



E-NAPUS Legislative Newsletter

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Is Good News Sucking the Air Out of Postal Reform? NO!

This past week, a rumor circulated on Capitol Hill, in the White House, and within the postal world, that USPS is considering a modest 6% across-the-board rate increase for 2006. The chitchat comes on the heels of mailer panic that the next rate case would call for a double-digit hike. Some of these mailers would have been stricken by a crippling 22% increase. We need to ask two questions. First, what changed in the past six months? Second, what impact will this news have on postal reform?

The apparent good news is the result of a number of factors. Through the first two months of FY 2005, the USPS banked almost \$530 million. During this period, the USPS reported an 11.4% increase in standard mail volume and a surprising 4% increase in first class mail volume. It remains to be seen whether these impressive numbers will hold when the USPS reports the December numbers to the Board of Governors on February 17. However, the mailing community is already painting an extremely optimistic picture.

Mailers are estimating a \$700 million surplus, resulting mostly from a projected 14% increase in standard mail. The USPS will be reaping the benefits of a slow, but steady economic recovery. For better and for worse, the USPS is captive to the unpredictable business cycle. We merely survive in times of economic plenty, but starve in times of fiscal famine. Not to be overlooked is the exemplary productivity exhibited by frontline postal managers and employees. Their diligence is not dependent on the ebb and flow of the business cycle. Postal employees demonstrated their aptitude for taking postal productivity to a new level. Indeed, this characteristic of the postal workforce contributed greatly to the USPS being in the black.

Assuming the mailers are peering into the right crystal ball, a 6% rate increase would be a possible, if not a likely, scenario. The mailers claim that the 2006 postage increase would be attributable solely to the USPS requirement to fund the CSRS escrow account and to pay for the postal retirees' military retirement credit. Accordingly, mailers would not experience any rate increase if not for the CSRS issue.

There is a real fear among reform advocates that the good news will dampen the enthusiasm for reform. They suggest that rising mail volume, revenue, and productivity bodes well for the USPS. Consequently, there is no crisis and comprehensive postal reform should not be a priority. Nonetheless, if ten years of House and Senate hearings demonstrated anything, it is that the postal world should not misread a temporary and potentially fleeting blip in the USPS financial situation. Endless pages of evidence justifying the need for reform are dog-eared and still on the table. In addition, earlier this month, the

FY 2005

Year to Date USPS Financial Picture

First Class Mail	↑ 4.0%
Priority Mail	↑ 1.9%
Express Mail	↑ 1.3%
Standard Mail	↑ 11.4%
Periodicals	↓ 0.7%
Parcels	↓ 4.0%
Income	\$528 M

Government Accountability Office reaffirmed that the Postal Service is on its "High-Risk" list. Despite enormous positive USPS strides, the long-term shrinking mail volume and ever-escalating delivery points do not point to a vibrant and opportunistic institution.

In the 109th Congress, the postal reform discussion presents an interesting scenario. If the USPS numbers hold through December, the specter of a double-digit postal rate case will not muddy the waters over postal reform. The key White House and Congressional postal policy-makers would be able to focus their attention on the guts of the postal reform bill. That is, how to empower the USPS with a more appropriate and flexible rate-setting process, while protecting the mailing community from erratic and often crippling postage increases. At the same time, the rate case for the 2006 postage adjustment would highlight the unfairness of forcing the USPS to fund an escrow account for which there is no rational reason. The policy-makers must consider this issue. It will not go away.

Regrettably, far-flung communities across the country do not yet understand the ramifications of the USPS being precluded from thriving. Postmasters, as the emissaries for a universal postal service, must continue to be in the vanguard, promoting the efforts of those who seek to ensure that every American is provided with an affordable mail service that does not discriminate because of geography or demography. It is a hard job, but we all need to do it.



Chairman Tom Davis
House Government
Reform Committee

Getting the House in Order

We expect that House Government Reform Committee Chairman Tom Davis (R-VA) will "organize" his committee by February 10. Although the Committee can and does conduct hearings prior to organizing, it cannot report legislation to the floor of the House of Representatives. Therefore, H.R. 22, the Postal Accountability and Enhancement Act, cannot move anywhere at this time.

In organizing the Committee, Chairman Davis would propose Committee rules, and establish the number, the jurisdiction, and assign the members of the subcommittees. Among the critical decisions he will make is whether to resurrect the long-dormant Postal Subcommittee, renew the Postal Task Force, or reserve postal issues for the full committee level. It is important to note that Rep. McHugh cannot chair the postal subcommittee, if created, since he already chairs an Armed Service Subcommittee. However, he would be able to chair a task force.

This week the Committee added nine new members to its roster. The new Republican members include 3rd term Representative Darrel Issa (CA), 2nd term Representatives Ginny Brown-Waite (FL) and Jon Porter (NV), and freshmen Representatives Kenny Marchant (TX), Lynn Westmoreland (GA), Patrick McHenry (NC), Charles Dent (PA), and Virginia Foxx (VA). The new Democratic member is freshmen Representative Brian Higgins (NY).

Besides postal reform legislation, the House Government Reform Committee, and the Senate Committee on Homeland Security and Governmental Affairs will have its hands full with a White House proposal to revamp to federal employee pay system. The Administration desires to replace the present longevity-based General Schedule system with a pay-for-performance system.

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