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USPS warns of 'default' on retiree health care payment

Feb. 9, 2011 - 06:00AM | By SEAN REILLY | [Comments](#)Recommend { 0

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For the quarter ending in December the Postal Service logged a net loss of \$329 million, up from \$297 million a year ago. (PAUL J. RICHARDS / AGENCE FRANCE-PRESSE)

The U.S. Postal Service suffered worsening financial losses in the first quarter of the fiscal year and is warning it will default on a \$5.5 billion payment it must make later this year to its retiree health care fund.

For the quarter ending in December, which includes the all-important holiday mailing season, the Postal Service logged a net loss of \$329 million, up from \$297 million a year ago.

Although mail volume grew by 1.5 percent to 46.4 billion pieces during the quarter, financial performance was hurt by the continuing falloff in profitable first-class mail. That led to shrinking operating revenue: \$17.9 billion for the quarter vs. \$18.4 billion in the preceding year. Operating expenses were virtually unchanged at \$17.5 billion despite a 2.1 percent reduction in work hours. The loss resulted from an accounting allotment of \$1.4 billion for the quarter's share of the retiree health benefit prepayment.

At a meeting of the USPS Board of Governors Wednesday, top officials warned the agency may be unable to make a legally required \$5.5 billion prepayment to a retiree health benefit fund due in September.

"Without changes in relevant statutes, the Postal Service will be forced to default on some of its financial obligations to the federal government," board member James Miller III said.

Winning relief from that annual mandate, required under the 2006 Postal Accountability and Enhancement Act, has become a top lobbying objective of USPS officials and unions. In 2009, Congress deferred the bulk of that year's payment, but refused to provide a similar break in 2010. While postal officials have previously said the agency risked running out of cash when this year's installment is due, Miller's resort to the stronger word "default" — which was also used in a news release — appeared to be a calculated attempt to draw more attention to the issue.

No decision has been made on using reduction-in-force and early retirement authority to help trim the Postal Service's administrative and supervisory work force, Chief Financial Officer Joseph Corbett said in a brief interview after Wednesday's meeting. In a memo last

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month, Postmaster General Patrick Donahoe said he anticipated the need for reductions-in-force and early retirement initiatives by the end of next month.

While postal officials are in the midst of a restructuring that seeks to cut 7,500 to 8,000 positions, it's unclear at this point whether anything beyond normal attribution will be needed to achieve that goal, Corbett said.

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