



U.S. Postal Service Reports \$5.2 Billion Loss in Third Quarter

The red ink on the U.S. Postal Service's (USPS) accounting books is flowing more steadily, as the agency [reported](#) August 9 a \$5.2-billion net loss for the third quarter, boosting its fiscal year-to-date loss to a startling \$11.6 billion. After factoring in the 274 days comprising the first three quarters of fiscal 2012, the debt-ridden agency has lost an average of \$42,335,766 per day this year.



However, over these nine months the agency's financial status has spiraled downward at a more rapid pace, with its \$5.2-billion loss in the third quarter close to equaling the losses of both the first and second quarters combined — losing an average of \$57,142,857 per day from April to June.

Due to its financial misfortunes, Postmaster General Patrick Donahoe said the service was forced to default in August on a \$5.5-billion prefunding bill for retiree health benefits, because it did not have sufficient cash to afford the payment. While USPS is moving forward with its own reform measures, Donahoe added, it is imperative that Congress pass legislation for comprehensive reform.

"We remain confident that Congress will do its part to help put the Postal Service on a path to financial stability," Donahoe said Thursday. "We will continue to take actions under our control to improve operational efficiency and generate revenue by offering new products and services to meet our customers' changing needs."

But Donahoe expressed frustration with the persistent delays by Congress to pass a bill. "Congress needs to act responsibly and move on this legislation," he [asserted](#). "This is no way to run any kind of business." In an interview with [CNSNews.com](#), the postmaster general outlined four key measures he claims will augment the service's meager financial condition. Among those are:

- Reform retiree health benefits and institute its own healthcare plan to conserve money in both the short and long term;

- Receive an \$11-billion payment from the Treasury that was previously overpaid for prefunded employee retirement funds;

- Bump the current six-day operating schedule down to five days, which would reportedly save \$2.7 billion per year; and

- Pursue more options to produce income from a products and pricing perspective.

Many congressional lawmakers have agreed with Donahoe's concerns, claiming it is critical that Congress helps the Postal Service get back on a sound fiscal path. "Without legislation, the universal mail service that drives a trillion dollar mail industry and supports more than eight million jobs will be in jeopardy," Sen. Susan Collins (R-Maine) [affirmed](#).

"It's going to take a calamity," added James O'Rourke, a management professor at the University of Notre Dame. "When the post office literally runs out of money to pay its employees and suppliers, that's



Written by [Brian Koenig](#) on August 12, 2012

what it's going to take to get Congress to act. They've shown little interest to this point."

While Congress continues to stall, many lawmakers on both sides of the political aisle are calling for sweeping reform to help bolster the postal agency. But few have suggested the more controversial alternative, which is to let the agency go through bankruptcy.

USPS, unlike its competitors FedEx and United Parcel Service (UPS), is restricted in how it can save costs, including decisions to cut services, close facilities, or reduce its payroll. By law it is forced to deliver mail to every U.S. address six days every week, a mandate not required of UPS and FedEx.

Wages and benefits total about [80 percent](#) of USPS costs, a far cry from its two privately-owned competitors (50 percent for UPS and 38 percent for FedEx). Bankruptcy protection would allow the service to renegotiate labor contracts, asserts Sen. Rand Paul (Ky.), and redrafting these contracts would help quell the continuous flow of USPS red ink. Unfortunately, Paul laments, the issue is too politicized and lawmakers are reluctant to take measures that may appear too controversial.

"Privatization would be great but how we go about doing that is another story," Paul adds. "I've been trying to find somebody who would buy it. I can't find anybody who's interested in buying the Post Office. We've talked about this for decades."

Former director of the Office of Management and Budget Peter Orszag says privatization is the only hope for the future viability of the Postal Service, as it would oust the "partisan voices" that saturate the agency. In a Bloomberg article published last month, Orszag [explains](#) why such action is the only viable solution:

Privatization has become the best path forward, mainly because it would take Congress out of the picture. As *New York Times* columnist Joe Nocera recently argued, "the problem is that neither the management nor the workers really control the Postal Service. Even though the post office has been self-financed since the 1980s, it remains shackled by Congress, which simply can't bring itself to allow the service to make its own decisions." And Congress won't do so, as long as the post office remains part of the government.

Privatizing the system, Orszag continues, would grant the Postal Service authority to efficiently manage its assets, which include 461 processing facilities, 32,000 post offices, a bloated pension plan, and monopolized access to all residential mailboxes. Orszag argues that a privately-run postal system would eliminate the oppressive and burdensome oversight from Congress.

Sen. Paul [insists](#) that for the Postal Service to be profitable it must be run like a normal business, which is impossible if it has to dole out 80 percent of its cost for government union workers. "So something has to change, but everybody opposes any changes that would allow the Post Office to make decisions like a business," he says. "Maybe if they were to have bankruptcy and renegotiate all of their labor contracts, they would have a chance. But there's too many strong political, partisan voices up here to let that happen."



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