

COMMITTEE ON GOVERNMENT REFORM
TOM DAVIS, CHAIRMAN



NEWS RELEASE

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Government Reform Committee Approves
Landmark Postal Reform Legislation

*Legislation Transforming Postal Service Is Boon to
\$900 Billion Industry, 9 Million Jobs*

Washington, D.C. – Tom Davis (R-VA), chairman of the House Committee on Government Reform, is pleased to announce that the Committee today unanimously approved H.R. 4341, “The Postal Accountability and Enhancement Act of 2004.”

H.R. 4341 is the first major piece of postal reform legislation to head to the House floor in three decades. Davis has received assurances from House leadership that the bill will receive floor time this summer.

“This is a wonderful victory for the U.S. Postal Service, advocates of postal reform and all American families and businesses who rely on mail delivery,” Davis said. “The Postal Accountability and Enhancement Act will strengthen the financial future of the Postal Service, guarantee the continuation of universal delivery to all addresses, help reduce future rate increases, and protect the 9 million jobs and \$900 billion in annual commerce that is dependent upon services provided by USPS.”

“If you get mail or receive it, this legislation is good news,” Davis said.

The legislation was introduced by Chairman Davis, Ranking Minority Member Henry Waxman (D-CA), Congressman John M. McHugh (R-NY) and Congressman Danny Davis (D-IL). McHugh and Danny Davis led the Committee’s Special Panel on Postal Reform, which held three hearings on postal reform over the last year.

"This is a great day for the Government Reform Committee and those of us who have been working diligently to realize comprehensive reform of the U.S. Postal Service. Today's action takes a significant step forward toward achieving our objectives – to enact the first major postal reform in more than 30 years and provide the postal service with the flexibility they need to operate successfully in our 21st Century economy. While this is

an excellent first step for legislation that was truly a consensus document, work will continue as we refine the bill for floor consideration in the coming weeks. This reform is a long time in coming, and I'm thrilled that we can now see the light at the end of the tunnel," said Congressman McHugh.

The major provisions of the Postal Accountability and Enhancement Act are:

- **Modern Rate Regulation** - shifting the basis of the Postal Rate Commission from a costly, complex scheme of rate cases to a modern system designed to ensure that rate increases generally do not exceed the annual change in the Consumer Price Index. This applies only to market-dominant products (letters, periodicals, advertising mail) because the Postal Service is provided with different pricing freedom for its competitive products (Express Mail, Priority Mail, etc.).
- **Combining Market Disciplines with Regulation** - combining market mechanisms with Commission regulation to govern the rates of competitive products. The Postal Service would be given additional pricing freedom but would lose favored legal treatment for such products.
- **Limitations on Postal Monopoly and Nonpostal Products** - requiring the Postal Service to only offer postal services and for the first time defining exactly what constitutes "postal services." The bill also revises the authority of the Postal Service to regulate competitors.
- **Reform of International Mail Regulation** - clarifying the authority of the State Department to set international policy, applying customs laws equally to postal and private shipments, and giving the Postal Service the authority to contract with airlines for transport of international mail.
- **Strengthening of the Commission** - giving the Postal Rate Commission "teeth" by granting it subpoena power and a broader scope for regulation and oversight. The PRC would be renamed the "Postal Regulatory Commission."
- **Establish a Basis for Future Reforms** - mandating several studies, including a comprehensive assessment of the scope and standards for universal services.
- **Miscellaneous Reforms** - including returning the responsibility for the military service cost of Postal retirees to the Treasury Department, while also requiring the Postal Service to significantly fund its enormous liability for retiree health benefits.

A copy of Chairman Davis' statement on the legislation follows:

"Each year, the United States Postal Service processes and delivers 208 billion pieces of mail to more than 130 million addresses in the United States. More than 9 million American jobs, \$900 billion in commerce and 8 percent of the nation's Gross Domestic Product are dependent upon mail and package delivery. The Postal Service is

vital not just for our national communication network, but as an important cog in our economic engine.

“But, because it is hampered by a legal framework that is outdated and unsuited for today’s competitive environment, the Postal Service is facing a bleak and uncertain future. First-class mail volume is declining while the number of addresses is increasing, and the Postal Service has but one mechanism – raising rates – to make up the difference between its falling revenues and rising costs. Observers have likened this to a “death spiral,” where declining business leads to higher rates, which in turn leads to a further decline in business, and so on, and so on, and so on.

“We simply cannot fail to act. Postal reform is not a luxury we cannot afford – it is a necessity we can no longer avoid.

“The legislation we are considering today, Postal Accountability and Enhancement Act of 2004, is the culmination of years of hard work and study – much of it led by the bill’s chief sponsor, Congressman John McHugh of New York – on the issue of postal reform. It represents our best chance at solving the structural, legal and financial constraints that have conspired to bring the Postal Service to the brink of catastrophe.

“Let me to take a moment to highlight some of the key pieces of the legislation:

- First, it preserves universal service: the guaranteed delivery, six days a week, to every address in the United States.
- Second, it returns responsibility for funding the military cost of Postal retirees’ pensions to the Treasury Department. This liability was shifted to USPS last year – quite frankly, this was nothing more than an accounting gimmick, but it is one that must be reversed if we are serious about fixing the Postal Service’s long-term balance sheet.
- It frees up the \$73 billion in civil service retirement savings that have been held in escrow for USPS, allowing the Postal Service to use this money – which rightly belongs to USPS – to defray rate increases, among other options.
- The legislation also modernizes the way postal rates are established, switching from a cumbersome, costly scheme of rate cases to a modern system designed to ensure that rate increases generally do not exceed the annual change in the Consumer Price Index.
- The legislation would change the name of the Postal Rate Commission to the “Postal Regulatory Commission” and enhance the role of the Commission by giving it subpoena power and a broader scope for regulation and oversight.
- This bill places limitations on postal monopoly – revising the authority of USPS to regulate competitors – while also requiring the Postal Service to offer only “postal services.” The bill also, for the first time, defines what “postal services” consist of.
- Finally, the Act sets the stage for future reform by mandating several studies, including a comprehensive assessment of the scope and standards for universal service.

“Before I conclude, I want to thank Congressman McHugh, who chaired our Special Panel on Postal Reform and was the right leader to undertake this daunting task, the Committee’s Ranking Member, Henry Waxman, and Congressman Danny Davis, the Ranking Member on the Special Panel, for their dedication to this subject and their willingness to do this in a bipartisan manner. It is only through bipartisan cooperation that we have gotten this far, and why we have been able to keep all the interested parties at the table in productive discussions while crafting this bill.

“Let me just say: This is not a perfect bill. I think probably each of the groups with a stake in postal reform see things in here that they like, and things they dislike. But, guess what? There is no magical solution to postal reform that is going to be ideal to everyone. If there were, this legislation would have been done long ago.

“Let’s remember just how long it is since Congress tackled comprehensive postal reform – 1970. That’s long before the Internet, before the de-regulation of the airline industry, before FedEx even existed.

“The last time USPS was reformed, the cicadas were invading D.C. *Two* cicada life cycles *and 34 years later*, we are once again bracing for the cicada invasion, and it is once again high time to re-write the out-of-date laws that govern the U.S. Postal Service.”

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