

Bush's Postal Commission report: a blueprint for privatization

Hector Cordon
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The author is a 16-year veteran of the US Postal Service.

The Senate Governmental Affairs Committee began hearings last week on a report by the President's Commission on the US Postal Service. Appointed by Bush last December, the commission issued a 208-page report that examined the Postal Service in detail and made a series of proposals.

Whether or not postal privatization becomes legislation this session, and it appears that it will not, many of the commission's major recommendations are the continuation—albeit, with important differences—of policies that have already been implemented by postal management: outsourcing work, facility closures, job cuts and speedup. The ritualistic and perfunctory condemnations by the postal unions of the final report are notable for their lack of comment on this aspect.

In spite of the commission's recommendation that the Postal Service retain its mail monopoly, the overall report represents a blueprint for its conversion to a for-profit entity: "While a postal monopoly remains essential to the reliable, affordable provision of universal postal service today, the Commission acknowledges that this may not always be the case."

The linchpin for this conversion lay in the creation of a three-member Postal Regulatory Board (PRB) and the transformation of the present Postal Rate Commission into a corporate-style board of directors. The PRB would be comprised of presidential appointees who, according to the report, "should have authority to: review and refine the scope of the Postal Service's universal service obligation; clarify and refine the scope of the postal monopoly." This authority is currently held by Congress.

With the guidance of the PRB, the Board of Directors would carry out a systematic destruction of jobs and wages by taking "advantage of corporate best practices." The report describes these practices as: aggressively outsourcing to the private sector, closure and/or consolidation of facilities into larger centralized operations, institution of a pay-for-performance system to reward management, the performance of pay comparability studies to enforce a pay cap and eliminate premium pay for workers.

Under the heading "Designing a Smaller, Stronger New Postal Network," the commission proposes closing facilities through the establishment of a Postal Network Optimization Commission (P-NOC), modeled on the independent commission that closed military bases in the mid-1990s. The commission states, "With aggressive business strategies **much of the Postal Service's legacy network could be retired**" (emphasis added). Listing distribution plants, airmail and bulk mail centers, etc., the report catalogues 446 such facilities that could be closed with their functions outsourced to

private industry.

The entire P-NOC process is structured to prevent any influence of postal workers or the communities where facilities are slated for closure. The president would appoint the eight members of the P-NOC to develop a report, then Congress, which only has 45 days in which to examine the report, can only accept or reject the report in its entirety. According to Mailers Council Executive Director Bob McLean, "When members of Congress are told, 'It's all or nothing' Congress always says, 'All.'"

The postal commission proposals include the retention of collective bargaining, but with a limited negotiating process lasting a maximum of 180 days. In the event of an impasse, a government-selected arbitration panel of three supposedly neutral arbitrators would impose a contract, incorporating the Last Best Final Offer mechanism. This mechanism requires that the arbitrator(s) choose either the union's or management's final offer. Nonetheless, the arbitrators' neutrality would be highly suspect, given their appointment by an administration that has consistently catered to corporations and the wealthy.

In any case, this recommendation would give management the green light to stonewall any negotiations by tendering one unacceptable offer after another, knowing that ultimately the arbitrators will impose an inferior contract.

Pointing out the huge \$48 billion liability that the Postal Service faces in unfunded retirement health care costs, the report proposes to transfer pensions and post-retirement health care plans for new hires from government-defined programs to the collective bargaining process. Combining this recommendation with the proposal for government-imposed arbitration leaves no doubt that health and retirement benefits would become substandard. This also constitutes a back-of-the-hand vote of confidence by the commission in the inability of the unions to maintain the benefits fought for by postal workers.

Projecting a dramatic decrease in letter volume, due to the increasing use of electronic mail, the commission anticipates a cumulative net loss of \$47.5 billion by the year 2017. In addition to the unfunded liability for retiree health care costs, there are huge debts for workers compensation costs, Postal Service borrowing and retirement compensation, all currently totaling \$92 billion.

Regardless of the huge debts and unfunded liabilities, the central crisis in the post office itself is that even with the most advanced computer and automation technology available, it is very much mired in the 19th century and, so far, (legally) unable to operate on a global scale.

As a nationally based operation, the US Postal Service is unable to operate in the global arena in the same way as the United Parcel

Service, Federal Express or the privatized postal businesses of foreign competitors. This severely undermines its operations. According to John Nolan, USPS vice president, "Some papers to the commission (notably that of John Mulligan) have argued that international pressure ... will ultimately cause the US to open its postal markets to competition. Should this be the case, it makes even more sense to provide the Postal Service with the opportunity to compete in the broader supply chain."

Pay comparability would also be scrutinized by the proposed PRB. The PRB would be charged with "ensuring the Postal Service meets its statutory obligation to compensate its employees at a level comparable to (but not exceeding) the private sector." Given that a recent USPS study claimed that rural carriers (who are themselves paid less than city carriers) were paid a 12 percent premium over their private industry counterparts, it is certain that postal workers would face demands that their wages be drastically reduced. A 1992 Bureau of Labor Statistics study showed that private sector mail clerks earned half or less than half of what Postal Service clerks earned.

Expressly designed to compel aggressive cost-cutting, the incentive-based compensation system envisioned by the commission for management would be locked to a rate-ceiling mechanism set at below the rate of inflation. Rate-ceiling mechanism refers to allowing postage prices to fluctuate, but no higher than a pre-set amount. According to the report, implementing a rate ceiling would restrict "revenue growth to motivate the Postal Service to pursue a far higher standard of efficiency." Management-inspired cost-cutting would be encouraged "by building in appropriate incentives, such as the ability to retain earnings that result from keeping costs beneath set limits and allowing the Postal Service to use those earnings, in part, to finance incentive-based compensation."

Obviously, this serves to give the very large management complement of the Postal Service a vested interest in reducing or blocking any wage or benefit gains pursued by postal workers. Even the day-to-day needs, such as requesting overtime in order to handle a larger volume of mail, would be refused by a manager intent on improving his or her compensation. The already high level of tensions, reflected not just in the Postal Service but in society as a whole, would be exacerbated.

The commission report lays out a thorough revision of the present structure of the Postal Service, which would initially create a corporate form of operation while maintaining a nominal connection to public ownership. These proposals would continue the "break through productivity plan" of 2000 and the Transformation Plan submitted by Postmaster General Jack Potter in 2002, which sought greater corporate structuring. Under these plans, 47,253 career positions have been destroyed—25,000 in the last year alone—for a savings of \$2.5 billion annually. The Transformation Plan calls for a report at the end of this year on the closing and consolidation of facilities. But, as the report states, "it is the Commission's emphatic view that an incremental approach to Postal Service reform will yield too little too late."

Although the report rejects immediate privatization, it does so from the tactical standpoint of the impact such privatization would have on large postal mailers. Business mailers represent a \$9 billion industry. The commission cautions that "an abrupt privatization of the Postal Service is far too risky and would unnecessarily destabilize universal mail service. Privatization of a commercial entity the size of the Postal Service could seriously disrupt both mail service and the private postal marketplace."

A consumer survey conducted for the commission found that a 73 percent of Americans believe postal operations should either remain as is or be improved through only minor changes, while a majority of 67 percent opposed privatization. The survey noted, "A remarkable 53% strongly oppose (privatization), which is an unusual level of intensity."

It is the availability of mail service at a uniform price to all, regardless of socioeconomic status, that has provoked such a strong opposition to the privatization of the Postal Service. To a large extent the universal service obligation of the Postal Service represents a democratic tradition.

While the Postal Service enjoys strong support among working people, it would be a mistake to view the hesitation to immediate privatization as a concession to democratic principles on the part of these Bush-appointed commissioners.

In early 2002 the Bush administration published a statistic estimating that commercial activities, such as payroll, occupied nearly 50 percent of all government operations. Subsequently, in the autumn of that year Bush announced his plans to privatize 850,000 federal jobs. Other agencies facing privatization include the Los Alamos Labs, air traffic control, Medicare and Social Security.

A look at the privatization of postal services in other countries underscores the futility of workers depending on the unions to fight privatization. In Great Britain it was the Communication Workers Union, initially promising "total opposition to privatization," which in 1999 proposed transforming Royal Mail to an Independently Publicly Owned Corporation. And it was the Labor government that formed the Postal Services Commission (a body very similar to the American proposed PRD), which is proceeding in the privatization of Royal Mail.

Job losses from privatization are estimated to reach from 15 percent (Britain), to 37 percent (Germany), to 40 percent (New Zealand) by 2005. This is on top of many thousands of jobs already cut.

Any reliance by postal workers on the union bureaucracy to defend jobs, wages and working conditions will only result in bitter disappointment. The past period has seen the outright destruction of tens of thousands of jobs, while wages and working conditions have continued to deteriorate. The role of the unions has been to verbally oppose these attacks, while in practice acquiescing to management. The very existence of the pre-sort mailing industry—privatization in its own right—with its low-paid workforce, is testament to the union's refusal to defend jobs.

The postal unions, while rejecting any independent mobilization of workers against the attacks proposed by Bush's Postal Commission, will instead energetically seek to subordinate the determination of workers to defend their rights into a variety of dead-end protests to the Democratic Party—which under the Clinton administration destroyed tens of thousands of government jobs.

The central component of any anti-privatization struggle must be the coordination with workers internationally and an independent political struggle by the working class.



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