



**Remarks of Fredric V. Rolando,  
President of the National Association of Letter Carriers**

*to the Annual Postal Workshop of the  
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Thank you for that introduction and for giving me an opportunity to speak to all of you today about the Postal Service. As my members do every day, I will do my best to deliver.

As Mark Twain might say, I am here to tell you that the reports of the demise of the Postal Service are greatly exaggerated. The USPS faces unprecedented challenges but it can, if we choose, continue to do what it has done for nearly 250 years — play a vital role in our nation's social and economic infrastructure. Nothing is inevitable about the “so-called” decline of the United States Postal Service, and the National Association of Letter Carriers is prepared to lead the effort to revive and improve this vital national institution.

Everyone in this room understands the fundamental business problem — First Class volume is declining as the direct and irreversible result of the Internet. And the 2008-2010 recession did not help.

Everyone in this room also understands the immediate financial and cash flow problem. On its current course, the Service will run out of cash within a matter of months. But the major driving force creating this cash crisis is not the Internet. Rather, it's the unprecedented requirement imposed by Congress in 2006 that the Postal Service pre-fund future retiree health obligations to the tune of \$ 5.5 billion a year — draining the Service of \$21 billion, cash, over the last 5 years. This burden is not borne by any other business in America, or any other federal, state or local government agency.

I will discuss the business and cash problems in a couple of minutes, but first I want to confront very directly, and without customary Beltway courtesies, why we have made no progress in addressing the problems we all acknowledge to exist.

First, we have a postal management that, at the highest levels, has thrown in the towel. The Postal Service response to the crisis is to simply shrink — to close hundreds of facilities, cut thousands of rural post offices, cut hundreds of thousands of jobs, cut service standards, reduce the number of days of delivery and to discontinue door-to-door service. In short, to try to save the Postal Service by degrading its most valuable asset, its unmatched last-mile delivery network.

This may sound like a harsh judgment. But just last week, the Postmaster General publicly embraced Congressman Darrell Issa's postal reform bill, which would effectively dismantle the Postal Service. The PMG said at a hearing that he supports practically all of H.R. 2309. At this late hour, plain speaking is necessary. In our view, that bill is a recipe for total disaster.

Second, some of the nation's top policymakers seem to feel that the most important postal policy objective should be the pre-funding of retiree health premiums that will not actually be paid for several decades — not universal service, not restructuring the USPS to meet the needs of the 21<sup>st</sup> Century, and not the health of a mailing industry that employs 7.5 million American workers, mostly in the private sector.

NALC cannot accept this misguided policy. As I said in a letter to the Senate last week: “We cannot support legislation that aims to slow mail delivery by cutting Saturday delivery service, wiping out tens of thousands of jobs, just to continue an onerous mandate to pre-fund future retiree health benefits that no other employer in the nation faces. We already have set aside \$45 billion, enough to pay for decades of retiree health premiums. The focus now must be on investing in a new business model with a viable business strategy.”

Congress is currently in recess, but it will return on April 16. When it does, it is likely the Senate will take up S. 1789, the 21st Century Postal Service Act. The bill is clearly much better than what we are calling the Issa-Donahoe bill. Its intentions are good. But unfortunately, because it is largely based on the Postal Service's misguided business plan, it will still hasten the Postal Service's decline. It will certainly not lead to its revitalization.

Passage of S.1789 guarantees that the Postal Service will face a new crisis in the near future. Sadly, when that crisis occurs, the Service will be far less able to survive it. The sponsors and other supporters of this bill mean well — they are not enemies of the Postal Service or its employees. But they appear to be willing to aid and abet those who believe Postal Service is doomed and can't be revived. S.1789 is a band-aid, beneath which the Postal Service's wounds would continue to fester, eating away at its long-term future.

What the Postal Service needs most is a wholly new business model, built from the bottom up, one that looks above the immediate financial and structural problems to find opportunities to meet the evolving needs of the American people in 21<sup>st</sup> century.

If Congress takes no action, Postal Service management will start dismantling itself on its own — in fact, it already has its own plan for drastic cuts which have been put on hold until May 15 to give Congress time to decide what to do. The Postal Service management's approach would end Saturday delivery of the mail and close hundreds of post offices and other postal facilities across the nation. It's surrender; and as the 1/4 of all members of my union who served their nation in the armed forces can tell you, no battle has ever been won through relentless retreat.

Sadly, the current Postal Service management team would like to go even further than Congress in slashing the Service. Even Sen. Susan Collins, one of the sponsors of the Senate bill, recently warned in a floor speech that the current management's “approach would shrink the Postal Service to a level that will ultimately hasten its insolvency.” Why would Congress want to leave these foxes in charge of the chicken coop?

Now we at the National Association of Letter Carriers completely agree that the Postal Service faces social changes that require it to fundamentally alter its way of doing business. The Internet and all it has made possible — on-line banking and shopping; email; and social media like Facebook, Linked-In and Twitter — have pulled a lot of traditional business and revenue away from the Postal Service. Clearly, the Service must adapt to our nation's changing needs, and adaptation will require difficult sacrifices for all involved, including letter carriers and other Postal Service employees. Letter carriers are not afraid to make those changes. In fact, if it were part of a comprehensive plan to save this institution, we would be the first to step up.

But too many in Congress and in Postal Service management believe the only solution is to give up: laying off employees, closing post offices, shutting down other Postal Service facilities, eliminating routes and reducing service.

Such crude amputations can only produce more dissatisfied customers who are ever more reluctant to use the Postal Service — and thus the downward spiral would continue. But as doctors finally figured out in the 19th century, you cannot cure the patient by bleeding him to death.

For me and many others in the Postal Service, one of the most frustrating aspects of the current financial difficulty is that so much of it has been inflicted — needlessly — by Congress. As I noted earlier, legislation passed in 2006 requires the Postal Service to set aside in just 10 years enough money to pay future retiree health benefits for the next 75 years. That mandate alone has cost the Postal Service \$21 billion so far. It is directly responsible for most of the red ink that gets reported in the media and is ultimately used by critics to demand cuts in the agency's budget. Worse, these huge losses may be driving even more mail volume away as mailers lose faith in the sustainability of the USPS.

No other agency of government, and no business, faces such a mandate as the Postal Service does regarding future retiree health costs. I can only imagine what the reaction would be if Congress were to try to impose it on FedEx and UPS, or on corporate America generally.

I am not arguing that life can go on as before if only Congress would repeal the retiree health insurance mandate. We fully recognize that American society is changing and, with it, the way we do business. The Postal Service must adapt, and so must its employees. But let us at least start by taking this outrageous burden off the Postal Service's back.

No rational company facing changing customer demands would funnel ALL its available cash into a retiree health fund that already has sufficient assets to cover decades of future health premiums. It would use its cash to restructure and to invest in new services to meet the needs of the American economy.

Some would say a government enterprise should be treated differently when it comes to pre-funding. But let me remind you of something that often gets overlooked in debates over the Postal Service: It uses no taxpayer dollars. I cannot emphasize that too much: In talking about reducing its work force and cutting back its services, no tax dollars are saved.

The point about tax dollars is also important because I think too many Americans think that cutting back the Postal Service is something like what happened after the Cold War — we were shrinking our military, which saved tax money, but that meant closing a lot of military bases. That's hard on the local communities with bases, everyone agreed, but good for the nation as a whole, and the nation's budget.

But this is NOT the situation with the Postal Service, not even when you consider the impact of the Internet. Closing post offices, eliminating Saturday delivery, dismissing thousands of hard-working employees — many of them veterans and minority group members — and other such drastic measures would not save the taxpayers any money. But all those cuts would inflict irreversible and terrible damage on a great American asset — and on the homes, businesses and communities that lost its services.

One of the reasons given a couple of years ago for the government's aid to two great but staggering American auto companies was that they were important American industrial assets that employed tens of thousands of American workers. But there was more at stake, we were told: an extensive, complicated network of suppliers — and suppliers to suppliers — that depended on purchases by General Motors and Chrysler. Losing either of those auto companies wouldn't hurt just GM and Chrysler employees, but thousands upon thousands of other people and businesses, especially in the Midwest.

People still debate the merits of providing those auto companies government aid, though probably not so much in Detroit. But I would note that both GM and Chrysler — after downsizing in assets and employees but also adaptation to the auto market with new ideas and new cars — survived and are now prospering.

This is not the auto industry, and I am not calling for government aid to the Postal Service. But I would note that it is not just the Postal Service itself that is at stake. A huge network of private sector companies — including FedEx and UPS — employ about 7 million workers and are vital to the American economy, and they count on the Postal Service. The Postal Service's government mandate that it serve everyone — every American resident, every American business — makes it the heart and primary circulation system for American commerce. You cannot slash the Postal Service's network without having an impact on many of those private companies in the delivery business as well — and the thousands of American communities that depend on the connection it brings.

The fundamental error in the legislation before Congress and in the plans advanced by Postal Service management is that they see only problems, not opportunities. They assume that the Postal Service is slowly becoming obsolete and there's not really much to do about it, except to keep cutting costs.

But why assume the worst? Why simply accept the deterioration of a national asset? The Postal Service is not an ordinary business — it's an American institution. It may not be glamorous, but the Postal Service and its employees help bind this nation together, and they have for more than two centuries. We were the nation's first network, one considered so vital that it was included in our Constitution. We should take the economic and social demands made possible by new technologies and a growing population and plan out how best to use this national asset.

What's needed is a real business plan built from the bottom up, a strategic, far-sighted plan put together by respected business leaders and Postal Service stakeholders. A plan for success would have these elements:

- Leverage the Postal Service's last-mile delivery reach. There's solid potential for boosting the Service's revenues from parcel deliveries as more Americans order products on-line. No one yet has figured out a way to deliver something with three dimensions through the Internet. "Beam me up Scotty" is not yet a reality.
- Explore expansion of services the Postal Service could provide. The Postal Accountability and Enhancement Act of 2006 imposed constraints on the kinds of products and services the Postal Service can provide. Relaxing such constraints would allow the Postal Service to broaden its revenue sources.
- Give the Postal Service more flexibility in pricing its products. Such pricing would more accurately reflect the actual cost of providing a service, such as first class mail.

Such a plan must be comprehensive: a top-to-bottom evaluation of every aspect of Postal Service. It would not just look for ways to cut costs internally. It also would look for new business opportunities and revenue streams. It would seek relief from unnecessary legislative requirements, like prefunding retirees' health insurance, and it would examine the Postal Service's governing and regulatory framework.

Such a review no doubt would find ways to reduce costs, and no doubt part of that reduction would result in fewer employees. And as part of a plan to revitalize the Postal Service, my union is prepared to do our fair share. But such a review would also keep in mind that employees are also one of the Postal Service's great assets, and that all users of the Postal Service should make concessions to adapt it to a 21st century America and keep it in the black.

And such a review would recognize that what some consider a drag on the Postal Service — its legal obligation to provide service to every American home and business, all 151 million of them — is in fact a national asset. A thorough review would also conclude that preserving six-day delivery is also an asset, because a large number of American residents and businesses alike count on Saturday deliveries. The Postal Service's unmatched reach — its charter to cover even the very last mile to reach a customer, six days a week — is part of what makes it more than just a business and so vital to American life. No private carrier wishes to take on that responsibility, and none will.

Clearly, there is no way that such a plan can be drafted in the next few weeks. But neither should it take years, and a plan is very much needed. Congress should not settle for slashing costs and battling over which post offices to keep open or closed, but start working on a plan to revitalize the Postal Service in a way that makes sense for our way of life in the 21st century.

We oppose the Senate bill as currently drafted, because it is focused on downsizing the Postal Service. But perhaps Congress could consider taking a little more time to help the Postal Service find a new path rather than assume nothing can be done other than to downsize its network.

In the meantime, the short-term cash flow problem for the Postal Service could be handled by returning its surplus in the FERS pension program and by imposing a moratorium on major service changes until a much more positive and useful business plan can be enacted.

For all its current problems, the Postal Service remains an important national asset, as important to the nation's infrastructure of services as the interstate highway system is to our physical infrastructure. Diminishing the Postal Service will only speed up its decline, even as failure to maintain a highway will only speed up its deterioration.

The U.S. Postal Service was the nation's first national network and it has served us well for over 200 years. Some in the Senate have suggested the appointment of a commission to study this great but troubled national institution. That suggestion deserves very serious consideration. But to have any meaning, such a commission must produce a serious business plan and be completed before the Senate enacts postal legislation. Saving the Postal Service is not a "slash and burn" exercise, as management and some in Congress suggest. But it is not "add hot water and stir" either. What is needed is a thoughtful, deliberate, informed, professional, bipartisan examination. This Congress could go down in history as the one that started the revitalization of this great institution, enabling it to help propel our nation's 21st century prosperity.

Let me add a footnote.

In November, the NALC retained the world-class restructuring experts Lazard Freres, and former auto czar and investment banker, Ron Bloom. Lazard, with Ron Bloom's assistance, conducted a classic due diligence review of the Postal Service, subject to a confidentiality agreement required by the Postal Service. Their final report will be rendered to us in a few days. But you can safely assume that I say what I am saying today in full confidence that my remarks are consistent with that report.

Thank you.