STATEMENT OF JOHN BEEDER,
PRESIDENT AND CHIEF OPERATING OFFICER,
AMERICAN GREETINGS, CLEVELAND, OHIO,
BEFORE THE
COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
UNITED STATES SENATE

September 19, 2013

I am John Beeder, President and Chief Operating Officer of American Greetings, in Cleveland, Ohio. I am speaking today on behalf of the Greeting Card Association, which comprises more than 150 publishers of greeting cards and related social stationery products throughout the United States. The GCA has long been a strategic partner of the United States Postal Service, since some 60 percent of all greeting cards sold are mailed. We have a proud history of representing the household mail user on many different issues before policymakers, regulators, and the public. We are grateful for the opportunity to participate in today's hearing.

S. 1486 contains many desirable reforms and initiatives, which we and the mailing industry generally can support. As Senators may be aware, the GCA released a report earlier this summer which set out more than 100 cost-saving options for the Postal Service, drawn from GAO and Postal Service Inspector General studies. A copy is appended to my testimony. We are pleased to see that two of these commonsense recommendations – a shift to more cost-effective modes of delivery and a realistic treatment of retiree health benefit funding – are prominent features of S. 1486.

The current bill's proposals for streamlining the Postal Service and enabling it to continue providing top-quality service at less cost are, for the most part, well chosen and clearly laid out. It would put an end to the long-standing statutory floor under fringe benefits, enable the Service to operate its own health benefits plan, make the labor arbitration process somewhat more realistic, reform workers' compensation, and promote exploitation of more economical delivery modes. While the overall thrust of the bill is properly toward a leaner, more efficient Postal Service, some provisions meant to produce cost savings are unlikely to be effective and will only exacerbate the problem. Principally, I am referring to the authorization to reduce delivery days – not just to five per week, but possibly to even fewer. We believe this could cost the Service too much in lost revenue and lost economies of scale and scope from lost volume for the claimed cost savings to be worthwhile even if they were achieved.

A principal focus of today's hearing, and of my statement, is the ratemaking provisions of S. 1486. For that reason, my testimony will sound rather more negative than it would if I were discussing the bill as a whole. These ratemaking provisions are a matter of grave concern. The bill would be much improved by simply striking section 301, and leaving the current PAEA ratemaking provisions in place. These were passed by Congress after a decade of careful debate and compromise, and have been developed over the years since 2006 by the Postal Regulatory Commission (PRC). That system may not be perfect, but at least it provides an independent view of rate issues, a meaningful incentive for the Postal Service to reduce costs, and a sufficient escape hatch in the form of a PRC-directed exigency increase procedure, while still achieving the original objective of significantly streamlining the expensive and cumbersome ten-month litigation process created in the early 1970s.

The bill's abolition of PAEA's safeguards seems to rest, fundamentally, on the mistaken premise that the Postal Service's financial problems are somehow due to the ratemaking system and insufficient revenue. They are not. The Postal Service today has a cost problem, not a ratemaking or revenue problem.

The Service's cost problem is admittedly not entirely under its direct control. If the unworkable PAEA retiree health care prefunding schedule were appropriately redesigned, as section 103 of the bill sets out to do, a very large part of the Service's current deficit problem would evaporate as the PRC, mailers, unions and others have stated.. The Service can, of course, take its own steps to reduce its costs, with Congress's help where needed. As the GCA's report showed, the Service's financial woes, while serious, could be largely solved by adopting recommendations already made by GAO and the OIG – all without raising rates or cutting essential services. Thus there is no reason to encourage it to drive away customers and reduce its own revenue by eviscerating the ratemaking system, as S. 1486 would do.

Hardly any mail user today is without alternatives. Package mailers and some periodical publishers can use private-sector carriers. Businesses and households can, and increasingly do, manage their transactions on-line. While no one doubts the impressive effectiveness of direct mail advertising, even those customers have an array of other media to choose from. The notion that the Postal Service still has a reliable monopoly in the real-world market (I am not referring to the Private Express Statutes) is simply obsolete. It is odd indeed, then, that the ratemaking provisions in section 301 of S. 1486 would make structural changes moving the Postal Service in the direction of an unregulated monopoly with all of the power but none of the responsibility such an entity should have.

Overall, the bill properly focuses on helping the Postal Service become leaner and more efficient. Why weaken these incentives by eliminating any independent voice – and, after 2016, eliminating any price cap, and thus any control at all – on postal prices? If the anti-regulation provisions of S. 1486 were stricken, the resulting bill would have a clear and well justified focus on greater efficiency. With those provisions left in, it is structurally incoherent and self-defeating. The incentives to resort to rate increases, inherent in those provisions, undermine the pro-efficiency thrust of the rest of the bill.

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The existing PAEA price cap is certainly a generous one compared to many other regulated sectors. Legislators commonly set utility price caps as "CPI minus X" whereby the CPI is reduced by a set percentage "X" for productivity growth in order to encourage cost reductions by the firm. The PAEA price cap has no such X factor. The bill, however, would do away with PAEA's relatively liberal price-cap incentive to efficiency after 2016. This makes no sense, either on its own footing or in the context of other important features of S. 1486. With neither a close tie between rates and costs, as existed under the 1970 Postal Reorganization Act, nor an exogenous price cap limiting increases under PAEA, there would be nothing in the statute to forestall resorting to regular rate hikes above the CPI as a way of "avoiding the unavoidable": the need to control costs and realign the system to make it fit 21st Century mail usage patterns.

Even before the proposed abolition of the price cap, S. 1486 would weaken existing regulations unnecessarily. Today, there is an independent evaluation by the PRC of whether each new set of rates conforms to the price cap. There is no good reason to take this function from the PRC and hand it over to the same Board of Governors which would direct the filing of the rates in the first place under the bill. It would put the Board in the untenable position of having a conflict of roles: "independently" verifying its own actions. Abolishing independent review would be a serious loss to all mailers and the public, and an abrogation of the fundamental obligation to fairness inherent in a government-sponsored enterprise. S. 1486 rightly attempts to retain that obligation in the ratemaking objectives; but ultimately these are undermined by abolishing independent examination of rates.

Another serious flaw in section 301 of the bill is its treatment of exigency rate cases. One might believe – we do not – that assessing price-cap compliance is a purely mechanical process where there is no real need for an independent evaluator. But that is clearly not true of exigency cases, where at least four legal standards, all having the potential to be controversial, must be met. The evaluator must find (i) that exceptional or extraordinary circumstances are present, and then that the increase is (ii) reasonable, (iii) equitable, and (iv) necessary under "best practices of honest, efficient, and economical management." Section 301 of S.1486 would have the Board of Governors decide these four difficult questions. In other words, the same Board which is responsible for managing the Postal Service would be charged with deciding, in an exigency case, whether it and the executives it has hired have managed it honestly, efficiently, and economically. This is another obvious conflict of functions, and would allow the Postal Service to act as an unregulated monopolist in the prices it charges for market dominant products. In the private sector, the directors of a regulated utility would never be charged with deciding whether the company they manage was legally entitled to a rate increase.

The section also overlooks the practical inability of a part-time Board with limited independent legal or economic expertise to challenge recommendations by Postal Service management. The Board as currently composed lacks both time and readily available independent expertise to examine rate and service proposals critically and in detail. The greater likelihood would be that there would be no effective system of checks and balances to ensure that management does not err.

These problems with the bill cannot be solved by allowing rate decisions to be reviewed by the PRC on complaint. The complaint procedure places the burden of proof on the complainant. Injured mailers would be hard pressed to meet the considerable expense of proving such a case, and S. 1486 would take away any guarantee that the information they would need to prove their case would be available.

One of the important objectives of PAEA, written into section 3622(b), was to increase the transparency of the ratemaking process. S. 1486 repeals that objective. The Board of Governors would decide rate questions through a form of notice and comment procedure with, apparently, no obligation to describe or disclose all the data and assumptions on which they relied. Potentially, therefore, the Board could choose to render its decisions largely complaint-proof. Even assuming these problems away, it would remain true that while the would-be complainants assembled their case and shepherded it through the PRC's complaint process, they would be paying questionable and perhaps provably unjustified rates. With no practical mechanism to provide relief where it is due, the strong likelihood is that rather than filing a complaint with a heavy procedural burden and possibly no way to obtain necessary data, potential complainants would instead switch more of their communications to alternative carriers or to electronic media. Simply put, these section 301 provisions of S. 1486 would very likely accelerate the decline of postal volumes precisely on account of the new and largely unchecked ratemaking power of the Board of Governors.

There is one other feature of the bill, not centrally concerned with ratemaking, on which I would like to offer a comment. This is section 206, which does away with the PRC's advisory opinion role in connection with significant, nationwide service changes. First, abolishing any independent pre-implementation review would be a serious loss – not just to users of the mails but also to Congress itself. The PRC's advisory opinions have provided a well-informed, objective view of these changes, some of which are arguably not just operational decisions properly left to the Postal Service, but rather fundamental definitions of the level and quality of service that should be of concern to the Congress. It is especially disturbing that section 206 appears to contemplate rate and classification changes along with, or as part of, a service change. As some proceedings at the Commission have demonstrated, it is hard enough to estimate the effects on volume and revenue of a service change unaccompanied by changes in rates. The two sets of changes combined could make a difficult analysis almost unmanageable.

The PRC's advisory opinion on the proposed reduction of carrier delivery and pickup to five days shows clearly how important an independent view of service changes can be. Congress has engaged in a serious reconsideration of this scheme, and the PRC opinion has been a valuable resource. In this connection, GCA is disappointed that S. 1486 seriously weakens the sensible compromise reached in the 112th Congress. Section 207 of S. 1789 appropriately required a two-year waiting period and a determination, subject to review by the GAO and the PRC, that other prescribed cost-saving measures did not obviate the need to cut service in order to achieve long-term solvency. These necessary safeguards are diluted or omitted altogether in S. 1486.

To summarize our views on the regulatory provisions of S. 1486: the ratemaking and service change provisions should be stricken from the bill. We also urge that the Committee, at a minimum, restore the approach to consideration of reducing delivery frequency included in the bill passed in the Senate last year. Striking these two provisions and reverting to an approach on delivery frequency that garnered sufficient support for passage would be the simplest and cleanest way to restore the bill's commendable focus on creating a streamlined, cost-efficient, and capable Postal Service for today's needs. Encouraging a short-sighted approach to financial problems that would facilitate potentially large rate increases needlessly undermines the beneficial features of the bill, and eliminating independent review of important decisions is not in the interest of mail users, the Congress, or, in the long run, the Postal Service itself.

Appendix

A Commonsense Solution for a Stronger Postal Service

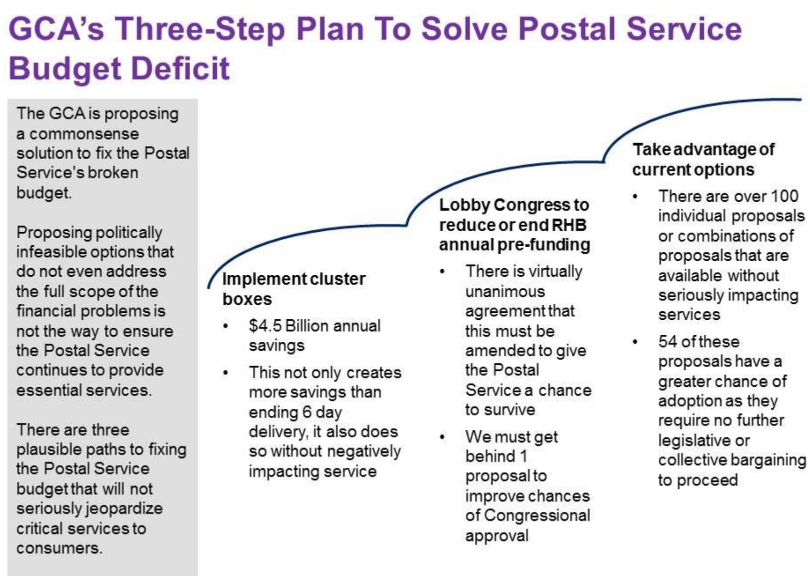
The Greeting Card Association

July, 2013

Executive Summary

The Greeting Card Association's (GCA) commonsense solution puts the United States Postal Service (USPS) on a path to solvency without cutting critical services or raising rates. There are more than 100 deficit reduction proposals provided by past U.S. Government Accountability Office (GAO) and Office of the Inspector General (OIG) reports that offer numerous combinations for ending the total structural deficit of the Postal Service. Using these, the GCA shows that the total Postal Service budget deficit can be fixed in three steps:

- **First**, the Postal Service should immediately implement cluster boxes on a widespread national scale using its existing management authority to do so, and drop politically divisive plans for Congress to end Saturday mail delivery;
- **Second**, the Postal Service should work with Congress to achieve a solution to the Retiree Health Benefits system (RHB) prefunding issue by amending the Postal Accountability and Enhancement Act (PAEA) and get this stand-alone legislation passed before the August recess;
- **Third**, the Postal Service should evaluate the impact of the first two steps during the rest of this year and if more deficit reductions are needed, it should first draw from the list of 53 remaining proposals herein that it can implement under its existing management authority.



Cutting services is not the commonsense solution when there are so many other options available. The GCA has had a longstanding policy position that the best way to solve the Postal Service's structural deficit and return it to solvency is to identify proposals that maintain universal service at affordable prices for every citizen throughout the country.

This analysis demonstrates that cutting essential services such as Saturday delivery is not necessary to fix the Postal Service's budget deficit. There are more than 100 deficit reduction alternatives from recent GAO and Postal Service OIG reports that can replace ending Saturday delivery, either alone or in combination. None raises rates or cuts service. 54 of these proposals would not require any collective bargaining or legislation by Congress.

Rate increases will only add to the problem. Rate increases are counter-productive and will only add to the structural deficit faced by the Postal Service by driving even more postal volume away to competing products and services. Even a relatively modest rate increase would drive one billion pieces of single piece letter mail out of the system.

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I. Introduction: The Postal Service's Structural Deficit Is Smaller Than It Contends

On April 10, 2013, the U. S. Postal Service Board of Governors (BOG) issued a press release directing the Postal Service to "delay implementation of its new delivery schedule" – *i.e.* no Saturday delivery except for packages – beyond its planned August 5, 2013 date and until Congress has enacted a postal reform bill, including a "financially appropriate and responsible delivery schedule." In the interim, it directs postal management to "seek a reopening of negotiations with the postal unions" and to look at other options, "including an exigent rate increase."

The BOG states that a "new national delivery schedule" (that is, ending Saturday delivery of mail) "is a necessary part of a larger five-year business plan to restore the Postal Service to long-term financial stability." It references an "ever widening budgetary gap."[1] It then asserts that: "It is not possible for the Postal Service to meet significant cost reduction goals without changing its delivery schedule – any rational analysis of our current financial condition and business options leads to this conclusion." This paper challenges these assertions and outlines numerous commonsense solutions that achieve our mutual goal of a viable Postal Service.

This paper presents numerous deficit reduction options to reduce costs or expand revenue without raising rates. These options have been set forth by the Postal Service's own Office of the Inspector General (OIG), and the General Accountability Office (GAO). There are numerous combinations of opportunities for solving the Postal Service's deficit problem. Even if we eliminate options that are in the implementation process and those that are not politically feasible, there is still a very long list of options that would effectively solve the Postal Service's budget deficit. There is an even larger list that would replace any savings lost from retaining six day delivery.

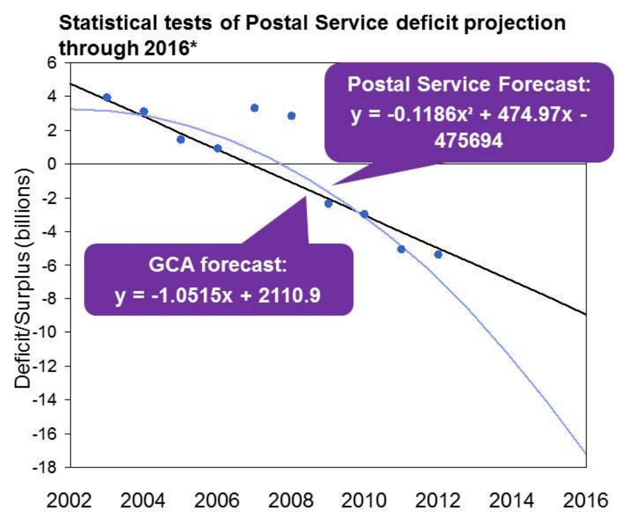
The perceived need to end Saturday delivery for any mail product (or overnight delivery of First Class single piece letters) depends on the true size of the Postal Service's deficit problem. Since March 2010, the Postal Service has employed a public relations strategy of overstating long-run deficit forecasts to pressure Congress to enact postal reform legislation. In part this has been achieved by projecting a baseline deficit through 2020. The strategy has failed to produce legislative results. Yet, the Postal Service continues to operate: collecting, processing and delivering mail Monday through Saturday.

Since the Postal Service first launched its deficit campaign with a briefing on three consultant reports in March 2010, the solution to the Postal Service's operating deficits has become a moving target of varied long-run forecasts with statistically measureable upward biases. This is not entirely the Postal Service's fault given Congress' failure to act on any one set of proposals. However, for at least a year now the Postal Service has not presented Congress or the mailing community with coherent data in favor of securing any form of savings. Because credible data has not been presented, politically unfeasible cuts like Saturday mail delivery are always on its deficit reduction list.

Ending Saturday delivery has been a long-term goal of the Postal Service's management even before there was a deficit problem. Therefore, no matter what the actual size of the deficit forecasts, cutting Saturday delivery is always on the list. Unfortunately, it appears eliminating Saturday delivery would remain a top policy goal even if the Postal Service were running an operating surplus, despite lack of credible data showing it is a true necessity or effective solution.

Is the long run Postal Service deficit gap growing by as much as the Postal Service claims? Net of the RHB prefunding obligation, recent operating deficits were:
-$2.4 billion, FY 2009; -$3 billion, 2010; -$5.1 billion, 2011; and -$5.4 billion, 2012. From this baseline the Postal Service forecast "grows" its annual operating deficit by about -$3 billion each year through 2016, to -$15.5 billion.
There is little justification for the assumptions leading to a $10 billion increase in the annual operating deficit by 2016 from the 2012 actual deficit of -$5.4 billion before RHB prefunding is factored into the equation. In essence, this forecast, as well as the earlier one from March 2010, presumes Postal Service management is unable to negotiate better labor contracts with its four major unions, even under dire financial conditions. A more plausible baseline forecast is that the operating deficit (apart from RHB funding) will ratchet up by at most $2 billion annually through 2016 rather than $3 billion. This would put the total operating deficit at -$12.5 billion.

Budgetary Statistical Analysis



*From USPS Five Year Plan, February 2012

The GCA forecast has a stronger statistical result with a Fisher F-Value of 29.18 compared to an F-value of 19.63 from the Postal Service forecast.

The P-value is also significantly lower than the Postal Service projection.

A $1 billion annual increase would put the annual baseline deficit at -$9.5 billion at the end of FY2016. Statistical tests show a linear forecast model projecting a $9.5 billion deficit in 2016 performs better than the Postal Service's forecast of $15.5 billion. The graph above depicts a quadratic equation that best fits the Postal Service's latest forecast through FY2016.

Appendix 1 indicates both forecasting equations have R-squared measures of "best fit" around 0.8, and are statistically the same. A perfect fit would be a regression with an R-squared value of 1.0, meaning the forecast is completely explained by the trend of past data. In comparing the two regression models to see which has the best fit to the population sampled, however, the linear model has a Fisher F – value of 29.18, which is a superior statistical result to the lower F – value of 19.63 in the non-linear model best fitting the Postal Service's forecast. The associated probability P – value for the linear regression (0.000644), is a significantly lower number below the 5% significance level than that for the quadratic regression fitting the Postal Service forecast (0.001347).[2]

Including RHB prefunding, a more reasonable estimate of the 2016 total deficit baseline (before cuts) would be $15.3 billion to $18.3 billion. The Postal Service has apparently sought to make its -$21.3 billion total deficit in 2016 a more plausible number by claiming its actual 2012 deficit was $16.5 billion. Normal accounting practices would put the total 2012 deficit at $11.5 billion because it would not engage in double counting of the annual RHB prefunding.[3]

The third problem with the Postal Service deficit forecasts relates to savings from initiatives that have already been successfully implemented such as network consolidation and post office closings.[4] The Postal Service has already achieved about one-half of its anticipated $4.1 billion from plant closings and transportation savings. On this account alone the baseline deficit for 2016 should be reduced from $22.5 billion to $20.5 billion and its current need for annual deficit reduction by 2016 reduced accordingly.

Solutions That Will Not Cut Critical Services Or Raise Rates

109 Distinct Proposals For Deficit Reduction

Proposal Scenarios	Examples of Cost Savings
54 Proposals Require No Further Legislation Nor Collective Bargaining between USPS management and its labor unions before implementation	• Early retirement incentives • Diverse stamp distribution • GPS system adoption
78 Proposals Require No Collective Bargaining between the postal employees union and USPS management	• Early retirement incentives • Move retail to self-service • Reform leases
59 Proposals Require No Further Legislation by Congress before implementation by USPS management	• Outsource custodial work • Close processing plants • Sell USPS real estate assets
44 Proposals Require Either Additional Legislation Or Collective Bargaining between USPS management and its labor unions before implementation	• Reduce RHB prefunding • Two tiered wage system • Change retirement formula

In Sections II. through XI., we discuss 129 proposals for cutting Postal Service deficits without cutting Saturday mail delivery. A small number of these proposals originate from separate sources, yet have a high degree of overlap – 109 distinct proposals remain. A few of these are in process to a greater or lesser degree, and are noted by section. Many of the proposals are accompanied by annual savings estimates to the deficit, however some are not. The Postal Service, Congress, GAO and other agencies should be encouraged to provide savings estimates for these.

II. Deficit Reduction Proposals That Do Not Cut Critical Service To The Public Or Raise Rates Are Preferable

The Greeting Card Association (GCA) has had a longstanding policy position that the best way to solve the Postal Service's structural deficit and return it to solvency is to identify proposals that do not cut service either to mailers in general or to citizen mailers in particular. To the maximum degree possible, the deficit reduction lists that follow focus on proposals identified in recent General Accountability Office (GAO) or Postal Service Office of the Inspector General (OIG) reports that in GCA's opinion affect service minimally or not at all. Appendix 2 summarizes the impact of GCA's master list of 109 distinct deficit reduction proposals by the impact each one would have on service.

It should be stressed that of the 109 proposals, only 45 have annual savings listed or that can be inferred, while 84 do not have any savings listed. Most of the discussion that follows concentrates on those proposals for which annual savings are listed or estimated. It should be kept in mind, however, that the universe of deficit reduction options is nearly three times as large as the options on which the paper focuses. Those 84 proposals should be costed out by the agency originating the idea and evaluated before any notion of cutting service or raising rates is put forward.

The GCA has also had a longstanding policy position that rate increases, especially when the postal product concerned faces the essentially free competing alternative of the Internet and email products, are counter-productive and will only add to the structural deficit faced by the Postal Service by driving even more postal volume to competing products and services. Rate increases are not the only way of raising revenue, and in Section VII.,16 proposals for reducing the Postal Service deficit by raising revenue without raising rates are presented.

Rate increases will only add to the structural deficit faced by the Postal Service by driving even more post volume away to competing products and services.

III. The Most Plausible Paths For Postal Service Financial Viability Without Cutting Saturday Mail Delivery

A. Three Options That Stand Out

There are two clear-cut paths that would move the direction of the Postal Service a long way toward financial viability. One would eliminate the strong opposition in Congress to ending Saturday delivery by replacing that proposal with another approach to curbing delivery costs. The other path would enact one proposal that many feel is at the crux of the Postal Service's structural deficit, support for which is strong in both houses of Congress and both political parties.

The first path to success is that whatever the plausible size of the deficit problem, measured as the annual need for cuts as of the end of FY2016 from a 2012 baseline, OIG's proposal for widespread adoption of cluster boxes rather than address to address delivery supersedes the need for any reduction in current six day delivery standards. The GCA made this point in its 2011 report, using the consensus calculus of that time estimating the size of the deficit problem.[5] Unfortunately, some members of Congress, without any clear understanding of how much the Postal Service's deficit needs to be cut today, adopted the cluster box idea in addition to ending Saturday delivery. As outlined in Section I., the magnitude of the Postal Service's deficit problem does not require both cluster boxes and ending Saturday delivery, it requires choosing one or the other. The choice of cluster boxes would remove much political opposition to postal reform bills because they now include the highly unpopular choice of cutting Saturday delivery.

The <u>second</u> path to success in managing the Postal Service's deficit is to start by getting Congress to enact legislation ending or greatly curbing the RHB annual prefunding mandate. It is not unusual for laws as complex as PAEA to require modifications to the initial legislation as time and experience under the new law accumulate. This was true of the 1970 Postal Reorganization Act, which was significantly amended in 1976. More than any other single deficit reduction proposal, there is unanimous agreement from virtually all stakeholders that a radical overhaul, if not complete elimination of RHB prefunding, should be made.

There is unanimous agreement from virtually all stakeholders that a radical overhaul, if not complete elimination of RHB prefunding, should be made.

There is widespread political support for this proposal in both houses of Congress, across party lines, and at the Postal Regulatory Commission. Once such a bill is passed, alone or in conjunction with cluster boxes, the Postal Service's financial condition can be monitored quarterly, the effects of these deficit reduction initiatives evaluated, and a more measured approach to enacting any further deficit reduction proposals taken instead of acting in the unproductive crisis-mode atmosphere of the past three years.

A <u>third</u> path to success is to adopt other "top drawer" proposals from our list of more than 100 individual proposals or combinations of proposals which will solve the Postal Service's overall deficit problem without having to end Saturday delivery. Questions that should be asked include:

What options from our list fully cover the claimed cost savings from ending Saturday delivery?

What options constitute a total deficit reduction package that would restore financial viability to the Postal Service?

What combinations of options would be politically viable?

Of these, what are the best options?

The answer to the first question above depends in part on what the cost savings are from ending Saturday delivery. The Postal Service currently puts the cost savings as $2 billion annually for cutting Saturday mail delivery, but retaining Saturday delivery of packages and medicines. The PRC put the cost savings at $1.7 billion in its March 24, 2011 Advisory Opinion on Ending Saturday Delivery after analyzing the Postal Service's original $3.1 billion estimate for eliminating all Saturday delivery of letters, flats, and parcels.

The cost of modifying the Postal Service's original proposal was to add back $500 million to Saturday delivery costs for packages and medicines. The Postal Service has explained that it began with a savings estimate of $2.6 billion – less than that presented in the 2010 advisory opinion case at the Commission – because, owing to increases in operating efficiency and declines in volumes since FY2009, the FY2012 savings opportunity is smaller.[6] The range of savings possible from the current proposal are the Commission's $1.7 billion minus the add-back for Saturday package and medicine delivery, or $1.2 billion, rather than the Postal Service's current estimate of $2 billion. Potential volume losses from factors not considered in the advisory opinion process could drive the Postal Service's savings estimate even lower to as little as $600 million annually.

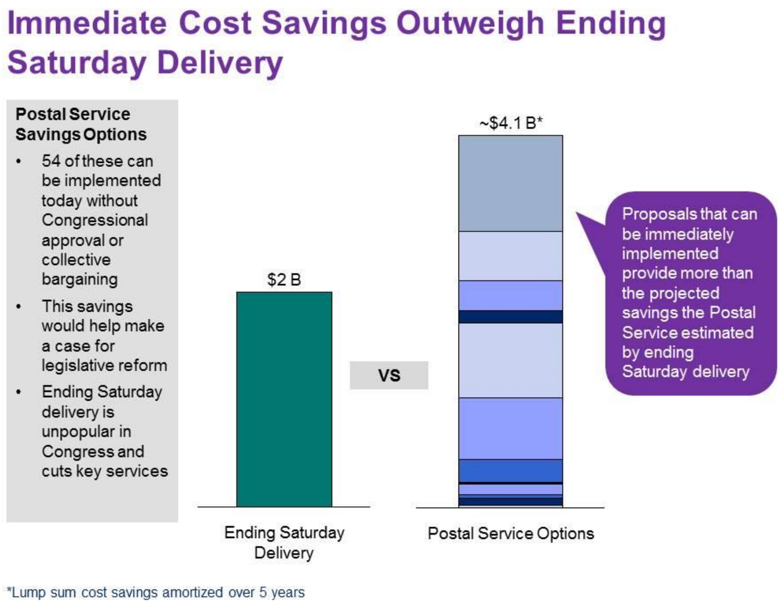
Two problems become evident when considering any top-drawer proposals or combinations thereof compared to the first two strategic paths toward success. What is the political feasibility of each? Support for any of these cannot be measured vis-a-vis the widespread support for overhauling RHB prefunding as established in PAEA. Nor can opposition to any of these be measured vis-a-vis the strong opposition in Congress to ending Saturday delivery. If we consider a much broader list of deficit reduction possibilities such as all 109 non-duplicative proposals, these same two problems loom even larger.

One way of reducing the uncertainty and showing a third path toward success is to classify each proposal in the following way. Of paramount importance is to identify proposals that would not require legislation by Congress or collective bargaining. From the Postal Service's perspective, these are proposals which management should be able to accomplish on its own. This list would be the most politically feasible set of alternatives to ending Saturday delivery given the Postal Service's relatively weak record when it comes to collective bargaining and lack of success the past three years in getting a deficit reduction bill through Congress.

B. Fifty- Four Deficit Reduction Proposals The Postal Service Can Accomplish On Its Own

Recently, the Postal Service's Board of Governors has stated that Congress must pass a postal reform bill that includes cutting Saturday delivery for its structural deficit to be trimmed any further.[7] This is not a correct statement. Appendix 4 lists 54 deficit reduction proposals from the master list of 109 non-duplicative proposals that do not require collective bargaining between Postal Service management and its labor unions and do not require legislation getting passed before the Postal Service can implement the proposal.

Of these, the known savings for eighteen total over $3.5 billion in annual savings, excluding savings from selling real estate assets ($85 billion), cluster boxes ($4.5 billion), the summer sale for Standard mail ($24.1 million), and remaining savings from network rationalization implementation ($2.5 billion estimated.) The Postal Service has the ability, on its own, to make those $3.5 billion in savings annually, and could significantly improve the chances for Congressional passage of postal reform by making these cuts now and dropping its insistence for ending Saturday delivery as part of the reform package.



C. Other Deficit Reduction Proposals The Postal Service Can Pursue Without Collective Bargaining, Or Can Pursue Without Legislation

There are 78 deficit reduction proposals of 109 total that the Postal Service could pursue without having to engage in collective bargaining. Many of these are included in the discussion of Appendix 4 above, but 23 are not as they require or may require legislation. This list is found in Appendix 5. Twenty-five of the 78 proposals not requiring collective bargaining have annual savings attached to them. These total $3.9 billion, excluding some notable items: selling real estate assets ($85 billion), network rationalization ($4.1 billion), transferring the FERS surplus to the Postal Service or ending the annual contribution ($6.9 billion and $3 billion), ending PAEA prefunding ($5.6 billion), and an end to end GPS system ($191-$435 million ROI).

In Appendix 6 are proposals not requiring legislation but that require or may require collective bargaining. All but four of these 59 proposals are also listed in Appendix 4. The four proposals which do not require legislation but do require or may require collective bargaining are: correct OPM inflation estimate, proposal #22 (hereafter referred to only by the proposal number after the # sign); match retail hours to workload, #50; outsource custodial, vehicle service driver positions ($675 million savings annually), #72; and change pension benefits for new employees, #94.

D. Forty Deficit Reduction Proposals Requiring Collective Bargaining Or Legislation

Out of 109 deficit reduction proposals identified in recent Postal Service OIG reports or GAO reports, the Postal Service can implement 54 by itself (See Appendix 4), substantially more than the 40 it can implement only with collective bargaining or with legislation or both, as detailed in the list of proposals in Appendix 7. It does not need to ask Congress to either cut Saturday delivery or find alternative savings it can enact to replace the cost of Saturday delivery, whether that is $2 billion, $1.2 billion, or even less. It does not need to engage in collective bargaining to find savings more than sufficient to cover the cost of maintaining Saturday delivery of mail.

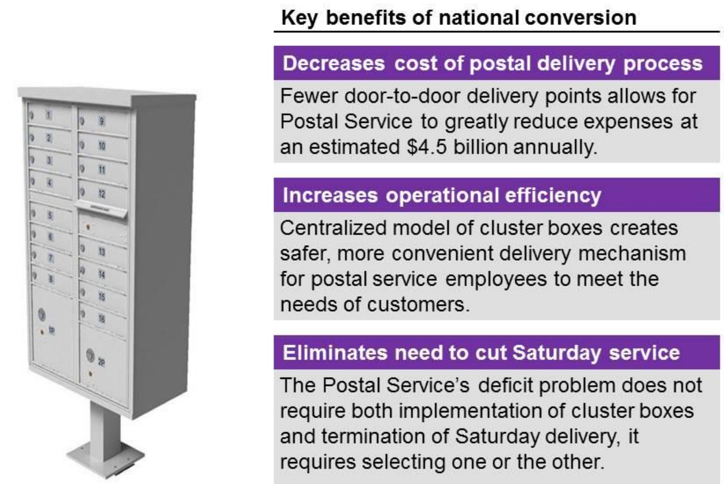
These facts strongly support the view found in proposal #126, in an April 2010 GAO report (GAO-10-4). If the Congress acts on any deficit reduction proposal within its purview, notably greatly reducing or eliminating RHB prefunding, it should as part of that legislation require the Postal Service to act on issues within its control. Such legislation would not only resolve the issue of Saturday delivery, it would solve the Postal Service's entire structural deficit by focusing management on the list of 54 rather than the list of 40, and by focusing on the list of 54 it can actually implement, as opposed to those that require legislation or collective bargaining. Additionally, these proposals give the Postal Service the ability to preserve universal service and move it away from its obsessive focus on ending Saturday delivery

IV. Sixteen Proposals For Cutting Delivery Costs Without Cutting Saturday Mail Delivery

Beyond ending or radically overhauling PAEA's RHB prefunding requirement, the single largest deficit reduction in our list of 100 plus options is adoption of cluster boxes. OIG produced a detailed report on this proposal in 2010, as did GAO, #109 (see Appendix 3). One basic option would save $4.5 billion annually as of 2011 if adopted and in place. The Postal Service could do this using the powers in its own charter, with a non-binding advisory opinion from the Postal Regulatory Commission. In addition to cluster boxes, six of the other proposals for reducing the Postal Service's deficit total between $385 million and $819 million on an annual basis, #108, #111, #112, #113, #115, and #117.

Several of the proposals have no cost estimate or expected annual revenue associated with them. Maintenance costs for the aging vehicle fleet now exceeds replacement costs, and one proposal

Cluster Boxes Modernize Delivery Mechanism



calls for establishing a new vehicle purchase strategy instead of the current cost-inefficient "fix as fails" strategy, #114. Just ending door delivery, apart from the use of cluster boxes would save several hundred million dollars a year, #110. Six foreign posts already offer digital or hybrid options to mail delivery, the latter entailing sending mail electronically, and delivering it physically, #107. Five proposals made by OIG's Inspector General envision decoupling retail and delivery facilities throughout communities, enabling faster delivery than at the edge of cities and cross town delivery including groceries and dry cleaning, #118 – #122.

V. Twenty-Three Proposals For Cutting Health Benefit Costs

There are numerous proposals for ending or modifying the PAEA mandated annual contribution to prefunding RHB. In fact, the number of proposals alone may have prevented progress around a viable proposal and enacting legislation. Below are eight proposals from recent GAO and OIG reports (see Appendix 3):

1. Pay-as-you-go funding, instead of prefunding, savings $5.8 billion annually, #6
2. Actuarial approach to revising RHB, saving $1 billion annually or $10 billion through 2020, #7
3. Prefund RHB at 30% of its liabilities, #8
4. Revise prefunding to less than full $5.4 billion annual cost, #9
5. Revise, reduce, or eliminate RHB prefunding, #10
6. Eliminate RHB prefunding as part of the Postal Service sponsoring its own health plan, #11, #12
7. GAO modified Administration approach, $1.7 billion savings annually, #13
8. GAO modified S.1789 approach from the last Congress, $2.3 billion savings annually, #14

Three other proposals relate to the Postal Service pulling out of Federal Employees Health Benefits (FEHB) and sponsoring its own health plan. While the savings look large on paper, excluding RHB prefunding they amount to savings of $1.5 billion annually, from accounting changes, use of Medicare coverage, efficiencies in health care purchasing, and the impact on current employees, retired employees and future retired employees, #11, #12, #18. Yet another proposal suggests transferring $42 billion in FEHB from the Treasury to a Postal Service controlled fund, #3.

The Postal Service now pays 100% of life insurance premiums, whereas other federal agencies contribute 33% on average.

Two proposals would apply a comparability standard, two would tackle inflation assumptions, and two others would reduce life insurance premiums the Postal Service pays. Decreasing health benefit premiums paid by the Postal Service from the current 80% to the 72% average paid by other agencies would save $560 million based on FY2010 contribution levels, #1, #2. The Postal Service now pays 100% of life insurance premiums, whereas other federal agencies contribute 33% on average, #4, and #5. The cost of benefits since 1972 has increased 448% above Consumer Price Index (CPI) inflation. One proposal would make Cost Of Living Adjustments (COLA) benefits tied to the CPI minus total factor productivity (TFP), while the other would correct the Office of Personnel Management (OPM) inflation forecast for health care benefits, #20, #22.

VI. Thirteen Proposals For Cutting Pension Costs

Six of the proposals would affect the Federal Employee Retirement System (FERS).[8] A 2011 GAO report suggested the Postal Service seek a $6.9 billion reimbursement of its FERS surplus, and an Administration variant of that was to amortize the reimbursement over thirty years, #95 (see Appendix 3). OIG in a 2010 report put the obligation at $6.8 billion based on an FY2009 Office of Personnel Management estimate, #98. A 2012 OIG report and 2013 GAO report suggested ending FERS pension funding, with a savings estimated at $3 billion annually based on the FY2012 FERS payment, #99, #97.

Two OIG proposals have sought cutting pension benefits based on comparisons with how much employers in the private sector pay for similar pension funds. The 2011 report notes S&P 500 companies had pension prefunding levels in 2009 at 79% of liabilities, the federal government on average for FERS and the Civil Service Retirement System (CSRS) had prefunding at 41%, and the military had prefunding at 24%. One proposal would set prefunding for postal pensions at 80% of liabilities and at 30% for RHB, and would have the effect of eliminating the PAEA mandate for annual prefunding of RHB at $5.6 billion, #102.

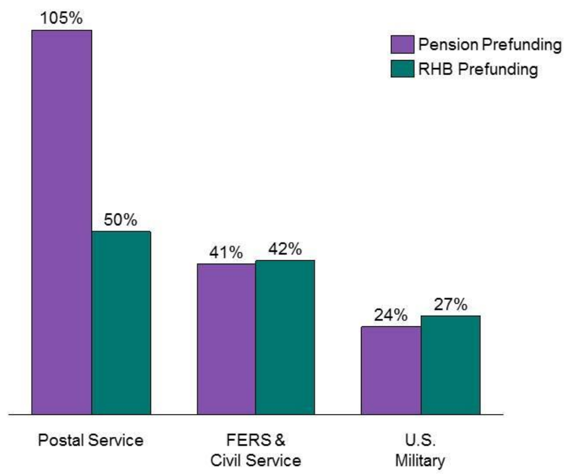
A 2012 OIG report notes that postal pensions are now 105% funded, $1.7 billion overfunded in CSRS, and $11.4 billion in FERS. The Postal Service has already funded 50% of its RHB obligation whereas the federal government is 42% funded and the military 27%. OIG proposes selling $85 billion in Postal Service real estate assets to fund the remaining 50% of RHB, about $46 billion, #101.

As a bellwether for future annual savings, an early retirement offer taken by 20,000 clerks and mail handlers in 2009 generated $350 million in net annual savings, or $17,500 per employee per

Pension And RHB Prefunding Comparison Across Federal Agencies

Postal Service Prefunding

- Under the Postal Accountability and Enhancement Act, the Postal Service is the only private or public organization to entirely prefund employee pensions,
- It has also funded more of the Retiree Health Benefits (RHB) obligation than both the federal government and the U.S. military.
- Both funding levels are substantial financial strains on the agency and do not allow for fair competition in the marketplace



year, #103. Two final proposals without savings attached are to repay the Postal Service for making military pension payments and reducing the pension benefits for new employees, #106, #94.

VII. Sixteen Proposals For Increasing Revenue Without Raising Rates

Six of these proposals from Appendix 3 involve diversification into non-postal products, #80 - #85. The ideas come from a survey of postmasters, existing legislation in Congress, and foreign posts. None of the proposals have revenue estimates associated with them. One GAO report suggests expanding government services at retail facilities for passports, selective service registration, E-Gov initiatives, partnering with commercial Internet Service Providers (ISP) to expand the National Broadband Infrastructure, and prepaid cards for electronic currency transactions, #85. The report stresses that the three biggest barriers are the Postal Service's wage level at its retail units, the current foot traffic within them, and stakeholder opposition.

Rate increases will only add to the structural deficit faced by the Postal Service by driving even more post volume away to competing products and services.

Public Internet access services, notary services, advertising space at postal facilities and on postal vehicles, check cashing, facility leasing and warehousing are the non-postal products and services noted by GAO in recent federal legislation: S. 1789, S. 1010, H.R. 2309, H.R 3591, S. 1853, H.R. 3916, H.R. 1262, and H.R. 2967, #84. Postmasters have mentioned fax services, photocopy services, notary, passports, greeting cards, ATMs, Internet or wireless community support center, gift cards, job services, public telephones and money transfers, #81.

The Postal Service generates 15% of its revenue from non-postal sources, compared to an average 40% at major foreign posts.

The Postal Service generates 15% of its revenue from non-postal sources, compared to an average 40% at major foreign posts. Doubling the current U. S. share would put it on a par with Royal Mail in the United Kingdom, #83. Existing foreign practices in one or more national posts include physical delivery of emails to individuals without Internet access, banking and insurance, savings accounts, bill payments, retirement planning, lottery tickets, home phone and broadband services, local travel tickets, online shopping, home loans, worldwide money transfer options, tax payments, payment of fines, dog licenses, charitable donations, storage billing and payment options, storage service and airline tickets.

Management improvements in Express Mail, supply management portfolios that could be doubled and project financial system segregation of duties losses total around $21.5 million annually, #91, #90 and #88. Other proposals without revenue figures attached stress more private partnerships and formal innovation processes and strategies comparable to those at other large corporations, #92 and #86.

Finally, there are legitimate questions as to whether or not ending preferential pricing for loss making products or broadening PAEA's current price cap to apply to a larger base would or could constitute rate increases. Because there are valid points that can be made on either side of these two issues, we do not include such proposals in the GCA's list in Appendix 3.

VIII. Seventeen Proposals For Cutting Costs In The Postal Service Workforce

Despite reducing labor costs and the number of employees in recent years, it remains a fact that labor costs are still about 80% of total Postal Service operating costs. Since headcount and total compensation costs did not decline faster than volume and revenue, the savings, while necessary and welcome, did not solve the underlying problem, which is the level of total compensation per career employee.

The large savings in this area can only come from cutting the career workforce, short of any breakthrough in collective bargaining on total compensation per employee. Some of this will happen as, or if, other initiatives succeed such as closing and consolidating mail processing plants to eliminate excess capacity, or closing and consolidating post offices. A GAO report from 2009 estimated that for every employee "cut" through attrition the Postal Service saves $17,500 annually, #23 (see Appendix 3). OIG estimated in 2012 that 189,000 employees met the age and service requirements for retiring with an immediate annuity, #37. Success with separation incentives to postmasters and mail handlers in FY2012 saved the Postal Service $542 million according to a 2012 GAO report, #26. These are initiatives the Postal Service could undertake without legislation. If we include ideas that would need Congressional action, revising workers compensation laws for employees eligible for retirement could save up to $1.4 billion annually, as noted by GAO in a 2010 report, #27.

There are smaller savings options which, when added together, become significant. There is $143 million of annual savings from reducing costs associated with Postal Service Inspection Service activities, postage stamp management and aligning benefits in these areas with those of other federal agencies, #33. Christmas supplemental hours are no longer necessary, and ending overtime pay in this area could have saved close to $3 million over the two years 2011 and 2012, #35. The Postal Service has not capped officer salaries, and as a result, overpaid them by $110,011 in calendar year 2011.

Some of the largest possible savings available in the workforce area entail proposals without any estimate provided for the annual amount saved. Instead of proposing to cut critical services to customers such as ending Saturday delivery, the savings from these proposals should be estimated by the agency that made them or by the Postal Service itself. These include:

1. Create a two-tiered wage system, one for new hires and the other for current employees, #28

2. Eliminate layoff protections in collective bargaining agreements, enabling cuts of 125,000, #32

3. Reduce absenteeism rate to civilian sector levels by offering fewer leave benefits and fewer incentives to accumulate leave, and mandate supervisors to comply with attendance control procedures for unscheduled leave, #34

4. Change the retirement formula that uses the three highest years' salary to one that uses the highest five, #38

5. Facilitate downsizing the labor force through re-training, relocation and job search services, #31

6. Require binding arbitration to take account of Postal Service financial conditions (Existing proposal), #29

7. Outsource work wherever cost effective, #30

A number of these alone or in combination would produce greater savings than ending Saturday delivery.

IX. Sixteen Proposals For Cutting Costs Or Raising Revenue At Retail

The Postal Service is constantly on the defensive when it comes to diversifying into non-postal products and services at its retail outlets. (These alternatives are discussed in Section VII.) Many observers argue that the offerings that enable foreign national posts to be financially sound despite Internet diversion are "off-limits" to the Postal Service because of lobbying pressure from the affected industries such as banking, cell phone service, or insurance. This argument puts the cart before the horse. The fact is the compensation structure of post offices is way too high at present to make a remunerative entry into almost any retail product or service it could sell. By default, the Postal Service is left with options that involve other government agencies - federal, state or, local - which are saddled with the same high compensation structure.

These government options for the Postal Service retail outlets in <u>Appendix 3</u> include:

1. Using post offices to help people interface with other federal departments and agencies, #58

2. Providing emergency government services, #59

3. Using post offices for community bulletin boards, license applications, permits and polling/opinion gathering, #60

4. Using post offices as centers of continuous democracy, #61

According to GAO, in FY2010 $5 billion out of $18 billion in total revenue at retail came from sources outside post offices, #42. Unfortunately, offering stamps at grocery stores and automated services at kiosks as well as online creates a greater problem of excess capacity at brick and mortar post offices unless the movement of services out of brick and mortar facilities is accompanied by a reduction in the number and size of post offices.

The 2011 goal set by the Postal Service was to reduce only 1% of the 284 million square feet at the owned or leased 33,000 retail facilities. That is 2.84 million square feet, while the estimated amount of excess capacity is 68.2 million interior square feet, 24% of the total. The excess capacity includes 12,356 unmanned windows and 20 million excess terminal work hours of 20 million, #49. OIG estimates the savings from eliminating excess capacity would be $3.48 billion over 10 years, a simple average of $348 million in savings annually, #51. In a small sample of 117 leases, OIG found in its 2009 report that 35 were being charged $476,000 above market price, #52.

In 2011, the OIG recommended closing 12,000 of the 37,000 retail post offices, #44, #45. Yet, the Postal Service as of January 2013 had not even made decisions about 600 stations, branches, and retail annexes it was supposed to under the Retail Access Optimization Initiative (RAOI) dated July 2011, #53. Selling Postal Service real estate assets valued at $85 billion could eliminate financial deficits associated with prefunding RHB and other benefits.

X. Fourteen Proposals For Cutting Mail Processing Costs Beyond Closing Plants

The most publicized efforts to cut costs in mail processing concern the Postal Service's network optimization initiative. No fewer than five of the 14 proposals in this area concern downsizing the number of Processing and Distribution Centers (P & DC). See #67 – #71 in Appendix 3. The emphases have been that processing capacity for First Class Mail exceeds needs by 50%, #67, and that 300 mail processing plants should be closed, #68. OIG commented in 2011, that cutting 135 P & DCs would save $2.6 billion, #70.

GAO has also reported on the Postal Service's latest five-year plan in this regard: close 223 processing plants, cut 35,000 positions, and eliminate 3,000 machines in the process, largely ending overnight delivery for First Class and periodicals, #69. A 2013 OIG report states that 48 plants were consolidated in July/August 2012. Plans to close 100 plants in 2013 have been reduced to 92 and final cuts of 114 plants in 2014 have been cut to 112, #64. Under $2 billion of the Postal Service's projected $4.1 billion in savings from closing and consolidating plants has been accomplished as of May 2013. Nonetheless, this area has been one of the Postal Service's most successful endeavors in trimming its deficit.

Other opportunities for savings in mail processing focus directly on labor costs, rather than indirectly from cutting plant and equipment costs. Two of these alone would produce $1.64 billion in annual savings in lieu of ending Saturday delivery. Outsourcing cleaning/janitorial services and postal vehicle service driver positions would save $675 million annually according to a 2012 report by OIG, #72. Managing labor more efficiently within plants, separate from downsizing plants, could save $969.5 million annually according to a 2009 OIG report, #74. Some of the areas include less usage of overtime at plants, better mail handling, improved manual operations and allied operations performance, and better use of automation and mechanized equipment together. These areas would save 23 million work hours measured on an FY2008 basis.

XI. Other Proposals For Cutting The Postal Service's Structural Deficit

The Postal Service could save $33.6 million annually by consolidating its field structure and closing offices, currently open, that are within 50 miles of one another, #124, #125 (see Appendix 3). It could save $13 million annually in data costs by simply reducing manual data collection for Revenue, Pieces, and Weight (RPW) reports in favor of modifying existing automated processes, #128. By reforming or eliminating its Thrift Savings Plan contributions the Postal Service could save up to $1 billion annually based on the current plan's cost in FY2012, #127. Increasing the Postal Service's independence from national budget considerations could save $100 million annually, #129. The changes required would include conforming the House's pay-as-you-go (PAYGO) rule to the Senate's, shifting off budget the Postal Service's share of the Civil Service Disability and Retirement Fund (CSRDF) and the Postal Service Retiree Health Benefits Fund (PSRHBF), and shifting the cost of free mail for the blind and overseas voters to the appropriate federal agencies.

One proposal without cost savings estimated is reviewing the need for 74 district offices and nine area offices, #123 in Appendix 3. A final proposal states that if Congress acts on deficit reduction measures requiring its approval, the Postal Service should possibly in turn be compelled to act on issues within its control, #126.

XII. Conclusion

All of the proposals discussed throughout this report provide the ability to implement a commonsense solution to fixing the Postal Service and setting it down a viable path while preserving universal services and without raising rates. GCA hopes that decision-makers can take advantage of these opportunities to real postal reform while upholding these principles.

About This Commonsense Solution

The Greeting Card Association wishes to thank Dr. James Clifton and Dr.Reza Saidi of Clifton Associates LLC for their economic analysis, and David Stover for his legal guidance while developing this solution to the Postal Service's budget deficit.

The Greeting Card Association is the U.S. trade association serving the greeting card and social expression industry. Founded in 1941, the GCA today represents nearly 200 American and international publishers from diverse businesses – ranging from young start-ups to established companies of all sizes, scopes and years in the industry – as well as suppliers that provide production services and product distribution at the wholesale level.
The GCA is committed to: Celebrating, promoting, and preserving the tradition of sending greeting cards.

- Providing meaningful opportunities for information exchange and business development.
- Keeping members informed of trends and issues that might impact the industry.
- Representing the industry before government/regulatory agencies.
- Serving as the industry voice to the consumer and trade media.

For more on the GCA's Commonsense Solution:
www.CommonsensePostalSolutions.org
For more on the GCA: **www.greetingcard.org**

APPENDIX 1: Statistical Tests Of Postal Service Deficit Forecast Through 2016

	USPS Deficit/Surplus		
	Year	Squared Year	Deficit
1	2003	4012009	$3.9
2	2004	4016016	$3.1
3	2005	4020025	$1.4
4	2006	4024036	$0.9
5	2007	4028049	$3.3
6	2008	4032064	$2.8
7	2009	4036081	-$2.4
8	2010	4040100	-$3.0
9	2011	4044121	-$5.1
10	2012	4048144	-$5.4

QUADRATIC Model

Regression Statistics					
R Square	**84.9%**				
ANOVA					
	DF	*SS*	*MS*	*F*	*gnificance F*
Regression	2	98.6408	49.32042	19.63374	0.001347
Residual	7	17.5842	2.512024		
Total	9	116.225			
	Coefficients	*Standard Error*	*t Stat*	*P-value*	
Intercept	-475694.0667	277974.8331	-1.71128	0.130765	
Year	474.9693182	276.9367239	1.715082	0.130044	
squared	-0.118560606	0.068975509	-1.71888	0.129328	

LINEAR Model

Regression Statistics					
R Square	**78.5%**				
ANOVA					
	DF	*SS*	*MS*	*F*	*gnificance F*
Regression	1	91.2189	91.2189	29.18299	0.000644
Residual	8	25.0061	3.1258		
Total	9	116.225			
	Coefficients	*Standard Error*	*t Stat*	*P-value*	
Intercept	2110.866667	390.7569134	5.401994	0.000644	
Year	-1.051515152	0.194648325	-5.40213	0.000644	

H0: Th linear model and the quadratic model are the same
Ha: The linear model and the quadratic model differ

F-Test $\dfrac{[(\text{SSErestricted - SSEcomplete})/(\text{DFrestricted-Dfcomplete})]}{(\text{SSEcomplete/DFcomplete})}$ 2.955

where :

SSErestricted is the sum of squared error or residual for the restricted model which is linear model = 25.0061
SSEcomplete is the sum of squared error or residual for the complete model which is the quadratic model = 17.5842
DFrestricted is the degrees of freedom of residual for the restricted model which is the linear model = 8
DFcomplete is the degrees of freedom of residual for the complete model which is the quadratic model = 7

F-Table F,1,7,5% Obtained from the F-table for 5% significance level and the degrees of freedom of 1 and 7. 5.591

Conclusion Since F-Test value is less than F-Critical value, we are 95% confident that there is no difference between the two models.

Furthermore: Despite that R-squared of the linear model is 78.5% which is smaller than the R-squred for quadratic model which is 84.9%, the F-value of the linear model is 29.18 which is much larger than F-value of the quadratic model which is 19.63. In other words, overal, the linear model is more significant (P-value=0.000644) compared to the quadratic model (P-value=0.001347)

Note: It is important to note that the sample size is too small to make true inference, unless, we assume that deficit is normally distributed.

APPENDIX 2: EFFECTS OF 109 DISTINCT PROPOSALS ON SERVICE AND RATES

NOTE: Some categorizations in right-hand column are left blank because the item is substantially identical with another item; cross-references are given. In some cases affecting employee compensation, benefits, tenure, etc., where legislation would be required, it is assumed that such legislation would eliminate any bargainable issues, and bargaining is not listed in the right-hand column. The chart below contains 129 numbered proposals, but after factoring out similar alternatives there remains 109 distinct options.

List No.	Description	Categorizations
1	Cut health benefit contribution to 72% government level	Bargaining or legislation required No service effect No rate effect
2	[same as 1]	
3	Transfer $42B health care assets from Treasury to the Postal Service Fund	Legislation required No service effect No rate effect
4	Reduce life insurance contribution to 33% government level	Bargaining required No service effect No rate effect
5	Reduce Postal Service health, life contribution rate for actives	Bargaining required No service effect No rate effect
6	Pay-as-you-go health benefit funding	Legislation required No service effect No rate effect
7	Implement actuarial approach to retiree health benefit funding	Legislation required No service effect No rate effect
8	Prefund retiree health benefits at 30% of liability	Legislation required No service effect No rate effect
9	Reduce RHB prefunding annual requirement to <$5.4B	Legislation required No service effect No rate effect
10	Reduce or eliminate RHB prefunding annual requirement	Legislation required No service effect No rate effect
11	Postal Service to sponsor own health plan	Legislation required No service effect No rate effect
12	Postal Service to leave FEHB + Close 48% of processing plants	Legislation required (FEHB) No service effect necessary No rate effect
13	Administration proposal on RHB prefunding	Legislation required No service effect No rate effect
14	S. 1789 approach on RHB prefunding	Legislation required No service effect No rate effect
15	[same as 6]	
16	H.R. 2309 modified approach on RHB prefunding	INCREASES DEFICIT

17	End RHB prefunding; use existing funds	Legislation required No service effect No rate effect
18	[same as 11]	
19	Use pension, health overfunding	Legislation required No service effect No rate effect
20	Tie benefits to inflation (COLA)	Legislation probably re-quired Bargaining required No service effect No rate effect
21	Repay shift in military pensions	Legislation probably re-quired No service effect No rate effect
22	Correct OPM inflation estimate	Legislation not required OPM concurrence required No service effect No rate effect
23	Eliminate employees through attrition	Legislation not required Bargaining not necessarily required No service effect No rate effect
24	Reduce workforce through retirements	Legislation not required Bargaining not required No service effect No rate effect
25	Offer early retirement incentives	Legislation not required Bargaining not required No service effect No rate effect
26	Offer separation incentives – postmasters, mail handlers	Legislation not required Bargaining not required No service effect No rate effect
27	Reform workers' compensation for retire-ment eligible	Legislation required No service effect No rate effect
28	Implement two-tiered wage system (new hires vs. current employees)	Bargaining required No service effect No rate effect
29	Require arbitrators to recognize Postal Service financial condition	Legislation required No service effect No rate effect

30	Outsource work where cost-effective	Bargaining required No service effect No rate effect
31	Labor out-transition services (training, job search, relocation)	Legislation not required Bargaining not required No service effect No rate effect
32	Eliminate layoff protection to permit work-force reduction	Bargaining required No service effect No rate effect
33	Reduce security, stamp management costs; align benefits with other agencies	Bargaining required No service effect No rate effect
34	Reduce incentives to use leave, enforce leave management	Bargaining required for some No service effect No rate effect
35	Eliminate Christmas supplemental hours, related overtime	Bargaining may be required No service effect No rate effect
36	Observe officer salary cap	Bargaining not required No service effect No rate effect
37	[same as 24 – 26]	
38	Change retirement formula to use high 5 years as basis	Legislation required No service effect No rate effect
39	[same as 25] + transfer FERS overpayment to THE POSTAL SERVICE for use in buyouts	Legislation required Bargaining not required No service effect No rate effect
40	Move more retail to stores, self-service	Legislation not required Bargaining not required No service effect necessary No rate effect
41	Offer parcel pickup at stores or 24-hr. lockers	Legislation not required Bargaining not required No service effect necessary No rate effect
42	Add retail locations other than post offices	Legislation not required Bargaining not required No service effect No rate effect
43	Locate retail where/when customers are present	Legislation not required Bargaining not required No service effect

		No rate effect
44	Reduce retail network	Legislation not required Bargaining not required No service effect necessary No rate effect
45	Close 12,000 retail facilities	Legislation not required Bargaining not required No service effect necessary No rate effect
46	Conduct communication/outreach to inform public of increased access	Legislation not required Bargaining not required No service effect necessary No rate effect
47	Substitute alternatives for post offices; redesign usps.com site	Legislation not required Bargaining not required No service effect necessary No rate effect
48	Offer stamps through mail, Internet, stores	Legislation not required Bargaining not required No service effect necessary No rate effect
49	Sell unused space or release it to other U.S. agencies	Legislation not required Bargaining not required No service effect No rate effect
50	Match retail hours to workload	Legislation not required Bargaining probably required No service effect No rate effect
51	Dispose of excess space, save utility, custodial costs	Legislation not required Bargaining not required No service effect No rate effect
52	Reform leases which pay above market rent	Legislation not required Bargaining not required No service effect No rate effect
53	Pursue Retail Access Optimization Initiative [now Post Plan]	Legislation not required Bargaining not required No service effect No rate effect
54	Sell Postal Service real estate assets	Legislation not required Bargaining not required No service effect No rate effect

55	Expand on-line platform to include hard-copy cards, invitations	Legislation probably not required Bargaining not required No service effect No rate effect
56	Offer digital access through Postal Service website	Legislation not required Bargaining not required No service effect No rate effect
57	Enable e-mail box interfaced with physical mailbox	Legislation required No service effect No rate effect
58	Use post offices to complement Postal Service digital platform, with human staff to help interface with other U.S. agencies	Legislation possibly required Bargaining possibly required No service effect No rate effect
59	Provide emergency government services, interactions	Legislation possibly required Bargaining not required No service effect No rate effect
60	Offer community bulletin boards, licenses, permit applications, citizen polling/opinion gathering	Legislation possibly required Bargaining not required No service effect No rate effect
61	Centers of continuous democracy	Legislation possibly required Bargaining not required No service effect No rate effect
62	Digital services less space and labor intensive than current services	Legislation possibly required Bargaining probably required No service effect necessary No rate effect
63	Accelerate closing of processing facilities to keep pace with volume decline	Legislation not required Bargaining not required No service effect necessary No rate effect
64	[Similar to 63]	
65	Relax delivery standards to facilitate plant closings	Legislation not required Bargaining not required Service effect No rate effect
66	Set up BRAC-type mechanism to facilitate plant closings	Legislation required Bargaining not required No service effect necessary No rate effect

67	Remove excess processing capacity	Legislation not required Bargaining not required No service effect necessary No rate effect
68	Close 300 processing plants	Legislation not required Bargaining not required No service effect necessary No rate effect
69	Relax FCM, Periodicals delivery standards to eliminate plants, machines, trips	Legislation not required Bargaining not required Service effect No rate effect
70	Eliminate 135 P&DCs	Legislation not required Bargaining not required No service effect necessary No rate effect
71	"Right-size" mail processing facilities	Legislation not required Bargaining not required No service effect necessary No rate effect
72	Outsource custodial, vehicle service driver positions	Legislation probably not required Bargaining required No service effect No rate effect
73	Eliminate 10 CSBCS machines (obsolete recommendation)	Legislation not required Bargaining not required No service effect No rate effect
74	Use less overtime in processing; improve mail handling, manual, and allied operations performance	Legislation not required Bargaining possibly required No service effect No rate effect
75	Improve UAA metrics and streamline UAA workflow	Legislation not required Bargaining not required No service effect No rate effect
76	Simplify mail acceptance rules	Legislation not required Bargaining not required No service effect No rate effect
77	Consider 55 various GAO revenue initiatives	Legislation not required Bargaining not required No service effect Rate effect
78	Postal Service/McKinsey identify 100	[Indeterminate]

	cost/volume/revenue initiatives	
79	Provide volume incentives for bulk mail	Legislation not required Bargaining not required No service effect Rate effect
80	Increase revenue through new or enhanced products	Legislation not required Bargaining not required Service effect possible Rate effect
81	Offer nonpostal services (photocopy, fax, passport, Internet, ATMs, etc.)	Legislation required Bargaining not required No service effect No rate effect
82	Offer nonpostal services including e-mail delivery, financial services, tax payment acceptance, etc. (from review of foreign posts)	Legislation required Bargaining not required No service effect No rate effect
83	Increase proportion of revenue from nonpostal services	Legislation required Bargaining not required No service effect No rate effect
84	[Similar to 77]	Legislation required Bargaining not required No service effect No rate effect
85	Expand electronic nonpostal services; possibly adjust the Postal Service wage structure to make feasible	Legislation required Bargaining possibly required No service effect No rate effect
86	Copy corporate formal innovation processes; internal or partnership implementation	Legislation possibly required Bargaining not required No service effect necessary No rate effect
87	Pricing structure complex; methods of insuring cost recovery lag technological potential; exploit flexibilities in statute, formulate strategic plan for doing so	Legislation possibly required Bargaining not required No service effect necessary Rate effect
88	Expand successful Supply Management Portfolio revenue generators	Legislation not required Bargaining not required No service effect No rate effect
89	Ensure evaluation of NSAs does not credit money-losing contracts with positive revenue	Legislation not required Bargaining not required No service effect No rate effect
90	Segregate duties so that same officer does	Legislation not required

	not create/approve project; correct terminal dues billing	Bargaining not required No service effect No rate effect
91	Improve Express Mail corporate account management	Legislation not required Bargaining not required No service effect No rate effect
92	Increase Postal Service/private sector partnerships	Legislation possibly required Bargaining possibly required No service effect No rate effect
93	Direct appropriations from Congress	Legislation required Bargaining not required No service effect No rate effect
94	Change pension benefits for new employees	Legislation not required Bargaining required No service effect No rate effect
95	FERS surplus transfer to the Postal Service	Legislation required Bargaining not required No service effect No rate effect
96	Amortize FERS surplus over 30 years (Administration proposal)	Legislation required Bargaining not required No service effect No rate effect
97	End FERS pension funding	Legislation required Bargaining not required No service effect No rate effect
98	[Same as 99]	
99	Refund FERS overpayment	Legislation required Bargaining not required No service effect No rate effect
100	Limit FERS annuity supplement to those subject to mandatory retirement	Legislation required Bargaining not required No service effect No rate effect
101	Postal Service pension benefits overfunded; use real estate assets to fund the 50 percent of retiree health benefits still unfunded	Legislation required Bargaining not required No service effect No rate effect
102	Set Postal Service pension funding at 80 percent, retiree health benefits at 30 per-	Legislation required Bargaining not required

	cent; eliminates PAEA annual prefunding payment	No service effect No rate effect
103	Continue early retirement offers to clerks, mail handlers	Legislation not required Bargaining not required No service effect No rate effect
104	Increase employee contributions to CSRS and FERS	Legislation required No service effect No rate effect
105	Return CSRS overpayment to Postal Service	Legislation required No service effect No rate effect
106	[Same as 21]	
107	Offer digital or hybrid alternatives to hard-copy mail delivery (cf. foreign posts)	Legislation required Bargaining possibly required Service effect Possible rate effect
108	[Similar to 111]	
109	Expand cluster box delivery	Legislation not required Bargaining not required Service effect (final delivery) No rate effect
110	End door delivery	Legislation not required Bargaining not required Service effect (final delivery) No rate effect
111	Eliminate some city routes in favor of rural routes	Legislation not required Bargaining possibly required Service effect (final delivery) No rate effect
112	Control over-budget overtime in city delivery	Legislation not required Bargaining not required No service effect No rate effect
113	Reform USO to support Postal Service provision of broadband in high-cost areas	Legislation required Bargaining not required No service effect necessary No rate effect
114	Establish new vehicle purchase strategy to replace “fix as fails”	Legislation not required Bargaining not required No service effect No rate effect
115	Adopt end-to-end GPS system to reduce	Legislation not required

	idle time, increase efficiency in delivery and transportation	Bargaining not required No service effect No rate effect
116	The Postal Service should have considered PRC 5-day delivery savings estimate in five-year strategic plan, which reduces projected savings from $3B to $ 1.7B.	Legislation not required Bargaining not required Service effect No rate effect
117	Adopt electric vehicles	Legislation not required Bargaining not required No service effect No rate effect
118	Decouple retail and delivery operations	Legislation not required Bargaining possibly required No service effect No rate effect
119	Offer "Co-opetition" in delivery; all carriers share the Postal Service vehicle	Legislation not required Bargaining possibly required No service effect No rate effect
120	Universal delivery using evaluated routes, other modes of delivery (property line, cluster boxes)	Bargaining or legislation required Service effect (final delivery) No rate effect
121	Delivery facilities throughout communities rather than on edge of cities for faster delivery	Legislation not required Bargaining not required Service effect No rate effect
122	Rapid cross-town delivery. To include groceries, dry cleaning, as well as mail	Legislation required Bargaining probably required Service effect Rate effect possible
123	Review need for 74 District, 9 Area offices	Legislation not required Bargaining not required No service effect No rate effect
124	Reduce field administrative offices	Legislation not required Bargaining not required No service effect No rate effect
125	Similar to 128-129; close District offices within 50 miles of each other	Legislation not required Bargaining not required No service effect No rate effect

126	Congressional requirement that the Postal Service act on issues within its control, as part of any legislation	Legislation required Bargaining possibly required Service effect possible Rate effect possible
127	Reform Thrift Savings Plan contribution	Legislation required Bargaining possibly required No service effect No rate effect
128	Reduce manual data collection for RPW in favor of modifying existing automated procedures	Legislation not required Bargaining not required No service effect No rate effect
129	Increase the Postal Service independence of Federal budget (various items)	Legislation required Bargaining not required No service effect No rate effect

APPENDIX 3: CONSOLIDATED ALTERNATIVES TO ENDING SATURDAY MAIL DELIVERY GAO/OIG DEFICIT REDUCTION PROPOSALS, 2009-2013

I. Health Benefits and Costs: 22 Proposals

1. Cut employee health benefit premiums paid by Postal Service to 72% other Federal agencies pay from 80% the Postal Service pays, GAO 8/9/09 958-T
2. Decrease health benefit premium cost share of Postal Service from 80 to 72% to save $560M in FY2010, GAO 9/6/11, 92
3. Request $42B in health benefit assets FEHB be transferred from Treasury to Postal Service Fund, GAO 9/6/11, 926T
4. The Postal Service pays 100% of life insurance premiums, other fed agencies about 33%, GAO 8/9/09 958-T
5. Reduce Postal Service health and life insurance contribution rates for active employees, 4/10, GAO-10-455
6. Pay as you go prefunding would save over $44B through 2020, GAO 9/6/11, 926T, $5.8B annually
7. Actuarial approach to revise retiree health payment benefits would save $10B through 2020, GAO 9/6/11, 926T
8. Prefund retiree health care benefits at 30% of its liability, GAO 9/6/11, 926T
9. Ask Congress to revise prefunding requirement to less than $5.4B full annual amount, GAO 8/9/09 958-T
10. Revise retiree health benefit pre-funding, reduce or if needed eliminate it, 4/10, GAO-10-455
11. Postal Service to sponsor own health benefit plan, $1.5B excluding RHB, GAO, 9/6/11, 926T
12. Postal Service proposed pulling out of FEHB, savings $60—$70B. Also proposed closing and consolidating 48% of its mail processing plants, including 220,000 career positions over next three years. OIG HR-MA-12-001

13. Funding options for retiree health benefits (prefunding): Current law (PAEA), modified, $57.7B; $7.2 annual aver. Administration's approach, modified -- $44.1; average annual $5.5B, $1.7B annually savings compared to PAEA base-line, 12/12, GAO-13-112,

14. S. 1789, modified, $39B; $4.9 aver annual, $2.3 billion annually, 12/12, GAO-13-112,

15. Pay-as-you-go, $5.5—$5.8Bannually, 12/12, GAO-13-112,

16. H.R. 2309, modified, $61.1B; $7.6B average annually, adds to deficit, 12/12, GAO-13-112

17. Stop prefunding, use existing funds to pay current and future premiums, 12/12, GAO-13-112

18. Postal Service to offer own health care benefits plan. Decreases costs by over $63 billion. Requires accounting changes, use of Medicare coverage, efficiencies in health care purchasing, impact on current, retired and future retired. OIG FI-MA-12-014

19. Overfunding issues for pension and retiree healthcare funds. OIG proposals herein could potentially recover $142.4B. No RHB prefunding. Benchmark levels for prefunding current retirees pension and health benefits. Pay existing retirees health insurance premiums from retiree health fund. Extinguish debt to Treasury. OIG FT-MA-10-002

20. Cost of benefits since 1972 448% above inflation; make COLA benefits tied to CPI-TFP, OIG-RARC-WP-11-007

21. Repay shift in military pensions to Postal Service, OIG IG

22. Correct OPM inflation forecast for health care, OIG IG

II. <u>Postal Service Workforce</u>: 17 Proposals

23. Cut employees through attrition, 162,000 eligible in 2009, 300,000 within 4 years, GAO 8/9/09 958-T, $5.25B @ $17,500 savings per employee

24. Also, reduce workforce through retirements 4/10, GAO-10-455

25. Offer early retirement incentives, GAO 8/9/09 958-T

26. Separation incentives to postmasters and mail handlers, GAO-13-347T, $542M actual savings in FY2012

27. Have Congress revise workers comp laws for employees eligible for retirement, $1.4 billion is current annual cost, 4/10, GAO-10-455

28. Two tiered wage system, one for new hires, another for existing, 4/10, GAO-10-455

29. Require any binding arbitration to take account of the Postal Service's financial condition, 4/10,GAO-10-455

30. Outsource work where cost effective, 4/10, GAO-10-455

31. Labor transition plans like training, relocation and job search services, GAO 2/11, 282

32. Eliminate layoff protections in collective bargaining so it can cut 125,000 career employees by 2015, GAO 9/6/11, 926T

33. Reduce costs associated with the Postal Service Inspection Service activities and armed security forces, postage stamp management and employee benefits. Align benefits with other federal agencies. $143M annual savings. OIG FF-AR-11-009

34. Total absenteeism rate for the Postal Service comparable to overall federal sector but higher than civilian sector. The Postal Service offers more leave benefits than civilian sector and offer fewer incentives to accumulate leave. Supervisors not complying with attendance control procedures when it comes to unscheduled leave. OIG HM-AR-10-001

35. Christmas supplemental hours no longer necessary. Ending overtime pay for this would save more than $2,9M over two years 2011 and 2012. OIG DR-AR-10-003

36. Postal Service has a cap on officer salaries that is ignored. In CY 2011, the Postal Service paid officers $110,011 above the cap. OIG FT-AR-13-001

37. In 2012, 189,000 employees will meet the age and service requirements for retiring with an immediate annuity. Voluntary early retirement; cash buyouts; additional years of service credit; re-employment for annuitants. OIG HR-MA-12-001

38. Change retirement formula that uses highest 3 years salary to one that uses highest 5 years. OIG HR-MA-12-001

39. S. 1789 allows Postal Service to offer one year of additional credited service in CSRS and up to two years for those in FERS as an incentive to retire. Direct FERS overpayment to be transferred to the Postal Service and used for buyouts up to $25,000 per employee. OIG HR-MA-12-001

III. Retail Related: 23 Proposals

40. Move more retail services to private stores and self-service, 4/10, GAO-10-455

41. Parcel pick-up and grocery stores (longer hours) or at 24 hour parcel lockers publicly located. Partners stay open longer, GAO 2/11, 282

42. More locations than post offices, and for longer hours, 11/11, GAO-12-100 ($5B of its $18B in fy2010 retail revenue came from alternatives, 11/11, GAO-12-100)

43. Put retail outlets where customers are at hours they are there

44. Reduce network of 37,000 retail facilities, GAO 8/9/09 958-T

45. Close 12,000 retail facilities, GAO 9/6/11, 926T

46. Communication and outreach strategies to inform public officials and customers of increased access to products and services, GAO 2/11, 282

47. Alternatives to Post Offices: Redesign USPS.com, 11/11, GAO-12-100

48. Buy stamps through mail, on Internet, and at grocery stores, 7/09, GAO-09-937SP

49. Excess interior space at post offices is 67 million square feet, 24% of total space, including 12,356 unmanned windows. The Postal Service should provide transactional space to other federal entities, lowering overall federal lease costs. H.R. 1734 proposes selling surplus properties government wide, consolidating and collocating space. In 2011 excess terminal work hours were 20 million. OIG DA-MA-12-003

50. Balance service with cost savings opportunities by matching retail hours to workload. Reports on success at the Antler and Goldsboro POs. OIG CI-MA-12-002

51. The Postal Service owns or leases 33,000 facilities with 284 million interior square feet. 2011 target is to reduce only 1% of that. 24% of existing square footage is excess compared to 13.4% of current commercial vacancy rate. Can realize $3.48B savings over 10 years by disposing of excess lease, custodial and utility costs. OIG DA-AR-11-009

52. 117 leases reviewed found 35 were paying $476,000 above market rates. OIG SA-MA-09-002

53. As of January 2013, the Postal Service had not followed through on its Retail Access Optimization Initiative (RAOI, July 2011) to make decisions which of 600 stations, branches and retail annexes it would close. OIG DR-MA-13-001

54. Sell Postal real estate assets, $85B, OIG IG Speech
55. Expand online platforms to include hard copy cards and invitations people prefer
56. Digital access through the Postal Service website, OIG IG Speech
57. E-mail box interfaced with physical mailbox, OIG, IG Speech
58. Use post offices to complement Postal digital platform, with humans to help interface with other federal departments and agencies, OIG IG Speech
59. Emergency government services and interactions, OIG IG Speech
60. Community bulletin boards, license applications, permits, citizen polling/opinion gathering, OIG IG Speech
61. Centers of Continuous Democracy, OIG IG Speech
62. Digital Services less labor and space intensive than current postal services, OIG IG Speech

IV. <u>Mail Processing Capacity</u>: 14 Proposals

63. As of 2010, (FY2005-FY2009 inclusive) the Postal Service was not closing facilities and reducing employment fast enough to offset volume and revenue declines. 39 AMP initiatives were canceled. 68 AMCs were closed, and 12 RECs. Only 2 P&DCs were closed along with 5 annexes. Total facilities were at 599 at end of FY2009, down from 677 in FY2005. OIG EN-AR-10-001
64. 48 plants consolidated July-August 2012; 100 in 2013, reduced to 92; 114 in 2014, reduced to 112, (PRC $2.6B savings 12/2011; $1.6B 4/2012 OIG NO-MA-13-004
65. Relax delivery standards to facilitate plant closures and consolidations--4/10, GAO-10-455
66. Set up a mechanism similar to BRAC for cutting excess plant capacity, 4/10, GAO-10-455 (OBSOLETE)
67. Remove excess capacity in mail processing, processing for first class mail exceeds needs by 50%, GAO 8/9/09 958-T
68. Close 300 mail processing plants, GAO 9/6/11, 926T

69. Close 223 processing plants, cut 35,000 positions, eliminate 3,000 machines, eliminate 376 million trips, from relaxation of First Class and Periodical delivery standards, $4.1 billion annual savings, GAO-12-470,

70. Cut 135 P & DC's, $2.6B, OIG – RARC-WP-11-006

71. Right-size mail processing facilities, OIG IG Speech

72. Some postal wage rates exceed those in the Service Contract Act (SCA). Outsource cleaning/janitorial services, and postal vehicle service driver positions. Saves $675M annually. OIG CA-AR-12-001

73. Eliminate ten CSBCS machines. Saves $3M over ten years. OIG DR-AR-10-004 (OBSOLETE)

74. Less usage of overtime at plants, better mail handling, manual operations performance, allied operations performance, as well as use of automated and mechanized equipment could save 23 million work hours in FY2008, avoiding $969.5M in costs annually. OIG NO-MA-09-002

75. Improve UAA reporting metrics and streamline UAA mail workflow. Now spending over $1B annually. OIG IS-AR-09-007

76. Simplify mail acceptance rules, OIG IG Speech

V. <u>Revenue Options</u>: 17 Proposals

77. 55 Revenue Initiatives, GAO – 13 – 216

78. The Postal Service management and McKinsey and Co. have identified over 100 innovative ideas to lower costs, increase mail volumes or retain volumes. OIG CI-AR-12-001

79. Provide volume incentives for bulk mail, 4/10, GAO-10-455

80. Increase revenue through new or enhanced products, GAO 8/9/09 958-T

81. From postmasters: fax services, photocopy services, notary, passports, greeting cards, ATMs, Internet or wireless fidelity' community support center, gift cards, job services, public telephones, money transfers. OIG DA-MA-12-005

82. From looking at foreign posts: physical delivery of emails to individuals without internet access, banking and insurance, savings accounts, bill payments, retirement planning, lottery tickets, home phone service and broadband, local travel tickets, online shopping, loans, worldwide money transfer options, traffic and parking fine payments, home loans, accepts income and property tax payments,

dog license renewals, donations to charities, storage billing and payment options, storage services, airline ticket purchases. OIG DA-MA-12-005

83. Greater diversification: 15% of the Postal Service revenues from non-postal; 40% of foreign posts, (Goal: Doubling US share from 13% to 26% would put it on a par with Royal Mail), OIG RARC-WP-12-002

84. Non-Postal products and services suggested in recent legislation include public Internet access services, notary services, advertising at postal facilities and on vehicles, check cashing, facility leasing and warehousing services. S. 1789; S. 1010; H.R. 2309; H.R. 3591; S. 1853; H.R. 3916; H.R.1262; H.R. 2967. OIG DA-MA-12-005

85. Expand government services at retail facilities to facilitate E-Gov initiatives, passports, selective service registration; expand National Broadband Infrastructure initiative through partnerships with commercial ISPs; provide electronic currency transactions through prepaid cards. Biggest barrier to all these is current wage level at the Postal Service retail units, foot traffic, and stakeholder opposition. OIG DA-MA-12-005

86. Large corporations generate a significant part of their total revenue from formal innovation processes and strategies for themselves or by partnering with stakeholders to grow revenue streams. The Postal Service should do the same. OIG CI-AR-12-001

87. Current pricing structure is complex. Methods for ensuring prices cover costs have not kept pace with the available technology. The Postal Service has not fully explored flexibilities in the law nor formulated a strategic plan that does. OIG CI-AR-12-002

88. Revenue generating efforts in Supply Management Portfolios that are successful (and can be expanded) are: royalty payments for technologies developed by its contractors; ads posted on transportation trailers; license fees for cluster box unit (CBU) of $627,000 annually; recycling revenue of $12.4M in FY2008; investment recovery revenue of $2.2M in FY2008. OIG CA-AR-10-001

89. The Postal Service reported its FY2009 summer sale (Standard Mail Volume Incentive) netted $24.1M. OIG questions a number of procedures the Postal Service used in the calculation, and concludes the Postal Service may actually have lost money on the sale. OIG FF-AR-10-196

90. Project Financial System (PFS) segregation of duties. Southeast FSO contracting officer created and approved the same project payment of $244,046. Increases

chances for fraud. FY 2005 terminal dues incorrectly billed, costing the Postal Service $53,475. OIG FT-MA-09-002

91. The Postal Service should improve its management of Express Mail corporate account revenue. The monetary impact of revenue loss and funds put to better use was $6.2 million in 2011 and 2012 combined. OIG DP-AR-13-003

92. More private partnerships: transportation, digital mail processing, OIG IG Speech

93. Providing direct appropriations from Congress, GAO 5/20/09, 674T

VI. Pension Reform: 13 Proposals

94. Change pension benefits for new employees, GAO 9/6/11, 926T

95. Seek $6.9B FERS surplus, GAO 9/6/11, 926T

96. Administration: seek same but reimbursement amortized over 30 years, GAO 9/6/11, 926T

97. End FERS pension funding, $3B annually based on FY2012 payment, GAO-13-347T

98. The Postal Service being unfairly burdened for its share of the FERS pension obligation. OPM calculated a $6.8B surplus at end of FY2009. OIG FT-MA-10-001

99. Refund FERS overpayment, $3B, OIG HR-MA-12-001

100. Limit FERS annuity supplement to those subject to mandatory retirement. OIG HR-MA-12-001

101. Pension benefit obligations now funded at 105%, $13.1B overfunded ($1.7 billion CSRS and $11.4B FERS). By contrast federal government is 42% funded and military is 27% funded. The Postal Service has funded 50% of its future RHB. Use $85B of real property assets to fund remaining 50%, or $46B. OIG FT-MA-12-002

102. S&P 500 companies have median prefunding level in 2009 for pensions of 79% of liabilities. Federal government has funded combined FERS and CSRS at 41% of liabilities, and military's at 24%. Set the Postal Service prefunding for pensions at 80%, and RHB prefunding at 30%. Has effect of eliminating 2006 law mandate of $5.6B for RHB.OIG FT-MA-11-001

103. Early retirement offer in 2009 taken by 20,000 clerks and mail handlers, $350M savings, OIG RARC-WP-11-007

104. Increase employees' contributions to CSRS and FERS. OIG HR-MA-12-001

105. CSRS overpayment by Postal Service, $75B, OIG IG Speech

106. Repay shift in military pensions to Postal Service, OIG IG Speech

VII. Delivery Options: 16 Proposals

107. Six foreign posts examined all offer digital or hybrid options to physical mail delivery, GAO 2/11, 282

108. Hybrid mail system: send digitally, receive hard copy, 400 million pieces starting market potential; lost $4.1M in 2011-2012 by not adopting; could increase revenue $3.8 million/year in 2013 and 2014, OIG SM-MA-13-004

109. Expand cluster boxes, $4.5B annually as of 2011, 4/10, GAO-10-45,

110. End door-to-door delivery, several hundred million dollars, the Postal Service official at GCA 2013 winter meetings

111. Eliminate 33 city routes and transfer vehicles to rural delivery. Saves $250,110/$279,972 annually from operating efficiency. Reduces EMA costs from rural carriers using their own cars and assists in meeting vehicle provision in NRLCA agreement. OIG DR-AR-12-002

112. City delivery is largest cost center within the Postal Service. Budgeted overtime exceeded by 10.4 million hours in city delivery installation staffing. Reduces annual costs by $116.8M, OIG DR-AR-12-006

113. Reform USO to support deployment of broadband and voice in high-cost areas to ensure low-income Americans can afford it, and to boost adoption and utilization. Comprehensive lease agreement to provide the Postal Service facilities and land for expansion of broadband infrastructure. Adds $4.2 million annually to revenue stream. OIG DA-MA-12-002

114. Establish a new vehicle fleet purchase strategy instead of a "fix as fails" strategy, where maintenance costs now exceed replacement costs. OIG CI-AR-12-006

115. Reduce idle time and generate other efficiencies in delivery and transportation systems by adopting end-to-end GPS system. Vendors estimate a $191M—$435M ROI over three year contract. OIG DR-MA-11-003

116. Criticized postal management for not considering the impact of PRC savings estimate for 5-day delivery in its five year financial plan. OIG FT-MA-11-004

117. Potential annual revenue to the Postal Service from electrification of PJM's territory is $69.4M for 30,060 vehicles, or $154,657 for a minimum use of 67 electrified vehicles. OIG DA-WP-09-001

118. Decouple retail and delivery operations, OIG RARC-WP-11-009

119. "Co-opetition" in delivery, all deliveries via a single postal truck, green, OIG IG Speech

120. Universal home delivery at greatly reduced cost: use of evaluated routes, modes of delivery, to property line of cluster boxes, OIG IG Speech

121. Faster delivery, lighter packages, facilities throughout communities rather than edge of cities, OIG IG Speech

122. Rapid cross town delivery: Deliveries to include groceries, dry cleaning, wherever designated, OIG IG Speech

VIII. Other: 7 proposals

123. Review need for 74 district offices and 9 area offices, GAO 8/9/09 958-T

124. Reduce field admin offices, 4/10,GAO-10-455

125. Significant opportunities to reduce costs by consolidating its field structure. Close district offices that are within 50 miles of one another saves $33.6M annually. OIG FF-AR-10-224(R)

126. If Congress acts, it should possibly require the Postal Service to also act on issues within its control, 4/10, GAO-10-4

127. Reform Thrift Savings Plan contributions, $1B current FY2012 cost. GAO-13-347T

128. The Postal Service could save $13M in annual data costs by reducing manual data collection for RPW reports in favor of modifying existing automated processes. OIG CRR-AR-12-003

129. Increase postal independence from national budget considerations. Conform House PAYGO rule to Senate's. Shift to off budget the Postal Service share of CSRDF, and PSRHBF. Opt out of appropriations process or shift cost of free mail

for the blind and overseas voters to appropriate federal agencies and have them reimburse the Postal Service for postage, saving $100M annually. OIG ESS-WP-09-001

APPENDIX 4: FIFTY-FOUR PROPOSALS THE POSTAL SERVICE CAN ACT UPON BY ITSELF

NOTE: Some categorizations in right-hand column are left blank because the item is substantially identical with another item; cross-references are given. In some cases affecting employee compensation, benefits, tenure, etc., where legislation would be required, it is assumed that such legislation would eliminate any bargainable issues, and bargaining is not listed in the right-hand column.

List No.	Description	Categorizations
23	Eliminate employees through attrition: $1.3B annually 300,000 employees in four years	Legislation not required Bargaining not required
24	Reduce workforce through retirements	Legislation not required Bargaining not required
25	Offer early retirement incentives	Legislation not required Bargaining not required
26	Separation incentives – postmasters, mail handlers $542M in FY2012. Continue at current rate.	Legislation not required Bargaining not required
31	Labor out-transition services (training, job search, relocation)	Legislation not required Bargaining not required
40	Move more retail to stores, self-service	Legislation not required Bargaining not required
41	Offer parcel pickup at stores or 24-hr. lockers	Legislation not required Bargaining not required
42	Add retail locations other than post offices $5B of $18B already from other locations	Legislation not required Bargaining not required
43	Locate retail where/when customers are present	Legislation not required Bargaining not required
44	Reduce retail network	Legislation not required Bargaining not required
45	Close 12,000 retail facilities	Legislation not required Bargaining not required

46	Communication/outreach to inform public of increased access	Legislation not required Bargaining not required
47	Substitute alternatives for post offices; re-design usps.com site Reach 60% goal	Legislation not required Bargaining not required
48	Offer stamps through mail, Internet, stores	Legislation not required Bargaining not required
49	Sell unused space or release it to other U.S. agencies	Legislation not required Bargaining not required
51	Dispose of excess space, save utility, custodial costs On retail space. $348M annually	Legislation not required Bargaining not required
52	Reform leases which pay above market rent Up to $134M annual savings using #51 lease info	Legislation not required Bargaining not required
53	Pursue Retail Access Optimization Initiative [now Post Plan]	Legislation not required Bargaining not required
54	Sell the Postal Service real estate assets. $85B	Legislation not required Bargaining not required
55	Expand on-line platform to include hard-copy cards, invitations	Legislation probably not required Bargaining not required
56	Digital access through the Postal Service website	Legislation not required Bargaining not required
63	Accelerate closing of processing facilities to keep pace with volume decline	Legislation not required Bargaining not required
65	Relax delivery standards to facilitate plant closings $1.6B in FY2012 done of $4.1B total	Legislation not required Bargaining not required
67	Remove excess processing capacity	Legislation not required Bargaining not required
68	Close 300 processing plants	Legislation not required Bargaining not required
69	Relax FCM, Periodicals delivery standards to eliminate plants, machines, trips	Legislation not required Bargaining not required

70	Eliminate 135 P&DCs	Legislation not required Bargaining not required
71	"Right size" mail processing facilities	Legislation not required Bargaining not required
72	Outsource custodial, vehicle service driver positions. $675M annually	Legislation probably not required Bargaining required
73	Eliminate 10 CSBCS machines (obsolete recommendation)	Legislation not required Bargaining not required
74	Use less overtime in processing; improve mail handling, manual, and allied operations performance $969.5M annually	Legislation not required Bargaining possibly required
75	Improve UAA metrics and streamline UAA workflow. Cut costs 25%: $250 M annually	Legislation not required Bargaining not required
76	Simplify mail acceptance rules	Legislation not required Bargaining not required
77	Implement 55 various GAO revenue initiatives	Legislation not required Bargaining not required
79	Provide volume incentives for bulk mail	Legislation not required Bargaining not required
80	Increase revenue through new or enhanced products	Legislation not required Bargaining not required
88	Expand successful Supply Management Portfolio revenue generators. Over $17.2M annually based on 2008	Legislation not required Bargaining not required
89	Ensure evaluation of NSAs does not credit money-losing contracts with positive revenue. $24.1M from summer sale	Legislation not required Bargaining not required
90	Segregate duties so that same officer does not create/approve project; correct terminal dues billing. $53,000 from one example	Legislation not required Bargaining not required
91	Improve Express Mail corporate account management. $6.2M in 2011	Legislation not required Bargaining not required
109	Expand cluster box delivery. $4.5B	Legislation not required Bargaining not required

110	End door delivery. Several Hundred Million Dollars	Legislation not required Bargaining not required
111	Eliminate some city routes in favor of rural routes. $250,000—$280,000 for 33 city routes	Legislation not required Bargaining possibly required
112	Control over-budget overtime in city delivery. $116.8M annually	Legislation not required Bargaining not required
114	Establish new vehicle purchase strategy to replace "fix as fails"	Legislation not required Bargaining not required
115	Adopt end-to-end GPS system to reduce idle time, increase efficiency in delivery and transportation. $191/435 ROI	Legislation not required Bargaining not required
117	Adopt electric vehicles. $69.4M net added revenue annually over current repair costs, 30,000 vehicles	Legislation not required Bargaining not required
118	Decouple retail and delivery operations	Legislation not required Bargaining possibly required
119	Offer "co-opetition" in delivery; all carriers share Postal Service vehicle	Legislation not required Bargaining possibly required
121	Set up delivery facilities throughout communities rather than on edge of cities for faster delivery	Legislation not required Bargaining not required
123	Review need for 74 District, 9 Area offices	Legislation not required Bargaining not required
124	Reduce field administrative offices	Legislation not required Bargaining not required
125	Similar to 128-129; close District offices within 50 miles of each other. $33.6M annually	Legislation not required Bargaining not required
128	Reduce manual data collection for RPW in favor of modifying existing automated procedures. $13.2M	Legislation not required Bargaining not required

APPENDIX 5: SEVENTY-EIGHT PROPOSALS NOT REQUIRING COLLECTIVE BARGAINING

(TWENTY THREE NUMBERS IN BOLD REQUIRE OR MAY REQUIRE LEGISLATION)

NOTE: Some categorizations in right-hand column are left blank because the item is substantially identical with another item; cross-references are given. In some cases affecting employee compensation, benefits, tenure, etc., where legislation would be required, it is assumed that such legislation would eliminate any bargainable issues, and bargaining is not listed in the right-hand column.

List No.	Description	Categorizations
23	Eliminate employees through attrition. $17,500 savings per employee; $1.3B annually for 75,000 employees	Bargaining not necessarily required
24	Reduce workforce through retirements	Bargaining not required
25	Offer early retirement incentives	Bargaining not required
26	Separation incentives – postmasters, mail handlers. Repeat 2012 savings, $542M	Bargaining not required
31	Labor out-transition services (training, job search, relocation)	Bargaining not required
34	Reduce incentives to use leave, enforce leave management	For some
36	Observe officer salary cap. $110,011	Bargaining not required
39	[same as 25] + transfer FERS overpayment to the Postal Service for use in buyouts	Bargaining not required
40	Move more retail to stores, self-service	Bargaining not required
41	Parcel pickup at stores or 24-hr. lockers	Bargaining not required
42	Add retail locations other than post offices	Bargaining not required
43	Locate retail where/when customers are present	Bargaining not required
44	Reduce retail network	Bargaining not required
45	Close 12,000 retail facilities	Bargaining not required

46	Communicate/outreach to inform public of increased access	Bargaining not required
47	Substitute alternatives for post offices; re-design usps.com site	Bargaining not required
48	Offer stamps through mail, Internet, stores	Bargaining not required
49	Sell unused space or release it to other U.S. agencies	Bargaining not required
51	Dispose of excess space, save utility, custodial costs. $348M annually, $3.48B over 10 yrs.	Bargaining not required
52	Reform leases which pay above market rent. $134M based on stats in #51	Bargaining not required
53	Pursue Retail Access Optimization Initiative [now Post Plan]	Bargaining not required
54	Sell the Postal Service real estate assets. $85B	Bargaining not required
55	Expand on-line platform to include hard-copy cards, invitations	Bargaining not required
56	Digital access through the Postal Service website	Bargaining not required
58	Use post offices to complement the Postal Service digital platform, with human staff to help interface with other U.S. agencies	Bargaining possibly required
59	Provide emergency government services, interactions	Bargaining not required
60	Offer community bulletin boards, licenses, permit applications, citizen polling/opinion gathering	Bargaining not required
61	Set up centers of continuous democracy	Bargaining not required
63	Accelerate closing of processing facilities to keep pace with volume decline	Bargaining not required
65	Relax delivery standards to facilitate plant closings	Bargaining not required
67	Remove excess processing capacity	Bargaining not required
68	Close 300 processing plants	Bargaining not required
69	Relax FCM, Periodicals delivery standards to eliminate plants, machines, trips. $4.1B	Bargaining not required
70	Eliminate 135 P&DCs	Bargaining not required
71	"Right size" mail processing facilities	Bargaining not required
73	Eliminate 10 CSBCS machines (obsolete recommendation)	Bargaining not required

74	Use less overtime in processing; improve mail handling, manual, and allied operations performance. $969.5M	Bargaining possibly required
75	Improve UAA metrics and streamline UAA workflow. 25% improvement, $250M	Bargaining not required
76	Simplify mail acceptance rules	Bargaining not required
77	Implement 55 various GAO revenue initiatives	Bargaining not required
79	Provide volume incentives for bulk mail	Bargaining not required
80	Increase revenue through new or enhanced products	Bargaining not required
81	Offer nonpostal services (photocopy, fax, passport, Internet, ATMs, etc.)	Bargaining not required
82	Offer nonpostal services including e-mail delivery, financial services, tax payment acceptance, etc. (from review of foreign posts)	Bargaining not required
83	Increase proportion of revenue from nonpostal services	Bargaining not required
84	[Similar to 83]	Bargaining not required
86	Copy corporate formal innovation processes; internal or partnership implementation	Bargaining not required
87	Pricing structure complex; methods of insuring cost recovery lag technological potential; exploit flexibilities in statute, formulate strategic plan for doing so	Bargaining not required
88	Expand successful Supply Management Portfolio revenue generators Over $15.3M	Bargaining not required
89	Ensure evaluation of NSAs does not credit money-losing contracts with positive revenue	Bargaining not required
90	Segregate duties so that same officer does not create/approve project; correct terminal dues billing. $54,000 loss in SE FSO	Bargaining not required
91	Improve Express Mail corporate account management. $6.2M	Bargaining not required
92	Increase the Postal Service -private sector partnerships	Bargaining possibly required
93	Direct appropriations from Congress	Bargaining not required
95	FERS surplus transfer to the Postal Service. $6.9B	Bargaining not required
96	Amortize FERS surplus over 30 years	Bargaining not required

	(Administration proposal)	
97	End FERS pension funding. $3B annually	Bargaining not required
99	Refund FERS overpayment	Bargaining not required
100	Limit FERS annuity supplement to those subject to mandatory retirement	Bargaining not required
101	The Postal Service pension benefits over-funded; use real estate assets to fund the 50 percent of retiree health benefits still un-funded	Bargaining not required
102	Set the Postal Service pension funding at 80 percent, retiree health benefits at 30 percent; eliminates PAEA annual prefund-ing payment. $5.6B	Bargaining not required
103	Continue early retirement offers to clerks, mail handlers. $350M per 20,000 clerks	Bargaining not required
109	Expand cluster box delivery. $4.5B	Bargaining not required
110	End door delivery	Bargaining not required
111	Eliminate some city routes in favor of rural routes. $250,000 per 33 city routes	Bargaining possibly required
112	Control over-budget overtime in city de-livery. $116.8M	Bargaining not required
113	Reform USO to support the Postal Service provision of broadband in high-cost areas. $4.2M added revenue	Bargaining not required
114	Establish new vehicle purchase strategy to replace "fix as fails"	Bargaining not required
115	Adopt end-to-end GPS system to reduce idle time, increase efficiency in delivery and transportation. $191M ROI	Bargaining not required
117	Adopt electric vehicles. $69.4M added net revenue for 30,060 vehicles	Bargaining not required
118	Decouple retail and delivery operations	Bargaining possibly required
119	Offer"co-opetition" in delivery; all carriers share Postal Service vehicle	Bargaining possibly required
121	Offer delivery facilities throughout com-munities rather than on edge of cities for faster delivery	Bargaining not required
123	Review need for 74 District, 9 Area offices	Bargaining not required
124	Reduce field administrative offices	Bargaining not required

125	Similar to 128-129; close District offices within 50 miles of each other. $33.6M	Bargaining not required
128	Reduce manual data collection for RPW in favor of modifying existing automated procedures. $13M annually.	Bargaining not required
129	Increase the Postal Service independence of Federal budget (various items). $100M annually	Bargaining not required

APPENDIX 6: FIFTY-NINE PROPOSALS NOT REQUIRING LEGISLATION

(CATEGORIZATIONS IN BOLD REQUIRE OR MAY REQUIRE COLLECTIVE BARGAINING)

NOTE: Some categorizations in right-hand column are left blank because the item is substantially identical with another item; cross-references are given. In some cases affecting employee compensation, benefits, tenure, etc., where legislation would be required, it is assumed that such legislation would eliminate any bargainable issues, and bargaining is not listed in the right-hand column.

List No.	Description	Categorizations
22	Correct OPM inflation estimate	Legislation not required
23	Eliminate employees through attrition	Legislation not required
24	Reduce workforce through retirements	Legislation not required
25	Offer early retirement incentives	Legislation not required
26	Separation incentives – postmasters, mail handlers	Legislation not required
31	Labor out-transition services (training, job search, relocation)	Legislation not required
40	Move more retail to stores, self-service	Legislation not required
41	Officer parcel pickup at stores or 24-hr. lockers	Legislation not required
42	Add retail locations other than post offices	Legislation not required
43	Locate retail where/when customers are present	Legislation not required
44	Reduce retail network	Legislation not required
45	Close 12,000 retail facilities	Legislation not required
46	Communication/outreach to inform public of increased access	Legislation not required
47	Substitute alternatives for post offices; redesign usps.com site	Legislation not required
48	Offer stamps through mail, Internet, stores	Legislation not required
49	Sell unused space or release it to other U.S. agencies	Legislation not required

50	Match retail hours to workload	Legislation not required
51	Dispose of excess space, save utility, custodial costs	Legislation not required
52	Reform leases which pay above market rent	Legislation not required
53	Pursue Retail Access Optimization Initiative [now Post Plan]	Legislation not required
54	Sell the Postal Service real estate assets	Legislation not required
55	Expand on-line platform to include hard-copy cards, invitations	Legislation probably not required
56	Digital access through the Postal Service website	Legislation not required
63	Accelerate closing of processing facilities to keep pace with volume decline	Legislation not required
65	Relax delivery standards to facilitate plant closings	Legislation not required
67	Remove excess processing capacity	Legislation not required
68	Close 300 processing plants	Legislation not required
69	Relax FCM, Periodicals delivery standards to eliminate plants, machines, trips	Legislation not required
70	Eliminate 135 P&DCs	Legislation not required
71	"Right size" mail processing facilities	Legislation not required
72	Outsource custodial, vehicle service driver positions. $675M annually	Legislation probably not required
73	Eliminate 10 CSBCS machines (obsolete recommendation)	Legislation not required
74	Use less overtime in processing; improve mail handling, manual, and allied operations performance	Legislation not required
75	Improve UAA metrics and streamline UAA workflow	Legislation not required
76	Simplify mail acceptance rules	Legislation not required
77	Implement 55 various GAO revenue initiatives	Legislation not required
79	Provide volume incentives for bulk mail	Legislation not required
80	Increase revenue through new or enhanced	Legislation not required

	products	
88	Expand successful Supply Management Portfolio revenue generators	Legislation not required
89	Insure evaluation of NSAs does not credit money-losing contracts with positive revenue	Legislation not required
90	Segregate duties so that same officer does not create/approve project; correct terminal dues billing	Legislation not required
91	Improve Express Mail corporate account management	Legislation not required
94	Change pension benefits for new employees	Legislation not required
109	Expand cluster box delivery	Legislation not required
110	End door delivery	Legislation not required
111	Eliminate some city routes in favor of rural routes	Legislation not required
112	Control over-budget overtime in city delivery	Legislation not required
114	Establish new vehicle purchase strategy to replace "fix as fails"	Legislation not required
115	Adopt end-to-end GPS system to reduce idle time, increase efficiency in delivery and transportation	Legislation not required
117	Adopt electric vehicles	Legislation not required
118	Decouple retail and delivery operations	Legislation not required
119	Implement "Co-opetition" in delivery; all carriers share Postal Service vehicle	Legislation not required
121	Delivery facilities throughout communities rather than on edge of cities for faster delivery	Legislation not required
123	Review need for 74 District, 9 Area offices	Legislation not required
124	Reduce field administrative offices	Legislation not required
125	Similar to 128-129; close District offices within 50 miles of each other	Legislation not required
128	Reduce manual data collection for RPW in favor of modifying existing automated procedures	Legislation not required

APPENDIX 7: FORTY-FOUR PROPOSALS REQUIRING COLLECTIVE BARGAINING OR LEGISLATION

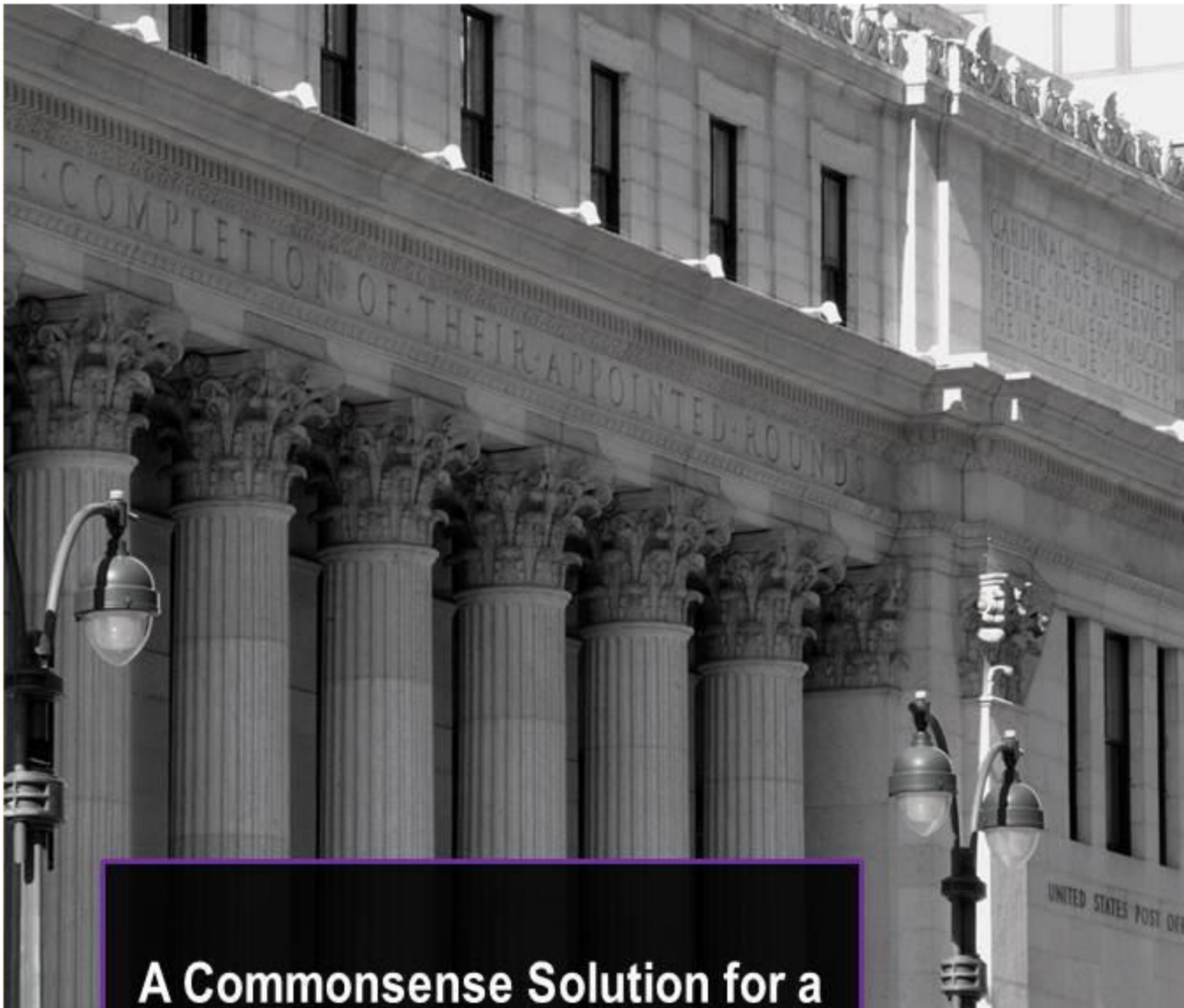
NOTE: Some categorizations in right-hand column are left blank because the item is substantially identical with another item; cross-references are given. In some cases affecting employee compensation, benefits, tenure, etc., where legislation would be required, it is assumed that such legislation would eliminate any bargainable issues, and bargaining is not listed in the right-hand column.

List No.	Description	Categorizations
1	Cut health benefit contribution to 72% government level	Bargaining or legislation required No service effect No rate effect
2	[same as 1]	
3	Transfer $42B health care assets from Treasury to the Postal Service Fund	Legislation required No service effect No rate effect
4	Reduce life insurance contribution to 33% government level	Bargaining required No service effect No rate effect
5	Reduce the Postal Service health, life contribution rate for actives	Bargaining required No service effect No rate effect
6	Pay-as-you-go health benefit funding	Legislation required No service effect No rate effect
7	Actuarial approach to retiree health benefit funding	Legislation required No service effect No rate effect
8	Prefund retiree health benefits at 30% of liability	Legislation required No service effect No rate effect
9	Reduce RHB prefunding annual requirement to <$5.4B	Legislation required No service effect No rate effect
10	Reduce or eliminate RHB prefunding annual requirement	Legislation required No service effect No rate effect
11	The Postal Service to sponsor own health plan	Legislation required No service effect No rate effect

12	The Postal Service to leave FEHB + Close 48% of processing plants	Legislation required (FEHB) No service effect necessary No rate effect
13	Administration proposal on RHB pre-funding	Legislation required No service effect No rate effect
14	S. 1789 approach on RHB prefunding	Legislation required No service effect No rate effect
15	[same as 6]	
16	H.R. 2309 modified approach on RHB prefunding	INCREASES DEFICIT
17	End RHB prefunding; use existing funds	Legislation required No service effect No rate effect
18	[same as 11]	
19	Use pension, health overfunding	Legislation required No service effect No rate effect
20	Tie benefits to inflation (COLA)	Legislation probably required Bargaining required No service effect No rate effect
21	Repay shift in military pensions	Legislation probably required No service effect No rate effect
27	Reform workers' compensation for re-tirement eligible	Legislation required No service effect No rate effect
28	Two tiered wage system (new hires vs. current employees)	Bargaining required No service effect No rate effect
29	Require arbitrators to recognize the Postal Service's financial condition	Legislation required No service effect No rate effect
30	Outsource work where cost-effective	Bargaining required No service effect No rate effect
32	Eliminate layoff protection to permit workforce reduction	Bargaining required No service effect No rate effect
33	Reduce IS, security, stamp management costs; align benefits with other agencies	Bargaining required No service effect No rate effect
35	Eliminate Christmas supplemental hours, related overtime	Bargaining may be required No service effect

		No rate effect
37	[same as 24 – 26]	
38	Change retirement formula to use high 5 years as basis	Legislation required No service effect No rate effect
57	E-mail box interfaced with physical mail-box	Legislation required No service effect No rate effect
62	Digital services less space and labor intensive than current services	Legislation possibly required Bargaining probably required No service effect necessary No rate effect
65	Relax delivery standards to facilitate plant closings	Service effect No rate effect
66	Set up BRAC-type mechanism to facilitate plant closings	Legislation required No service effect necessary No rate effect
78	The Postal Service /McKinsey report identify 100 cost/volume/revenue initiatives	[Indeterminate]
85	Expand electronic nonpostal services; possibly adjust the Postal Service wage structure to make feasible	Legislation required Bargaining possibly required No service effect No rate effect
104	Increase employee contributions to CSRS and FERS	Legislation required No service effect No rate effect
105	Return CSRS overpayment to the Postal Service	Legislation required No service effect No rate effect
106	[Same as 21]	
107	Offer digital or hybrid alternatives to hard-copy mail delivery (cf. foreign posts)	Legislation required Bargaining possibly required Service effect Possible rate effect
108	[Similar to 111]	
122	Rapid cross-town delivery. To include groceries, dry cleaning, as well as mail	Legislation required Bargaining probably required Service effect Rate effect possible
126	Congressional requirement that the Postal Service act on issues within its control, as part of any legislation	Legislation required Bargaining possibly required Service effect possible Rate effect possible
127	Reform Thrift Savings Plan contribution	Legislation required Bargaining possibly required

		No service effect No rate effect



A Commonsense Solution for a Stronger Postal Service

Greeting Card Association

July 2013

[1] On Friday, May 10th, the Postal Service released quarterly data showing that the deficit is shrinking by comparison with SPLY, the same period last year. Thus, while its cumulative debt is still rising, the level of its annual operating deficit may not be any longer. Source: the Postal Service, Quarter II, 2013 Financial Report, http://about.usps.com/who-we-are/financials/financial-conditions-results-reports/fy2013-q2.pdf, page 2.

[2] Because of small sample sizes, one must assume the deficits to be normally distributed to conduct these statistical tests.

[3] That includes missing two years of RHB pre-funding, $5.5 billion for 2011 and 2012 or $11.1 billion. The Postal Service reports the $5.5 billion from 2011 in its 2012 operating statement because Congress "deferred" payment of that until August 2012. However, the 2011 missed payment is a debt and good accounting practice would place that on a balance sheet, not the Postal Service's 2012 operations statement.

[4] A fourth and final problem with the Postal Service deficit forecasts concerns how, or whether, the grand claims it makes annually on cost cuts achieved are factored in. The claims lack consistency. The FY2007 cost savings made from two sources are both $1.2 billion, but the remaining years are substantially different. The Postal Service claims every year that it has cut billions of dollars in costs that year alone, $1.2 billion, FY2007; $2 billion, 2008; $6.1 billion, 2009; $3 billion, 2010; $1.4 billion, 2011; $1.1 billion, 2012. (Source: the Postal Service, as noted in GAO-13-347T, p. 2). The annualized labor cost savings noted in the Postal Service's latest five year plan, Plan to Profitability, 5 Year Business Plan, February 16, 2012 are: $1.2 billion, FY2007; $3.2 billion, 2008; $9.3 billion, 2009; $12.3 billion, 2010; $13.7 billion, 2011; $16.2 billion, 2012. (See 2012 Plan, p. 2)

[5] "Balancing the Postal Service's Budget with Six Day Delivery: A Set of Options," Greeting Cards Association, 10/2011

[6] Letter from Mary Anne Gibbons, the Postal Service General Counsel, to Hon. Claire McCaskill, March 22, 2013, p. 2.

[7] Board of Governors, the Postal Service, Statement from the U. S. P. S. Board of Governors,

[8] The GAO has argued, apparently persuasively, against the Postal Service and OIG's argument that it has overpaid postal contributions to the CSRS by $75 billion and that that money should be refunded to the Postal Service. Accordingly, we do not discuss this as a viable part of deficit reduction options, #105.