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USA

US Postal Service in Crisis — Why?

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THE U.S. POSTAL Service, a publicly owned institution with a large (630,000) unionized workforce and a history dating to 1775, is facing a financial crisis that could present a real opportunity for the Trump administration to enact its program of privatization as well as weakening its employee unions.

As payments and correspondence have shifted in the last decade from the mail to digital platforms, postal revenues have not matched expenses, despite parcel delivery expanding with the increase in online commerce.

The COVID-19 pandemic accelerated the weakening of postal finances. As businesses and institutions shut down, advertising and business mail plummeted correspondingly. At one point, internal estimates forecast cash reserves running out in summer or fall of 2020, although revised forecasts have pushed the cash crunch to sometime in 2021.

When the first pandemic stimulus bills were being debated, the Postal Board of Governors (comprised of Trump appointees!) requested \$75 billion. By comparison, annual postal revenue is around \$70 billion. The final legislative package initially earmarked \$25 billion, but it was jettisoned due solely to opposition from the White House and in its place a \$10 billion loan was authorized.

The animus of the current President to the Postal Service has been ascribed to his fear of voting by mail, which draws larger participation and thus runs counter to the voter suppression espoused by the Republican Party.

Another commonly cited motivation, bizarrely constructed, has Trump's dislike of the Washington Post, owned by Amazon founder Jeff Bezos, resulting in a demand for the Postal Service to drastically raise its rates on parcels it delivers under contract for Amazon. (Raising rates would merely shift work to Amazon's own rapidly growing delivery network, or subcontracting to Fedex or UPS instead).

But prior to the pandemic, the Trump White House had issued recommendations, no doubt produced by the many Heritage Foundation alumni working there, that the Postal Service be examined for its potential privatization, at least in part.

Several countries, Great Britain for example, have wholly privatized their postal systems, resulting predictably in higher prices, worse service, degraded wages and working conditions, but greater profits to shareholders.

The potential for damage to the Postal Service has been heightened by the presidential appointment of a new Postmaster General, Louis DeJoy, a major donor to the Trump re-election campaign. Alex Greene, a postal worker in Tennessee, comments:

“Even many Trump-supporting postal workers are questioning why the administration is so dead set against mail-in voting and apparently the Postal Service itself. The new Postmaster General's policies, which value minor savings over quality service, are widely unpopular among both the public and the postal work force.”

DeJoy was CEO of New Breed Logistics, which was under contract with the Postal Service for over 25 years, meaning he should know well which portions of the USPS would be attractive for privatization. The official announcement of his appointment notes his role on the Board of Trustees of the Fund for American Studies, whose

self-described vision is “To win over each new generation to the ideas of liberty, limited government and free markets.”

As to the prospect of a Republican Party mega-donor in charge of the system that delivers mail ballots — well, draw your own conclusions.

The Historical Background

Few people know that the modern version of the Postal Service came about as the product of a worker revolt. In 1970 the Post Office was just another federal agency whose employee unions lacked collective bargaining rights. Instead, they relied on “collective begging” — lobbying Congress for wage increases.

After six years without a raise, postal employees were given a much smaller increase than Congress voted itself. The result was the largest wildcat strike in American history, as workers in many cities walked out, followed by their union leaders.

The pre-Internet reliance of American business on the mail brought the country to a standstill. Troops sent in by President Nixon as strikebreakers could not adequately move the mail.

As a result, Congress passed the 1970 Postal Reorganization Act, making the U.S. Postal Service semi-autonomous (with a corporate-style Board of Governors but under congressional oversight).

Importantly, unions were granted collective bargaining rights with binding arbitration to settle any disputes, but conservatives blocked union shop status, meaning membership was voluntary, not obligatory. The Postal Service was required to be self-funding from the payment of postage and fees, separate from the federal budget, unsubsidized by taxpayer dollars and operating on a non-profit, break-even basis.

After decades of decent increases in negotiated postal wages supported by increases in postage rates, the mailing industry found a way to derail this in the 2006 Postal Enhancement and Accountability Act (PAEA). It enacted a price cap on most rates, thus limiting postal revenue. It also enacted a requirement that healthcare premiums for postal retirees be funded decades in advance, in part through yearly payments of over \$5 billion for a 10-year period.

The long recession that began in 2008 from speculative housing financing, combined with the beginnings of a shift from paper to digital payments and correspondence, undermined postal finances to the point that running out of cash became a concern in the mid-2010s. But increases in parcel delivery and revenue offset that, to the point that some years became profitable ones if you looked only at operational costs.

But the Postal Service announced losses every year, based mostly on the “pre-funding” retiree healthcare obligation from the PAEA, which unions pointed out were unique — not imposed on any other federal agency or private employer. At least a dozen years of lobbying finally resulted in the U.S. House passing a 2019 bill to repeal this pre-funding, but it was never considered by the Senate.

Funding in 2020 and Beyond

Advocates for preserving the Postal Service as an important part of the nation's infrastructure are pushing for \$25 billion outright in the Heroes Act being considered by Congress in August. But aware of the competing interests and

ideologies that are battling to shape that stimulus bill, there are other bills being presented, such as one that would provide \$25 billion for electric postal vehicles, fallback plans as there is a high possibility of postal exclusion again.

The American Postal Workers Union (APWU), the more militant of the four craft unions, working with MoveOn.org and other progressive groups, encouraged a series of local actions on June 23 in support of a car caravan in Washington D.C. to present two million signatures in support of postal stimulus money. On July 23 it organized a national call-in day to put pressure on senators of both parties.

If hopes fade for stimulus in the current Congress, undoubtedly the unions' strategy will be to get Biden elected as well as Democratic Party control of Congress. Previous corporate Democratic presidents and their ilk — Obama and the Clintons — have been notably unresponsive to postal unions' concerns, so a vigorous public pressure in any event will be required.

The upcoming debates, regardless of who holds political office, will revolve around competing visions for the future of the institution. One vision, in line with centuries of tradition, holds that the USPS is a public service with a mission to provide equal and affordable service to all — rich and poor, urban and rural.

The pandemic has highlighted the need for a strong and affordable postal service to efficiently deliver basic goods as well as important items like medicines, face masks and mail ballots. Furthermore, the reach of its services could be expanded in socially positive ways.

Postal banking, which existed here from the 1930s until the bank lobby succeeded in eliminating in the 1960s, could raise as much as \$9 billion per year, according to an internal study. It could help underserved communities while serving as an affordable alternative to the predatory lending industry.

Converting the postal delivery fleet to electric vehicles and providing publicly available charging stations at post offices — socially valuable moves worthy of public subsidy — could give momentum to the lagging changes needed to fight climate change.

There is social value in 630,000 decent-paying jobs spread throughout the country. Fair hiring procedures have resulted in a workforce with a high percentage of people of color — 21% of postal workers are Black, compared to 14% of the national workforce.

The other vision for the future is a too familiar one in the public sector — cost-cutting, reduction in services, increased prices, favored treatment to more powerful customers and attacks on the unions.

The new Postmaster General has announced plans, with details just emerging, to reduce retail hours and change delivery practices in ways that seem likely to delay mail and create customer complaints. As postal worker Alex Greene puts it:

“Dejoy, or ‘Delay’ as some are sarcastically calling him, has moved quickly to implement what he calls a ‘pivot’ that amounts to intentionally delaying the mail and reducing quality of service. Ostensibly this is to reduce overtime and save money, but in reality it will save little and the greater effect will be to throw the Postal Service into chaos – and cast doubt on its reliability just before an election where many will rely on the mail in order to safely vote.”

It's the old formula of denying resources to a government service, declare it a failure and began to privatize in part or in whole.

Fortunately, the postal workforce still has large unions, although they are not on the whole as effective at mobilizing their memberships to the degree that activists would like. Organizations that support mail balloting have emerged as allies.

The public currently gives very favorable ratings to the Postal Service and the pandemic has increased foot traffic and awareness of its value but that still needs to be converted into political capital on its behalf.

The coming year may prove a crucial test for the survival of the U.S. Postal Service in its current form, in a moment that could prove as pivotal as the 1970 postal wildcat strike.

Source: September-October 2020, [ATC 208](#).

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