



AMERICANS FOR TAX REFORM

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President

Pitney Bowes' CEO Outlines Goals for Postal Reform

Mike Critelli, Chairman of the Board and Chief Executive Office of Pitney Bowes, Inc., testified last week before the Special Panel on Postal Reform and Oversight, a subcommittee of the House Government Reform Committee. Pitney Bowes, long a leader in the \$900 billion mailing industry, is shaping up as a major player in this year's consideration of postal reform.

In his testimony, Critelli pointed out that the implications of postal reform would reach far beyond the U.S. Postal Service, as the mailing industry alone employs 9 million people, and pointed out that declining mail volume and rapidly escalating rates has significantly diminished the value of the mail as a communication medium.

Critelli suggested that this problem be addressed with reform that included clarification of the Postal Service's core mission – universal mail service – and a mandate that the USPS stick to them. This would include right-sizing the workforce and closing redundant and underutilized facilities, saying “That's what businesses have to do every day – and the productivity gains can be significant.”

Also on Critelli's list was maximizing private sector partnerships, through worksharing and outsourcing, in addition to prohibiting the USPS from using its governmental authority to favor itself in competition with the private sector. In addition to embracing new technology, which Critelli also recommended, these steps would go a long way toward reducing the costs and workforce size currently plaguing the USPS.

Mister Critelli also endorsed recommendations that the USPS be subject to greater financial transparency so that the USPS' costs and performance are accurately measured and available to the public.

Last but not least, Critelli called on Congress to release the Civil Service Retirement System (CSRS) escrow funds and moving military service pension funding back to the Treasury. In 2003 Congress passed legislation correcting a situation in which the USPS overfunded the CSRS, but beginning in 2006, the USPS will be required to place the “savings” from this legislation into an escrow fund, thereby

offering no real relaxation of the overpayment burden. The legislation also required the USPS to pay the pension

benefits related to military service of its retirees – making the USPS the only self-sufficient federal agency with this obligation. This is a must for postal reform, for if this situation is left uncorrected, ratepayers could easily see a double-digit rate increase in 2006.

As Critelli and Pitney Bowes have long been leaders in the push for postal reform, perhaps Congress will act on his recommendations, bringing about much needed, and real, reform.

It is not yet known whether the administration will offer more detailed thoughts on reform in the near future.

Postmaster General Hints at Further Expansions

In testimony before the House Government Reform Committee last month, Postmaster General John Potter indicated he might advocate further expansion of the USPS into markets already well-served by the private sector.

Potter expressed concern in his opening statements about the recommendation of the President's Commission on the U.S. Postal Service that the activities of the USPS be limited to the agency's core mission. Later, in response to a question from Rep. Danny Davis (D-Ill.), the Postmaster General stated, “The fact of the matter is we have a lot of trucks and other folks have gone beyond mail and are using those trucks and moving forward into the whole area of logistics and moving freight. And I don't think that going forward, we want to preclude that the only thing the Postal Service can do with its infrastructure is deliver a 1-oz. letter. I think we should be open minded about that going forward.”

In addition to the President's Commission, numerous individuals and organizations (including Americans for Tax Reform) have called for the USPS to be restricted to its core mission. The USPS has habitually embarked on failed ventures into products such as online bill payment, stuffed animals and Pro Cycling Team gear. Meanwhile,

analysts are predicting a double-digit postage rate increase in 2006.