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Contact:
Paul Miller
914-669-8391
pmiller@catalogmailers.org

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ACMA's Review of September 6 Senate Committee Hearing on the Future of the U.S. Postal Service

I had the pleasure or displeasure (you can decide after reading this) of listening to all 195 minutes of the key Senate Committee on Homeland Security & Government Affairs hearing held this past Tuesday on the fate of the USPS. To put things into perspective without blabbing on in endless government and postal jargon, below I'll break down the positives and negatives to come out of this proceeding.

Panelists

If you wish to dig deeper, each name is hyperlinked to their complete written testimonies. I won't be analyzing each one, as not all that many of them were worth discussing.

- [Patrick R. Donahoe, USPS Postmaster General](#)
- [John Berry, Director, U.S. Office of Personnel Management](#)
- [Phillip R. Herr, Director, Physical Infrastructure Issues, U.S. Government Accountability Office](#)
- [Thomas D. Levy, Senior Vice President and Chief Actuary, The Segal Company](#)
- [Cliff Guffey, President, American Postal Workers Union](#)
- [Louis M. Atkins, President, National Association of Postal Supervisors](#)
- [Ellen Levine, Editorial Director, Hearst Magazines, Hearst Corp.](#)
- [Tonda F. Rush, Director of Public Policy, National Newspaper Association](#)

Committee Members

A list of all the senators from the Committee who questioned the witnesses. Links to those who made initial statements.

- [Committee Chairman Joseph Lieberman \(I-CT\)](#)
- [Daniel Akaka \(D-HI\)](#)
- [Scott Brown \(R-MA\)](#)
- [Thomas Carper \(D-DE\)](#)
- [Susan Collins \(R-ME\)](#)
- [Jerry Moran \(R-KS\)](#)
- Mark Begich (D-AK)
- Tom Coburn (R-OK)
- Claire McCaskill (D-MO)
- Mark Pryor (D-AR)

The Issues at Hand

Bottom line: Realistic or not, USPS could cease operations altogether by next summer if something's not done soon to rescue this American institution.

Over the past week, you've probably seen this on the TV news or read it online or in the papers, including a Labor Day lead cover story in the New York Times. It's no joke. The USPS announced some time ago that it would default on a \$5.5 billion payment to prefund retiree health benefits unless Congressional action was taken soon. And if nothing is done, USPS will run out of cash and be forced to shut down altogether by next August or September.

The impetus for this hearing was the proposed plan the USPS announced last month to take \$20 billion in costs out of the Postal Service. The plan included the following drastic measures:

- Get the law changed to enable it to lay off 120,000 postal workers – 20% of its workforce, in addition to the 100,000 expected to leave through normal retirement
- Close or consolidate plants and machinery to increase use and decrease facility cost
- Close or consolidate (into existing private-sector retail stores) some 3,700 post offices (we forecast this will be only the first round of closings of retail locations)
- Replace existing government health care and retirement plans with its own plan, saving an estimated 8%-10% of the cost
- Do away with a defined benefit retirement plan for new employees
- Ask money be returned to USPS in retirement pre-funding
- End Saturday delivery

The Positives

Better late than never, but the future of the USPS is finally on Washington's radar screen.

Beyond senators Carper and Collins, who drafted similar postal reform bills earlier this year and have been active in efforts to save the financially-strapped USPS, the mere fact that eight other senators from this committee showed up for the hearing and expressed concern (seven were no-shows) is a step in the right direction. And there was a virtual even split among political parties represented.

Positive or negative, all press is good press, especially for an attention-starved agency like the USPS. The major media outlets, the Washington Post, N.Y. Times, Wall Street Journal and others have been reporting heavily on this matter of late, as have virtually all the news outlets on TV.

Clearly, after a presidency virtually ignoring the Postal Service, this hearing got the Obama Administration moving. The OPM's John Berry took a beating from Sen. Collins for being all but completely unprepared for this hearing. But he promised that the Administration would weigh in soon in a significant way. He said The White House will include a USPS rescue plan as part of a \$1.5 trillion deficit reduction package it will deliver to Congress shortly.

Another positive is that the Administration is pressing for a 90-day extension for the USPS to pay the \$5.5 billion in annual retirement payments that it's been saying for months it will default on by the September 30 deadline. Of course, a three-month reprieve for an agency that expects to lose \$10 billion is small potatoes, but it's at least a start.

The positive "stars" of the hearing, in my book, were Sen. Lieberman, PMG Donahoe and Sen. Collins. They helped bring the urgency of the USPS's fate to the fore. Some notable quotes:

- Lieberman: "The Bottom line is to act quickly to prevent a USPS collapse. It's not an 18th century relic. It's a great 21st century national asset. Times are changing rapidly; so too must USPS.... The President will submit a plan to meet the USPS fiscal crisis along with a joint committee of 12. I'd still like our committee to mark up a bill to respond. We have Senators Collins and Carper with expertise; I'm committed to moving this along. The PMG has been clear even assuming he defaults on the \$5.5B payment, assuming nothing else happens, that he can't deliver the mail next summer. This fall we should get together on legislation and pass it in plenty of time before that."
- Donahoe (in response to a question from Sen. Carper on what impact the lack of uncertainty is having on the USPS): "We have to get stability in our systems and address them long term. This can't be a short-term fix; we have to look at revenue beyond 2020 and make sure we resolve this issue now and give USPS business flexibility."
- Collins: "This [USPS plan] is a remarkable turnabout from its previous proposals. Big picture ideas, though many of the details remain unclear. If the USPS were a private corporation, its revenue would be just behind

Boeing and just ahead of Home Depot on the Fortune 500. Even that understates the economic importance of the USPS. It directly supports the \$1.1 trillion mailing industry employing 8.7 million - direct mail, printing, catalog companies, paper manufacturing and financial services. Many of these can't return to readily available alternatives – they depend on USPS.

The Negatives

Lawmakers are slow to respond to Postal Service red ink.

No new plans were proposed during what was certainly a high-profile hearing. This was a wasted opportunity and indicative of how little is getting done in Washington these days. What's more, although it was quite obvious that the two postal union leaders would rip apart the USPS plan for its call to end the no-layoff clause and dispose of 120,000 employees, a good portion of the other panelists spent more of their allotted time either stating the obvious and/or picking apart the USPS plan – without offering alternative options.

I was too young in 1970 to witness the Postal Reorganization Act and the birth of the USPS as the quasi-governmental agency it became in 1971. But the law was passed because postal workers went on strike. It was an emergency and the government acted on it to keep the mail going at the time. The end-result of that Act was the law that ever since has prevented USPS from laying its workers off in exchange for a no-strike law on labor's side. Here we are more than 40 years later in another crisis, but the general tone of this hearing wasn't quite as urgent feeling as it should have been.

That's mainly due to the fact that aside from Sens. Carper, Collins and Coburn, most other members of this committee haven't had the USPS on their radar screens until now for the same reason: The fire wasn't burning brightly enough even though the USPS has been sounding the alarm bells for nearly a year.

Conclusion

Go about your business, but keep pestering your members of Congress.

The three-month reprieve on the \$5.5 billion prefunding for retiree health benefits merely delays the USPS default to the end of this year. It's a band-aid to say the least, as all it does is move the default to the next fiscal year. There's certainly reason to hope that something will be accomplished in the next few months to restructure the USPS. But the greatest concern is that the political posturing in Washington will keep anything getting accomplished until after Election Day 2012. By then, the USPS plan, the Senate and House bills currently on the table, and any other work put forth to this point will have to go into restart mode.

Although it's the boldest plan on the table right now, the USPS's cost reduction plan faces obstacles all over, from the postal unions (layoffs) to rural mailers (5-day delivery), to the Administration, which is concerned about giving up control

over health and retirement plans.

ACMA urges mailers and their suppliers to keep on top of your members of Congress. Make sure they understand all that's at stake for not only the USPS's future, but most importantly for your company's ability to use the mail and employment. Reminding your politicians that the US Postal Service is critical to commerce and to your company's ability to employ people in their Congressional District would be a smart move right now.

Consider expressing support for the continued cost cutting that will keep mail from becoming less affordable. While 120,000 layoffs sounds like a lot in this economic environment, right-sizing the USPS will spare losses to more than 8 million private sector jobs that depend on the USPS. Now is a great time to remind your Congressional delegation that this essential national infrastructure must be protected. If you have any questions or need some help reaching your elected officials, please contact me.

Best,

Paul Miller
Vice President & Deputy Director
American Catalog Mailers Association
pmiller@catalogmailers.org
914-669-8391

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About the American Catalog Mailers Association:

ACMA is a Washington-based not-for-profit organization specifically created to advocate for the unique collective interests of catalog mailers in regulatory, public and administrative matters where the shared impact transcends individual company interests. ACMA participates in rulemaking and other proceedings of significance where a single collective voice increases influence and effectiveness. Membership is open to any party with significant interests in the catalog industry. More information can be found at www.catalogmailers.org.

Contacts:

Paul Miller, vice president & deputy director, 914-669-8391, pmiller@catalogmailers.org
Hamilton Davison, president & executive director, 800-509-9514, hdavison@catalogmailers.org