

## POSTAL REFORM BILLS FALL SHORT

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PostCom executive vice president Jessica Lowrance at last week's PostalVision2020/2.0 conference gave an update on legislative postal reform being considered in Congress. The Senate has passed a postal reform bill (S1789), but the House has yet to pass legislation. Looking at the Senate bill and key House bills not yet passed, Lowrance said neither will provide the \$22 billion the USPS has said it needs in its five-year plan.

Lowrance reiterated PostCom's position that meaningful postal legislative reform must: ensure the fiscal viability of the U.S. Postal Service; ensure the Postal Service is set up to operate on a self-sufficient basis, and ensure the ability of the Postal Service to satisfy the nation's postal needs.

Lowrance briefly reviewed the USPS' finances as of the end of April 2012, noting that at that point, the USPS' revenues were the same as the previous year, which is good in this economic environment. She said that looking at the USPS' "controllable" expenses, it would have only lost \$275 million by the period ending 4/30/12, if it had not had over \$7.5 billion in retiree health benefit (RHB) payments. She noted that in the first quarter of its Fiscal Year 2012, the USPS would have made a profit if not for the RHB payment.

In looking at the USPS' five year plan to profitability in comparison to the bill currently passed in the Senate (S1789), Lowrance noted that the USPS' chief financial officer has said that if the legislation were passed today, the USPS would be back in 2-3 years needing additional postal reform. She provided the following snapshot of the key elements of S1789.

- Refunds/rebalance: Refunds the USPS' FERS overpayment, use for buy-outs and pay down debt; restructures RHB payment; 80% amortized over 40 years
- Labor/Arbitration: Allows negotiations with unions on health care program; Does not require use of Medicare or Medicaid; Requires arbitrator to take into USPS financial situation; Adds workers compensation requirements
- Moratoriums: 3-yr moratorium on facility closures that affect service standards; 2-yr moratorium on 5-day; 1-yr moratorium on rural post offices
- PRC: Conduct rate study after three years on "underwater" products; Ability to stop closures (facility or retail); 90-day timeframe on advisory opinions
- Mail Processing Facility: Adds layer of approval to facility closures; Citizen service protection advocate; Must consider vote-by-mail; Reduce capacity without closing facility; PRC's ability to suspend closure; Maintains market dominant service stds for 3 years; Overnight service for FCM and Periodicals that originate and destinate in the same plant service area; entered by CET established and published by USPS; Maximum delivery of 3 days within continental US
- Retail/Aunt Minnie: Maintains door delivery for customers already receiving it; Preserves community post offices; Establishes retail service standards, 6 months after passage
- Innovation: Establishes Chief Innovation Officer; Establishes Strategic Advisory Commission on Solvency and Innovation
- Mailing Specifications: Include financial impact on proposed changes; 30-day timeframe on final
- Nonpostal: Uses processing, transportation, delivery, retail network, or technology of USPS; No unfair competition with private sector
- Other: USPS to submit solvency plan, 90 days after passage; Co-location with federal agencies; Shipping wine, beer, and distilled spirits; Annual report on the fiscal stability of US mailing industry; Increased use of NSAs; Contracting provisions; Executive compensation

Lowrance noted that PostCom's biggest concerns with the legislation include maintaining overnight service standards for First-Class Mail and Periodicals; handling of "underwater products;" the possibility of rural surcharge; handling of the FERS payment; the retail service standards process; RHB payments; and impact on the USPS health benefits program.

She presented another comparison of the Senate bill and House legislation still waiting to be considered (using HR 2309). "Both bills fall short of the \$22 billion the USPS has said it will need," Lowrance told the PV2020 audience