



e-NAPUS Legislative & Political Bulletin

March 31, 2006

Volume 3, Number 11



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Lasting NAPUS Conference Impact

Although 1,000 NAPUS Postmasters left Washington last week, their impact upon the legislative environment is having a lasting impression. In the wake of the NAPUS Leadership Conference, the Government Relations Department has fielded a significant number of calls relating to postal reform and postal operations. The majority of the congressional inquiries concerned two issues – postal price setting and service standards.

One of the key issues that Postmasters raised on Capitol Hill was the difference between the House-passed and the Senate-passed postage price index. Specifically, Postmaster legislative activists told Congress that the House-passed version “exigency” provision, which would permit the USPS to seek a rate adjustment above the consumer price index under certain conditions, is preferable to the Senate-passed version. This NAPUS position is endorsed by all postal employee groups and the USPS itself. The Senate-passed provision would confine the USPS opportunity to seek such a rate adjustment to an excessively narrow set of circumstances (i.e., extraordinary and unanticipated events). Postmasters explained to Capitol Hill that the USPS could be hard-pressed to maintain quality mail service should fuel prices spike or mail volume drop off exponentially. Under the House-passed bill, these types of events could be evaluated by the postal regulator. However, the Senate-passed bill appears to dismiss these types of conditions as not meeting the dual criteria of “extraordinary and unanticipated.” The Senate bill would require both conditions to be met, not just one.

The major proponents of the Senate’s strict “exigency” provision include business mailers and the White House. They fear that a more permissive exigency clause would not provide the necessary incentives for the USPS to control costs.

In response to Congressional queries about the difference between Postmaster allies and strict exigency advocates, NAPUS raised the specter that adoption of the strict exigency provision could very well lead to a significant and economically debilitating rate hike. We explained that the USPS will file an omnibus rate case this spring. The USPS filed the last such rate about three years ago. So, the postage structure needs to be modified to address certain rate inequalities that have developed over these past three years. In addition, except for the January 2006 CSRS-escrow-compelled 5.4% increase, there has been a 3-year rate freeze. Consequently, the USPS 2006 omnibus rate case is anticipated to be significant.

Under the Postal Reform transition rules, the USPS would be entitled to one last rate case. The timing of the case would be between postal reform enactment and implementation of the post-reform rate process. Present rules allow the USPS to include, as part of its rate structure, a contingency fund. This fund is established to finance unexpected increases in operation costs. We

should expect that a hermitically sealed postage rate cap, as wished for by many mailers, would force the USPS to file its last rate case with a substantial contingency component. After all, an excessively tight rate cap would preclude the USPS from adjusting rates to help cover unexpected or extraordinary costs in the future. So, ironically, mailers who want to corral future rate increases with a tight cap could be confronted with a substantial out-of-shoot rate spike as a result of their efforts to tamp down on exigency. The last rate case could take the form of a discrete case or as an amendment to the soon-to-be-filed spring rate case. NAPUS believes that the House-passed exigency provision strikes the appropriate balance between rate stability, and guaranteeing the continued viability of the USPS and universal mail service.

Another theme that dominated post-Leadership Conference Congressional queries concerned apparent service reductions throughout the country. Specifically, Members of Congress were concerned about reduced and inconvenient window hours, and why many communities were getting post-nightfall mail deliveries. In addition, a number of rural Members of Congress were concerned about how the reduction office hours, or the suspension of post offices were affecting the ability of their constituents to access postal services. NAPUS furnished these Congressional offices with recent copies of the *Postmasters Gazette*, where NAPUS President Goff highlighted that inadequate staffing levels is having a negative impact on the quality of service in many communities. In addition, NAPUS provided Congressional offices a copy of *A NAPUS Action Guide for Preventing the Closing or Consolidation of Your Post Office*. In a significant number of instances, the Members of Congress indicated that they would like learn about staffing issues that may impact mail service prior to their receiving constituent complaints about the matter. We pledged to work with these Congressional offices to address the mail service issues.



Joshua Bolten
White House Chief of
Staff

White House Change

Earlier this week, President Bush accepted the resignation of White House Chief of Staff Andrew Card. The President has designated Office of Management and Budget (OMB) Director Josh Bolten to succeed Card. Card's White House departure could have policy and political implications for postal reform.

One of the White House's conditions for signing a postal bill has been "cost-neutrality." The Administration's chief bean-counter is the OMB. The Office helps develop and administer the federal budget, and establish Administration funding priorities. With OMB Director Bolten moving to the West Wing of the White House, it remains to be seen how he will imprint his policy views regarding the budget impact of eliminating the CSRS escrow fund on the political deal-making that is so important to the effectiveness of a White House Chief of Staff. It should be noted that despite past policy clashes between OMB and Congress, Bolten is well-respected by members of both political parties.

Another aspect to the Administration's mid-second term musical chairs is that the President will nominate a new OMB Director. The Senate Homeland Security and Governmental Affairs Committee, which is chaired by Senator Susan Collins, and the Senate Budget Committee share jurisdiction over the confirmation over the OMB Director. Therefore, the Senate Committees will either jointly or independently conduct the confirmation hearing. It goes without saying that members of the Governmental Affairs Committee will explore the White House position on postal reform legislation.

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