

USPS again defaults on health care payment

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For the second time in two months, the U.S. Postal Service has defaulted on a legally required payment into a fund for future retiree health care benefits.

The \$5.6 billion payment was due Sunday. USPS executives, who had long acknowledged that they lacked the money to cover it, again stressed last week that normal operations would not be affected.

"We will continue to deliver the mail and pay our suppliers," spokesman Dave Partenheimer said in a statement, adding that health benefits for current employees and retirees will also remain untouched.

The payment for fiscal 2012 is required under the 2006 Postal Accountability and Enhancement Act as part of a plan to ensure adequate funding for future retirees' health care; in August, the Postal Service failed to make the \$5.5 billion installment for fiscal 2011. That payment was originally due in September 2011, but Congress postponed it.

Lawmakers have declined to grant further delays, but remain deadlocked on how to address the Postal Service's fiscal problems.

Although the defaults do not directly affect postal operations, the retiree health care pre-payment expense is driving enormous paper losses that USPS leaders fear could undermine the mailing industry's confidence in its long-term survival prospects. As of August, the agency's red ink for fiscal 2012 totaled about \$14.5 billion, according to preliminary numbers released last week. Almost three-quarters of that sum is attributable to the pre-payment requirement.

No other federal agency faces a similar mandate. Ending it is a high priority for Postal Service leaders. A Senate-passed bill would stretch out the payment schedule to cut billions of dollars from the annual installments due in the next few years. House leaders have so far declined to take up that bill or a rival measure sponsored by Rep. Darrell Issa, R-Calif. With Congress now out of session, the last chance for legislative action will come in a lame-duck session set to begin Nov. 13.

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“Simply put, continuing to delay addressing the Postal Service’s woes is fiscally irresponsible.” Sen. Tom Carper, D-Del., a sponsor of the Senate measure, said in a statement.

Last month, Issa backed an Obama administration proposal that would also extend the retiree health care pre-payment schedule, but tied that endorsement to halting most Saturday mail delivery and banning the Postal Service from agreeing to no-layoff protections in future contracts with its four employee unions.

Issa wants to assure the Postal Service’s long-term solvency by giving it the tools needed “to bring expenses in line with declining revenues,” a spokesman said via email.

But a majority of House members are on record in support of continued Saturday delivery, while postal unions are likely to resist a legislative ban on what has been a powerful barrier against job cuts.

A spokeswoman for House Majority Leader Eric Cantor, R-Va., declined comment last week on whether postal legislation will be on the lame-duck session agenda.

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