



e-NAPUS Legislative Newsletter

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Senate Committee Unites With House Panel on Postal Bill

On Wednesday, the Homeland Security and Governmental Affairs Committee approved S. 662, postal enhancement legislation crafted by Committee Chairman Susan Collins (R-ME) and Senator Tom Carper (D-DE), by a 15-1 majority. Sen. Tom Coburn (R-OK) cast the lone dissenting vote. The next stop for S. 662 is the Senate floor.

S. 662 reflects the same priorities contained in H.R. 22, the bill that the House Government Reform Committee passed unanimously in April. These priorities include greater price flexibility, and enhanced financial and operational transparency. The measure also safeguards universal service, meaning affordable postage, frequent delivery, and convenient community access to retail postal services. Both bills would eliminate the congressionally created CSRS escrow account and would restore the U.S. Treasury's obligation to fund the CSRS military retirement credit. Nonetheless, the White House continues to oppose these two provisions. As was pointed out in previous *e-NAPUS Newsletters*, PMG Potter has warned that failure to solve the CSRS issue will result in a 5.4% postage increase in 2006. On Monday, the PMG is scheduled to testify before the Postal Rate Commission on the proposed increase.

SINGLE PIECE PARCELS – One particular provision in S. 662 that commands strong NAPUS support is the classification of “single-piece parcels” as a “market dominant” product. Unlike the House bill, the Senate measure ensures that rural, residential, and small business acceptance and delivery of USPS parcel post remains affordable and viable. NAPUS believes that H.R. 22's depiction of single-piece parcels as a “competitive product” is a case of mistaken identity. Consequently, NAPUS urges the House to adopt the Senate definition of single-piece parcels.

DID OPM MISCALCULATE THE AMOUNT THAT IT OWES THE USPS? – At the Committee markup of S. 662, Ranking Committee Democrat Joseph Lieberman (R-CT) proposed an amendment, which would require the postal regulatory authority to evaluate the accuracy of the Office of Personnel Management (OPM) calculation of the USPS overpayment into the CSRS Trust Fund. This is the overpayment that, in 2002, OPM projected to be approximately \$78 billion. The USPS and a number of large mailers believe that OPM understated the overpayment. Therefore, Sen. Lieberman suggested that an independent entity evaluate the magnitude of the overpayment. The Committee adopted the Lieberman Amendment by voice vote.

BANKING RATE INCREASES – At the markup, Sen. Daniel Akaka (D-HI) expressed concern about a provision that Chairman Collins and Sen. Carper added to the bill. The provision would permit the USPS to “bank” postage

Committee Vote on S. 662

Yes (15)

Collins (R-ME), Chair
Stevens (R-AK)
Voinovich (R-OH)
Coleman (R-MN)
Chafee (R-RI)
Bennett (R-UT)
Domenici (R-NM)
Warner (R-VA)
Lieberman (D-CT), Ranking
Levin (D-MI)
Akaka (D-HI)
Carper (D-DE)
Dayton (D-MN)
Lautenberg (D-NJ)
Pryor (D-AR)

No (1)

Coburn (R-OK)

increases for up to 2 years. Basically, the provision allows the USPS to defer a portion of an entitled rate increase for only a 2-year period, and the USPS would be able to implement the banked increase only if it is in the red for that year. For example, the bill permits the USPS to raise rates up to the increase in the consumer price index (CPI), which might be 3% for year 2006. The USPS may decide that it wants to raise rates by only 2%. So, the USPS is able to "bank" the 1% difference. In 2007, the CPI goes up by another 3%. The USPS would only be able to raise its rate greater than the 3% in 2007 if it is losing money. In a "loss" scenario, the USPS would be able to increase rates by 4% in 2007 (i.e., 3% CPI plus 1% in the bank). Under S. 662, if the USPS did not increase its rate beyond the CPI in 2007, it would lose its banked amount. NAPUS understands that the USPS notified the Senate Committee that it would like to bank the deferred increased for up to 3 years and desires the flexibility to use the banked increases irrespective of the USPS's financial condition. Earlier this year, the White House sent legislative language to the House and Senate Committees that would permit the USPS to bank unused increases for up to 5 years and implement the adjustment without regard to USPS finances. H.R. 22 is silent on the banking issue, because, in H.R. 22, the postal regulator is charged with designing the new rate system.

It would appear that enabling the USPS to bank increases provides the Postal Service with the rate flexibility that postal legislation ought to embrace. In addition, employee groups feel that impeding the use of banked postage handicaps collective bargaining. Moreover, it is likely that postmaster compensation could be affected by the restrictions on banking. In sum, an indexed rate system demands a level of flexibility available through a mechanism that permits the USPS to bank unused rate adjustments for a reasonable number of years, and employ them without regard to whether or not the USPS is losing money. At the conclusion of Sen. Akaka's comments regarding banking, Chairman Collins and Senator Carper agreed to revisit the issue prior to bringing S. 662 to the floor.

Collins and Carper Set the Record Straight

At the Committee markup, Sen. Coburn, the lone S. 662 naysayer falsely accused the USPS of relying on tax-payer subsidies and that the USPS health insurance liability is the result of collective bargaining. Both allegations were soundly refuted by Chairman Collins and Sen. Carper. The two Senators accurately stated that the only congressional tax-payer funds that the USPS receive result from congressionally mandated discounts for nonprofit mailers, and free postage for the blind and overseas voting. The appropriations are simply a reimbursement. In addition, Coburn misunderstood the dynamic of federal health insurance as it applies to the USPS. He incorrectly blamed the negotiated 15% employee share of FEHBP's premium for the unfunded health liability. After all, federal employees are legally required to pay about 28% of premium. However, the freshman Senator ignored the fact that the postal liability is the result of retiree health costs, and that postal and federal retiree premium contributions are the same legally required 28%.

Coburn did not let the facts interfere with his opposition to the bill.

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