

Postmaster General Patrick Donahoe  
Morgan P & DC Visit

Postmaster Patrick Donahoe visited Morgan P & DC in NYC on Monday, October 3, 2011. He addressed Morgan craft employees in the cafeteria at about 3:15 PM. The Postmaster General spoke about the overall condition of the Postal Service and about what he believed was needed to address the severe financial crisis that the Service was experiencing. Mr. Donahoe then invited questions from the attendees and promised to answer any and all questions asked. For the most part he kept his word. Between the prepared remarks and the question and answer period, the Postmaster General spoke for about 2 hours.

The following are the highlights of the Postmaster General's (PMG) remarks:

1. The PMG thanked all the employees for their excellent work
2. USPS is part of a mailing Industry with \$900 Billion in revenue and 8 Million jobs.
3. The PMG stated that we have to change as an organization as a result of the decline in volume that resulted from technology (internet, etc.), legislative requirements and the economic downturn.
  - In the early 2000's 5% paid bills on-line
  - In 2011 60% pay bills on-line
  - This volume never coming back
  - Severe decline in First Class Mail
  - Standard Mail may return when and if economy bounces back
  - Pre-fund Retiree Health Benefits
4. The PMG stated that we have to change (shrink) the Network to reflect the lower volume and excess capacity.
  - Adjust Service Standards from overnight to 2 and 3 day deliveries.
  - Mail may not be processed on same day.
  - Not afraid of losing business-feels that we lost that business (single piece first class/stamped) already. "Blue Box" mail that is already gone is not coming back.
  - Large Mailers could still get next day delivery if they drop shipment by 8 AM (unsorted) or noon (sorted).
  - Use DBCS 20 hours/day rather than the current 4 hours/day.
  - DBCS will start its run at 8 AM
  - Close approximately 3,700 post offices with less than 1 hour work per day.
  - Close approximately 250 Mail Processing facilities.
  - Contract Delivery Network
  - Mail would start arriving at Stations/Branches/Post Offices at 4 PM. Mail would start to be sorted at night. Carriers would come in during the morning, pick up their mail and begin their routes immediately

- Needs the flexibility (PSE/NTFT) of the APWU Contract from the other unions (NPMHU/NALC).
5. The PMG said he needs Legislative Changes
- 5-Day delivery is vital. He said would save \$3 Billion/year.
  - USPS Health Plan. 1 Million employees and retirees
  - USPS Health Plan would not be administered by USPS but rather by someone like Blue Cross/Blue Shield, Aetna, United Health Care, etc.
  - USPS Health Plan would solve the Pre-Fund Retiree Health Benefits problem
  - Would use Medicare
  - USPS Retirement Plan. He does not think that Congress would allow it. CSRS fund has \$250 Billion. If USPS took its \$200 Billion out, there would not be enough to fund other federal retirees.
  - Current Retirees would get COLA
  - Future Retirees' pension would be capped (No COLA)
  - He asked Congress for RIF power, even if only for a onetime event. He stated USPS never had to lay off one employee. RIF would be last resort
  - He said if all changes took place (5 Day Delivery, closure of 250 Mail Processing facilities and 3,700 Post Offices, early retirement, etc.) there would be 80,000 too many employees although he said in the white papers that up to 220,000 positions may have to be eliminated.
  - FERS overfunded by approximately \$6 Billion
  - CSRS may be overfunded by \$50 and \$75 Billion. However, in 1975 USPS agreed to formula for retirement in funding in return for facilities and buildings being transferred from US Government to USPS.
  - VERA buyouts not coming soon. Maybe in a year or so. VERA would consist of 3 parts:
    - 2 small payouts (\$5 to \$10,000) over 2 years
    - 2 or 3 years service credits
    - Reemployment Annuity where an employee would retire and come back and work 1 day per week
6. Does not think Lynch Bill (HR 1351) will pass
- Says Lynch Bill is 5 years too late (Too little/Too late)
  - He does not think Congress would take the money out of CSRS fund.
  - Says even if Lynch Bill passed, USPS would be out of money by next August
7. Issa Bill (HR 2309): he likes some parts, he doesn't like others
- Does not think Issa Bill will pass
  - Likes 5 Day delivery

- Does not like "BRAC" concept. He wants to decide which plants/post offices to close.
  - Does not like "commission" because it would mean failure. Some sort of "Bankruptcy Court" is necessary.
8. He thinks the "Carper Bill" is the best one out there. Collins Bill is "OK" except for 6-Day Delivery
9. PMG needs:
- Relief from Pre-Funding of Retiree Health Benefits and:
  - 5-Day Delivery and:
  - FERS overpayment refunded
  - If he gets the above, he could deal with the workforce without having to resort to RIF ("deal with the head count")
10. PMG does not believe that there is a lot to gain by selling buildings and facilities
- Bad Real Estate Market
  - Deferred maintenance
  - Old Buildings
  - Asbestos, etc.
11. PMG is not in favor of privatization and does not think it will happen
- Universal Service Requirement
12. Does not compare USPS to Auto Industry as some do. Rather he compares it to the "Film" industry (Who buys Kodak or Fuji film anymore?)
13. Contract Negotiations
- Thinks APWU is a great contract and would sign it again today.
  - Needs flexibility
  - Needs NTFT
  - Needs PSE (Clerk FTR \$80,000 including benefits/PSE \$31,000 all in)
  - Defends 50 mile reassignment clause in APWU contract. Saves relocation costs
  - Will not extend negotiations with NPMHU or NALC beyond November 20, 2011. Either we have contracts by November 20 or we go to arbitration
  - Extended with Rurals and it was a waste of time. Rurals went to arbitration despite extending. USPS needs flexibility sooner rather than later
  - Salary (40%), Benefits (35%) Leave (10%)
14. PMG states he must do the responsible thing for this organization in light of the economic realities
15. PMG stated several times that we needed 5-Day Delivery of equivalent (\$3 Billion/year) or reduce employee wages (10%). He stated that he was not willing to take a pay cut.