



E-NAPUS Legislative Newsletter

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Will Postal Consumers Be Milked Again?

CBO Slashes Cost of Postal Reform Bill by \$4.5 Billion

On Monday, the Congressional Budget Office (CBO) released its estimate that enactment of the Postal Enhancement and Accountability Act (H.R. 22) would have a 10-year cost of \$4.5 billion **less** than last year's legislation. (A similar reduction is anticipated for S. 662.) Nonetheless, CBO projected that H.R. 22 would still reduce federal revenue by \$5.9 billion. This "cost" is attributable primarily to eliminating the CSRS escrow account. Beginning in 2006, the account would contain USPS Civil Service Retirement System overpayments. Since the USPS would not overpay the U.S. Treasury, the correction counts as revenue lost by the government and would raise the federal budget deficit.

A growing number of fiscally conservative lawmakers, led by Rep. Pete Sessions (R-TX), are revisiting the CBO "score." They are skeptical because they think that budget analysts should evaluate the overall impact a bill has on the economy. These Representatives believe that funding the escrow account raises business expenses by increasing postage and reduces employment in affected industries, thereby lowering tax revenue and increasing the deficit.

Despite Congressional, mailer, and postal employee pressure on the White House, it continues to oppose eliminating the escrow account, unless all the funds are used to reduce the USPS' retiree health insurance liability. Redirecting the "overpayments" to the FEHBP would count as revenue to the U.S. Treasury and would not increase the deficit. Also, the White House has not relented on the H.R. 22 and S. 662 provision to restore the U.S. Treasury's responsibility to finance military retirement credit for CSRS annuitants.

Elimination of the escrow account would permit the USPS to reduce future rate adjustments (the USPS is requesting Postal Rate Commission approval of an escrow account-related postage 5.4% rise), increase spending for capital improvements, pay down its debt, or any combination of the options. All of these alternatives would benefit postal consumers. Instead, it appears that the mailing public is being used as a cash-cow to reduce the federal deficit.

It is noteworthy that, during last night's press conference, President Bush decried the fact that small businesses and families are paying higher prices at the gas pump. The President correctly stated that, higher gas prices have a dampening impact on employment and the economy, since companies are less likely to hire. Moreover, President Bush stated that higher gas prices are like a *tax*, both on business and on families. Admittedly, the White House has limited influence over gas prices, yet it still considers a gas hike a tax. How much more so should a "governmental" commodity for which Administration action is driving a price increase of 5.4% - postage - be considered a tax?



Airline Postage
Surcharge for
International Mail?

PMG Potter Asks Appropriators to Fund Congressional Mandates

On Tuesday, PMG Potter testified before the House Appropriations Subcommittee that has jurisdiction over the limited amount of congressional dollars that flow to the USPS. The Subcommittee, chaired by Rep. Joe Knollenberg (R-MI), focused its attention on the PMG's request for \$137.5 million to reimburse the agency for congressionally mandated discounts to which nonprofit mailers are entitled, and for free mailing for the blind and overseas voting. In addition, the USPS is seeking \$51 million to complete its deployment of biohazard detection systems, and ventilation and filtration system. Chairman Knollenberg was receptive to the request, but cautioned Potter that the Committee may not be able to fund fully the USPS requests.

In response to questions by panel members, the PMG confirmed his support of the postal reform legislation and identified the elimination of the CSRS escrow account and reversing the requirement that the USPS fund the CSRS military retirement credit as key elements of it. He also noted the need for increased operational and price flexibility. One area that the PMG identified was the inability for the government to use USPS parcel post because the Postal Service cannot compete for the business. The USPS needs to be able to offer discounts in order to win a government contract. Also, in answering a question, the PMG is hopeful that reform legislation would enable the USPS to subject the carriage of foreign-destined mail to competitive bidding, saving the USPS over \$40 million. Currently, the second highest component of international mail cost is air transport. Under pressure from U.S. airlines, the House Government Reform Committee deleted a section of H.R. 22 that would have permitted the USPS to force airlines to bid for right to carry international mail. Currently, the Department of Transportation establishes the rate.

NAPUS Intervenes in Rate Case

On April 22, NAPUS formally filed papers with the Postal Rate Commission (PRC) to intervene as a "limited participant" in the USPS-initiated rate case. The USPS request could raise postage by 5.4% (Docket Number R2005-1). As an intervener, NAPUS is able to present evidence and testimony relevant to the issues in the case.

In its filing, NAPUS pointed out that: "Actions taken by the Postal Service to alter classifications, rates and fees for special services affect the working conditions of NAPUS members and impact the communities in which postmasters serve." It is important for postmasters to be participants in the deliberation of PRC over postage rates, since the regulator's decisions could have a significant impact on post office revenue.

The filing of this across-the-board rate 5.4% increase is the direct result of the requirement that the USPS begin funding the CSRS escrow account in 2006. Enactment of postal reform legislation, as currently drafted, could reduce the magnitude, or postpone the need for this rate increase.

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