



AMERICANS FOR TAX REFORM

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## **Dispatches from the Dead Letter Office**

(Excerpts from and comments on recent reports about the US Postal Service)

### **Postal Service Records a \$1B Profit**

The Associated Press, January 7, 2003

The Postal Service recorded a \$1 billion profit in the first quarter of the fiscal year, topping expectations by \$200 million, the agency said Tuesday. The busy three-month period before Christmas meant a heavy mail volume for the post office, producing income to help balance slower periods.

Richard J. Strasser Jr., the agency's chief financial officer, said the post office had revenue of \$16.1 billion during the period covering Sept. 7 to Nov. 29. That was \$300 million less than had been expected, but cost cutting and staff reductions lowered expenses by \$500 million, Strasser said.

The post office had a net loss of \$1.35 billion last fiscal year but anticipates finishing this year in the black due to cost cutting and the rate increase that took effect last summer. Strasser told the agency's board of governors that during the first quarter the post office delivered 49.3 billion pieces of mail, an increase of 742 million.

Standard advertising mail volume increased by 1.5 billion pieces, driven by election mail, while First-Class volume cards, letters and bills, for example dropped 629 million pieces. Strasser projected that the second quarter will be similar to the first, with revenue and volume lagging behind projections due to slow economic conditions. He said cost controls are expected to produce a net income at or above a planned \$360 million for the quarter.

*[With volume slowing, rate increases can be expected to have next to no effect on revenue. Cost cutting and staff reductions have, predictably, pulled the USPS' bottom line out of the red. But the USPS wants another rate increase anyway...]*

### **USPS Starts Preparing Rate Case**

From a report by Melissa Campanelli, dmnews.com, January 9, 2003

The U.S. Postal Service has begun preparing to file a rate case this year even though legislation may pass in this session of Congress that would keep postal rates steady until 2006, DM News has learned.

The legislation would let the USPS lower pension contributions to the Civil Service Retirement System after a review last year found that the pension system was almost fully funded. The USPS estimates it could save \$2.9 billion in fiscal year 2003 and \$2.6 billion in FY 2004, and postmaster general John E. Potter has said such savings could keep postal rates steady until 2006.

Quick passage is critical because the USPS has said it could submit a new rate case request with the Postal Rate Commission as early as April if the law is not changed. Without the lowered pension contributions, Potter has said, the next rate increase will come in 2004.

“We have begun the internal process,” USPS chief financial officer Richard Strasser told DM News yesterday. “If the CSRS legislation is not enacted, we will have to at some point this year file a rate case.”

Insiders say legislation could be introduced in days that could be attached to an appropriations bill that has to be passed by Congress before the State of the Union Address on Jan. 28.

Strasser said that if the rate case were to include phased rates, the USPS would file with the Postal Rate Commission as early as April. If the USPS decides not to include phased rates, the case could be filed by October.

In discussing phased rates at a ratemaking summit in July, the postal service called for increases over two consecutive years. This would benefit mailers, it argued, by providing for lower increases that mailers could plan for more easily.

*[ATR strenuously supports passing the CSRS legislation as soon as possible, so as to prevent the USPS from using non-passage as an excuse to raise postage taxes again. However, we wouldn't be surprised if the USPS proceeds undaunted with the rate case nevertheless. After all, this IS the USPS we're dealing with here.]*

### **Carriers on Front Lines in Drive for Parcel Business**

From a report by Dan Davidson, [federaltimes.com](http://federaltimes.com), December 30, 2002

With the growth of first-class mail volume slowing, and with the prospect of more mailers using the Internet, the U.S. Postal Service is looking for growth in an area it has not been dominant in — packages and parcels.

Since Oct. 25, Postal Service letter carriers in Albany, N.Y., have been engaged in an experiment to see if the goodwill that carriers have accumulated with postal customers can be parlayed into growth in the package business.

Two hundred and fifty letter carriers are on the lookout for customers who ship packages via carriers other than the Postal Service, said Vincent DeAngelis, Postal Service manager of new business and acquisition support.

“As the carriers go around on the course of their regular deliveries, sometimes they see our competitors in the building or see our competitors' products sitting around, or they simply have knowledge of the customer,” DeAngelis said. “The carriers carry brochures and fliers, and our sales force has a multitiered customer contract strategy to follow up.”

Package delivery now constitutes a tiny part of Postal Service revenue. In 2001, it handled 1.09 billion parcels, about one-half of 1 percent of its total volume of 207 billion pieces of mail. The \$2 billion in revenues generated from package delivery equaled about 3 percent of total revenues.

“It's not the lion's share of the Postal Service's business, and it never will be,” said Gene Del Polito, president of the Association for Postal Commerce, an industry advocate based in Arlington, Va. “Parcels have never made a major contribution to its revenues, and in such a competitive market the opportunity for USPS to do great things is slim.”

The Postal Service's core business will necessarily be letter mail because it is there that it has a legal monopoly, Del Polito said.

Even before the results are in on the success of this experiment, the Postal Service is eyeing other products and services that could be promoted by letter carriers, DeAngelis said.

*[If the USPS hasn't gained – nor can expect to gain -- from continuing to offer competitive products and services, then why bother? And why is a government agency using public employees to drive business away from private sector companies? Weren't anti-trust laws enacted to prevent these sorts of brazen attempts to corner markets?]*

### **Postal Service expands testing of Segway scooter**

Reuters, June 5, 2002

Seeking to discover whether big-city streets or bumpy country roads can keep mail carriers from their appointed rounds, the U.S. Postal Service said Tuesday that it is set to expand testing of the much-anticipated Segway Human Transporter scooter into six cities.

Postmaster General John Potter said the post office has bought 40 of the innovative Segway devices to begin a second phase of testing in Norman, Okla., and five new locations including San Francisco, Memphis, the Bronx in New York City, Chandler, Ariz., and a sixth, yet-to-be-determined location.

Earlier this year, mail carriers tested the energy-saving scooters in Tampa, Fla., and Concord, N.H., near the Segway company's headquarters in Manchester.

The successful tests were conducted with machines provided at no cost. The Postal Service is paying an undisclosed amount for the new machines.

The Segway is undergoing extensive preliminary testing by postal workers, police in cities such as Atlanta and among warehouse workers at companies such as Amazon.com to ensure the safety of the vehicles, which are promoted by Segway as an alternative to other forms of personal transportation.

The initial tests demonstrated how the machines could relieve postal workers from the travail of carrying as much as 35 pounds of mail along their routes, the post office said. It also decreased the time it took to walk between delivery addresses.

In each location, carriers will deliver mail using the Segway HT on five different routes, after giving delivery workers a week of initial training. The six geographically diverse regions of the country offer different route structures, climates and staffing needs, allowing the Postal Service to evaluate the Segway for efficiency, safety and ergonomics.

*[Yes, the story's a bit old, but too strange not to mention. Segways are available from Amazon.com for \$4,950.00. You can find a good pair of comfortable shoes for less than \$100. Besides, those 35 pounds of mail don't have to be carried all at the same time. Sounds like the USPS is intent on taking its \$1B profit and setting it on fire.]*