



AMERICANS FOR TAX REFORM

## POSTAL NEWSLETTER

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President

### **House, Senate Committees Approve Postal "Reform"**

The House Government Reform Committee and Senate Government Affairs Committee have unanimously approved their respective versions of "The Postal Accountability and Enhancement Act of 2004," legislation to substantially overhaul the United States Postal Service for the first time in more than thirty years.

While members of the Committees hailed the bill as "a wonderful victory," some on and off Capitol Hill are wondering whether the reform legislation will do more harm than good.

One particularly troublesome provision in the bills would alter the ratemaking process to allow so-called "pricing flexibility," which would make it easier for the USPS to raise rates, a practice for which the agency has shown great affection in the past.

The legislation also aims to limit the USPS to providing only postal services – a reform called for by groups including Americans for Tax Reform – but unfortunately leaves a loophole large enough to drive a mail truck through as to what constitutes "postal services." No doubt USPS lawyers are already working hard on ways to claim stuffed animal sales and corporate sponsorships are "supportive or ancillary" to postal services.

While the legislation was never expected to end the postal monopoly – the ultimate goal of true postal reform – it also does not limit the USPS to its monopoly business, instead allowing it to continue competing with the private sector in markets such as package delivery.

There are, admittedly, some positives. The legislation shifts the pension funding obligations related to military service of USPS employees from the USPS back to the Treasury, as well as freeing up \$73 billion in civil service retirement savings that had been held in an escrow account. Without these reforms postal ratepayers could be looking at a double digit rate increase in 2006.

The bills also aim to increase transparency and oversight – something sorely lacking in an agency unable to allocate more than half its costs.

In the House, the legislation was sponsored by Rep. John McHugh (R-N.Y.), who has authored similar legislation in the past. In the Senate, Governmental Affairs Committee Chairwoman Susan Collins (R-ME) and Sen. Tom Carper (D-DE) offered that body's version of the bill.

Leadership has given mixed signals publicly and privately on whether reform legislation in either house of Congress will be given floor consideration this year.

While Congress' focus on postal reform is laudable, it appears the legislation under consideration this year will not only fall short of real reform, but could set that effort back. If Congress passes the current postal legislation, it may wait thirty more years to address the real problems facing the United States Postal Service.

### **Meanwhile, Potter Warns Legislation Could Create Rate Increase**

Last week, Postmaster General John Potter told a meeting of the Postal Customer Council in Boxborough, Mass., that postal legislation currently under consideration on Capitol Hill could force postage rates even higher.

One example given by the Postmaster General was a provision that would require the USPS to pay in advance the health benefits of its retirees, at a cost of \$3.9 billion in 2006. Potter also blamed a lack of "pricing flexibility" in various competitive products.

Ironically, the USPS has long warned of double digit rate increases if Congress continues to require the agency to pay the military pension obligations of its employees and does not free up funds held in escrow after the USPS was allowed to stop paying into the Civil Service Retirement System (CSRS). Both the House and Senate versions of the postal legislation include provisions addressing this problem.

Shocking as it may be, it seems the USPS is planning on a significant rate increase in 2006, legislation or no legislation.