

# USPS Reports Major Losses

## \$15.9 Billion Lost by Postal Service in 2012, More Anticipated in 2013

WASHINGTON (AP) — The struggling U.S. Postal Service on Thursday reported an annual loss of a record \$15.9 billion and forecast more red ink in 2013, capping a tumultuous year in which it was forced to default on billions in payments to avert bankruptcy.

The financial losses for the fiscal year ending Sept. 30 were more than triple the \$5.1 billion loss in the previous year. Having reached its borrowing limit, the mail agency is operating with little cash on hand, putting it at risk in the event of an unexpectedly large downturn in the economy.

"It's critical that Congress do its part and pass comprehensive legislation before they adjourn this year to move the Postal Service further down the path toward financial health," said Postmaster General Patrick Donahoe, calling the situation "our own postal fiscal cliff."

Much of the red ink in 2012 was due to mounting mandatory costs for future retiree health benefits, which made up \$11.1 billion of the losses. Without that and other related labor expenses, the mail agency sustained an operating loss of \$2.4 billion, lower than the previous year.

Donahoe said the post office

has been able to reduce costs significantly by boosting worker productivity. But he said the mail agency has been hampered by congressional inaction on a postal overhaul bill that would allow it to eliminate Saturday mail delivery and reduce its \$5 billion annual payment for future health benefits.

"We cannot sustain large losses indefinitely. Major defaults are unsettling," said Donahoe, who made clear that the Postal Service would now be profitable had Congress acted earlier this year.

Earlier this year, the post office defaulted on two of the health prepayments for the first time in its history.

The Postal Service, an independent agency, does not receive tax money for its day-to-day operations but is subject to congressional control.

The Senate passed a postal bill in April that would have provided financial relief in part by reducing the annual health payments and providing a multibillion-dollar cash infusion, basically a refund of overpayments the Postal Service made to a federal pension fund. The House, however, remains stalled over its own legislation that would allow for aggressive cuts, including an immediate end to



Saturday delivery.

It remained unclear whether House leadership would take up the postal bill in its current lame-duck session. Rural lawmakers are resisting action, worried about closures of postal facilities in their communities. Congress is focused now on a Jan. 1 deadline to avert across-the-board tax increases and spending cuts known as the "fiscal cliff."

While urging quick congressional action, the Postal Service acknowledged the uncertainty in its legal filings on Thursday, which anticipate that Congress will fail to act. But Rep. Darrell Issa, R-Calif., who chairs the House Oversight and Government Reform Committee and is a sponsor of the House bill, has said he believes postal legislation can be passed this year.

"The U.S. Postal Service is clearly marching toward a financial collapse of its own," said Sen. Tom Carper, D-Del., a sponsor of the Senate bill. "I am hopeful that now that the elections are over, my colleagues and I can come together and pass postal reform legislation so that a final bill can be signed into law by the end of the year."

Overall, the post office had operating revenue of \$65.2 billion in fiscal 2012, down \$500 million from the previous year. Expenses climbed to \$81 billion, up from \$70.6 billion, largely due to the health prepayments. The annual payment of roughly \$5.6 billion had been deferred for a year in 2011, resulting in a double payment totaling \$11.1 billion that became due this year. The Postal Service is the only government agency required to make such payments.

The post office also has been rocked by declining mail volume as people and businesses continue switching to email and other online options in place of letters and paper bills. The number of items mailed in the last year was 159.9 billion pieces, a 5 percent decrease. Much of the decline came in first-class mail.

On the plus side, the mail

related mail. In all, campaign mailings and mail-in ballots helped bring in \$500 million, a new high and roughly double the amount in the 2008 election year.

"We are far short of liquidity," Corbett said.

Fredric Rolando, president of the National Association of Letter Carriers, blamed Congress for mandating the annual health prepayments in 2006, which have contributed significantly to the Postal Service's financial woes. But he suggested that lawmakers might be wiser to act on legislation next year, rather than acting too hastily. His union is opposed to the current version of the House bill, which gives the Postal Service wide leeway to close post offices and make employee cuts to balance its budget.

"Rather than rushing through a flawed bill in a lame-duck session, the new Congress should start over in January and develop constructive legislation that fixes pre-funding. That would eliminate the biggest drain on

postal finances," Rolando said.

Last month, the post office said it will increase postage rates on Jan. 27, including a 1-cent increase in the cost of first-class mail, to 46 cents. The rate increase, which is tied to the rate of overall inflation, will make only a small dent in financial losses.

The Postal Service also originally sought to close low-revenue post offices in rural areas to save money, but after public opposition, it is now moving forward with a new plan to keep 13,000 of them open with shorter operating hours.

Without legislative changes, it said, annual losses will exceed \$21 billion by 2016.

"If Congress fails to act, there could be postal slowdowns or shutdowns that would have catastrophic consequences for the 8 million private sector workers whose jobs depend on the mail," said Art Sackler, co-coordinator of the Coalition for a 21st Century Postal Service, a group representing the private sector mailing industry.

## Rep. Perry Appointed to Interim State Committee

LUBBOCK -- State District 83 Representative Charles Perry (R-Lubbock) was appointed to serve on the Interim Committee on Texas Response to Federal Sequestration, earlier this week.

Texas House Speaker Joe Straus created the committee to recommend ways that the state can prepare for looming tax increases and spending reductions caused by gridlock in Washington D.C.

The impending sequestration process poses several threats to Texas. It has the potential to trigger across-the-board reductions in defense and non-defense spending, and if an agreement to avoid sequestration is not reached, large increases in federal taxes.

The Committee will study and develop legislative proposals on how the sequestration process will affect the defense industry in Texas, the state budget, public and higher education and the tax burden on Texas families and businesses. The Committee will report its findings to Speaker Straus by Jan. 7th, 2013 and will expire at the start of the 83rd Session.

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