

Postmaster Donahoe to beg Congress for Postal Service's life



The Federal Diary

By [Joe Davidson](#), Published: September 5, The Washington Post

Patrick Donahoe will beg for the life of the U.S. Postal Service on Tuesday, a role he has known before. But when he addresses a congressional committee this time, his pleas will go beyond the familiar and reasonable and into areas more drastic and radical.

The postmaster general will ask Congress during a [Senate Homeland Security and Governmental Affairs Committee hearing](#) to approve measures that once would have been unthinkable.

It's not going to be an easy sell.

Donahoe, a 36-year-veteran of the Postal Service, wants Congress to allow the USPS to bust the anti-layoff provisions in its union contracts. He also wants permission to [pull his 563,000 employees from the health and retirement plans](#) that cover federal employees so the USPS can provide less generous programs.

John Berry, director of the Office of Personnel Management, which runs those programs, will tell the committee that the "OPM believes the Postal Service and its employees and retirees are well-served by the existing health benefits program and retirement system." His testimony also says the USPS plan needs more study.

The Postal Service says it needs to trim 220,000 career positions from its workforce by 2015, with attrition expected to take 100,000 of those jobs. For the remaining 120,000 slots, "it is imperative that we have the ability to reduce our workforce rapidly. . . . It is not likely that the Postal Service will be able to eliminate these layoff protections through collective bargaining," says a [USPS white paper](#).

The USPS can already fire, following standard reduction-in-force procedures, the 61,500 career employees it says have no layoff protection. There are 88,000 non-career workers, some of whom are not full time, who also can be let go at any time.

The new proposals are quite a step for Donahoe, a former postal union member who was raised in a union town. Just how far the Pittsburgh native will get with an extreme approach to extreme financial problems is uncertain. Many Republicans who have shown no love for public employee unions may welcome the chance to establish a national precedent simply by following the request of the postmaster general. The postal unions, of course, are angry about Donahoe's proposals and will expect Democrats to be on their side.

American Postal Workers Union President Cliff Guffey calls Donahoe's plans "outrageous, illegal and despicable," in his prepared testimony. "The attempt by the Postal Service to keep what it gained

from our bargain and to unilaterally abrogate what the APWU gained is in utter disregard for the legal requirement to bargain with the APWU in good faith.”

Usually friendly members of Congress may agree in theory, but that doesn't mean they will automatically dump on Donahoe. Committee Chairman Joseph I. Lieberman (I-Conn.), who generally is supportive of union positions, said, “I have an open mind on the various proposals that have been made,” which is not what union leaders want to hear about circumventing contracts and pulling out of health and retirement programs that work. “The bottom line for me is we must act quickly to prevent a Postal Service collapse,” Lieberman added.

Everyone agrees with that, but are Donahoe's proposals the answer?

The Postal Service, whose operating expenses are funded by the sale of its goods and services and not by tax dollars, has long warned that its financial doomsday was quickly approaching. But only last month did it issue white papers proposing to totally restructure benefit programs and dismantle contracts.

The USPS has taken a number of measures to reduce costs, including cutting payroll and facilities. It has pushed Congress to allow five-day delivery, asked for a refund of pension contribution overpayments and pleaded for a restructuring of a particularly devastating prefunding of retiree health benefits requirement Congress had imposed on the agency.

“The last four years' reported losses can all be attributed to this prefunding and then some,” Fredric V. Rolando, president of the National Association of Letter Carriers, said in an interview.

He is correct.

According to the USPS white papers, from 2007 to 2010, mail volume declined 20 percent while postage remained capped at the rate of inflation, “resulting in net losses over the period of just over \$20 billion, including a loss in FY2010 of \$8.5 billion.”

During that period, the prefunding of retiree health benefits cost \$21 billion. Without that congressional mandate, the USPS would have cleared \$611 million.

But does that mean that simply reversing the mandate is the answer to postal problems?

No.

“Eliminating the prefunding for retiree health benefits will not solve all our financial problems,” said David A. Partenheimer, a USPS spokesman. The agency is going broke even faster than it recently predicted. “Mail volumes and revenues have fallen below what we estimated just a few months ago, and we expect these declines to continue.”

Donahoe didn't quibble with a “radical” label for his new proposals when asked about them during an interview.

“To your point it's a radical change . . . you've got to start to take a look at some creative solutions. We can't sit back and hope things resolve themselves.”

Donahoe plans to tell Congress that a failure to act on the Postal Service's finances "would be catastrophic." Last month's white paper on "Workforce Optimization," meaning layoffs, says the USPS "will be insolvent next month," meaning this month.

But Donahoe was quick to explain during the interview that insolvency does not mean the Postal Service will go out of business.

"We will not shut operations down," he said, adding that the USPS has the money to pay employees and suppliers until next August. But it could miss a retiree health benefit payment, which would allow it to be considered insolvent.

"We will continue to deliver the mail," he said.