



eNAPUS Legislative & Political Bulletin

November 16, 2007

Volume 4, Number 21

USPS Adopts Inflation-Based Postage Adjustment for 2008

On Thursday, the USPS Board of Governors agreed to abide by the new price system that was recently developed by the Postal Regulatory Commission for market-dominant-product (e.g., first class, standard and periodical mail, and single-piece parcels) postage adjustments. The new pricing regime would index rate adjustments to inflation.

At the Board of Governors meeting, PMG Jack Potter remarked, "This delivers one of the main goals of the new law for business mailers – a predictable price schedule." In addition, the new law enables the USPS to respond and anticipate the market when establishing prices on competitive products. PMG Potter stressed, "We intend to use this new flexibility to grow our competitive business, offering volume discounts and contract pricing." Under the Postal Enhancement and Accountability Act, the Board of Governors had the option of filing one last rate case under the pre-postal reform rules.

It is likely that USPS will propose an index-based price adjustment in early 2008. Filing a formal rate case, under the old rules, would have pushed a rate adjustment deep into 2008. The almost one-year-old postal law provides the Board of Governors with the flexibility to propose a rate that can be less than, or equal to the consumer price index (CPI). If the Board elects to propose a sub-CPI adjustment, the difference between the CPI and the adjustment could be rolled into a future postage increase.

The new pricing and product flexibility will be especially important to the USPS and its employee as we grapple with a sluggish U.S. economy and erratic mail volume. By reading the business section of your local newspaper, you can conclude that all is not well in the retail trade. In part, this observation is drilled home by the *USPS FY 2007 Year End Review*. Overall mail volume fell by 0.4%; first class mail continued to trend down by 1.6%; and standard mail grew by an anemic 1%. Evolving service standards and "intelligent mail" need to be selling points in marketing postal products to the business community and grow revenue. While the EXFC yardstick demonstrates exceptional performance within the class of mail that is evaluated, it does not measure the types of mail that our major costumers send. Moreover, despite 2007's continued growth in "total factor productivity," this measurement is less relevant under the new postal business model, which emphasizes retained earnings. Consequently, Postmasters will be looking to Postal Headquarters for ways in which to generate more revenue. Simply continuing to shrink the number of employees – a reduction of 36 million work hours in FY 2007 – does not grow revenue or generate mail volume. Moreover, sustained postal contraction will adversely impact customer service.



Senate Majority Leader Harry Reid Introduces Sen. Tim Johnson (D-SD)

Sen. Tim Johnson, a dear friend of NAPUS, continues to recover from a cerebral hemorrhage. SD NAPUS members prayed for him after he was stricken last year, and sent him get well cards, while he recuperated. This week, NAPUS attended a small political event on behalf of Sen. Johnson, where many of his Senate colleagues joined him.

Senate GPO/WEP Hearing Yields Sympathy



Greta Cofield
Retired Postmaster
of Framingham, MA

Last week, the Senate Finance Subcommittee on Social Security, Pensions, and Family Policy conducted its hearing on the Government Pension Offset and Windfall Elimination Provision policies. Senator John Kerry (D-MA) chaired the hearing, where Senator Susan Collins (R-ME), the Government Accountability Office (GAO), the Urban Institute, a representative of the California State pension system (CalPERS), and a retired MA teacher presented oral testimony. Retired Postmaster and MA Chapter NAPUS-Retired Secretary-Treasurer Greta Cofield submitted testimony on behalf of NAPUS. (Link to http://www.napus.org/govrelations/testimony_pdfs/Cofield.pdf) In his opening statement, Sen. Kerry referenced the "former Postmaster of Framingham, MA".

At the hearing, which NAPUS attended, Sen. Collins (cosponsor of S. 206) pointed out that "Almost one million retired public employees across the country have already been harmed by these provisions. Many more stand to be harmed in the future." Sen. Collins concluded by urging the Subcommittee "to take action to eliminate or, at the very least, take incremental steps toward full repeal to modify the effect of these two unfair provisions."

While the retired MA teacher testified about how GPO and WEP impacted her and her colleagues, the other witnesses engaged in a comprehensive discussion about the rationale for the Social Security provisions, and how to address its unfairness. One particular issue that was raised was the increased cost of eliminating the GPO and WEP – \$80 billion over a 10-year period. The growing price tag is attributed to state, county and municipal employees, who continue to participate in non-Social Security retirement plans. Upon retirement, they could be impacted by the GPO and WEP; however, federal and postal employees hired after January 1, 1984, participate in Social Security, through FERS. It became apparent at the hearing that there is fear among non-Federal public employees that the cost of GPO/WEP relief could be offset by expanding Social Security coverage to them – this would be an unacceptable solution to non-Federal public employees. Another issue that came out at the hearing was the arbitrary nature of the percentage offsets that Congress legislated in 1977 (GPO) and 1983 (WEP). There was also considerable discussion regarding the merit of implementing a way to tabulate non-Social Security employment credits for use when calculating Social Security offsets. Although the Subcommittee has not scheduled a vote on GPO and WEP legislation, Sen. Kerry indicated that he would continue to look for a fair and just remedy.

More at the Door

Over the past 2 weeks, 3 more Representatives announced that they would not seek re-election – GOP (Cubin-WY, Saxton-NJ) and Democrat (McNulty-NY). In addition, the entire NM delegation will vacate their seats to run for the vacancy created by Sen. Domenici's retirement (GOP Representatives – Pearce and Wilson, and Democrat – Udall). And, yesterday, former House Speaker Dennis Hastert (R-IL) announced that he would resign his seat by the end of 2007. Currently, 19 House Members and 5 Senators will be vacating their seats at the end of the 110th Congress.

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