



IT ALL ADDS UP: Declining Volume, Killing the Messenger, Excessive Discounts

It has been widely reported that the Postal Service has been experiencing serious reductions in mail volume, with corresponding financial deficits. This decline in mail volume is directly related to the nation's economic crisis, and despite the promises of advocates of "postal reform," volume will not increase until the economy recovers.

More harm than good resulted from the Postal Accountability and Enhancement Act of 2006, which was promoted as a way to "save" the Postal Service, and unless Congress relieves the USPS of the onerous obligation to pre-fund its retiree healthcare liability, it is doubtful that the Postal Service as we know it can survive until the economy recovers and mail volume returns.

Postal management's response to the dismal situation has been in keeping with its historic knee-jerk reaction: Reduce work hours. Service has begun to suffer, and some members of Congress have begun to question whether the USPS is in compliance with its service standards.

Misplaced Blame

Recent exposés in the Philadelphia Daily News reveal acts of deception by postal managers that were intended to mask the delay of mail and perhaps even to cover up the destruction of mail.

The Postal Service response has been to "kill the messenger." Instead of maintaining a complement of employees sufficient to process, transport, and deliver the mail to the Philadelphia community, postal management contracted with a private, high-priced public relations firm that has sought to obscure the facts. And, after lengthy review and analysis, the Postal Service has documented postal employees sleeping in locker rooms during their lunch breaks. Give me a break!

The Philadelphia Area Local, led by President Gwen Ivey, has waged a spirited fight to inform the public that smoke and mirrors do not deliver mail; you need workers.

Evidence

Recent letters delivered to my residence offer clear evidence that the special relationship between the large

mailers and postal management has reached a new level of absurdity. The law specifies that postal rates will be uniform for every letter within a weight band and class, regardless of its destination, and although the First-Class rate is 42 cents, many mailers pay significantly less.

That is because, beginning in 1976, postal management schemed to permit large mailers to circumvent the requirement of uniform rates. USPS executives reduced postage for major mailers under the guise that they were saving the Postal Service a significant amount of money by performing postal work such as pre-sorting their mail. This fiasco became known as worksharing, but it would be more appropriately titled rate subsidization. As a result of this practice, large mailers' rates in 2009 are at the same level that average Americans paid in 1995.

With the Postal Service bleeding red ink, management is searching for innovative ways to increase revenue and reduce costs. The solution is obvious: Eliminate this "worksharing" charade and hold true to the legal standard of uniform rates.

The lame excuse that if major mailers were forced to pay appropriate rates they would reduce the amount of mail they send loses credibility in the face of the unprecedented reductions in mail volume – during a period when rates have been at historic lows. Fifty years of data show that rates increases at or below inflation do not determine volume. As the saying goes, "It's the economy, stupid."

For Your Review

As you review the envelopes on the back, see whether you can find differences that justify the different rates. All three envelopes include a nine-digit bar code, and each is machine-readable on postal equipment, which processes such envelopes for less than 1 cent per letter. During a period when postal employees are on standby and machinery sits idle, the Postal Service is reducing first-class postage and postal revenue by as much as 8 cents and 10 cents per letter, while they cry crocodile tears and bemoan the size of the deficit.

Compounding the lunacy of this worksharing sleight-of-hand, the discounts are allegedly based upon "avoided

postal costs.” So, if we negotiate a pay increase for APWU-represented employees and postal costs increase proportionally, the discounts are increased to reflect the avoided cost.

At a time when postal productivity has reached new highs, the so-called “avoided postal cost” as reflected in workshare discounts is the highest in history. It does not take a genius to realize that something is wrong with this picture.

But the same principle does not seem to extend to circumstances when postal costs are reduced, such as the removal of 100 million work hours from postal costs in the last four years. This work-hour reduction has made the remaining employees much more productive, but the increased postal productivity was never factored into the formula used to set postage rates for big mailers: The cost savings were not transformed into smaller discounts.

As postal managers explore ways to reduce costs and generate revenue, once again I suggest that they begin with the elimination of workshare discounts and retain a complement of employees sufficient to provide retail services, and to collect, process, and transport mail. For additional savings they could cancel the contract with the expensive public relations firm whose only job is to whitewash fraudulent activity in Philadelphia.

