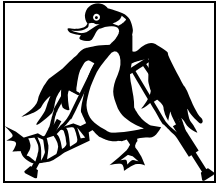


eNAPUS Legislative & Political Bulletin

Postal Reform to be Kicked to *Lame Duck* Session



A lame-duck is an injured water bird that cannot fly with the flock. The flight-challenged fowl is ripe for a predator's picking.

Less than a handful of days remain before Congress leaves Washington for the pre-election campaign trail. Both the House and Senate are going home by next Friday. This scant number of legislative days makes an H.R. 22 Conference Agreement virtually impossible prior to the November 7th election. Yesterday, the House GOP Leadership confirmed that it will schedule a post-election *lame-duck* session for the week of November 13. Moreover, the Leadership left the door open for a continuation of the session after a week-long Thanksgiving Day break. Consequently, it is possible that Congress will be in session from December 4 through Christmas eve.

The post-election session grants Congress legislative overtime to labor through the outstanding issues between the House and Senate-passed versions of H.R. 22. Seasoned political observers fear lame duck sessions because it is rare that good legislation emerges from such an encounter. The dynamics of a lame duck session are unique for many reasons. First, many participants will be unaccountable because they were already rejected by their constituents, or they will retire at the end of the year. Second, the session can be a last gasp effort by the majority party to enact its agenda, if the election alters the partisan composition of the legislative body, or significantly diminishes its majority status. Third, a shift in the majority party of either body could stalemate any legislation, because the newly elected majority desires to give its own imprint on the legislation and wants to create its own list of priorities. And, fourth, last minute passage of legislation is susceptible to a presidential *pocket veto*. That is, when Congress adjourns, the President can veto a bill by simply not signing it. Since Congress is out of session, there would be no opportunity to override the veto. All of these factors need to be fully appreciated as postal reform legislation is considered in a lame duck session.

The third wheel in House-Senate H.R. 22 negotiations (i.e., the White House) is flexing its muscle in an attempt to squeeze as much money as possible out of the legislation to help mitigate its budget deficit. (Remember that pocket-veto.) The Administration is focusing like a laser beam on the status of the CSRS escrow account and the CSRS military retirement credit. In addition, it is a loosely held secret that the Administration prefers the Senate's more restrictive language relating to the conditions under which the USPS may seek regulatory approval for a postage adjustment outside inflation. Also, it appears that UPS is leaning on the White House to work as its surrogate in a concerted effort to jam residential and rural parcels into the competitive category. This outcome would jeopardize universal parcel post.

NAPUS is monitoring and being proactive during these deliberations.

NAPUS to Congress: Protect Residential & Rural Parcel Post

One of the key remaining H.R. 22 issues is the classification of single-piece parcels. These parcels are an integral part of the universal postal system. Postmasters know that UPS is intent on killing H.R. 22 if this product is categorized as market dominant. The Senate bill correctly classifies single price parcels as market dominant.

I would like to take the opportunity to illustrate market dominance using the New York City subway system. The transport system operates throughout the Big Apple 24/7 and reaches all neighborhoods, when combined with public buses. There also exist "competitive" privately-owned bus companies. However, these for-profit buses connect a limited number of communities with only Wall Street or mid-Manhattan. A NY rail-user could also decide to hail a taxi or drive their own car. Market dominance is not based on the *mere* existence of competition. Rather, dominance is whether, despite an alternative, a price increase will significantly impact usage. Historically, rises in the price of a subway token does not diminish ridership significantly. The reason for this phenomenon is that for many New Yorkers there is no viable alternative to the subway. Commuters rely on the universal transport system. It goes virtually everywhere 24/7. Private buses don't. High bridge tolls, the lack of on-street parking, and astronomical parking garage fees preclude private cars. Moreover, many commuters who use private buses disembark and use the subway to carry them the last mile. What does this remind you of?

UPS argues that single-piece parcels should not be considered market-dominant because it offers parcel service. However, this is not how the bill or economics define market-dominance. Just like the subway, parcel market dominance is evidenced by consumer sensitivity to price change. Single-piece parcels fit the bill, especially when compared to USPS' truly competitive postal products. For example, according to available data, an Express Mail postage rate increase would decrease customer use by almost 4½ times the reduction of single-piece parcels. Of course, this assumes that the increase is the same for both products. Interestingly, the magnitude of the difference in price sensitivity between Parcel Select (commercial parcel post) and single-piece parcels is 4 times. (UPS wants Parcel Select and single-piece parcels to be treated the same.) These significant disparities in what economist refer to as *price elasticities* demonstrate that residential and rural customers rely on single-piece parcels. Consequently, the product is not competitive. Market dominance is due to the absence of a viable universal parcel alternative. It is obvious. In New York the streets are clogged with brown trucks. How many brown boats would you spy delivering packages to coastal delivery points? Or Kinko's would you find in the middle of Montana? Demand for single-parcels is stable, despite price changes. Classifying single-piece parcels as "competitive." as UPS wants, would expose the product to extraordinary price increases, because the USPS would have to price the product differently. The 37.3 million rural families have no viable alternative. To add insult to injury, parcel "competitors" levy a hefty surcharge on residential and rural residents and businesses for the privilege of being served. This is a charge single-parcel customers do not and should not suffer. NAPUS will continue to champion the interests of residential and rural postal customers.



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