



Rep. Danny K. Davis
Chairman
House Subcommittee
on Federal Workforce,
Postal Service and
District of Columbia

U.S. Economic Woes Hit USPS

On Thursday, the House Oversight and Government Reform Subcommittee on Federal Workforce, Postal Service and the District of Columbia conducted a hearing on the implementation of PL 109-435, the Postal Accountability and Enhancement Act. Witnesses included PMG Jack Potter, USPS Governor James Bilbray, PRC Chairman Dan Blair, a representative from the Government Accountability Office (GAO), and a Stanford University economist who specializes in regulatory policy.

At the outset, Subcommittee Chairman Danny Davis (D-IL) commended the Postal Regulatory Commission and the Postal Service on the speed with which the new rate process was put into effect. While each of the witnesses focused on different aspects of the one-year-old law, they generally agreed that the Act's implementation was proceeding smoothly. Nonetheless, at times, one got the impression – as the cliché goes – “the operation was successful, but the patient is not rallying.” In part, the challenge confronting the USPS is the apparent recession, combined with a steep increase in fuel costs. Overall mail volume declined by 3%, resulting in \$523 million less in revenue than anticipated. First Class mail dropped by 1 billion pieces; this represents 4% less than the same period as last year. Moreover, Standard mail slipped by 750 million pieces, representing a 2.6% decline. Electronic diversion may account for some of the deterioration, but our uncertain economic times seem a major factor, particularly with regard to advertising. The sub-prime home loan crisis has leached into the consumer credit market place, dampening demand for retail goods and financial services. Consequently, there's less advertising, remittance mail, and credit card solicitations. Compounding the Postal Service's challenge is fueling the largest truck fleet of in the nation; fuel costs are critical to the USPS bottom-line. In fact, yesterday, the news media alerted President Bush that gasoline is projected to hit \$4 per gallon by the summer. (Bush appeared surprised by the prediction.) While fuel costs were not explicitly referenced at the hearing, there were a number of questions posed by Rep. Eleanor Holmes Norton (D-DC) relating to the deployment of hybrid and alternative fuel vehicles. The PMG indicated that the agency was committed to expanding the fleet of these vehicles, but there were few, if any, non-gas alternatives for the long haul tractor-trailers.

To address the slackened mail revenue, the PMG testified that he will seek to trim the agency's operating costs by \$1 billion. One area he identified was adjusting work hours to meet the reduced mail volume; Potter pointed to the current rural mail count as a way to assess the degree to which work hours can be changed. PMG Potter also said that the USPS would be looking at existing transportation contracts to reduce the number of trucks, facility use and improving efficiencies to reduce costs.

An area that PRC Chairman Blair and Stanford economist Prank Wolak spoke

about was the USPS "universal service obligation" (USO). The USO refers to the USPS mission to provide uniform, accessible and affordable postal services to all Americans. The premise of the USO is the reality that it does not make *economic* sense to provide a particular level of postal services to all Americans; however, as a matter of public policy, it does. PL 109-435 tasks the PRC with making recommendations to Congress and the President about the USO, by December 2008. For the most part, the USO means affordable 6-day mail service to every delivery point in the nation, and the ubiquity of Post Offices. The PRC will be preparing a report that would put a price tag on the USO, and could recommend redefining it. Both Blair and Wolak conceded that this will be a hard task. In the telecommunications industry, it's fairly straightforward to build and maintain a universal network – wires, fire-optics and satellites. Delivery and processing letters and packages is not "virtual-reality" that can be manipulated by remote control. It's a different type of universal and it's more expensive. Finally, Wolak, Blair and the GAO agreed that regulatory success will rely on the USPS providing the PRC with accurate and timely data.

During the hearing, PMG Potter told the Subcommittee that the USPS and the NALC have agreed to continue discussions about "contract delivery services" through July, and the moratorium on contracting city delivery routers would continue through the same period. He also explained the USPS intends to request proposals to contract-out bulk mail acceptance and processing.

A festering issue that has bedeviled the USPS is cooperative mailings. This type of non-profit solicitation mailing is prepared and sent by a *for-profit* mail house on behalf of a non-profit organization. At the hearing, Full Committee Chairman Henry Waxman raised questions about contribution skimming by mailers, leaving meager contributions for the actual recipient. PMG Potter and PRC Chairman Blair indicated that they would be looking into the issue.

Nanci Langley, Former Akaka Staff Member Nominated to PRC

This week, President Bush nominated Nanci Langley to the Postal Regulatory Commission, to fill the vacancy created by the departure of Dawn Tisdale. Nanci is no stranger to NAPUS and postal issues. Currently, Nanci serves as the PRC's director of Public Affairs and Government Relations. Prior to going to the PRC, Nanci was a 24-year veteran of Capitol Hill, serving on the staffs of Sens. Spark Matsunga (D-HI) and Daniel Akaka (D-HI). As a staff member for Akaka, Nanci served on the Government Reform Subcommittees with jurisdiction over USPS and federal employee issues. In 2006, Nanci was instrumental in keeping together a sometimes testy group of postal players, as PL 109-435 was in its final stages. Moreover, NAPUS members should recall that Nanci was the behind-the-scenes facilitator that enabled enactment of the Postmasters Equity Act (PL 108-86). For these reasons, NAPUS recognized Nanci Langley as a "NAPUS Champ", at the 2007 Leadership Conference. Moreover, at the 2003 Leadership Conference, when NAPUS honored Sen. Akaka as "NAPUS Champion", the Senator paid tribute to Nanci's exemplary legislative efforts. NAPUS President Goff extended his heartfelt congratulations to Nanci on her nomination, noting her work ethic, loyalty and friendship. Indeed, Nanci is beloved by Aloha State Postmasters. Nanci Langley's nomination still needs to be confirmed by the Senate, so we wish her the best.



Nanci Langley
PRC Nominee

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