failure to pay the \$5.5 billion into the fund for future retirees' health care as a bogus default, and called on Congress to eliminate the requirement for the USPS to pre-pay into the fund.

In a comment reeking with complacency, Rolando said, "If we thought our retired members were in danger of losing their health care, we'd be screaming bloody murder about it." The reality is that thousands of postal workers and retirees face the very real danger of losing not only their health care benefits, but their jobs, pensions and other hard-won benefits.

The Postal Service has been lobbying for the "flexibility" to operate more like a private corporation. In addition to attacking retiree health benefits, they want to shift new workers from a standard pension to a 401(k) defined contribution and eliminate the mandatory annual payments into the retiree benefit funds.

The USPS, the Obama administration and Congress are in agreement that the attacks on postal workers and the accompanying cuts to services are dictated by economic necessity—this under conditions of burgeoning corporate profits and record CEO pay.

Ultimately, the US political establishment has its sights on the wholesale privatization of the Postal Service, opening it up as a profit-making enterprise, abrogating workers' contracts, and reducing or eliminating those services that are not big moneymakers. Those most dependent on mail services—including the elderly, residents of rural areas, and small businesses—would be the hardest hit.

Advocates of attacks on postal workers' jobs and benefits, draconian cuts to mail service, and postal privatization say the development of technology necessitates these drastic measures. In fact, the advent of the Internet and email should facilitate an advance in the working and living conditions of the population. But under conditions of growing social inequality, workers and society as a whole are asked to pay the price.

The American ruling class is taking aim at an institution that was established at the Second Continental Congress of 1775 under the leadership of Benjamin Franklin and enshrined in the US Constitution to provide a vital social service—not to turn a profit. The present crisis of the United States Postal Service poses the necessity of a socialist solution. Rather than gutting it and selling it off, the USPS—along with all telecommunications services and utilities—should be nationalized and provided as public services under the direction of a workers government.



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