



Written by [Jack Kenny](#) on September 6, 2011

Debt-ridden Postal Service Faces Default

"Our situation is extremely serious," Postmaster General, Patrick R. Donahoe, told the *Times*. "If Congress doesn't act, we will default." Members of Congress, returning from their August recess are facing the second default crisis in as many months, having averted a threatened default of the federal government with bitterly fought over legislation authorizing an increase in the nation's debt ceiling on August 1.



The Senate Homeland Security and Governmental Affairs Committee will hold a hearing on the agency's predicament on Tuesday. It may consider some of the proposals Donhoe has made in recent weeks for eliminating the \$9.2 billion deficit for the current fiscal year, ending September 30. All of the proposals are certain to be unpopular. They include eliminating Saturday mail delivery, closing up to 3,700 post offices, laying off 120,000 postal workers, and eliminating another 100,000 jobs through attrition. In the longer term, Donahoe hopes to cut \$20 billion from the service's \$75 billion annual budget by closing still more offices, cutting the number of sorting facilities from 500 to 200, and reducing the workforce by 220,000 from its current 653,000.

Layoffs now would require legislation to overturn job protection provisions in union contracts. Members of Congress, just back from Labor Day parades and speeches in their home districts, are not likely to encourage layoffs at a time when the nation's unemployment rate is already above 9 percent and joblessness looms as the likely dominant issue in next year's elections.

Proposed cuts in service are already being opposed, especially by lawmakers who hail from rural states, where the closing of low-volume post offices could make it difficult for residents to send or receive mail. "The postmaster general has focused on several approaches that I believe will be counterproductive," Senator Susan Collins (R-Maine) told the *Times*. "They risk producing a death spiral where the postal service reduces service and drives away more customers."

That the Postal Service has already been losing customers is neither a secret nor a surprise at a time when Americans are increasingly using electronic media for correspondence and transactions. The 167



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billion pieces of mail postal workers are expected to handle this year will be a 22 percent drop from five years ago, the *Times* reported, and the volume could drop to 118 billion by 2020. Yet no-layoff clauses in union contracts prevent the kind of workforce reductions Donahoe envisions. The unions are prepared to fight any effort to negate that guarantee.

"We're going to fight this and we're going to fight it hard," American Postal Workers Union president Cliff Guffey, representing 270,000 mail sorters and post office clerks, told the *Times*. "It's illegal for them to abrogate our contract."

The USPS plans to save some money by operating out of stores like Wal-Mart or sharing space in other government offices. But it will be unable to make a \$5.5 billion payment due the end of this month for retirees' future healthcare, and postal officials warn that by early next year the agency will be out of the money it needs to pay its employees, fuel its trucks, and deliver the mail.

Article I, section 8 of the Constitution gives Congress the authority "To establish Post Offices and post Roads." In 1872, the Post Office was given a monopoly on local as well as interstate and intercity delivery of letters, eliminating private local carriers. The Postal Reorganization Act of 1970 replaced the Post Office, a department of the federal government, with the U.S. Postal Service, a quasi-independent agency set up to be self-sufficient, relying on the sale of postage, mail products, and services for its revenue. The USPS enjoys advantages most private enterprises don't have, including exemptions from federal state and local taxes. It also has eminent domain powers. And it has a monopoly on the delivery of first-class mail and exclusive access to every privately owned mailbox.

On the other hand, the Postal Service is required by law to provide six-day a week service to all communities, including areas where volume is low, and is forbidden by law to raise postal rates faster than the rate of inflation. Closing a post office is legally permissible, but politically difficult, as anyone in the service area may appeal the decision to the Postal Regulatory Commission. Two years ago, the USPS considered closing 3,200 offices, but due to strong opposition in Congress, only 80 were closed. A post office may not be closed "solely for operating at a deficit," though four out of five post offices are losing money, said Thad DeHaven, a budget analyst at the libertarian Cato Institute and co-editor of [DownsizingGovernment.org](#).

"Can anyone seriously imagine any other business not being able to close a store or factory for 'solely operating at a deficit'? That would be a recipe for bankruptcy," [DeHaven wrote](#) in a recent article entitled "Why the USPS Should Be Privatized."

While the Postal Service has been structured like a business, "Congress prevents it from actually operating like a private business by inhibiting its ability to reduce costs, improve efficiency or innovate," DeHaven wrote.

Though the idea of fully privatizing the service has been brought up from time to time over the years, it has never been well received by what DeHaven calls the "control freaks in Congress." But Congress will be under the gun to come up with some alternative to a status quo that could result in a tide of red ink achieving what "neither rain nor snow, nor heat nor gloom of night" have done — stop the delivery of the U.S. mail.

"This is about one of America's oldest institutions," Fredric V. Rolando, president of the National Association of Letter Carriers, told the *Times*. "It survived the telegraph, it survived the telephone, and we have to do everything we can to preserve it and adapt."



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