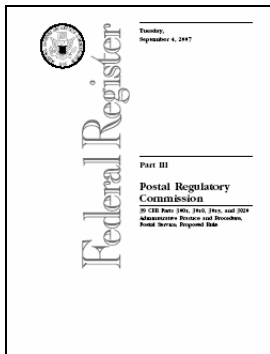




# eNAPUS Legislative & Political Bulletin

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Proposed Postal Rate-Setting Rules

## Congressional Vacation Is Over!

Over a century ago, Mark Twain poked fun at Congress, saying: "No man's life, liberty, or property is safe while the legislature is in session." On Tuesday, Congress returned from its summer break and, no doubt, Twain's wit still triggers a smile among even the most dedicated Capitol Hill residents. Congress arrived at the Nation's Capitol with significant unfinished business. For example, the legislature has yet to send President Bush any of the 12 Appropriations bills. In addition, Iraq remains a political time bomb. It is doubtful that the House and Senate Democratic Leadership anticipated the appropriations quagmire, because at the beginning of the year the House and Senate Leadership projected an October 26<sup>th</sup> adjournment date. However, this adjournment target will be impossible to meet. Therefore, the Congressional session may extend through Thanksgiving and deep into December.

The federal government's fiscal year ends on September 30 and it would be a miracle for Congress to complete the Fiscal Year 2008 budget process by that date. This Herculean task would require that the House and Senate pass, and the President sign into law all 12 appropriations bills within the next 3 weeks. While self-supporting agencies such as the USPS are minimally impacted by failure to enact the government spending bills, they fund the rest of the federal government. Such mundane federal responsibilities as processing Social Security benefits and federal retirement checks are funded by appropriations bills. Moreover, completion of the process is vital for Democrats because it is a test of their legislative effectiveness as the 8-month-old congressional majority. Nonetheless, the budget process is a struggle between congressional Democrats and the Bush White House over budget priorities and the level of government expenditures. At this point, it is clear that Congress will have to pass one or more "Continuing Resolutions", to fund temporarily federal agencies until appropriations bills are enacted, or an "omnibus" appropriations bill is signed by the President. Even so, the Administration has threatened to veto any spending bill that exceeds his FY 2009 Budget.

While Congress was on break, the Postal Regulatory Commission (PRC) proposed new rules for the postal ratemaking system under Public Law 109-435, the Postal Accountability and Enhancement Act. The PRC had until June 2008 to propose the new system, but unveiled the proposed rules on August 15, 10 months early. Postal stakeholders, including the USPS, have until September 24<sup>th</sup> to comment on the rules. After the comments are published in the *Federal Register*, stakeholders have until October 9<sup>th</sup> to submit "reply comments" to the PRC. Based upon these comments and reply comments, the PRC may revise their August rules. It is anticipated that final regulations will be published in the *Federal Register* by mid-to-late October. Subsequently, the Board of Governors has until December 19 to decide whether to go with the new rules, or file a rate case under the pre-existing rules.

Interestingly, stretching the Congressional Calendar beyond Thanksgiving, to accommodate unfinished budget business, may have political implications for the Postal Service decision regarding a possible omnibus rate case. House and Senate postal overseers have expressed their strong preference for the new inflation-adjusted rate process. As previously stated, under PL 109-435, the USPS Board of Governors has until December 19 to decide what rate-setting process they will use for the next rate adjustment. The new law provides that the default adjustment for market-dominant postal products is based on the consumer price index (CPI) and could take effect as early as spring 2009. The timing depends on when the Postal Regulatory Commission (PRC) publishes final regulations on the rate process. The PRC is expected to unveil these regulations in mid-to-late October. However, if the Board of Governors elects to employ the old rules and file an omnibus rate case, a protracted process would commence that could extend to late summer or early fall next year. This would result in rate increase being pushed until FY 2010. Postal stakeholders are anxious about the decision.

## GOP Effort to Regain Senate Dealt Multiple Blows

This has been an anxious summer for the National Republican Senatorial Committee (NRSC). Two scandals, two investigations, and one key retirement means that the GOP climb back to the top has become much steeper. Presently, Democrats are nursing a slim one-seat Senate majority; and in 2008, the electoral landscape looks a bit better for Democrats than Republicans. (The GOP needs to defend 22 seats, while Democrats need to protect 12.)

Before the summer, the only announced retirement was that of Sen. Wayne Allard (R-CO). However, last week, Sen. John Warner (R-VA) announced his retirement. Both open Senate seats are highly competitive, meaning that there is a reasonable possibility that the seats could be captured by Democrats. In Colorado, the favorite is Rep. Mark Udall (D-CO) and he may be challenged by former Rep. Bob Schaffer (R-CO). In Virginia, a highly contested GOP primary is anticipated, pitting moderate Rep. Tom Davis (R-VA) against conservative former Gov. Jim Gilmore (R-VA). The likely Democratic nominee would be former Gov. Mark Warner (D-VA). Former Gov. Warner would be the favorite in the general election.

Sen. Warner's retirement puts a spotlight on the electoral plans of two of his contemporaries, Sens. Ted Stevens (R-AK) and Pete Domenici (R-NM). Both are highly respected veteran legislators who are under investigation. There is considerable speculation that they may retire. Depending on candidate selection, open seats in Alaska and New Mexico can be competitive.

Also during the summer, Sen. David Vitter (R-LA) admitted that he procured "escort services" during his tenure in the House of Representatives. More recently, Sen. Larry Craig (R-ID) pled guilty to a charge relating to his activities in the men's room at Minneapolis International Airport, forcing his resignation from the Senate. While Vitter is not up for election in 2008 and Idaho is a safe GOP state, the bad publicity is a distraction and undercuts the GOP's national campaign messaging. In addition, it can depress electoral turnout among voters who believe that "moral issues" are pivotal in elections.



Sen. John Warner  
Announces  
Retirement

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**8 Hebert Street  
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