Policy Brief: Postal Reform

Congress should pass legislation reforming key elements of the United States Postal Service (USPS) thus ensuring a sustainable channel for mail/print communications in the future.

Background**
The USPS is a critical supply chain partner in the $1 trillion business mailing industry that is responsible for approximately 8 million private sector jobs, including printers and their supplies. USPS is funded by sales of postage – not taxes – and business mail users provide some 90 percent of postal revenue. While it has shown some signs of recovery from the most recent recession, USPS is confronted with continuing, often disruptive, change in a digital world. When USPS was last reformed in 2006, the iPhone had not been introduced and social media sites like Twitter and Facebook were in their infancy. The USPS is also challenged by an outdated, outsized infrastructure and high legacy labor costs. Historically, postal reform was enacted as a major overhaul (with three decades between enactment of the past two comprehensive reform packages); however, given the ever-changing communications marketplace, USPS will face an ongoing series of challenges that may require frequent Congressional attention in years to come. There was substantial action on postal reform policy in the 112th Congress, but ultimately no legislation was approved to preserve and modernize this essential service and economic sector. **Source: Coalition for a 21st Century Postal Service.

Industry Position
Congress must act to address postal reform – the future of the nation’s postal system and its core mission of support to the American economy and communications depends upon it. Whether or not there is comprehensive reform, Congress should act this year to address at minimum core elements of stabilization of USPS, including: 1) Reamortization of payments for prefunding retiree health benefits; 2) Return to USPS Overpayments to the Federal Employees Retirement System (FERS); 3) Assure USPS the authority to streamline its service, including days of delivery. These reforms should be addressed BEFORE simply “raising rates.” Financial stabilization of the USPS can be achieved by addressing the above-listed reforms, along with passing responsibility for healthcare to the postal unions and USPS, within the Federal Employee Health Benefits Plan (FEHBP). Because USPS has an organization with a statutory monopoly, legislation should assure that postal consumers, customers and competitors will be treated fairly and equitably. Congress should avoid concentrating too much power to set rates in the hands of USPS without an adequate check and balance.

113th Congress
On 7/24/2013, the US House Oversight and Government Reform Committee passed H.R. 2748 (Postal Reform Act), sponsored by Chairman Issa (CA), by a vote of 22-17. The bill is a comprehensive approach that includes reforms of USPS finances, governance, workforce and other aspects of modernization. NPES and Printing Industries of America, along with their allies in the mailing economy, supported this bill. Currently, House floor action is pending with no set date for a vote. In the US Senate, Homeland Security and Governmental Affairs Committee Chairman Carper (DE) and Ranking Member Coburn (OK), introduced their own version of the Postal Reform Act (S. 1486), which was reported favorably by the Committee on 2/6/14 by a vote of 9-1, following the defeat of an amendment by Senator Baldwin (WI) that would have corrected some of the most glaring deficiencies of the bill. Due to S. 1486’s flawed provisions on both the postal rate setting process and USPS governance, NPES and Printing Industries of America oppose the bill. An effort to achieve an alternative, more bipartisan approach to postal reform in the Senate is underway and is supported by the industry.

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• The $1 trillion business mailing community urges Congress to provide measures to stabilize a largely insolvent USPS as soon as possible. Printers, suppliers and the entire supply chain of the mailing economy is responsible for some 8 million private sector American jobs. This industry sector has seen 1 million jobs erode since 2007; further business contraction of the mail will be devastating.

• No business or individual can be forced to send mail. If businesses divert more to the Internet or simply mail less, USPS will be left to support universal service, small post offices and an entire network with a smaller base, which could ultimately lead to a painful taxpayer bailout – something the industry opposes.

• USPS can in fact regain financial stability without busting the rate cap tied to CPI that Congress passed as part of the 2006 reform legislation. USPS has cut substantial costs (approximately $15 billion) since the advent of the rate cap. Billions more can be saved by passing responsibility for healthcare to the postal unions and to USPS, within FEHBP. Notwithstanding its having defaulted on three $5.5 billion payments, USPS is improving its operating costs and seeking new avenues of growth.

• Mail is price sensitive. With only inflation-based adjustments, USPS has lost tens of billions of pieces of mail volume throughout the recession and the recovery. The downward trend continues, and will only get worse with rate increases three times the rate of inflation baked into the rate base and further increases beyond the current CPI-cap permissible (as called for in the Committee-passed S. 1486).

• Core elements of any legislative reform should include the reamortization of payments for prefunding retiree health benefits. Extended amortization (such as the 40 year term proposed by some lawmakers) would guarantee full pre-funding at much lower annual payments than the currently unaffordable $5.5 billion (on which USPS has twice defaulted) and would ensure retiree health is not an unfunded liability. Also, USPS has overpaid into FERS anywhere from $2.5-$12 billion dollars. This money should be returned to USPS and used as incentives for early retirement, debt reduction and more.

• USPS must be provided authority to reconfigure its system to the size of today’s – and tomorrow’s – business. This includes addressing issues of postal facilities, days of delivery, and consolidation of operations, while at the same time sustaining or even broadening access to a high-quality system and postal products.

• USPS is a statutory monopoly; it must have an effective regulator. Congress should oppose provisions that concentrate too much power to set rates in the hands of USPS without an adequate check and balance. For example, under current law the Postal Regulatory Commission (PRC) is set to review the entire rate setting system in 2017, and is empowered to adjust or even replace the system. Some in Congress have called for transferring this power to USPS and permitting the PRC to only accept or reject (not modify) proposed changes. Legislation must ensure that postal consumers, customers, and competitors are treated equitably.

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