



AMERICANS FOR TAX REFORM

## POSTAL NEWSLETTER

June 2, 2005

Grover G. Norquist

President

### **ATR Weighs in on H.R. 22, House Version Of Postal "Reform" Legislation**

In a letter to House Speaker J. Dennis Hastert, copied to all House Republicans, Americans for Tax Reform this week voiced its strong opposition to H.R. 22, The Postal Enhancement and Accountability Act. The letter also advised members that ATR may include the bill in its annual congressional ratings, should the bill receive a vote on the House floor.

The letter pointed out that H.R. 22 fails to address the core problems that have made the USPS the oversized, inefficient government agency it is today.

H.R. 22 grants a guaranteed seat on the Postal Board of Governors for organized labor. As the USPS is intended to be an independent agency free of special interest influence, the letter noted that postal reform legislation should not grant special preferences to any favored interest group.

The letter also noted the presence of so-called "pricing flexibility" in H.R. 22 – a streamlined rate-setting process that would make it easier for the USPS to raise postage rates. "Much like the U.S. Congress, the Postal Rate Commission depends upon the power of the purse to fulfill its oversight responsibilities, and therefore Congress should not dilute that power," said the letter. The letter cites the pending 2-cent rate increase slated for 2006, and another expected increase next year.

Finally, the letter criticized the legislation for failing to restrict the USPS to its core business of accepting, sorting and delivering mail, rather than attempting to expand into competitive markets well-served by the private sector, on the taxpayers' dime. Said the letter, "The USPS' revenue shortfalls and inefficiencies cannot and should not be remedied by engaging in taxpayer-subsidized competition with the private sector."

The letter concluded, "Real reform legislation must cut to the underlying problems of the USPS, rather than making simply cosmetic changes, subscribing to fantasies of an agency newly able and willing to restrain itself financially, or pacifying favored special interest constituencies.

In closing, the letter noted that thirty-five years had passed since the last significant postal overhaul legislation became law, and that it was therefore essential that Congress get it right this time.

### **2006 Rate Increase Expected to Take Effect Jan. 29 – Unless it Doesn't**

The expected 5.4% (2 cents) postage rate increase next year will likely take effect on January 19. However, some have indicated that due to better-than-expected revenues, the rate increase might be delayed until later in 2006.

As part of its agreement with Congress in 2003, the USPS was prohibited from seeking any rate increases until 2006, in exchange for no longer overpaying into the Civil Service Retirement System. However, there was little doubt the USPS would seek a rate increase the moment that prohibition ended, and the agency did not disappoint.

The 2003 legislation created an escrow account for the overpayments, and it is the escrow obligations the USPS blames for its rate increase. As a none-too-subtle hint to Congress, officials at USPS have said they would withdraw the 2006 rate case if Congress enacts legislation freeing the agency from the escrow requirement.

However, as the current rate increase only addresses the escrow requirements, and not other out-of-control costs at the USPS, another increase of between 4 and 5 percent is expected in 2007. Some have indicated that if the 2006 increase doesn't materialize as expected, the 2007 increase could top 10 percent.

USPS Chief Financial Officer Richard Strasser Jr. has confirmed that the USPS would need another rate increase in 2007, due to the rise in benefit costs, wages and cost of living.

Meanwhile, the current rate increase is moving right along, on track to take effect Jan. 19. The current rate-setting process takes nearly a year, as the increase must be approved by the Postal Rate Commission.

Should H.R. 22 become law, the USPS would be granted flexibility that allows the agency to raise postage rates with an after-the-fact approval by a new Postal Regulatory Commission.