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In Opposing H.R. 22, "Anti-Tax" Activist Supports "Hidden Tax"



Grover G. Norquist
President
Americans for Tax Reform

On June 1, Americans for Tax Reform (ATR) President Grover G. Norquist notified Congressional Republicans that his group opposes H.R. 22, the Postal Enhancement and Accountability Act. He wrote that ATR would "rate a vote for H.R. 22 as a vote against taxpayers." It is odd that an anti-tax activist, like Norquist, would oppose legislation that grants tax relief to his purported members. As postmasters know, H.R. 22 tackles the over-funded CSRS escrow account, which if ignored, would raise postage. Passage of H.R. 22 frees the mailing public – the group that the ATR claims to represent – of a 10-year \$18 billion "hidden tax." Failure to pass H.R. 22 triggers the levy in 2006, beginning with a 5.4% rate hike. Additionally, USPS collapse that could result from failure to enact postal reform legislation may force taxpayers to fund universal mail service and cover other USPS financial obligations.

It appears that Norquist sent off his communiqué, anticipating a House vote on H.R. 22. Prior to departing for Memorial Day, House Republican Whip Roy Blunt (R-MO) alerted Republicans that postal reform legislation may be brought up for a vote by the House in the "early summer." This could mean June.

Ironically, Norquist's missive has left many fiscally conservative Members of Congress scratching their heads. After all, it was Norquist who labeled stamp hikes as a "hidden tax." He articulated this view in a February 23, 2004 letter, included in the official record of the March 2004 Joint House-Senate Hearing on Postal Reform. Norquist stated that since the USPS is required to fund the CSRS obligation "a hidden tax is imposed on postal ratepayers to subsidize a significant portion of federal obligations."

The ATR letter claims that H.R. 22 does not restructure the USPS enough. The claim is fascinating, since the ATR failed to participate in the development of the legislation. Only when, it was clear that overwhelming support of H.R. 22 is leading the bill to the House floor does ATR choose to weigh in. In his letter, Norquist objects to H.R. 22's pricing mechanism and the treatment of core postal products. He also trips over his sword on the issue of a solitary employee representative on the Postal Board of Governors.

First, ATR ignores the H.R. 22 provision on USPS pricing flexibility. Norquist overlooks the fact that price adjustments for market-dominant postal products, which account for the overwhelming majority of USPS business, would be limited to increases in the consumer price index. The newly empowered postal regulatory authority would have to approve any adjustment beyond CPI, using specified criteria. Moreover, the postal regulator would have subpoena power to ensure that the USPS is providing accurate and complete data. This power is not presently available.

"... a hidden tax is imposed on postal ratepayers to subsidize a significant portion of federal obligations."

2/23/04

Opposes legislation to eliminate hidden tax

6/1/05

Second, the ATR misunderstands the restrictions imposed on the USPS against expanding beyond its core business. In fact, H.R. 22 limits the USPS to its core competence by specifically defining "postal service" as "the carriage of letters, printed matter, or mailable packages, including acceptance, processing, delivery" or products that directly support these services.

Finally, the ATR, in opposing a lone employee seat on the Board of Governors, is rejecting an emerging private sector practice that includes employee participation in corporate governance.

Indeed, it would be poetic justice for the very taxpayers who the ATR claim to represent to mail Norquist letters demanding that he reconsider his position on H.R. 22, with an additional 2-cent stamp affixed on the envelope. After all, this would be the outcome if Congress followed Norquist's paradoxical position.

Rep. McHugh Smokes Out USPS

Rep. John McHugh (R-NY) announced that he intends to introduce legislation next week to prevent tobacco products from being delivered via the USPS. In a June 1 press release, McHugh cited growing concerns about the sale of tobacco to youngsters via the internet, and expressed support for state efforts to curtail online cigarette sales.

According to McHugh, the legislation would make cigarettes and other tobacco products restricted, non-mailable matter. Rep. McHugh believes that the USPS "creates a channel through which underage youth can obtain tobacco products. The *Journal of the American Medical Association* reported that kids as young as 11 succeeded 90% of the time in purchasing online tobacco.

The issue came to the forefront as the result of a May 29, 2005 article in *the New York Time*. The newspaper reported that the USPS is resisting state requests to stop shipping cigarettes. For example, New York State Attorney General Elliot Spitzer is attempting to curtail the illegal trade of cigarettes over the internet. The *NY Times* stated that, last month, the "National Association of Attorneys General" asked the USPS to adopt regulations that would prohibit the USPS from accepting packages that the federal agency knows, or should know contains cigarettes illegally sold online. While state laws prohibit private carriers (e.g. UPS and FedEx) from conveying tobacco products, as a federal agency, the USPS is immune from coverage. In resisting, the USPS expressed concern about mail privacy and requiring frontline postal personnel to determine package acceptance. McHugh disagrees and points to acceptance decisions that are made everyday on other non-mailable items. Currently, child pornography, firearms, alcohol, certain locksmith devices (including motor vehicle master keys), agricultural produce subject to quarantine, certain animals, and unsolicited advertisements for contraceptives or unsolicited and potentially dangerous substances that do not have child-resistant packaging are not mailable via the USPS.

Rep. McHugh intends to request that either the Special Panel on the Postal Service, which he chairs, or the House Government Reform Committee Chairman Tom Davis (R-VA) to hold a hearing on the issue. Depending on Rep. McHugh's desires and the traction that the issue receives, tobacco mailable could find its way into postal reform legislation. Also, it appears that health advocacy organizations may take a strong interest in promoting the McHugh initiative.



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