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Postal Expenses Continue to Rise Escalating Expenses Overwhelming Cost Cutting Efforts

By Rick Merritt

To its credit, the Postal Service has cut its workforce by more than 80,000 career employees since 2000. Despite the reduction, annual operating expenses continue to rise at an ever-increasing pace.

Postal leaders frequently claim cost-cutting initiatives and improved productivity have led to reduced expenses. In reality, these efforts have only managed to decrease the growth rate of expenses when compared to what might have been spent had no cost-cutting efforts been made.

Fewer Workers Costing More...

The Postal Service employed 704,716 full-time career workers at the end of its 2005 fiscal year, 82,822 fewer than it had in 2000.

Surprisingly, the 10% workforce reduction has not resulted in a reduction in annual expenses. Conversely, since 2000, annual operating expenses actually increased by more than \$5.2 billion (8%) despite the workforce reduction.

Big Raises For Everyone...

While similarly challenged private sector organizations like the automakers and airlines are furloughing workers, terminating pension plans and negotiating double-digit wage and benefit concessions, the Postal Service has been handing out some of the largest raises and bonuses in history.

Last year, 88.4% of the 70,000 postal executives received so-called "performance" based raises that exceeded 5.2% under a

new "National Performance Assessment" executive raise program. The Postal Service shares very few details about the new quarter-billion dollar a year program, which replaced the controversial "EVA Bonus" system in 2003. However, it's believed that many executives have received raises double the size of the "bonuses" they got under the old EVA scheme.

In the summer of 2005, the American Postal Workers Union (APWU) proudly announced they had negotiated the second-

largest raise in the union's 35-year history.

The \$728 raise is but one of three raises totaling \$1,370 union members expect this year.

During his announcement, union president William Burrus stated, "Since Nov. 18, 2000, Grade 5 employees have received COLAs

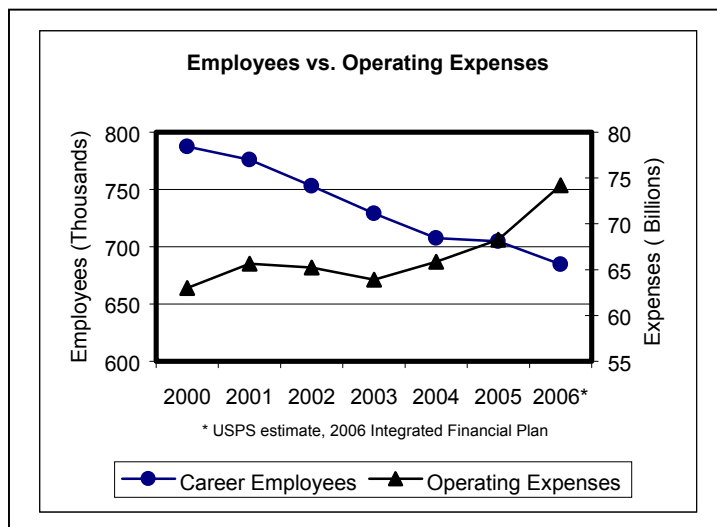
and raises totaling \$5,525."

Conclusion...

Worse yet, the future looks really bleak! The USPS 2006 Integrated Financial Plan projects operating expenses will top a whopping \$74 billion this year, an increase of \$5.9 billion or 8.6% in just one year.

No matter how much they shrink the workforce, increase "Total Factor Productivity" numbers or cut work hours, the one thing postal leaders never ever seem to be able to do is actually cut expenses.

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Rick Merritt is the Executive Director of PostalWatch, a non-partisan, non-profit advocacy organization committed to a fair, efficient and accountable U.S. Postal Service.