



# *E-NAPUS Legislative Newsletter*

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Find NAPUS President  
Wally Olihovik and  
Secretary-Treasurer  
Bob Rapoza

## **NAPUS Inaugural Ball and Crawl**

Yesterday represents the second time in less than a year that NAPUS was well represented on the West Front of the U.S. Capitol. However, this time, we did not command the area, or the attention that we did on March 24, 2004 at the NAPUS Legislative Rally. Moreover, our rally did not secure hundreds of city blocks and restrict miles of access to local streets, forcing traffic to crawl through Washington. Presidential inaugurations can make or rewrite history. Thursday was the 55<sup>th</sup> time a U.S. President raised his right hand to take the solemn oath of office. NAPUS participated in the inaugural activities at official events, such as the actual inauguration and the official inaugural balls. Just as important, however, was our involvement at informal gatherings at which key legislators and postal policymakers attended.

Postmaster representation is essential at inaugural events – both formal and informal ones – because legislative business does not take a holiday while history is being made. NAPUS' participation in these activities provides a unique opportunity for us to interact with the Administration, Congress, and other policy-makers who could affect the Postal Service and postmaster benefits. Postal competitors recognize this fact of politics. Indeed, earlier this week, *Reuters News Service* reported that FedEx and UPS each forked over \$250,000 to the Presidential Inaugural Committee. The news agency noted that both companies have a deep interest in "the overhaul of the U.S. Postal Service." To a neutral observer it would seem that the corporate giants, who dominate the express and parcel delivery market, seek to leverage their contributions to curry favor with the White House. (*I would be curious which UPS product is bearing the cost of its political largesse.*)

Postmasters can be sure that corporate handouts will not trump NAPUS' commitment to constructive and progressive postal reform. Throughout town, both Republicans and Democrats hosted a variety of events that coincided with the inaugural festivities. These get-togethers provided a fertile environment for us to promote the NAPUS legislative agenda and to pick up the latest intelligence on postal reform.

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## **How Much Is Too Much?**

In a continuing effort to bring postmasters up to speed with key aspects of postal reform, this *E-NAPUS Legislation Newsletter* will briefly explore the issue of postal price indexes. This is a contentious issue among mailers, the USPS, and employees. It concerns the rate-adjustment of "market dominant" postal products. That is, how much of a postage increase is too much.

The consensus has been that postage rates should track inflation in some way, shape, or form. However, the controversy is over the way, the shape, and the

**Consumer Prices  
(1978-2005)**

	% Increase
CPI	192.9
Stamp	146.7
Gasoline	192.5
Baseball Ticket	483.3
Air JFK – LAX	218.5

form of the tracking. NAPUS, and its congressional allies, believes that a postage index should relieve the USPS of periodic, divisive, and prolonged rate cases before the Postal Rate Commission, or a successor regulator. The theory behind the plan – as conceived by Rep. John McHugh in H.R. 22 – is that the postal regulator should design a system to permit the USPS to adjust its rates on market dominant products within a defined index. McHugh envisions that the consumer price index (CPI), a Bureau of Labor Statistics measurement that gauges the change in a selected market basket of goods and services, would be good standard. (If the CPI rose by 2%, the postage could rise up to that same amount.)

In contrast, Senate Homeland Security and Governmental Affairs Chairman Susan Collins, in her 108<sup>th</sup> Congress bill, does not specify a particular index that the postal regulatory should use to guide the USPS as it adjust postal rates. Rather, the bill recommends a menu of indexes.

One index could be an offshoot of the traditional CPI – the CPI for the service industry. (Some postal observers believe that this is a better index since postal activities are services.) Another example of an index is the employment cost index (ECI), which calculates the rise in wages and benefits among American workers. Some argue that this is the right index because approximately 80% of postal expenses are labor. Others argue that since the USPS is unique, a special postal industry index should be established that integrates labor expenses with other USPS cost drivers, such as fuel.

Finding a suitable index is not the only issue. Employee groups – particularly the APWU – are concerned that an inflexible index would translate into a wage cap; thereby limiting their ability to negotiate over pay and benefits. The USPS is concerned that a rigid index would hamstring its ability to manage the agency. Therefore, the USPS is looking for a failsafe mechanism where they can exceed the index if warranted. Many mailers are only interested in a strict cap, with a further adjustment to reduce the index by a “productivity factor.” These mailers believe that inflation is far too generous an index; legislation should create an incentive, based on private-sector productivity, for the USPS to be more efficient. Another mailer concern is index implementation. Some mailers endorse a guarantee that the index applies independently to each subclass within a mail class. As a result, they want to restrict the USPS’ flexibility to adjust rates within a class, so long as the average rate of the entire class does not exceed the index.

In sum, price flexibility is in the eye of the beholder. It is easy to say, “I want enhanced USPS price flexibility.” However, it is far more difficult to agree on the specifics of a proposal. The type of index affects different postal stakeholders in a variety of ways. A penny-pinching index combined with restricted flexibility to apply the index, while attractive to many mailers, could make it virtually impossible to manage the USPS and undermine service to the mailing public. Whereas, the mailers would perceive an overly generous index as “false-reform,” dispiriting those who anticipated postal price restraint.

NAPUS continues to pledge its commitment to work with the entire postal community to navigate around – and sometime through – the remaining obstacles to postal reform. Representative McHugh, Chairman Collins, House Government Reform Committee Chairman Davis, and others merit our admiration for guiding the postal world through treacherous waters.

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