



# e-NAPUS Legislative Newsletter

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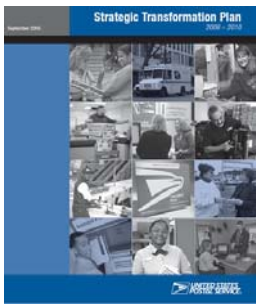
## Transformation Supplants Reform?

At its September 27 meeting, the USPS Board of Governors approved the *USPS Strategic Transformation Plan 2006-2010* and the Fiscal Year 2006 Financial Plan. At the start of the meeting, Chairman James Miller noted the September 13<sup>th</sup> letter the Board sent to Capitol Hill, which outlined concerns about H.R. 22 and S. 662. Miller indicated that the document was not intended to “sabotage” postal reform. (Capitol Hill was very irritated by the letter.) Miller reassured those assembled of the USPS’ history of communicating to Congress its support of reform. However, despite recent reform activity the Board meeting focused on the Transformation Plan and the FY 2006 USPS Budget.

The 87-page USPS blueprint highlighted innovation, productivity, performance and customer satisfaction. At the same time, the USPS Plans to focus on its core business. A number of Transformation items are of interest to NAPUS members. The USPS intends to enhance the value of the 38,000 postal retail facilities by take advantage of its ubiquity. The agency plans to solidify its position as the sole government link with many communities, and to seek alliances with the financial services industry to offer community access to banking products. The Plan also declared that the USPS will not change the current Post Office closings policy. This declaration appears to mean that the USPS will drop its desire to tamper with the legally defined Post Office closing and consolidation procedure, which safeguard community appeal rights. If this position holds, it represents a major victory for NAPUS’ longtime advocacy on behalf of postal-dependent small and rural communities. The Transformation Plan pledges that postal services should be quick, easy, and accessible. While the USPS wants to expand its online capabilities, the Plan promises customers “that does not mean that the services available at Post Offices will be reduced in any way.”

One Transformation Plan item that concerns NAPUS is a proposal to create “market-based compensation.” The USPS document does not define what market-based means, other than assert that compensation should be “comparable with the private sector, and must not pass unnecessary costs to its customers.” The Transformation Plan claims that one of the “compensation components” that do not reflect private sector practice is retirement, and it will “explore alternatives to the current health benefits programs...” The USPS concedes Congress would have to change the law to address compensation.

In addition to Transformation, the Board also discussed the USPS Fiscal Year 2006 Budget. USPS Chief Financial Officer Dick Strasser projected that the USPS will end FY 2005 with no debt, but the agency will have to borrow about \$1 billion next year to ensure liquidity. The budget projects a \$1.8 billion shortfall for the FY 2006. Strasser blamed the gap on the \$3.1 billion CSRS escrow account requirement. Consequently, the budget does not assume enactment of postal legislation that eliminates the escrow requirement. Mailer



USPS Strategic Transformation Plan 2006-2010

murmurings at the Board reflected dismay, since they thought that the 2006 5.4% across-the-board postage hike would cover the escrow requirement.

Despite the USPS' reluctance to successfully engage in the legislative arena, the economic basis for the FY 2006 Budget continues to provide firm foundation for a credible effort to pursue reform. First class mail growth continues to be anemic. Any slight bump in this category is attributable to discounted pre-sorted and automated pieces, rather than to the customary first class mail that makes a significant contribution toward postal overhead. At the same time, delivery points and operating expenses continue to increase.

## Is It Déjà vu All Over Again?

On September 28, House Majority Leader Tom DeLay (R-TX) was forced to step down as House Majority Leader as the result of being indicted by a Texas grand jury for laundering corporate campaign contributions. Senate Majority Leader Bill Frist (R-TN) is under investigation by the Securities and Exchange Commission for the sale of stock in his family-owned corporation immediately prior to the stock's value taking a nose dive. And, the Chief White House Procurement Officer resigned his post just before he was arrested for lying to federal investigators about communications he had with an indicted Washington lobbyist who had close ties to Rep. DeLay. All this muck is reminiscent of Capitol in the late 80's and early 90's. At that time, Democrats controlled Congress. That political fallout wreaked havoc on the Democratic party and was pivotal in Republican victory in the 1994 Congressional elections.

The 2006 Congressional election is still 14 months away, it is quite possible that the House and Senate Majority Leaders will be exonerated, and that the White House may be able to deflect the legal problems of a senior staff member. However, the confluence of these political tribulations is a major distraction that the GOP simply does not want or need.

For example, on Wednesday afternoon, the House Republicans needed to choose an interim Majority Leader. At first, Speaker Dennis Hastert (R-IL) wanted to bestow the honor on Rules Committee Chairman David Dreier (R-CA). However, conservative GOP members strongly preferred House Majority Whip Roy Blunt (R-MO). By the time the dust settled, the Speaker chose Rep. Blunt, with the caveat that he would be assisted in his responsibilities by Rep. Dreier and Deputy Whip Eric Cantor (R-VA). A timely side bar to Rep. Blunt's promotion is that he was instrumental in extracting approval of a House Government Reform Committee amendment to H.R. 22, which included Hallmark-desired language to limit USPS rate flexibility on single-piece first class mail. This was the price of getting the bill to the House floor in July.

Congress has yet to send the President 10 Fiscal Year 2006 Appropriations bills. So, on Thursday and Friday, Congress was forced to pass a stopgap spending bill (H.J.Res. 68) that would keep government running through November 18. The President can expect a bloody fight over his Supreme Court nominee to replace Justice Sandra Day O'Connor. Under pressure from the conservative Republican Study Committee, the Congressional Leadership is seeking federal budget cuts to offset hurricane relief and recovery spending. Finally, it is also unclear how Hill politics will affect the prognosis for postal reform. Though it is important to note that H.R. 22 and S. 662 are among the few bills that have garnered overwhelming bipartisan support.



Rep. Tom DeLay  
"The Hammer" Gets  
Nailed

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