Five Things to Know About the Postal Service

Number 1. No taxpayer dollars support the United States Postal Service.

The U.S. Postal Service is self-funded and does not rely on taxpayer dollars. The Postal Service operates as a commercial entity and is expected to cover its costs. Congress reorganized the Post Office Department in 1970 and created the U.S. Postal Service as an independent agency of the executive branch. The Postal Service has not received taxpayer dollars to fund operations since 1982. Its revenues, which amounted to $65 billion in 2012, rely on the sale of postage and mail products. Annual increases in postage rates cannot exceed inflation.

Number 2. The nation’s postal system is an economic engine for the nation.

Even in an increasingly digital world, the Postal Service remains a vital component of America’s economic and communications infrastructure. It delivers to more than 152 million homes, businesses and post Office boxes in every state, city, town and borough in America. Trillions of dollars move through the postal system every year. Almost one half of all bills are still paid by mail. The Postal Service is the driver of a $1 trillion-a-year mailing industry, responsible for over 8 million jobs and 7 percent of the nation’s Gross Domestic Product. The mailing industry includes catalog companies, publishers, charities, advertisers and transactional mailers—banks, insurance companies, utilities, telecommunications companies—as well as those that support these businesses, including printers, paper companies, technology companies and other service providers. Households and businesses rely on a healthy and affordable Postal Service to bind America together and promote commerce.

Number 3. The Postal Service delivers everywhere, others don’t.

The Postal Service delivers more mail to more addresses in a larger geographical area than any other post in the world, and is also the world’s largest retail network — larger than McDonald’s, Walmart and Starbucks (in the U.S.) combined. It is the only organization in the country that has the manpower, network infrastructure and logistical capability to deliver to every residence and business in the U.S. and its territories. During the last fiscal year, the Postal Service still handled 160 billion pieces of mail. The Universal Service Obligation (USO) ensures that every American citizen can send and receive mail at affordable prices. The USO originates from the constitutional authority of the federal government to maintain and operate post offices. The USO is achieved through Postal Service delivery network, or its unique “hard” network throughout the country.

The Postal Service delivers mail to 152 million residences, businesses and post office boxes in every state, city, town and borough in the country, 10 million more delivery points than a decade ago. UPS and FedEx do not deliver express mail or packages to rural and remote locations that are not profitable; they rely on the Postal Service to take their packages the “last mile” for delivery. The Postal Service does not impose a fuel surcharge on its customers, charging just 46 cents for a letter going anywhere in the U.S. and its territories, even though it receives NO tax dollars for its operating expenses, and must cover all of its own costs.

Number 4. Postal Service customer service and trust are at record levels.

While public confidence in Congress has fallen to record levels, customer satisfaction with the Postal Service remains at record levels. For seven years in a row, the American public has rated the Postal Service the most trusted government agency in the Ponemon Institute’s annual survey. The results show that customers regard the Postal Service as one of the best companies in the country in keeping their information safe and secure. Consumer confidence, a high-performing workforce and universal presence are the Postal Service’s key assets.

Despite significant financial pressure and operational challenges, national service performance by the Postal Service improved last year to record levels across most service categories.

Number 5. The Internet is not the real problem.

The popular myth is that the Postal Service is losing money because of digital migration – the movement of communication and commerce to the internet, with people paying bills and conducting business online rather than relying on the mail. Yes, digital migration has been a factor leading to mail volume decline. The deep economic downturn also has compounded the slide in the Postal Service’s finances. But the foremost problem has been the massive burden of retiree health benefit prefunding, imposed on the Postal Service by Congress in a 2006 law. Eighty-percent of the $16 billion loss posted by the Postal Service last year alone was due to its default of the prefunding obligation.

Meanwhile, the Postal Service has aggressively cut costs to sustain productivity and record performance. Over the last decade the Postal Service has cut its costs by $43 billion, and reduced its workforce by 200,000 employees through attrition. Savings also have come through overtime reduction, the renegotiation of contracts with unions and suppliers, the consolidation of processing plants and facilities, reductions in post office operating hours, the closing of administrative offices and cuts in travel expenses and supply budgets. These cost-cutting moves are continuing and making the Postal Service lean and efficient, but the remaining cost gap can only be closed through enactment of legislation reforming the laws that govern the Postal Service.
Solving the Postal Service Financial Crisis: Reforming Without Dismantling

By late this year, the fiscal and liquidity crisis afflicting the U.S. Postal Service will likely reach a breaking point. Continued operating losses are driving the Postal Service into insolvency. Unless Congress acts, the Postal Service may be unable to deliver the nation’s mail.

Congress cannot permit this to happen. It must act to pass legislation that modernizes the Postal Service and puts it on a firm, financial footing.

Congress should complete the sound legislative efforts that began in the last Congress, when it passed solid, bipartisan and comprehensive legislation (S. 1789, the 21st Century Postal Service Act). S. 1789 addressed the immediate and longer-term challenges facing the Postal Service, and NAPS supported it.

The House did not act on the Senate measure, nor took up H.R. 2309, a markedly different postal bill that cleared the House Oversight and Government Reform Committee. During the lame duck session, Senate and House postal committee leaders attempted to forge agreement on a compromise approach, but ran out of time.

Now it remains for the 113th Congress to take decisive action in approving reform legislation that modernizes and sustains the Postal Service, without dismantling it.

Over the past several years, the Postal Service has undertaken a number of initiatives to reduce the costs of its infrastructure and workforce, and even its services. Cuts in operations alone, however, will not save the Postal Service. Reductions in service, in fact, can be counter-productive and lead to erosion of the postal customer base.

NAPS believes that comprehensive postal reform should embrace short-term and long-term solutions. The immediate crisis facing the Postal Service is largely due to past actions taken by Congress. Short-term solutions should correct those errors and aim at restoring financial solvency. Longer-term solutions, meanwhile, should aim to fortify revenue and provide wider authority to the Postal Service to sell innovative products and services. While no single action will solve the Postal Service’s problems, NAPS believes that four key solutions lie at the heart of comprehensive postal reform:

1. Repeal or Modify the Retiree Health Prefunding Requirement

Congress should repeal or modify the massive mandate that requires the Postal Service to fund its future retiree health benefits. This obligation, installed by Congress with good intentions in 2006, has largely driven the Postal Service into the red. It costs the Postal Service between $5.4 and $5.8 billion every year. The Postal Service’s loss of $15.9 billion in 2012 included a payment default on two scheduled prefunding payments due in 2011 and another due in 2012.

These prefunding payments have consumed all of the Postal Service’s borrowing authority and pushed the Service to the edge of insolvency. Nearly 80% of the Postal Service’s losses since 2007 were due to the prefunding obligation. In fact, during the most recent financial quarter, the Postal Service would have been in the black but for the prefunding requirement.

Not surprisingly, no other government agency or business is saddled with the requirement to fund its future retiree health benefit obligations.

Though popular media portray the internet and technological change as the sources of the post office’s ills, the prefunding obligation is the foremost culprit. Congress should reverse the problems it has created and eliminate the retiree health prefunding requirement.

Terminating prefunding payments makes sense because adequate postal retiree health benefit reserves already exist. The Retiree Health Benefit Fund has continued to grow as a result of prefunding payments, and now has reached $45 billion in assets, or two-thirds of fully-funded status. The Office of Inspector General of the Postal Service has projected, in fact, that the level of assets is so sufficient that, without further Postal Service payments, the Fund’s reserves could grow through investment in Treasury securities and reach fully funded status in eleven years. This alternative is far preferable to continuing to drive the Postal Service into insolvency and requiring taxpayers ultimately to pick up the tab.

2. Return Pension Overfunding to the Postal Service

According to studies by the Office of Inspector General of the Postal Service and the Postal Regulatory Commission, the Postal Service has overpaid between $50 billion and $75 billion into the Civil Service Retirement System. In addition, the Office of Personnel Management has reported that the Postal Service is entitled to a reimbursement of $3 billion in overpayments into the Federal Employees Retirement System. (Due to falling discount rates, the FERS surplus declined from $11.4 billion in 2011 to $3.0 billion in 2012.)

These payments were intended to satisfy the Postal Service’s obligation as an employer to fund the pension benefits of its employees. If these amounts were returned to the Postal Service, they could be added to operating assets or added to the reserves in the Postal Service Retiree Health Benefits Fund (especially if prefunding were eliminated).
Congress should direct a fair valuation of the Postal Service surplus in payments. The actual surplus in the postal FERS account would be much larger if measured properly, because the Postal Service's workforce is markedly different than the rest of the federal workforce in its demographics. If OPM were to use USPS-specific economic, demographic, and mortality assumptions in its annual valuation of the postal FERS account, the Postal Service surplus would have been $12.5 billion, according to the Postal Service Office of Inspector General.

3. Preserve Saturday Delivery and Other Delivery Standards

The Postal Service announced on February 6 its plans to drop Saturday delivery of first-class mail, advertising mail, newspapers and magazines, beginning August 5. It also announced it would continue to deliver packages and pharmaceutical drugs on Saturday. The Postal Service claims that the move will save $2 billion annually, but has not substantiated those cost savings.

Elimination of a delivery day alone will not solve USPS’s budget troubles. In fact, it may only lead to further problems, including reduced customer support, job losses at USPS, and harm to underserved communities that rely on mail delivery. It also could lead to the erosion of the “mailbox monopoly,” which gives the Postal Service an exclusive right to deposit mail in private mailboxes.

Congress for thirty years has insisted on the preservation of six-day delivery, and recently reaffirmed that mandate in the Continuing Resolution to continue government funding through the remainder of FY 2013.

The Postal Service cannot afford to fail its customers by allowing service to appreciably slip. Current First-Class mail standards, including overnight local delivery, need to be preserved. The Postal Service does not exist in a vacuum; it competes for market share with private services that have the capacity to offer convenient and expedient delivery. If the Postal Service becomes inconvenient and slow, many of its most loyal customers—from home delivery medication companies to newspaper publishers—will turn to private mailing options. Once these customers leave, they are most likely not returning, and the Postal Service’s financial woes will continue to spiral downward.

4. Authorize the Postal Service to Sell Additional Products and Services

NAPS supports focused, intensive effort to assist the Postal Service in reinventing its business model. The Postal Service needs to generate new revenue as aggressively as it is pursuing efficiencies in mail processing and delivery. This involves the pursuit of business opportunities within existing authority, as well as the offering of non-postal products, subject to Congressional approval.

These include tapping a $300 million market within the Postal Service’s own backyard. This involves selling shipping services to federal agencies through the GSA Schedule. Last year the Postal Service’s share of the GSA schedule market for shipping services registered 1.4%, compared to FedEx (56%) and UPS (41.2%).

The Postal Service should be permitted to offer non-postal products or services if the Postal Regulatory Commission has determined that the products and services make use of USPS’s processing, transportation, delivery, retail network, or technology and are consistent with the public interest. In many respects, this can be best accomplished through public-private and inter-governmental partnerships.

It also should be permitted to offer services on behalf of state and local governments as it does today on behalf of federal agencies and to ship wine and beer like its private-sector competitors do.

Numerous ways exist for leveraging the Postal Service’s presence in every community to generate new sales. The Postal Service should be permitted to: provide notary and internet services; issue state licenses (drivers licenses, hunting licenses, fishing licenses); distribute and reload government-issued “cash cards” for federal benefit programs, such as Social Security, and emergency assistance programs through FEMA; and follow the practices of foreign postal services in responding to the shift toward electronic mail by offering a variety of hybrid communication services, including banking.

Post offices in France offer banking and insurance services; in Sweden, post offices physically deliver e-mail messages to people who are not online; and post offices in Switzerland allow users to have their physical mail received, scanned and delivered to their email inboxes.
Oppose Changes in Federal and Postal Retirement and Health Benefits

Federal and Postal Employees Have Paid Their Fair Share

Federal employees have contributed more than $114 billion to deficit reduction through a 3-year civil service pay freeze and increased contributions by new federal and postal employees who joined the civil service or Postal Service after December 31, 2012.

Nonetheless, attacks on federal employee retirement benefits by Congressional lawmakers continue. Many of the proposals would not improve the financial integrity of the retirement system. Nor do many of their proponents on Capitol Hill know that in the 1980’s Congress reformed and modernized the federal retirement program, which remains today in its present form.

FERS is a Fully Funded Model Program

Nearly 30 years ago, the Federal Employees Retirement System (FERS) was created to replace the Civil Service Retirement System (CSRS) and address growing unfunded liability. FERS solved that problem and helped to sustain the Social Security system.

Under FERS, the retirement age, annuity calculation, cost-of-living adjustment formula and basic benefit formula are all less generous than under CSRS. Today FERS is fully funded and a financially sound system with no unfunded liability. Experts frequently identify FERS as a model retirement program. Federal and postal employees regularly contribute a portion of their earnings into FERS to achieve a modest retirement income.

Last year, Congress required postal and federal employees hired after December 31, 2012, to pay an additional 2.3 percent toward retirement. The funds raised through the additional contribution were used solely to finance the 2012 payroll-tax holiday and unemployment extension; they provided no improvement to federal or postal employee retirement benefits, nor the financial integrity of FERS.

The Office of Personnel Management and the Office of Inspector General of the Postal service, in fact, have documented that the Postal Service has, in fact, overfunded its obligation to the federal retirement system.

The Danger of Changing FERS

Congressional proposals aimed at changing FERS in the name of deficit reduction or parity with the private sector would undermine the retirement security of federal and postal employees. These proposals would either: increase employee retirement contributions; decrease the base pension of future retirees; or reduce the inflation adjustment to the pensions of current and future retirees.

The FERS system, in which 85 percent of the two million federal and postal employees participate, is actuarially sound and requires no additional infusion of funds to shore it up. This means that any increased requirement contribution by a federal or postal employee effectively is a tax increase. Any decrease in pension benefits would likely not benefit the FERS system.

Already federal and postal employees have paid far more than their fair share toward deficit reduction through pay freezes and reductions in retirement benefits. Moreover, reductions in federal and postal retirement benefits will discourage high-quality candidates from joining the Postal Service or the civil service in the future. They will hasten the departure of current employees, many of whom are eligible to retire.

The President and Congress must govern responsibly and reduce the increasing debt that threatens America’s future prosperity. But sensible and fair deficit reduction ultimately relies on a balanced approach. Singling out federal and postal workers is punitive and unfair.

NAPS opposes further changes in the federal retirement system or health benefit programs covering its members.

A Postal-Only Health Program?

Finally, the Postal Service has proposed establishing its own health benefits program, independent of the FEHBP, into which postal employees and retirees would be forced to enroll. Postal employees and the Postal Service have been well-served by the FEHBP as an efficient, comprehensive and affordable health benefits program that is superior to most private health plans and has contained medical costs with more success than the private sector.
Approximately 7,500 mid-level management employees within the U.S. Postal Service do not possess the right to appeal adverse personnel actions to the U.S. Merit System Protection Board, despite the intent of Congress to confer such rights to most USPS management personnel through legislation passed in 1987. Federal Circuit appellate court and MSPB interpretations of the language used by Congress in passing the 1987 law have narrowly and consistently limited the coverage of MSPB appeal rights.

As a result, 7,500 employees lack the right of appeal to the MSPB to challenge adverse actions (removals, suspensions of more than 14 days, reductions in grade or pay, and furloughs of 30 days or less). They are covered by the Executive and Administrative Schedule, are not covered by collective bargaining and are represented by the National Association of Postal Supervisors. Most other supervisors, postmasters and management personnel in the Executive and Administrative Schedule (approximately 70,000 employees) possess MSPB appeal rights. Nearly a half-million Postal Service employees who are covered by collective bargaining agreements maintain some form of third party appeal rights over adverse actions.

The Solution Is Simple

Congress should correct this anomaly by revising the statutory language within Title 39 to confer MSPB appeal rights to all Postal Service employees covered by the Executive and Administrative Schedule. This would be consistent with the spirit of the 1987 law. The Executive and Administrative Schedule is a statutorily authorized pay schedule of the U.S. Postal Service intended to cover all “nonbargaining unit career and noncareer employees in supervisory, professional, technical, clerical, administrative, and managerial positions.” United States Postal Service, ELM 33, Employee and Labor Relations Manual, Part 411.1 (Dec. 2012).

How the Problem Arose

In 1987, Congress approved the statutory language providing the right of MSPB appeal to supervisors, postmasters and managers, in the Postal Employee Appeal Rights Act of 1987, P.L. 100-90 (August 18, 1987). The current law is codified in 39 U.S.C. 1005(a)(4)(A), which extends the right of MSPB appeal of adverse personnel actions to any Postal Service employee who:

“is in the position of a supervisor or a management employee in the Postal Service, or is an employee of the Postal Service engaged in personnel work in other than a purely nonconfidential clerical capacity; and has completed 1 year of current continuous service in the same or similar positions.”

The 1987 law, P.L. 100-90, was the product of bipartisan effort approved in the Senate (S. 541) and the House (H.R. 2854) in 1987. The legislation originally had been introduced in the 99th Congress and was first approved by the House in 1985. Prior to 1987, only veteran preference-eligible postal supervisors, postmasters and managers had possessed the right of appeal to the MSPB.

Since 1987, Section 1005(a)(4)(A) has been interpreted by the Federal Circuit Court of Appeals and the Merit Systems Protection Board to exclude employees who do not perform supervisory or management-related responsibilities, even if they are unrepresented by a labor union and are outside the protection of the collective bargaining unit. See McCandless v. Merit Systems Protection Board, 996 F.2d 1193 (Fed. Cir. 1993); Courson v. U.S. Postal Service, 256 F. 3d 1353 (2001). In reaching that conclusion, the Federal Circuit and the MSPB have relied upon the interpretation of “supervisor or a management employee” as crafted by the National Labor Relations Board.

This restrictive interpretation prevents approximately 7,500 employees within the Postal Service from enjoying the right of appeal to the Merit Systems Protection Board over adverse personnel actions, despite their presence outside collective bargaining. As a result, the appeal rights of these employees are limited to an internal grievance, governed by provisions of the Postal Service Employee and Labor Relations Manual (ELM) Section 650. This group of employees filed approximately 50 grievances in 2012. A postal executive appointed to serve as a hearing officer heard their grievances. This has resulted in unfairness in some instances to the underlying employee.

A Fairer System of Due Process

A fairer, easily administered remedy to the situation would amend 39 U.S.C. 1005 to extend MSPB appeal rights over adverse actions to any employee covered by the Executive and Administrative Schedule of the U.S. Postal Service. This approach would not impose greater costs upon the Postal Service, but would assure a fairer system of due process for all mid-level management employees in their appeal of adverse actions taken against them. NAPS supports this approach.
Bills to Cosponsor

The National Association of Postal Supervisors encourages House and Senate lawmakers to cosponsor these bills:

House of Representatives

H. Res. 30, endorsing the continuation of 6-day mail delivery service
Primary Sponsor: Rep. Sam Graves (R-MO)
Contact: J.P. Mason, 225-7041, jonathan.mason@mail.house.gov

H.R. 630, The Postal Service Protection Act of 2013
Primary Sponsor: Rep. Peter DeFazio (D-OR)
Contact: Jamie Harrell, 225-6416, Jamie.Harrell@mail.house.gov

H.R. 961, United States Postal Service Stabilization Act of 2013
Primary Sponsor: Rep. Stephen F. Lynch (D-MA)
Contact: Bruce Fernandez, 225-8273, bruce.fernandez@mail.house.gov

Senate

S. 316, The Postal Service Protection Act of 2013
Primary Sponsor: Sen. Bernard Sanders (I-VT)
Contact: Warren Gunnels, 224-5141, warren_gunnels@Sanders.senate.gov
Frequently Asked Questions
About NAPS and Postal Supervisors

What is NAPS?
The National Association of Postal Supervisors (NAPS) is a management association representing more than 30,000 active and retired postal supervisors and managers employed by the U.S. Postal Service. Organized in 1908, NAPS exists to improve the Postal Service and the pay, benefits and working conditions of its members. NAPS is a management association, not a union.

Who are typical NAPS members?
Most are first-line supervisors and managers working in either mail processing or mail delivery—what's called "operations." But NAPS also represents men and women working in virtually every functional unit in the Postal Service, including marketing, human resources, training, corporate relations, law enforcement and health and safety.

Where do NAPS members live?
NAPS members live in all 50 states (and virtually every congressional district), as well as in Puerto Rico, the Virgin Islands and Guam.

What legislative issues generally concern NAPS?
NAPS devotes its greatest attention to legislation that promotes the vitality and stability of the Postal Service. It also supports legislation that assures fairness in the treatment of federal and postal employees and retirees.

How have changes in the Postal Service impacted postal supervisors?
Workforce downsizing and other challenges and changes have dramatically impacted postal supervisors. Over 4000 management positions have been eliminated. NAPS supports common-sense changes in the law, infrastructure and operations of the Postal Service that will sustain universal service, while modernizing the operations and products of the Postal Service. NAPS also supports the preservation of the hard-earned pay and benefits of its members.

Why is a postal organization concerned about federal employee retirement and health benefits?
Although the Postal Service is a quasi-independent federal agency, postal employees and retirees participate in the same pension programs (CSRS and FERS) and the same federal health insurance program as all federal employees.

How are the wages of postal supervisors set?
While the pay of rank-and-file postal employees is negotiated through collective bargaining involving their unions, the pay of postal supervisors and postmasters is determined through a "consultation process" involving NAPS and the two other management associations and the Postal Service. Postal supervisors and postmasters do not receive annual wage cost-of-living adjustments, as do rank-and-file employees. Salary increases for management employees are determined through a rigorous pay-for-performance system.

How do NAPS members participate in legislative activities?
Approximately 600 NAPS members gather in Washington, DC, every spring for a three-day legislative conference. Much of that time is spent on Capitol Hill visiting members of Congress. Throughout the year, postal supervisors remain in touch with every representative's district office and every senator's state office, providing helpful information about the Postal Service and its operations.

How can I reach a postal supervisor?
Begin by calling NAPS Headquarters at 703-836-9660. Ask for Executive Vice President Jay Killackey or another resident officer. NAPS also can provide you with the name of either its legislative chair for the state you represent (for Senate offices) or with the name of a local or branch legislative representative who votes in your congressional district (for House offices).

How can I get information about NAPS quickly?
For general information, visit NAPS' website: www.naps.org

For more detailed information, contact us at:
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