



March 16, 2006

Honorable Susan M. Collins
Chairman
Committee on Homeland Security and Governmental Affairs
United States Senate
Washington, DC

Dear Chairman Collins:

Our organizations represent over 700,000 employees of the United States Postal Service. Together, our members manage, process, and deliver more than 200 billion pieces of mail annually for the busiest, most efficient postal service in the world. Our organizations also represent hundreds of thousands of Postal Service retirees.

We recognize the significant responsibilities that rest with you and the managers of the conference to reconcile the House and Senate postal reform measures. In light of the critical impact this legislation will have upon our members, your constituents, and the American economy, we commit ourselves and our cooperation toward achievement of a healthy, viable postal system that serves every citizen and business throughout the United States.

While we have differed on specifics, our goal is to ensure a financially sound, operationally healthy Postal Service that provides high quality universal service for its customers at affordable rates. With this in mind, we jointly take the following views with respect to matters under consideration by the conference managers:

- **Repeal of the CSRS Escrow Fund.** The CSRS escrow fund created by P.L. 108-18 was intended by Congress to be only a temporary measure related to the overfunding of the Civil Service Retirement Trust Fund. The need for creation of the escrow fund was not the fault of the U.S. Postal Service. Therefore, all money segregated by the escrow fund, which is solely derived from Postal Service revenues, needs to remain available to satisfy USPS needs. Both the Senate and House bills, in repealing the escrow fund, continue to make the escrow-related monies available to the Postal Service, in payment of future USPS retiree health benefits and other operational costs. We strongly urge the conferees to embrace

the unified House and Senate position repealing the escrow fund and assuring that escrow-related monies are made entirely available to satisfy critical Postal Service needs.

- **CSRS Military Pension Obligation.** The CSRS military pension issue is also a product of P.L. 108-18. It is unfair to place the burden of military service credit on postal customers, as it is our entire nation that has benefited from the service of our veterans. That portion of postal employee pensions attributed to military service performed before they became postal employees should be paid for by general revenues, not postal revenues. Postal revenues should go only to support the operation of the Postal Service. No other major federal agency is saddled with the obligation to pay for these military service pension credits. Nor is any private sector company or any postal competitor directly obligated to address these costs. We strongly urge the conferees to maintain the unified House and Senate-approved position, restoring the U.S. Treasury's obligation to fund the military service credit for CSRS postal retiree participants. Military service should not become a pawn in budgetary politics.
- **Rate Setting Exigency Flexibility.** Both the House and Senate bills permit the Postal Service to periodically raise postal rates in line with inflation, consistent with changes in the Consumer Price Index, with the approval of the Postal Regulatory Commission. Both bills also grant the PRC, as part of its rate-making authority, the expedited power to approve higher rates under emergency circumstances. We have consistently expressed our strong preference for the House approach to PRC exigency authority over the approach taken by the Senate bill. Under H.R. 22, the USPS would be permitted to raise rates above the CPI cap only in rare occasions when it could prove in an open PRC proceeding that greater increases are "reasonable and equitable and necessary" to maintain quality, universal postal services. The Senate approach to PRC exigency authority is far too narrow, limited only to "unexpected and extraordinary circumstances," such as a biological or chemical attack on the postal system. It would lead to unnecessary and counterproductive service cuts in the face of serious external shocks that fall short of national emergencies. The impact of a rate cap-driven system upon postal employee wages and benefits demands sufficient flexibility to permit sensible, flexible response on the part of the Postal Service to significant and unforeseen economic events, like a significant spike in fuel prices. We strongly support the exigency provision in the House bill.
- **Banking Authority.** Our organizations, the business mailing community, and the Postal Service have worked together to design moderate flexibility in the implementation of the rate cap over periods typically greater than one rate cycle. We strongly support the "banking authority" contained in the Senate bill, which authorizes the Postal Service to save any "unused" price-hiking authority under the CPI cap for use over a period of up to five years, subject to annual limitation (of two percentage points). This gives the USPS greater flexibility to take business and economic conditions into account when setting its prices and avoids

a "use it or lose it" approach to pricing decisions. The House bill does not contain such banking authority.

- **Market Dominant Placement of Single-piece Parcels.** Single-piece parcels are the packages that individuals and small businesses send at local post offices or via rural letter carriers. We firmly believe that single-piece parcels properly belong in the "market dominant" category, as defined by the Senate bill, not in the "competitive" category, as relegated by the House bill. Assigning these packages to a "competitive" category will cause a significant price increase that could mean the discontinuation of neighborhood delivery service by the Postal Service. No private carrier is capable of -- or inclined to -- deliver packages to all addresses throughout the United States, from Hawaii and Alaska and Maine to California, including rural and exurban sites, six days a week, at a uniform rate without a surcharge. We urge adoption of the Senate approach toward single-piece parcels.

While individual organizations may have other concerns, we are in unanimous agreement on the matters addressed by this letter. One of the U.S. Postal Service's greatest strengths is its highly-skilled, dedicated workforce. Only a financially stable, vibrant, competitive Postal Service can continue to meet the needs of the American public. We look forward to continuing to work with you in crafting postal reform legislation that responds to those needs. Thank you for your attention to these matters.

Sincerely,

William Burrus
President
American Postal Workers Union

William H. Young
President
National Association of Letter Carriers

Ted Keating
President
National Association of Postal
Supervisors

Dale Goff
President
National Association of Postmasters of
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Steve LeNoir
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John F. Hegarty
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Donnie Pitts
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