



Written by [Brian Koenig](#) on June 14, 2012

Donahoe: U.S. Postal Service Will “Look Like Greece” Without Restructuring

In response to depleted revenues and high labor costs, the head of the U.S. Postal Service (USPS) asserted Tuesday that the cash-strapped mail agency has become a little like Greece, and that congressional lawmakers must approve a restructuring plan if it has any chance of returning to profitability. “If we don’t do something about the costs of this organization, we are going to look ... like Greece,” U.S. Postmaster General Patrick Donahoe [charged](#). “People laugh when I say that, but it’s true.”



Speaking at the PostalVision 2020 conference on Tuesday in Washington, D.C., Donahoe presented his vision for the USPS and explained how it must adapt to the technological advances that have pushed Americans away from using traditional mail. He also emphasized that it is imperative for the mail service to cut costs through an extensive restructuring plan. Stressing the importance of reform, the Postmaster added that the agency’s expenses will soar to \$81 billion by 2016 if Congress refuses to approve the cuts.

The U.S. Postal Service lost more than \$3 million in the first quarter of 2012, and has been forced to slash its workforce by granting buyouts to thousands of USPS workers. Further, the mail service has borrowed billions of dollars from the government to fulfill its obligations.

Over the past decade, the USPS has endured a sharp reduction in revenue, as the Internet has become increasingly popular and a more cost effective medium for communication. The agency [lost 29 percent](#) of its first-class mail volume in the last 10 years, as technological advances such as e-mail correspondence, social media networks, and online bill-pay have severely eroded revenues.

Donahoe disclosed that the USPS’s debt-to-revenue ratio is not much better than Greece’s debt-to-GDP ratio, also pointing out that Greece’s bloated public-sector salaries and pensions have spiked the country’s debt load to unsustainable levels. While he said he does not believe the USPS will default on its payments or need a taxpayer bailout, Donahoe emphasized that Congress must approve a restructuring plan, or the USPS will endure an outcome similar to Greece’s. “Unfortunately, if we don’t do something, it will look like that,” he warned.

In an effort to return to profitability, the USPS announced a plan last December to terminate next-day delivery of all first-class mail, including everything from postcards to letters to large envelopes. Facing the looming reality of bankruptcy, officials also developed a plan to close more than half of the 461 processing facilities that have been vital to administering the next-day delivery method.

“The fact of the matter is our network is too big. We’ve got more capacity in our network than we can afford,” David Williams, vice president for network operations, said at the time. “More importantly, we’ve got to set our network up so that when volume continues to drop, our network is nimble and flexible enough to respond to those volume losses.”



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Currently, about [78 percent](#) of the agency's expenses stem from labor costs, including the 20 percent of the total that finances healthcare expenses for future retirees. Donahoe proposed that employees be plucked out of federal health plans and placed into a postal plan, and that a bulky annual payment for pending retiree benefits be terminated. In April testimony before the House Oversight Committee, Donahoe was adamant in his plan to oust employees from government-provided health insurance plans. "If provided the authority to do so, we believe that we can provide our employees and retirees with the same or better health coverage for significantly less cost," he [assured](#) the committee.

As *The New American* [reported](#) last December, after sinking five years in the red, the mail service is facing a looming default on a \$5.5-billion annual payment to the U.S. Treasury for retiree health benefits. "We have a business model that is failing. You can't continue to run red ink and not make changes," Donahoe said at the time. "We know our business, and we listen to our customers. Customers are looking for affordable and consistent mail service, and they do not want us to take tax money."

Of course, service and labor unions such as the National Association of Letter Carriers are making the USPS's restructuring plan difficult — particularly with the provisions that address employee pay and benefits — and are now seeking arbitration to reach a new labor deal. "We need less expensive work hours, and we need more flexibility on who can do what jobs," Donahoe demanded. "Nobody can operate with 1940 work rules in a 2020 environment."

The problem is Congress has to approve the plan, and in April, Senate lawmakers accepted only a portion of Donahoe's proposal, [allowing](#) only 48 plants to be closed or consolidated in July and August; other consolidations could occur in 2013 and 2014, but they could be trumped by Congress. While the Senate bill offered to give the USPS \$11 billion to fund buyouts and early retirements, leaders in the House have yet to gain much traction on the issue, but expect to vote on a different bill in the coming weeks.

After his speech on Wednesday, Donahoe spoke with reporters and gave Congress a bold ultimatum: "We do not have to go down that path" of Greece's economy, but only if Congress agrees to an aggressive postal overhaul.



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