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**USPS – Spendthrift Monopolist**

*Opinion of the Alliance of Nonprofit Mailers, MPA—The Association of Magazine Media, and Postcom—The Association for Postal Commerce*

In the ongoing “Ten Year Review” of postal pricing, the Postal Regulatory Commission is considering whether to retain, loosen, or eliminate the CPI cap on price increases for market-dominant products. Our three associations have urged the Commission to keep the price cap unchanged. The May 12 tentative collective bargaining agreement between the USPS and the National Association of Letter Carriers (“NALC”) confirms that the USPS cannot be counted on to control its costs or prices without the CPI cap.

Our expert witness in the ten year review showed that postal workers are paid nearly twice what the private sector pays for similar work. The miniscule quit rates of postal workers – less than one percent per year or about 1/45 the size of private sector quit rates – confirm this substantial pay premium. Rather than bringing compensation more in line with the private sector – as required by postal law – the tentative agreement with NALC worsens the problem.

The agreement offers current career employees three general pay increases, including one that is retroactive, totaling 4.7% over the life of the contract. These increases are on top of seven cost-of-living (“COLA”) increases (two also paid retroactively). Instead of continuing a shift to lower-cost employees, the agreement converts many City Carrier Assistants (“CCAs”) to career status and preserves existing narrow limits on the total number of CCAs that the Postal Service may employ. The contract also continues existing no-layoff provisions and a prohibition against contracting out city carrier work.

The NALC deal is only one of a recent series of collective bargaining agreements that widen the postal employee compensation premium rather than narrowing it. A negotiated - and generous – collective bargaining agreement with the National Rural Letter Carriers Association in early 2016 led an arbitration panel to award similar terms to the American Postal Workers Union. The panel did this even though, by the neutral arbitrator’s own admission, “the package of economic benefits received by bargaining unit employees—retirement benefits, retiree health care, paid leave, low employee health care contributions, and a no-layoff provision—are superior to those typically available to private sector employees.”

We have no argument with the nation’s postal workers. It is commendable that USPS provides stable, middle-class employment for a large number of employees, but substantially over-compensating them, and paying for this with above-inflation rate increases for mailers, is inappropriate and jeopardizes the whole enterprise. There are proven ways to rein in excess labor costs without disrupting the lives of existing employees: (1) restraining the growth of their compensation; and (2) compensating new employees comparably to the private sector. Even a measured adoption of these reforms could save the Postal Service billions of dollars a year.

The Postal Service’s lack of fiscal restraint would be unfortunate even if mailers enjoyed effective competitive alternatives to the USPS. But most don’t. The USPS has a legal monopoly over delivering letter mail, exclusive use by law of every mail recipient’s mailbox, and market dominance over many mail products.

Until now, the CPI cap on rate increases has given captive mailers some protection from out-of-control postal costs. But in the ten-year review, the USPS is asking the Commission to gut the CPI cap. “Trust us,” the USPS says. It has “inherent incentives” to “aggressively pursue efficiency gains,” even without strict controls on how much the USPS can charge captive mailers.

The NALC contract confirms that the Postal Service cannot be trusted to make the tough decisions needed to control its own costs. The Commission faces a clear choice. It can maintain the CPI cap, which will protect captive mailers and encourage the USPS to resume proper cost control efforts and otherwise act like a real business. Real businesses, when faced with declining demand, lower, not raise prices and operating costs. If the Commission loosens the cap, it enables the Postal Service to double down on its binge spending. At the end of that road, however, lies not financial stability but ruin.