



# *e-NAPUS Legislative Newsletter*

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## *S. 662 Bill Does Not Beat the Summer Heat*



**Kit Bond (R-MO)**

*The Senator  
from  
Hallmark*

Last Friday evening, July 29, the only obstacle to Senate passage of S. 662, the Collins-Carper Postal Enhancement and Accountability Act, was a “hold” that Sen. Christopher Bond (R-MO) placed on the bill, at the request of Hallmark Cards. (See July 8 *E-NAPUS Legislative Newsletter* for an explanation of a Senate Hold.) Hallmark demanded that a provision be added to the bill that would restrict USPS rate-setting flexibility. Sen. Susan Collins (R-ME) did not assent to the demand, so Sen. Bonds did not lift the “Hallmark Hold.” As a result, action on S. 662 will have to wait until after Labor Day.

Thursday night, July 28, Sen. Susan Collins (R-ME) struck a deal with the Senate Leadership and the Budget Committee, which appeared to pave the way for Senate consideration of S. 662. The agreement stipulated that S. 662 would require “unanimous consent” (UC) for passage, meaning that if just one Senator objected the bill would be pulled. The UC route is frequently used to clear the Senate calendar of non-controversial bills and nominations before a recess. A bipartisan bill, commanding a 15-1 majority from the Homeland Security and Governmental Affairs Committee and garnering strong support from the postal community, satisfied the Leadership’s criteria for UC consideration. NAPUS members may recall that, in 2003, Sen. Collins shepherded Senate passage of the Postmasters Equity Act (PL 108-86) by UC.

During mid-Friday morning, Committee staff notified key players within the postal community that it was likely that S. 662 would be on the Senate floor later that day, via UC. Throughout the day, Senators Collins (R-ME) and Carper (D-DE), and Homeland Security and Governmental Affairs staff members were attempting to address outstanding concerns raised by a variety of interest groups and reassure anxious allies. It was a bipartisan effort to smooth the way for Senate approval of S. 662 prior to recess. Passage of the bill would result in a House-Senate Conference that would strive to resolve the differences between House-passed H.R. 22 and S. 662. And, equally important, it would place Congress in a strong position to challenge White House intransigence on the CSRS escrow account and military retirement credit issues. The USPS and mailers have focused on two issues like a laser beam. Solving the CSRS issue would avert a 5.4% postage increase in 2006.

By late afternoon, it became clear that Sen. Bond and Hallmark had little interest in constructive compromise, insisting on legislative language which would undermine the goal of S. 662 to provide the USPS with greater rate-setting flexibility. While appearing benign, the demanded clause would require that the new rate-making system “produce and maintain fair and equitable rates and classes.” In fact, the language is a Trojan Horse, jeopardizing the

flexibility that the USPS needs to survive. The Missouri-based company feared that, under a new flexible rate-setting scheme, its earnings would be harmed by the possibility that the USPS could assess certain fixed costs onto single-piece first class mail (e.g., greeting cards). The greeting card giant worried that less people would purchase fewer cards. The irony to Hallmark's argument is that the company is already moving away from paper cards to computer-generated and to email versions of its products. In fact, Hallmark appears to be competing against itself and its own retailers, and is gradually abandoning "Aunt Minnie" for more lucrative customers. In addition, yielding to the Hallmark-demanded clause, prejudices the ability of the new postal regulatory authority to create a fair rate-setting system, with input from postal-impacted companies like Hallmark. In sum, the Hallmark demand for the "fair and equitable" clause in S. 662 would undercut USPS' ability to meet the needs of the mailing public and to respond effectively to changing market conditions.

By Friday evening, the Senate was moving towards recess and Bond did not remove the "Hallmark Hold". As a footnote to the Hallmark-Bond effort, Hallmark's political action committee (HALLPAC) contributed \$10,000 to Sen. Bond's 2004 reelection, the maximum permitted under law.

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## Board of Governors Statement Assumes No Postal Reform

At the August 2 USPS Board of Governors of meeting, Chairman James Miller released a statement revealing that the Board discussed postal reform legislation during its August 1 closed-door meeting. The short 4-paragraph statement cited the White House veto threat against H.R. 22 and S. 662 if the legislation is not "revenue-neutral." Revenue-neutrality means that the USPS would continue to handover CSRS escrow-designated funds to the U.S. Treasury and would be obligated to finance the CSRS military retirement credit.

Assuming Congress would not be able to prevail on the CSRS issue, would not be able to muster the two-thirds necessary to override a Presidential veto, or would decide to drop reform in face of a veto threat, Miller laid out how the USPS would operate in the absence of reform. The statement mentioned that the Board discussed the extreme operating difficulties that the USPS would encounter under a revenue-neutral reform bill. In the absence of postal reform, Chairman Miller indicated that the USPS would continue to follow its present path of "controlling costs and generating revenue." In addition, the Chairman predicted a 2007 rate increase in the "mid-single digits and then target future annual adjustments at the consumer price index or below. The Miller scenario would mean that the mailing public would face two successive years (2006 and 2007) of postage increases.

At this point, it is not clear that the circumstances envisioned by the USPS (i.e., no postal reform, or a budget-neutral postal reform) are the only endgame for postal reform. Chairman Tom Davis (R-VA), bolstered by a 410-20 House win on H.R. 22, and Chairman Susan Collins (R-ME), chomping at the bit to get a full Senate vote on her Committee-passed S. 662, present the White House with a formidable pro-postal duo. Both Members of Congress have publicly stated their commitment to CSRS relief and constructive postal enhancement legislation. It is no time to throw in the towel.



BoG Chairman  
James Miller

**Bob Levi, Director of  
Government Relations**

**National Association of  
Postmasters of the U.S.**

**8 Hebert Street  
Alexandria, VA 22305**

**Tel. 703-683-9027  
Fax. 703-683-0923**

**Email: [blevi@napus.org](mailto:blevi@napus.org)**

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