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Why The U.S. Postal Service Is In Greater Financial Trouble Than Most Foreign Postal Services — The Role Of Government Micromanagement

Executive Summary

Postal services throughout the world have lost sales due to electronic diversion and suffered from the last recession and its after-effects. Nevertheless, the majority of foreign posts in upper- and middle-income nations that report their financial results to the Universal Postal Union (UPU) are profitable. While many occasionally lose money, few stay in the red year after year. This evidence demonstrates that postal services can continue to deliver the mail and provide the public with reasonable postal access while remaining financially viable.

The U.S. Postal Service, though, has lost money in every year since 2007 and foresees deepening losses. What differences explain USPS's losses? Looking to foreign best practices, what could be improved?

This paper examines one crucial difference: government micromanagement, which has saddled the U.S. Postal Service with excess operating costs. Later papers will investigate three other differences: retiree health care expenses, postal pricing, and nonpostal diversification.

Foreign posts have much more flexibility than USPS to adjust operations to keep costs in line with revenue. For instance, foreign posts often lay off unneeded workers; many have moved to five-day delivery; and many are shifting to partner-owned post offices. In contrast, when the U.S. Postal Service attempts to modify its operations, statutory restrictions and Congressional pressure often slow its adjustments or block them entirely. In some cases, the Service's own missteps have also hurt its efforts.

Until a few years ago, mail demand was sufficiently high that the U.S. Postal Service could bear heavy unfunded mandates and still be financially self-sufficient. That is no longer true. A politically difficult but vital reform is to stop imposing mandates on the Postal Service that are not closely related to the agency's core mission of mail access and delivery.

Some of the dramatic service changes USPS is now proposing are an unfortunate result of Congressional barriers to less disruptive adjustments. This suggests that Congress should also be cautious about standing in the way of changes that, although having some negative impact on service quality, would yield major costs savings and do less harm than the alternatives.

This does not mean letting USPS do whatever it wants. Congress and the Postal Regulatory Commission (PRC) should continue to closely monitor the Service's actions to be sure it upholds its universal service obligation (USO) and does not abuse its statutory mail monopoly.

Why The U.S. Postal Service Is In Greater Financial Trouble Than Most Foreign Postal Services — The Role Of Government Micromanagement

The U.S. Postal Service is one of the world's great postal services and in some respects is its premier post. It delivers over 40% of the world's mail.[1] It provides reasonably prompt and dependable service throughout an enormous nation. A recent study by a British consulting firm ranked it first among the posts in G20 nations "due to its high operating efficiency and public faith in its performance."[2] Its rates are substantially lower than those of the majority of foreign postal services. It regularly wins first place in public opinion surveys asking which U.S. government agency is most trusted for respecting people's privacy.[3]

However, in one critical area, the U.S. Postal Service lags: its financial performance is dismal compared to that of most foreign postal services. An earlier IRET study used data from the Universal Postal Union (UPU), an international postal organization that was founded in 1874 and is now a United Nations agency, to examine the financial results of a large number of postal services in high-income and medium-income countries and territories. (See Michael Schuyler, "Most Foreign Postal Services Are Profitable; The U.S. Postal Service Lags," *IRET Congressional Advisory*, No. 281, January 13, 2012, available at http://iret.org/pub/ADVS-281.PDF.) The study covered the years 2007 through 2010 (latest UPU data). In each year, more than half the posts were profitable. Among high-income-country posts that reported their results to the UPU, the percent with positive net income was 91% in 2007, 75% in 2008, 62% in 2009, and 64% in 2010. Among medium-income-country postal services reporting results to the UPU, not as many were in the black, but they still comprised a majority: 52% in 2007, 54% in 2008, 62% in 2009, and 53% in 2010. Moreover, although many posts suffered one or two bad years, persistent losses were rare. Most posts quickly adjusted to staunch any loses. Of posts that reported their results to the UPU, only 19% in high-income countries and 11% in medium-income countries stayed in the red throughout the 2008-2010 period, and still smaller percentages lost money in every year from 2007 through 2010.

The U.S. Postal Service, regrettably, was among the small minority with persistent losses: $5.1 billion in 2007, $2.8 billion in 2008, $3.8 billion in 2009, $8.5 billion in 2010, and $5.1 billion in 2011.[4] The deficits total over $25 billion, and the Service is forecasting an additional $14.1 billion loss in 2012.[5]

The earlier study briefly mentioned some factors that might help explain why the U.S. Postal Service has so far been unable to stop the bleeding, and noted that a fuller examination would follow in subsequent IRET work. Four of the main reasons why the Service's costs or receipts differ from those of foreign posts are government micromanagement, USPS's generous and costly retiree health benefits, postal rates, and nonpostal diversification. Do the differences between USPS and other posts in these areas partially account for USPS's persistent losses? Do they offer insights into how to restore the U.S. Postal Service's financial viability? This paper examines the first crucial difference: government micromanagement, which has saddled the U.S. Postal Service with excess operating costs. Later papers will investigate retiree health care expenses, postal pricing, and nonpostal diversification.

Two factors that have badly hurt the USPS but do not explain why it has suffered more than foreign posts are the severe 2007-2009 recession, whose ill-effects linger, and electronic diversion, which suddenly accelerated at about the same time as the recession hit. Both the recession and electronic diversion have been global events. In fact, the recession was deeper and longer and electronic diversion has advanced more rapidly in a number of other countries than in the United States.[6] Hence, these challenges have strained postal services throughout the world. Nevertheless, as noted above, most foreign posts have coped successfully and are profitable.

Operational flexibility helps foreign postal services control their costs

Foreign governments often allow their postal services considerable operational flexibility in managing costs, as long as the posts meet their universal service obligations (USO). Consider some of the responses of foreign posts to financial challenges in recent and earlier years: layoffs (or the credible threat of layoffs) to achieve substantial labor savings; a shift from post offices operated by the postal authority to partner-operated post offices that offer nearly the full range of postal services; and a move from six- to five-day-a-week mail delivery.

• Layoffs. Actual or threatened layoffs have been a frequent occurrence at foreign posts over the years. As a few examples, the former national postal operator in the Netherlands, TNT, explicitly offered its workers a choice between layoffs and wage cuts in 2009;[7] the postal services in Poland and Canada announced layoffs in 2011;[8] and Romania's postal service said it would lay off 600 workers in early 2012 as part of that country's effort to improve the efficiency of government-owned enterprises.[9]

• Five-day delivery. To gain perspective on what reforms might hold promise for USPS, the Government Accountability Office (GAO) released a report in 2011 that studied modernization efforts by the postal services in six foreign nations: Australia, Canada, Finland, Germany, Sweden, and Switzerland.[10] One of GAO's findings was that none of the six posts is required to deliver mail six days a week, although all must deliver a minimum number of times a week as part of their USO.[11] These countries are not unusual. When Singapore Post switched to five-day-a-week delivery in 2010 to lower its costs, it described the change as part of a "Global Postal Trend" and commented, "[A]bout 70 postal administrations... have adopted a 5-day mail delivery service."[12]

• Partner-owned post offices. In its study, GAO also learned that to save money while maintaining good retail access (convenient locations, convenient hours, and a wide array of postal services), five of the six posts had shifted to a business model in which partners, such as grocery stores, run most brick-and-mortar post offices. In 2009, the fraction of retail facilities not owned by the postal authority was 98% in Germany, 88% in Sweden, 87% in Finland, 81% in Australia, and 39% in Canada.[13] Although the partner-owned ratio was only 12% in Switzerland in 2009, which is similar to the 10% ratio in the United States, it has increased since then, with the number of partner-owned post offices in Switzerland rising from 283 in 2009 to 425 in early 2012.[14]

A number of nations have corporatized their postal services. Corporatization, which is fairly common in other countries but not the United States, means applying standard corporate law to government-owned enterprises and then allowing them considerable operational freedom, provided they continue fulfilling their public service obligations. In addition, some countries define their USOs in terms of service standards that combine minimum requirements with built-in flexibility and do not attempt to micromanage. For example, Australia requires that a post office must be within 4.7 miles of 85% of the rural population and within 1.6 miles of 95% of the urban population.[15] These requirements permit Australia Post some discretion regarding post office locations, the number of post offices, whether post offices are corporation- or partner-owned, and let it exceed the normal distance standard in a small percentage of cases.

Within the European Union (EU), a powerful spur to action has been postal liberalization, by which the Europeans mean the gradual removal of member nations' statutory postal monopolies and the enactment of rules limiting state aid to posts, in order to improve competitiveness within the EU.[16] Liberalization convinced most governments in the EU to give their posts considerable leeway to streamline operations, lest they handicap their native postal services relative to competing posts from other EU nations.

This discussion is not meant to leave the impression that foreign governments never intervene in the business decisions of their posts except to enforce their USOs. Foreign government often intervene and do so in a variety of ways and for an assortment of reasons, such as protecting jobs, rewarding political friends, and responding to complaints from influential voting blocks. What the examples indicate, however, is that foreign governments often temper their demands and grant their postal services substantial operational discretion, in order that they not undermine their posts' financial viability.

Congressional micromanagement partially explains the U.S. Postal Service's continuing losses

In contrast, one of the Postal Service's main handicaps is that Congressional mandates and pressure often impinge on operating decisions and significantly limit the organization's ability to control costs.

The U.S. Postal Service is at least as intent on controlling costs as most foreign posts. A notable illustration is the initiative begun under former Postmaster General John Potter and continued under Postmaster General Patrick Donahoe to trim the workforce through attrition and, to a smaller extent, buyouts. Total postal headcount (career and noncareer) peaked at almost 906,000 in 1999 but has fallen in every year since then, and was down to about 646,000 at the end of 2011, a cumulative decline of approximately 29%.[17] Over half the downsizing has occurred just since mail volume began dropping in 2007.[18] Impressively, USPS has maintained service quality and improved productivity throughout the process. Postmaster General Donahoe estimated that if the Service still had as many career employees in 2011 as it did in 2000, its annual costs would be $19.1 billion higher.[19] This huge initiative succeeded at a technical level because of the Service's skill in implementing it, and it was able to move forward at a political level because it aroused no opposition from stakeholder groups or Congress.

Frequently, however, USPS's efforts to control costs meet resistance and are blocked, delayed, or watered down by statutory restrictions or political pressure. This is evident when one looks at restrictions on layoffs, reduced delivery frequency, and post office closings at the U.S. Postal Service compared to many foreign posts.

• <u>Layoffs.</u> Layoffs, or deep wage and benefit cuts in lieu of layoffs, are traumatic for those involved. Nevertheless, most businesses suffering a 21% drop in volume and a 12% fall in revenue, which is approximately what USPS experienced over the 2007-2011 period, would regard layoffs or pay cuts as necessary, often a matter of survival.[20] At the U.S. Postal Service, however, there have been few layoffs because contracts with postal unions contain no-layoff provisions that protect the jobs of most career postal workers (generally those with six or more years of service). Although the reduction the Service accomplished through attrition and buyouts has been skillful, it has not been sufficient to bring the workforce into balance with reduced mail volume.

The Service is widely blamed, with some justification, for having signed contracts containing a no-layoff provision, but the Service responds, also with some justification, that the no-layoff provision was locked into place as an unintended consequence of an unusual Congressional requirement. Congress directs that when the Service and one of its unions cannot reach a collective bargaining agreement, an arbitrator steps in and dictates a settlement that may cover wages, work rules, and certain fringe benefits.[21] When the Service objected to a no-layoff clause during a contract negotiation that went to arbitration in the 1970s, an arbitrator ruled in favor of the no-layoff provision.[22] A similar clause has been in most postal union contracts since then, and a different arbitrator affirmed the no-layoff provision in a 2001 arbitration award.[23] Although the Service should have fought harder over the years to remove the no-layoff clause, it understandably feared that postal unions would resist fiercely and arbitrators would stymie its efforts.

More generally, the threat of adverse arbitration decisions weakens the Postal Service's hand in labor negotiations and helps explain why approximately 80% of the enterprise's costs are labor related, which is about the same percentage as 40 years ago despite the billions invested since then in automation. Many economic studies have found a large postal pay premium, with postal workers on average (but not in all cases) receiving higher wages and much richer benefits than comparable workers in the private sector. In addition, the dangers of binding arbitration have reduced the Service's leverage in opposing productivity-sapping work rules, such as some that limit its ability to move workers from one task to another based on what needs to be done or that force it to use a higher ratio of full-time to part-time workers than is observed at many foreign posts. The Postal Service would like Congress to change the law so that "arbitrators take into account its [the Postal Service's] financial condition before making any decision,"[24] but that has not happened yet. (Arbitrators know of USPS's massive losses, of course, and can take some account of that in their rulings, but they would give the financial consequences of their awards more weight if the law explicitly told them to consider it.)

• <u>Five-day delivery.</u> Since the early 1980s, Congress has included a rider in annual appropriations bills that effectively compels the Service to maintain six-day-a-week mail delivery. In January 2009, then Postmaster General John Potter warned of deteriorating mail demand, accurately predicted there would be no quick rebound, and asked Congress to let the Service drop the sixth delivery day.[25] Potter explained that the change would bring major savings and be less burdensome for mail users than most other actions producing comparable bottom-line gains. (The Postal Service thinks the savings would be over $3.1 billion annually while the Postal Regulatory Commission estimates they would be $1.7 billion annually. The numbers differ, but both are large.[26])

The proposal is controversial, but the case for it strengthens as mail demand continues to decline and the Service's financial hole deepens. Moreover, the change would be consistent with prior adjustments in mail-delivery frequency based on affordability. Free city delivery began in 1863, but only in cities where postal revenue covered the expense.[27] (It started in rural areas in 1896.) By a century ago, the Post Office Department was delivering mail several times a day, six days a week on many city routes. (Back then a larger share of the mail stream was time sensitive and eagerly awaited.) However, in later years the Department gradually reduced the number of deliveries because of the cost, until one delivery a day became the norm. Now, with mail demand plummeting and losses mounting, a shift to five-day delivery would continue the evolution.

Congress is not persuaded, however, and continues to insert the six-day rider in annual appropriations bills. Regardless of whether one thinks five-day delivery would be good or bad policy, this requirement shows how the U.S. Postal Service is hamstrung in its ability to rein in costs through operational adjustments, compared to many foreign posts.

• <u>Post office closings.</u> Congressional resistance has also complicated efforts to manage the costs of the Service's brick-and-mortar retail network. Congressional legislation prohibits the U.S. Postal Service from closing a small post office "solely for operating at a deficit,"[28] but otherwise gives USPS considerable discretion regarding post office closings or a shift to partner-operated facilities, provided certain notification and review requirements are met. Although post office closings can be appealed to the Postal Regulator Commission (PRC), the regulator's authority to set aside closings is quite limited.[29] In addition, the Service must request an advisory opinion from its regulator for changes that affect service quality on a "substantially nationwide basis,"[30] and an attempt to close or consolidate a large number of post offices would trigger that requirement. However, the regulator's opinion cannot by itself prevent the Service from acting because it is only advisory. A bigger obstacle is that members of Congress often object vigorously to proposed closings within their jurisdictions and occasionally threaten to introduce legislation to block proposed changes. The political pressure usually persuades the Service to move slowly, and, not infrequently, to back down.

For example, in July 2011, the Service unveiled an initiative to study the possible closure of over 3,650 low-volume post offices, about 10% of its existing brick-and-mortar retail network.[31] The tally includes some facilities that USPS calls post office branches, stations, or annexes but most customers view simply as post offices. (Some retail facilities have since been removed from the list, and the number remaining is now about 3,275.) In a separate initiative, the Service identified 252 mail processing plants for possible consolidation or elimination. (USPS has since revealed it actually studied 264 mail processing plants and has concluded so far that 223 of them could be closed or consolidated.[32]) After loud Congressional protests and a threat by 22 Senators to insert language into "the next appropriations bill" to block the closures, the Service agreed to a six-month moratorium on closings, until May 15, 2012.[33]

To be fair to Congress, its intervention is sometimes partially due to missteps by the Postal Service. A case in point is the agency's proposal to close potentially thousands of post offices. To start with, the Service hurt its credibility by calling its plan the Retail Access Optimization Initiative (RAOI), when the obvious motivation is to trim costs, not improve retail access. Moreover, the Service estimates that the savings from closing all the retail facilities on the list would only be about $200 million annually, a small amount compared to many other cost-reduction options, especially given the negative impact on millions of postal consumers.[34] Even if retail optimization were the goal, the PRC concluded in its advisory opinion that the Service's data and analysis fail to provide the cost, revenue, facility usage, and alternative access information needed to determine how to optimize the retail network.[35]

The regulator recognized the value of USPS's website, the thousands of retail establishments that sell stamps, and the services provided by rural carriers, but was concerned those alternatives do not fully substitute for post offices. It wrote, "Alternative access must be a presently available, viable and adequate substitute for existing access."[36] The Postal Service also did itself no favors by touting proposed "Village Post Offices" as replacements for many traditional retail facilities. Although the name "Village Post Office" sounds warm and friendly, the agency's description indicates that Village Post Offices would lack many of the services customers expect at a post office; they would offer stamps and flat-rate priority mail boxes but generally not much else.[37] PRC Chairman Goldway commented that people would be "far less likely to feel the loss of a neighborhood post office," if the Service offered "real, practical alternatives."[38]

It is regrettable the U.S. Postal Service has not copied the success of the foreign posts in GAO's study by converting more of its retail network to partner-owned post offices. Replacing much of the brick-and-mortar retail network with convenient, nearly-full-service, partner-run establishments would be customer friendly and still lower USPS's costs. The U.S. Postal Service's retail network does include some partner-operated post offices, known as contract postal units (CPUs) and community post offices (CPOs). Regrettably, their share of the network has been declining, from 11% of total post offices in 2007 to 10.1% in 2011.[39] In its 2011 contract agreement with the American Postal Workers Union (APWU), the Service agreed to close 20 more full-service CPUs.[40]

What basic rules should Congress follow to avoid micromanaging the U.S. Postal Service into insolvency? Two rules stand out.

First, Congress should not force the Service to incur higher operating costs than are needed to perform its core mission of delivering mail reliably and economically, with reasonable postal access for everyone in the nation. With the plunge in mail demand, the Service no longer has the financial strength to bear those excess costs. Congress should not impose on the Postal Service, as unfunded mandates, constraints that primarily have other goals. For instance, government officials often look on the Postal Service as a federal job machine and object to the loss of good-paying federal jobs when postal facilities in their jurisdictions are slated to be closed. However, if the primary goal is a self-supporting Postal Service that fulfills its core mission, Congress should not interfere. Similarly, if Congress chooses to retain the unusual binding arbitration provision in current law, it should, at a minimum, require that arbitrators take into account how their awards will affect the Service's financial viability. Likewise, in future collective bargaining, Congress should remove a statutory provision that guarantees a certain overall level of fringe benefits to employees and instead allow the benefit level to be bargained over like other aspects of compensation.[41]

Second, Congress should be cautious about standing in the way when the Service identifies changes that, although having some negative impact on service quality, would yield major cost savings and do less harm than the alternatives. The idea here is that we live in a world where trade-offs are unavoidable. It is better to accept a choice that yields large benefits relative to the pain than reject that choice and then be forced to accept something worse. For example, USPS argues that five-day-delivery meets this criterion, with most customers preferring it to other options generating comparable cost savings. Certainly, though, it is reasonable for Congress to have the Service's regulator vet such proposals to be sure the benefits are large relative to the burdens. (The choice is tougher when benefits and burdens are both large, such as with USPS proposals to mostly eliminate door-to-door mail delivery or to close so many processing plants that next-day first-class mail delivery would become a rarity.)

To their credit, some members of Congress recognize that their institution's demands are partially responsible for the Service's distress. Representative Darrell Issa (R-CA), Chairman of the House Oversight and Government Reform Committee, the coauthor of proposed postal reform legislation ("Postal Reform Act of 2011," H.R. 2309), and a member of Congress who knows how to run a business, writes, "Inflexible congressional mandates and impractical union agreements have raised serious questions as to whether or not the USPS can make the necessary changes… Saving the Postal Service and returning it to solvency means we must act now to reduce current operating expenses to come in line with falling revenue."[42] Senator Thomas Carper (D-DE), Chairman of the Senate Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security and coauthor of a different postal bill ("21st Century Postal Service Act of 2011," S. 1789), disagrees with Representative Issa on many specifics but shares the view that Congress is part of the problem. "[I]t is not productive for Congress to act like a 535-member board of directors and constantly second guess these necessary changes… [I]t is imperative that Congress give Postal management the flexibility they need. Too often over the years, Congress has tied the Postal Service's hands and prevented it from making the smart business decisions needed."[43]

Conclusion

At one level it is disheartening that the majority of foreign postal services in upper- and middle-income nations are profitable because it shows they have been better able than the U.S. Postal Service to adjust to a changing world. However, the finding is also encouraging because it suggests the U.S. Postal Service could return to financial viability by adopting international best practices.

A key difference between this country and others is that foreign governments generally try to give their posts sufficient operational flexibility to keep costs in line with revenue, while our government denies the U.S. Postal Service many basic cost-management tools or severely restricts their use.

If international best practices were followed here, Congress would step back from micromanagement and quickly repeal various requirements that drive up the Postal Service's costs but are not closely related to its core mission of mail acceptance and delivery. Congress would also be more receptive when the Service seeks to make changes that would have small negative effects on service quality but produce substantial cost savings.

This does not mean USPS should act without oversight. Congress and the PRC should closely monitor the Service's actions to ensure the Service both upholds the USO and does not abuse its statutory monopoly by treating mail users unfairly.

Better cost management would have a positive impact on the U.S. Postal Service's financial condition. That would be good news for mail users because the Service would be better able to maintain quality mail service in the long run and be under less pressure to make drastic service cuts in whatever areas Congress has not placed off limits. It would also be reassuring for taxpayers because it would increase the odds that the Service can remain self-supporting and not become a ward of the state.

Other reforms are needed and several suggested by the experiences of foreign posts will be examined in succeeding papers, but this one is vitally important.

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This is another of a continuing series of IRET papers examining the U.S. Postal Service. IRET began its work in this area in the mid 1990s. Norman Ture, the organization's founder, believed that growth and prosperity are advanced by restricting government to a limited set of core functions. From this perspective he was concerned about the activities of government owned and sponsored businesses. The Postal Service stands out among government businesses because of its size – it currently employs about 25% of the federal government's civilian workforce. For many years – but fortunately much less so in recent years – it was also notable for aggressively trying to expand beyond its core mission into nonpostal commercial markets.

Endnotes

1. The Universal Postal Union (UPU) estimated that letter-post and ordinary parcel volume (domestic and international) totaled 387 billion pieces worldwide in 2010 (latest available UPU data). The UPU further reported that the U.S. Postal Service's share of this was 162 billion pieces, or about 42%. See Universal Postal Union (UPU), Postal Statistics Database, Global or Regional Estimates, World Estimate, items 8.2, 8.3, 9.4, and 9.5, and Data by Country, United States, items 8.2, 8.3, 9.4, and 9.5, accessed via http://www.upu.int/en/resources/postal-statistics.html. (The UPU data omitted U.S. international letter-post for 2010. The author filled it in through extrapolation, but it is so small compared to domestic letter-post that it scarcely changed the result.)

2. Oxford Strategy Consulting, "G20 Postal Services Report: United States Postal Service (USPS) Ranked Number One in the World," Press Release, December 15, 2011, accessed at http://www.oxfordstrategicconsulting.com/G20postalreport2011- English-press-release.pdf.

3. See Ponemon Institute, "U.S. Postal Service Tops Ponemon Institute List of Most Trusted Federal Agencies," June 30, 2010, accessed at http://www.ponemon.org/news-2/32.

4. U.S. Postal Service, *Annual Report to Congress and Comprehensive Statement on Postal Operations, 2011*, p. 21, accessed at http://about.usps.com/publications/annual-report-comprehensive-statement-2011/annual-report-comprehensive-statement-2011.pdf.

5. U.S. Postal Service, "Integrated Financial Plan, FY2012," p. 1, accessed at http://about.usps.com/who-we-are/financials/integrated-financial-plans/fy2012.pdf.

6. These points are discussed in Michael Schuyler, "Most Foreign Postal Services Are Profitable; The U.S. Postal Service Lags," *op. cit.*

7. See "TNT Post To Scrap 11,000 Jobs," Nrc.nl, July 2, 2009, accessed at http://vorige.nrc.nl/article2289287.ece. For a follow-up, see "Dutch Union Agrees To TNT Redundancy Deal," *Post & Parcel*, January 28, 2011, accessed at http://postandparcel.info/36058/news/dutch-union-votes-in-favour-of-tnt-redundancy-deal.

8. "Polish Post To Lay Off 5,000 Workers," *Warsaw Business Journal*, February 23, 2011, accessed at http://www.wbj.pl/article-53389-polish-post-to-lay-off-5000-workers.html?typ=ise; and "Canada Post Workers Get Layoff Notices," Royal Mail Chat, March 16, 2011, accessed at http://www.royalmailchat.co.uk/community/viewtopic.php?f=40&t=35734.

9. "Romanian Post Set To Lay off 600 Workers Under IMF Deal," *Post And Parcel*, February 13, 2012, accessed at http://postandparcel.info/45563/news/companies/romanian-post-set-to-lay-off-600-workers-under-imf-deal.

10. U.S. Government Accountability Office, "Foreign Posts' Strategies Could Inform U.S. Postal Service's Efforts to Modernize," GAO-11-282, February 2011, accessed at http://www.gao.gov/new.items/d11282.pdf.

11. *Ibid*., pp. 32-33. The USO standard is five days a week in four countries, five days a week where logistically feasible in one country, and every working day in one country. As these examples suggest, the public service obligation often differs from country to country. Moreover, in any one country, the USO often changes over time based on the needs of the people and the finances of the postal authority.

12. Singapore Post, "Singpost Implements 5-Day Mail Collection And Delivery Service," News Release, February 10, 2010, accessed at http://www.singpost.com/downloads/media/press_release/10/PR20100210.pdf.

13. GAO, "Foreign Posts' Strategies Could Inform U.S. Postal Service's Efforts to Modernize," *op. cit*., p. 19.

14. *Ibid*.; and Swiss Post, "Alternatives To Post Offices," accessed at http://www.post.ch/en/post-startseite/post-konzern/post-publikationen/post-dossiers/post-poststellennetz/post-alternativen-zu-poststellen.htm.

15. Postal Regulatory Commission, "Advisory Opinion On Retail Access Optimization Initiative," Docket No. N2011-1, December 23, 2011, p. 57, accessed at http://www.prc.gov/Docs/78/78971/N2011-1_AdvisoryOP.pdf.

16. The process began in the 1990s. For an update on progress so far, see Consumer Postal Council, "International Postal Update -- January 2011," January 3, 2011, accessed at http://www.postalconsumers.org/research/International_Postal_Update_--_January_2011.shtml.

17. U.S. Postal Service, *Annual Reports*, various issues.

18. *Ibid*.

19. Patrick Donahoe, "Statement," before the Senate Committee On Homeland Security And Governmental Affairs, September 6, 2011, accessed at http://about.usps.com/news/speeches/2011/pr11_pmg0906.pdf.

20. U.S. Postal Service, *Annual Report, 2011*, *op. cit*., p. 23.

21. Postal Reorganization Act Of 1970 (P.L. 91-375), sec. 2, modifying 39 U.S.C., sec. 1207.

22. The Award of Arbitrator James J. Healy, dated September 15, 1978.

23. See Stephen B. Goldberg, Neutral Arbitrator, "Supplemental Opinion Dealing With Economic Issues," Interest Arbitration Award regarding the 2000 National Agreement between the Postal Service and the American Postal Workers Union, January 11, 2002, originally accessed at http://www.apwu.org/departments/ir/cba/2001suppaward.pdf.

24. U.S. Postal Service, "Ensuring A Viable Postal Service For America; An Action Plan For The Future," March 2010, p. 13, accessed at http://about.usps.com/future-postal-service/actionplanforthefuture-march2010.pdf.

25. John E. Potter, Postmaster General, "Statement," before Subcommittee on Federal Financial Management, Government Information, Federal Services and International Security, Senate Committee on Homeland Security and Governmental Affairs, January 28, 2009, accessed at http://about.usps.com/news/testimony/2009/pr09-pmg0128.htm.

26. See Postal Regulatory Commission, "Advisory Opinion On Elimination Of Saturday Delivery," Docket No. N2010-1, March 24, 2011, accessed at http://www.prc.gov/Docs/72/72327/Advisory_Opinion_032411.pdf.

27. See Historian, U.S. Postal Service, "Delivery: Monday Through Saturday Since 1863," June 2009, accessed at http://about.usps.com/who-we-are/postal-history/delivery-Monday-through-saturday.pdf. Before then, recipients normally traveled to the post office for their mail, and post offices were usually open seven days a week. Sometimes, for an extra fee, recipients could have mail delivered to doors.

28. Postal Reorganization Act of 1970 (P.L. 91-375), sec. 2, modifying 39 U.S.C., sec. 101(b).

29. The most the PRC can do is return cases to the Service for reconsideration, and it can only do so if it finds the Service did not follow the law, ignored procedures required by law, or failed to provide evidence in the record supporting its decision. See 39 U.S.C., sec. 404(d)(5). An appeal can delay a closing, but the delay will be slight if the closing is affirmed.

30. See 39 U.S.C., sec. 3661(b).

31. See U.S. Postal Service, "Postal Service Takes Next Step in Optimizing Retail Network," Postal News, Press Release pr11-089, July 26, 2011, accessed at http://about.usps.com/news/national-releases/2011/pr11_089.pdf.

32. See U.S. Postal Service, "Fact Sheet, Consolidating The Postal Service Mail Processing Network," February 2012, accessed at http://about.usps.com/what-we-are-doing/our-future-network/assets/pdf/ofn-fact-sheet.pdf.

33. American Postal Workers Union, "USPS Announces Moratorium On Post Office, Plant Closures," APWU News Bulletin 31-2011, December 13, 2011, accessed at http://www.apwu.org/news/nsb/2011/nsb31-111213-moratorium-closings.pdf.; and Letter from Senate Democrats to Senate Leaders and Chairman and Ranking Member of the Senate Appropriations Committee, December 9, 2011, accessed at http://landrieu.senate.gov/mediacenter/upload/120911postal.pdf.

34. Emily Long, "Initiative Targets Thousands Of Post Office Locations And Jobs," *Government Executive*, July 26, 2011, accessed at http://www.govexec.com/dailyfed/0711/072611l1.htm.

35. Postal Regulatory Commission, "Advisory Opinion On Retail Access Optimization Initiative," Docket No. N2011-1, December 23, 2011, accessed at http://www.prc.gov/Docs/78/78971/N2011-1_AdvisoryOP.pdf.

36. *Ibid*., p. 3

37. See U.S. Postal Service, "Postal Service Takes Next Step In Optimizing Retail Network," *op. cit.*; and U.S. Postal Service, Village Post Office "Infographic", accessed at http://about.usps.com/news/electronic-press-kits/expandedaccess/assets/pdf/vpo-infographic.pdf.

38. Postal Regulatory Commission, "PRC Advisory Opinion Finds USPS Proposal For Retail Closures Lacks Proper Analysis," Press Release, December 23, 2011, accessed at http://prc.gov/prc-docs/home/whatsnew/PRC%20003%20Press%20Release%20Dec.%2023,%202011-_2356.pdf.

39. U.S. Postal Service, *Annual Report, 2011*, *op. cit*., p. 23.

40. The APWU contract lists by name the 20 retail facilities that must be shuttered. See "Collective Bargaining Agreement Between American Postal Workers Union, AFL-CIO And U.S. Postal Service November 21, 2010 May 20, 2015," pp. 371-372, accessed at http://www.apwu.org/dept/ind-rel/sc/APWU%20Contract%202010-2015.pdf. For a description of one of the CPUs being closed, see Evan Kalish, "A Round of Alplaus," January 16, 2012, accessed at http://colossus-of-roads.blogspot.com/2012/01/round-of-alplaus.html.

41. Fringe benefits cannot "on the whole" be "less favorable" than those in effect in mid-1971. (See Postal Reorganization Act of 1970, sec. 2, modifying 39 U.S.C., sec. 1005(f).) The requirement ignores the fact that some fringe benefits, notably health care, have soared in cost compared to 40 years ago.

42. Darrell Issa, "Postal Service Should Adapt, Not Angle For A Bailout," *The Press-Enterprise* (Riverside, CA), December18, 2011, accessed at http://www.pe.com/opinion/local-views-headlines/20111218-nation-postal-service-should-adapt-not-angle-for-a-bailout.ece.

43. Office of Senator Thomas Carper, "Sen. Carper: Postal Service Needs Freedom To Make Necessary Smart Business Decisions," Press Release, March 2, 2010, accessed at http://carper.senate.gov/public/index.cfm/pressreleases?ID= ef9f73a8-d8b7-4aa0-ad8d-92d3e8074fcc.