

NATIONAL ASSOCIATION OF POSTAL SUPERVISORS

National Headquarters
1727 KING STREET, SUITE 400
ALEXANDRIA, VA 22314-2753
Phone (703) 836-9660

Statement of National Association of Postal Supervisors

Brian J. Wagner, President

Ivan D. Butts, Executive Vice President

Chuck Mulidore, Secretary/Treasurer

Hearing Before House Committee on Oversight and Reform

Legislative Proposal to Put the Postal Service on Sustainable Financial Footing

February 24, 2021

Chairwoman Maloney, Ranking Member Comer, and members of the committee, thank you for receiving these views of the National Association of Postal Supervisors (NAPS) in connection with your February 24, 2021 hearing regarding legislation to restore the U.S. Postal Service.

NAPS strongly believes that America's success relies upon a high-quality, universal and affordable postal system that provides for the timely delivery of mail. As the foremost representative of Postal Service's mid-level management employees, including its more than 45,000 supervisory and managerial personnel, including postmasters covered by the Executive Administrative Schedule (EAS). NAPS members are responsible for operations in mail processing plants, post offices, stations, branches and USPS headquarters. Unlike employees represented by unions, EAS employees are not afforded collective-bargaining rights and most are exempt from the Fair Standards Labor Act.

During the election season last fall, postal employees truly delivered democracy to the citizens of our nation. Despite the ongoing coronavirus pandemic, postal employees carried the sacred instrument of our democracy – the ballot – to the homes of millions of Americans and returned those completed ballots to their counting destinations. The integrity of our electoral system was validated by the effective and secure transit of absentee ballots throughout the nation's mail system. Despite numerous challenges, postal employees successfully accepted, sorted and delivered absentee ballots from governmental election authorities to eligible voters, and, then from the voters back to election authorities.

Members of this committee, as well as our congressional leaders and our federal courts, should be credited for their exercise of appropriate oversight to ensure that actions taken by

USPS leadership did not interfere with the faithful delivery of these mail-in ballots. According to the U.S. Election Project, 65,642,049 votes were cast through the mail in the November election. According to USPS data, the average time to deliver ballots to voters was 2.1 days, and the average time to deliver completed ballots from voters to election officials was 1.6 days. That's a remarkable score.

Despite these accomplishments, NAPS members are deeply troubled about the continuing, seven-month decline in postal performance, especially with respect to the timeliness of First-Class Mail. NAPS believes that many of the factors contributing to the quality decline should have been anticipated. Weather issues are a constant seasonal threat, staffing availability due to the pandemic remained an ongoing problem, and high numbers of holiday parcels should have been anticipated. As early as July, 2020, NAPS was alerting postal headquarters, as well as Congress, about the danger of removing and dismantling such large numbers of mail processing machines without prior analysis of its impact on performance or the Postal Service's financial condition.

It is clear that Congress must act now to restore and sustain our Postal Service for years to come. Legislation will not be a panacea for all that afflicts the postal system, but we must not settle for a legislative placebo that does little to enhance postal operations and finances. For this reason, the following elements should be part of a postal restoration bill.

First, Congress should repeal the unfair and prejudicial requirement that the Postal Service prefund future retiree health benefits. In addition, Congress should direct the Office of Personnel Management to more fairly and accurately calculate the Postal Service's Civil Service Retirement System (CSRS) and Federal Employee Retirements System (FERS) liabilities. The current methodology results in a postal annuity liability significantly greater than it would be

using a more equitable calculation, as the one identified by the USPS Office of Inspector General. Furthermore, legislation should grant the Postal Service with the authority to invest the assets currently accounted for in its Retirement Health Benefits Fund and Retirement Fund in segregated investment funds that mimic the long-term Life Cycle Fund currently maintained within the Thrift Savings Plan.

Second, the Postal Service needs to raise revenue. Therefore, the agency should be empowered with greater flexibility to adjust its rates and more expeditiously adapt to the dynamic postal marketplace. Even with the incremental flexibility the Postal Regulatory Commission (PRC) authorized in its recent rate ruling, the Postal Service needs to be untethered from the suffocating CPI-U index on rate adjustments that was imposed by the 2006 Postal Accountability and Enhancement Act. It should also be noted that the PRC ruling is currently under judicial view.

The Postal Service also should be permitted to develop and market new and innovative post products and services. As mail diversion continues to erode traditional products, the agency should be permitted to spread its wings into new logistics and communication arenas. The Postal Service should also be able to reclaim its historical role in providing basic financial services in areas of our country that are unbanked or under-banked. And Congress should position the Postal Service to become the singular portal to a wide variety of government services, including those federal, state and local products requiring identity or address verification.

Third, the Postal Service needs to invest in critical infrastructure. The agency needs to build back its capacity to process and deliver mail at levels the mailing public reasonably expects, taking into account recent exponential growth in parcels. As a first step, the Postal Service needs to rectify the mail timeliness issues resulting from the ill-advised removal of

processing machinery over the past summer. Moreover, the Postal Service should invest in high-capacity parcel sortation equipment to meet customer needs for the years to come. In addition, the agency needs a modern, fuel-efficient vehicle fleet to carry mail and parcels. The current fleet is over 25 years old and is held together by the sheer tenacity of USPS vehicle maintenance personnel. Facilities and equipment should be updated to reflect the changing mail mix and evolve to accommodate parcel traffic.

Fourth, legislation needs to be attentive to the recruitment and retention of a dedicated and effective postal workforce. A key goal should be the extension of whistle-blower protection to postal employees, particularly mid-level managers and supervisors. While we cannot speak on behalf of members of the postal unions, our members are sometimes asked by members of Congress to share their experiences on the workroom floor, to provide expert knowledge on postal operations, or to assess postal performance. They should not fear retaliation from upper-level management for their disclosure of such information to Congress. Our members genuinely seek to provide you, their elected representatives, with accurate and timely information upon request. To accomplish that, EAS-level employees need to have the same whistle-blower protections as are extended to other federal employees.

EAS employees also call upon Congress to assure fairness in the statutory consultation process between NAPS and the Postal Service over pay and benefits. During the last Congress, Government Operations Subcommittee Chairman Gerry Connolly and Rep. Mike Bost introduced bipartisan legislation (H.R. 6085) to begin the consultation process promptly and to assure that fact-finding panel recommendations become binding. NAPS looks forward to favorable action on similar legislation by this Committee during this Congress.

Finally, we ask this committee to correct the situation that denies 7,500 EAS non-supervisory postal employees the right to appeal adverse personnel actions to the Merit System Protection Board, the same right enjoyed by all their EAS counterparts. There is no rational reason for denial of the same due process rights as their colleagues and peers who work at other postal facilities. In the last congress, Chairman Connolly and Rep. David McKinley introduced bipartisan legislation (H.R. 597) to provide due process for all EAS employees. NAPS urges this committee to take favorable action on similar legislation in the 117th Congress.

Madame Chairwoman, Ranking Member Comer and members of the committee, we stand ready to work with you and your staff in the days ahead to secure postal restoration legislation that sustains the Postal Service and provides fairness to its employees.

Thank you.

BEFORE THE U.S. HOUSE OF REPRESENTATIVES
Committee on Government Oversight and Reform
Testimony of the American Catalog Mailers Association (ACMA)
February 24, 2021

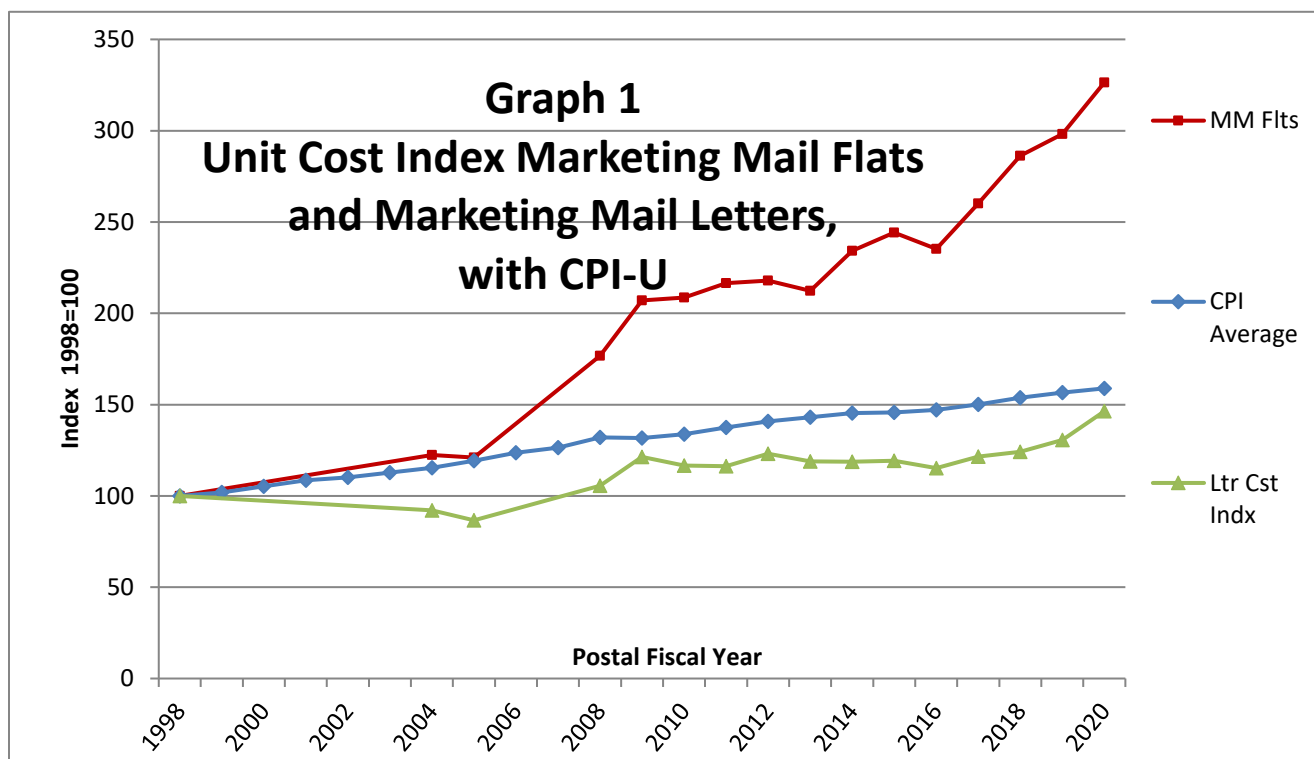
Chairwoman Maloney, Ranking Member Comer, and Distinguished Members of this Committee: Thank you for your interest in postal reform legislation. ACMA believes that reform is clearly needed. In addition to this testimony, we are aware of the statement of Joel Quadracci, on behalf of the Coalition for a 21st Century Postal Service (C21), and we agree with it. In fact, ACMA member companies have catalogs that are printed by Mr. Quadracci's firm.

The C21 testimony focuses generally on the overall Postal Service. ACMA would like to direct attention to an important component of overall mail, flat-shaped mail, commonly referred to as "flats." Flats are one of the three primary shapes, the other two being packages and letters. Flats are mailpieces that are too large to be classified as letters but are not packages, and as the name implies, are flat shaped. They include large envelopes, brochures, magazines, information bulletins, and the common catalog.

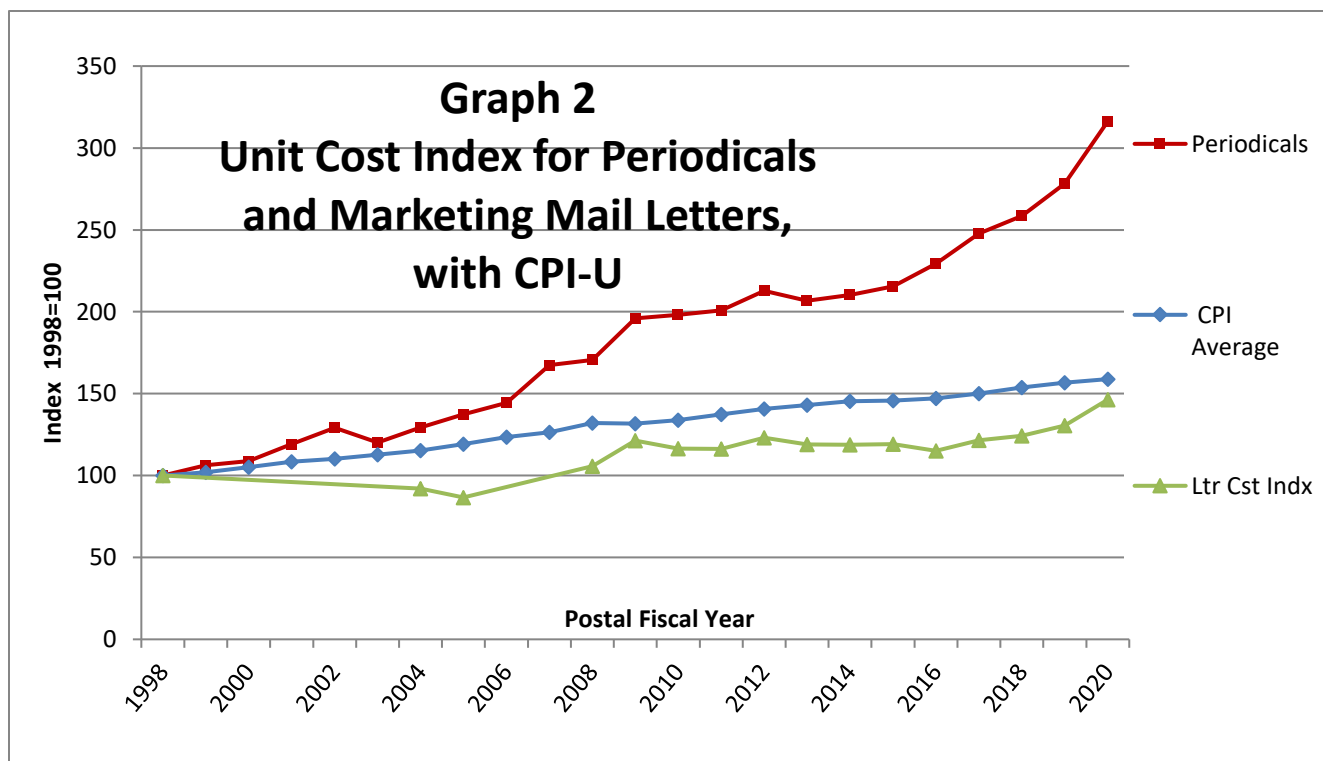
We believe the Postal Service must maintain an affordable capability to process and deliver flats, which are a key part of communication, welfare, and commerce in this country. Tens of thousands of mailers, including nonprofit mailers often associated with charities, depend on this capability and rarely have good alternatives. Indeed, the Private Express Statutes and the Mailbox Rule bar competition. And millions of mail recipients, both businesses and consumers, also depend on this capability. Further, the organizations preparing and sending flats provide millions of jobs, all to satisfy consumer needs and business interests.

The past 20 years have not been kind to flats. If we look at flats that are not prepared in bundles for specific mail carriers — the kind sent by smaller mailers and that require more than a minimum of postal processing — we see that the Postal Service's costs of handling and delivering them, on a per-piece basis, have increased inordinately. Specifically, these costs are now 3.26 times what they were in 1998, an increase of 226 percent. In comparison, the CPI has increased only 61 percent and the corresponding cost for letters has increased only 46 percent.

These cost increases can be displayed graphically. The following graph is indexed, with 1998 = 100. The point in the upper right is at a level of 326, showing the increase of 226 percent. No business mailer or person on the street could look at this without alarm.



The situation for periodicals is very much the same, as shown on the following graph.



ACMA has questioned these costs for years. For example, we have asked why an additional flat, according to the best estimates at the time, took a city carrier on the street an additional 2.6 seconds in 2006 and an additional 6.6 seconds in 2020. It seems clear that the costs for flats are out of control, and we find them inexplicable. Making matters worse, the Postal Regulatory Commission has concluded that our rates are below these costs, and is pushing for large rate increases.

The commercial mail volume associated with Graph 1 has declined 84.6 percent since 1998; the nonprofit volume has declined a little less. Marketers say this is due to the continually increasing postage that was one-third of the cost in 1998 and is now more than two-thirds of the cost of sending a catalog. While it is clear the catalog is an effective marketing medium, it is highly elastic. Volumes are directly driven by price. Yet, declines of this magnitude are associated in business with firms that are in late-stage failure. The Postal Service is faltering at flats. The PRC has asked numerous questions about flats costs but has gotten nowhere. And as rates increase further, volume will continue to decline. Exactly how much volume will leave is open to question. Our members, however, report and document sensitivities to price that are notably larger than the official estimates.

Sadly, it is not just these less dense flats (not prepared in bundles for specific mail carriers) that are reporting large cost increases; it is also the more dense flats, those with high numbers of pieces per carrier. All of this mail was more profitable in the past. And it is not just Marketing Mail. As shown in Graph 2 above, Periodicals are in the same boat, as are flats mailed via First-Class. More, the PRC has ordered 2 percent greater-than-average rate increases meted out to all these products, further reducing mail volume.

The situation is intolerable and urgent. Letting flats dwindle to insignificance is not the way to go. The market will not be served. We are concerned that if we continue along the path that is being prescribed for us — which is to continue to be based on the Postal Service's clearly inflated costs — the flats volume that remains in the Postal Service will soon be too low to qualify as a meaningful service, much less an affordable service. Essentially, the Postal Service will be left with near-abandoned machinery, and will not be fulfilling its assignment.

Consumer interest in flat-shaped mail remains high. Most Americans prefer hard-copy magazines¹. Catalogs represent retail therapy for those who use them, and they are not just older consumers. In fact, Postal Service studies have confirmed that

¹ Source: https://fipp.s3.amazonaws.com/media/documents/MPA_Factbook_2020.pdf, page 30, as accessed February 23, 2021.

Millennials find value in catalogs.² Catalogs and magazines have significant value in the mailbox, driving interest to all manner of mailed communications.

Saying what should be done is difficult. We have presented comments to the PRC. We have worked with Postal Service management on committees. The Postal Service has spent heavily on mechanization and automation. We have cooperated and improved the preparation of our mail. None of this is working. We now believe that, at a minimum, the pressure on our rates should be eased. American jobs and employers should not be put at risk because a government entity is in disarray in one of its main product areas. We believe the best way to do this is for Congress to break the link between our rates and the outsize costs being reported by the Postal Service, and to give the Postal Service freedom to set our rates at workable, effective levels. This means that some volume categories in a grouping of rates might be below the costs developed for them. Then, a solution must be found. Clearly this is a situation in need of intervention by Congress as the loss will not just be to good paying jobs.

Catalogs offer a diversity of products to consumers, as well as greater convenience to single-family homes, dual-income homes, shut-ins, the elderly, and rural Americans. For these groups, especially when it is impossible to get to a retail store, nothing replaces a catalog. While efficient, the Internet can never provide consumers with page-browsing “retail therapy” at a time and place of their choosing. There are actually many other societal and cultural benefits of cataloging as has been summarized in “The American Catalog Experience”³. We are in grave risk of the total loss of a vibrant and relevant piece of Americana, which would not only hurt the entire postal ecosystem but also reduce the quality of life for many consumers and businesses that depend on their catalogs.

We would be pleased to respond to any questions you may have.

² Source: USPS Customer & Market Insights research, as accessed February 23, 2021 via https://catalogmailers.org/wp-content/uploads/2017/08/20170808-USPS-Still_Relevant-A_Look_At_How_Millennials_Respond_To_Direct_Mail.pdf. See also: <https://rb.gy/q1qh7e>

³ Source: <https://catalogmailers.org/wp-content/uploads/2021/02/The-American-Catalog-Experience-social-and-cultural-benefits.pdf>, as accessed February 23, 2021



Letter for the record

House Committee on Oversight and Reform

February 24, 2021 Hearing

Legislative Proposals to Put the Postal Service on Sustainable Financial Footing

Dear Chairwoman Maloney, Ranking Member Comer, and Members of the Committee:

The Alliance of Nonprofit Mailers has for over 40 years represented the interests of nonprofit organizations that rely on U.S. Postal Service mail to raise funding, distribute publications, build membership, and communicate with constituents. We have a mutually beneficial relationship with the Postal Service: the mail is vital to our members, and our members mail about 10 percent of all USPS volume.

We appreciate your focus on the USPS in last week's hearing and in your draft reform legislation. And we appreciate Rep. Connolly identifying nonprofits as important stakeholders who rely on the Postal Service. We also are thankful for your acknowledgement that much more needs to be done to reform the finances and operations of our Postal Service.

We face a clear and imminent threat to our ability to continue our critically important roles to serve so many. The Postal Service has indicated that it plans to impose massive rate increases on us and all mailers as soon as mid-year 2021, by as much as 6 percent and up to 8.5 percent depending on the type of mail. As nonprofits, we cannot absorb increases in postage above the rate of inflation. Such rate increases will cause nonprofits to significantly reduce the volume of mail we send; this in turn will result in fewer donations and less revenue to fund important charitable programs that benefit consumers and underserved populations. Moreover, these postage rate increases will drive up the percentage of nonprofits' total expenses spent on fundraising. Lower fundraising efficiency will negatively impact our members' ratings from independent charity watchdogs, which will consequently harm our ability to continue to receive support from donors, subscribers, and members. One of the Alliance's Board of Directors members, Consumer Reports, estimates that these rate increases will increase its postage costs this fiscal year by approximately \$1.7 million alone. The impact industry-wide will be severe.

As you likely know, much of the new above-inflation rate authority granted to the USPS by the Postal Regulatory Commission is "bankable" or optional, and thus need not be utilized this year. We urge you to tell the USPS Board of Governors to use its discretion and refrain from imposing on captive mailers new above-inflation rate authority in the midst of a pandemic. We and other mailer associations – representing the vast majority of the Postal Service's market-dominant volume – believe that above-inflation price increases are not only unwise but also unlawful.

We strongly believe that reform legislation must retain the CPI cap on postage increases. This is necessary both to protect captive mailers subject to the USPS mail monopoly, and to ensure that current mailers are able to continue to use mail as a vitally important tool.

We ask you to consider the four pillars of reform that we believe are vital to the future of USPS:

1. Ensure service standards are met and excess costs are controlled.
2. Fix the funding of retiree benefits.
3. Retain the CPI cap on postage increases.
4. Fund with appropriations the non-businesslike functions of the Universal Service Obligation.

As to this last point, the Alliance has consistently advocated for a hybrid model that funds the Postal Service with both congressional appropriations (reflecting USPS' role in providing a public service) and mailer fees (reflecting its business function). We attach for your convenience our opinion column published in *Roll Call* last summer elaborating on this issue.

The Alliance would be happy to meet with you and your staff to discuss how we can help with postal reform.

Sincerely,

Stephen M. Kearney

Executive Director

Alliance of Nonprofit Mailers

1211 Connecticut Ave, NW, Suite 610

Washington, DC 20036

202-462-5132

www.nonprofitmailers.org

steve@nonprofitmailers.org

Alliance of Nonprofit Mailers Board of Directors

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FEDERAL LAW ENFORCEMENT OFFICERS ASSOCIATION

1100 Connecticut Ave NW ▪ Suite 900 ▪ Washington D.C., 20036

Phone: 202-293-1550 ▪ www.fleoa.org

Representing Members From:

AGRICULTURE
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National Recruitment Director
WILLIAM BELLER
Retirement Director
STAN SCHWARTZ
Public Affairs Officer
NATALIA CASTRO

February 23, 2020

Chair Carolyn Maloney
Committee on Oversight and Reform
U.S. House of Representatives
Washington, DC 20515

Ranking Member James Comer
Committee on Oversight and Reform
U.S. House of Representatives
Washington, DC 20515

Dear Chair Maloney and Ranking Member Comer,

I am writing to you today on behalf of the more than 30,000 members of the Federal Law Enforcement Officers Association (FLEOA) to provide our views for the Committee's upcoming hearing on "Legislative Proposals to Put the Postal Service on Sustainable Financial Footing."

FLEOA is the nation's largest non-partisan professional association, representing federal law enforcement officers from 65 federal agencies and including U.S. Postal Police Officers, Postal Inspectors, and Criminal Investigators with the Office of Inspector General. These brave men and women continue to perform a critical national security role by ensuring the safety, security, and integrity of the postal system and the U.S. mail. We have grave concerns about the security of the U.S. Postal Service (USPS) system and its law enforcement operations related to the safety of postal facilities, assets and personnel. During the upcoming hearing, it is critical that the Committee uncover the dire circumstances USPS law enforcement operations and personnel have been placed in both prior to and during the COVID-19 pandemic.

On the U.S. Postal Service website it says:

Our Postal Police Officers (PPOs) are a crucial part of the Inspection Service team. Stationed in critical postal facilities across the nation, they stand on the frontlines in the fight to protect postal employees, customers, and property. PPOs create a sense of security and safety for employees and the American public. Their presence keeps employees free from danger in the workplace and our customers feeling safe. And if disaster strikes on postal property—whether it's natural or man-made—PPOs are often the first to respond."

Unfortunately, that sense of safety and security has been reduced as the Postal Service and its employees continue to confront increased crime, violence, and attacks in the 20 Metropolitan areas they serve in. As has been widely reported, the USPS has seen dramatic increases in targeted violence against the U.S. mail, its employees, and facilities all while grappling with delivering on its Constitutional obligation during

the COVID-19 pandemic. Due to poor budgetary and management decisions, however, the ability of USPS to respond to these increased threats has declined significantly in recent years. One of the primary consequences of the poor decision-making of USPS has been a steady decline in staffing levels for the agency's law enforcement components. Indeed, a force that was once staffed with 2,700 Postal Police officers and 1,874 Inspectors across the country in 1977, has been reduced to approximately 560 Postal Police officers and 1,200 Inspectors today. In so doing, USPS has undermined the mandate contained in federal law at 18 USC 3061 that federal law enforcement officers be deployed to protect the postal system.

As noted, this continued reduction in USPS law enforcement staffing is occurring at a time when the targeting of the postal system is at its historical peak and rising. Including prohibiting Postal Police officers from their historic role of exercising the protection afforded by their street patrols to Postal Service asset and personnel. These staffing reductions, coupled with the increased criminal activity in many jurisdictions, has meant that local police departments—departments that have suffered their own reductions in funding and staffing—are now being tasked with responding to incidents involving USPS facilities, assets, and personnel.

However, these local departments DO NOT prioritize responding to a criminal incident involving the Postal Service and, in many matters, DO NOT have the jurisdiction and an understanding that the Postal Service law enforcement officers would have in handling those incidents. Additionally, to try offset the lack of historic street patrols that were until recently being performed by Postal Police officers, U.S. Postal Inspection Service Agents have been pulled away from priority criminal investigations involving terrorism, mail fraud, identity theft, revenue fraud, missing children, America's most wanted, and ever evolving new crimes that need to be anticipated and investigated, to perform these tasks that were formerly, or could be handled by their well-trained Postal Police Officers- and at a substantial cost savings to the USPS.

These include the initial response to carrier assaults, robberies, vehicle break-ins, mail theft complaints in the field, burglary alarms, accidents, workplace violence, and other crimes. All of which were commonly handled initial responses by Postal Police Officers vs the Inspectors until most recently. This is akin to taking a homicide Detective and placing them back on patrol. All this has done is further degraded the law enforcement capabilities of the Postal Service and furthered a dangerous trend that, in our view that leaves the Postal Service, its employees, and its customers- the American Public-exposed to increased criminal activity. Thereby eroding the public trust in a historically most-trusted American institution.

Additionally, the Postal Service has gone to lengths to ensure lawful pay and benefits afforded to every other federal law enforcement officer and government employee has been specifically denied to Postal Inspectors. This also includes denial of the recent paycap waiver enacted in the CARES Act passed in the FY 2021 National Defense Authorization Act, denial of the approved administrative leave process for COVID exposure and diagnosis as authorized by OPM for their law enforcement employees. Also non-management and non-veteran Postal Inspectors and OIG Special Agents are unable to access to the MSPB process and often federal courts for redress and they have severely restricted their own Postal Police officers in their ability to carry a personnel or government issued firearm to and from a Postal facility while starting and ending their tours of duty. What is most egregious is that some of these law enforcement officers, specifically the Postal Police, who all perform a range of federal law enforcement function, are not covered under

the federal governments law enforcement retirement system under CSRS and FERS, called 6(c), thanks to detrimental USPS policy decisions.

To address the continuing reductions of these necessary law enforcement functions and ensure these law enforcement officers and the American people continue to have faith that the U.S. Postal Service and the delivery of mail be protected, we ask the following:

1. That the Postal Service be requested to return the Postal Police and U.S. Postal Inspectors to their respective priority missions, including the Postal Police roll of protecting facilities, assets and the employees on street patrols which are best served by a uniform officer presence and thus allowing Postal Inspectors to focusing on investigating crimes that require or best served by their non-uniformed law enforcement activities.
2. That U.S. Postal Inspectors and OIG Agents be granted the rights, as passed by Congress and signed into law, to avail themselves of the pandemic paycap waiver and additional family leave rights under both the CARES Act and FY 2021 NDAA. The U.S. Postal Inspectors and OIG Agents are the only non-bargaining, non-management consultative employee units of the Postal Service, and were told that the act did not apply to them and only to USPS bargaining unit employees.
3. Ensure that U.S. Postal Inspectors and OIG Agents are being compensated under the same pay and benefits structure as other federal law enforcement officers. Currently the Postal Service tends to not pay night differential, overtime, and other forms of compensation to Postal Inspectors and OIG Agents and has denied or restricted them from other benefits available to federal law enforcement personnel.
4. Ensure that every law enforcement entity within the Postal Service, including the Postal Police Officers, are covered under the law enforcement retirement provisions of CSRS and FERS, generally called 6(c) coverage.
5. Create an oversight arm within the Postal Service called the Director of Law Enforcement and Audit Operations that could determine, coordinate, and deconflict USPIS and OIG investigative responsibilities that would a direct report to the Board of Governors.
6. Change Postal Service policy that would allow all of their own law enforcement officers to be armed when arriving and leaving their workplace.

As one of the clearly articulated mandates of the federal government in the Constitution, it is clear that the Postal Service and its law enforcement officers have always been properly viewed as critical to our nation's unity and security. Their role during the pandemic has also highlighted how important the postal system is with keeping America connected. It is imperative that we ensure that a system designed to keep America together not be torn apart by bad decisions and criminal activity. That is why Congress needs to act to ensure that the Postal Service is not ignoring federal mandates and the changes necessary to ensure that both the Postal Police and Postal Inspectors mission and benefits structures are consistent with other federal law enforcement officers.

Sincerely,

Larry Cosme

National President

Federal Law Enforcement Officers Association



POSTAL REGULATORY COMMISSION
Washington, DC 20268-0001

Michael M. Kubayanda
Chairman

The Honorable Carolyn Maloney
Chairwoman, Committee on Oversight and Reform
U.S. House of Representatives
Washington, DC 20515

The Honorable James Comer
Ranking Member, Committee on Oversight and Reform
U.S. House of Representatives
Washington, DC 20515

February 23, 2021

Dear Chairwoman Maloney and Ranking Member Comer:

I am writing to you on behalf of the Postal Regulatory Commission (Commission). As a separate and independent federal regulatory agency, the Commission determines the legality of the Postal Service's prices and products, adjudicates complaints and fair competition issues, and oversees the Postal Service's delivery performance consistent with statutory requirements. Its mission is to ensure transparency and accountability of the Postal Service and foster a vital and efficient universal mail system. The Commission is composed of five commissioners, each appointed by the President and confirmed by the Senate.

I have served on the Commission since January 2019, and was designated chairman in January 2021. I have assumed my new position at a critical time in the history of the Postal Service. On one hand, over the past year the Postal Service served its critical mission of binding the nation together during the pandemic. Postal workers kept Americans connected during extensive lockdowns, allowed large and small businesses to reach their customers, enabled citizens to safely receive crucial supplies, and served an essential role in the fall elections. The growth in ecommerce over this period uncovered upside potential for the Postal Service and other organizations. Analysts have estimated the total addressable market for ecommerce to be in the trillions of dollars – far above even its presently elevated level, and providing opportunities for continued growth in the package delivery market. In order to keep the nation connected through the pandemic and help the Postal Service capture these new opportunities, the postal workforce persevered through unique and unprecedented challenges and upheld

a tradition of service as old as the nation itself, dating back to Benjamin Franklin, our first Postmaster General.

On the other hand, the same time period has brought troubling issues in the postal network under a harsh spotlight. On-time service performance was uneven in the spring and summer, and has reached historically poor proportions since the holiday season. Anecdotes regarding woeful performance are becoming ubiquitous, and quantitative evidence is confirming the situation. Financial instability continues to haunt the postal system and has delayed needed investments including, but not limited to, replacing the aging fleet of delivery vehicles, which have been in service for as long as 30 years.

Pursuant to the 2006 Postal Accountability and Enhancement Act (PAEA), the Commission addresses service issues primarily through its annual compliance process. The Postal Service is currently in the middle of this process. The Annual Compliance Determination (ACD), due at the end of March, will include detailed analyses of the Postal Service's compliance with a number of legal requirements in the prior fiscal year, including performance in on-time delivery of market dominant mail against published service standards. The upcoming ACD, for example, will address compliance for FY 2020, which concluded on September 30th of last year. The Commission has previously provided remedies for noncompliance in the ACD, including requiring corrective action, increased transparency, and ongoing monitoring.

Following the release of the ACD, the Commission also issues an annual Financial Analysis of the Postal Service, in which the Postal Service's financial position is analyzed in terms of profitability, solvency, and stability using tools such as trend analysis and financial ratios. The Commission also issues a separate annual review of the Postal Service's performance plan for the current fiscal year and whether the Postal Service met its performance goals for the prior fiscal year. This document provides a customer-centric view, evaluating Postal Service surveys that measure customer experience. While the law directs management of operational and pricing matters to the Postal Service's Governors, the Commission's role in providing transparency and accountability remains vital as we are faced with new, acute challenges.

Stakeholders have called for the Postal Service, the Commission, and policy makers to act on postal matters, and have demanded greater transparency of the postal network. I should note here that the Postal Service, after prodding from the mailing community, announced that it will create a dashboard to provide up-to-date information on facility backlogs and operational issues, in addition to ongoing communications on pandemic related matters. These measures could allow postal customers to adjust their own operations and assist in relieving some of the bottlenecks in the postal network. I consider these to be positive steps and encourage further measures to provide transparency and assurances to stakeholders.

Reform and Remedies

From the Commission's perspective, a key priority is addressing the astonishing asymmetry between the resources of the Postal Service and the Commission, and preventing this situation from creating negative repercussions. The Commission is a \$17 million micro agency overseeing a complex \$80 billion behemoth and its interactions with numerous stakeholders. The Postal Service has over 600,000 employees and more than 200 lawyers, while the Commission regulates the Postal Service with 73 full time equivalent employees, including administrative and support staff.

In 2008, during the early days of the Postal Regulatory Commission, which the PAEA created from the old Postal Rate Commission, the agency's budget was \$14.985 million. Prior to 2006, the Postal Rate Commission, on average, reviewed major postal rate cases about once every three years. In 2008, the reconstituted Postal Regulatory Commission approved 17 specialized contracts, known as negotiated service agreements (NSAs), between the Postal Service and its customers such as businesses and nonprofit organizations. By FY 2020 the Commission was approving over 250 NSAs each year, while generally overseeing two annual rate cases, and managing the exhaustive annual compliance process, among other matters. The Commission has undertaken several massive and statutorily-mandated rulemakings, such as the ten-year review of the price cap on market dominant products, during which the Commission carefully considered thousands of pages of detailed and highly technical comments. The Commission also regularly reviews the rules governing the quantitative and qualitative data in reports filed by the Postal Service. During FY 2020, the Commission considered 16 proposals to update the "analytical principles" used in the reports. The Commission also is involved in reviewing regulatory petitions regarding service, and litigation brought by the Postal Service and postal stakeholders.

The consequences of meeting this robust agenda with such limited funds include delayed and unmet hiring needs; delayed or canceled investments in technological upgrades; and training needs that were not addressed for several years. The delayed and truncated priorities are troubling, as the Commission is a regulator in a fast-changing postal industry that overlaps with the communications, transportation, ecommerce, advertising, and retail markets. Postal stakeholders increasingly combine hard copy mail with utilization of the Internet, and the postal ecosystem has been bolstered by sophisticated organizations leveraging data analytics and application programming interfaces to facilitate transactions between the Postal Service and its customers. Meanwhile, the Commission perseveres, out of necessity, with older and more basic technologies to support its relatively tiny but hardworking staff.

The premise of the PAEA was to update postal regulation by building on the success of modern incentive regulation which had been deployed in other network industries such as telecommunications and electricity, with the Commission leading implementation of the regulations. Staying apprised of developments in regulatory economics, finance, and law, as well as changes in the market that the Commission is regulating, is not

optional. My predecessors and colleagues at the Commission, together with a dedicated staff, have been diligent and conscientious in working to meet the standards of a modern regulator despite essentially flat funding since passage of PAEA. As a new chairman, however, I would be remiss if I did not note that the Commission's lack of resources is another source of systemic risk to the postal system and its stakeholders.

The most immediate route for addressing this resource asymmetry is through the appropriations process. For FY 2021, the Commission requested \$19.2 million, but the final appropriation fell far short of this mark. A longstanding priority of the Commission under my immediate predecessor as chairman, current Commissioner Robert Taub, is to revert the Commission to its pre-PAEA funding methodology, aligning the treatment of the Commission with that of the Postal Service by pulling the Commission out of the appropriations process. Under the pre-PAEA approach, the Postal Rate Commission presented its budget request to the Governors of the Postal Service, with significant procedural protections for the Commission. For example, the Governors could only adjust the total amount of budget request through a unanimous written decision. These provisions worked well and were not abused from the creation of the Postal Service and the Postal Rate Commission in 1970 through the enactment of the PAEA in 2006. I agree with this priority and want to renew the call for aligning the Commission's budget framework with the agency it oversees, especially since the Commission's funding is drawn from Postal Service revenues (and thus postal ratepayers) rather than taxpayer revenues in the General Fund of the Treasury.

During the 2018-2019 federal government shutdown, the Commission ceased operations for two weeks while the Postal Service continued its operations. This disparity allowed the Postal Service to operate temporarily without regulatory oversight by the Commission. Moreover, the situation was damaging to the Postal Service as it was unable to file contracts or petitions with the Commission. The Commission's shutdown caused a backlog of NSAs, harming both the Postal Service and its customers who had agreed to mutually beneficial (and often commercially urgent) contracts. The Postal Service immediately filed for approval of several emergency NSAs following the shutdown. The shutdown also delayed the FY 2018 ACD, which is required by law to be completed within 90 days of the Postal Service reporting on its compliance.

The Postal Service and its stakeholders have long sought substantive legislative relief, and legislation will be necessary to right the ship and address the totality of the Postal Service's issues. This Committee is familiar with requests to address the pension and health care liabilities of the Postal Service through means such as reducing the prefunding targets, addressing the split of responsibility for pension obligations between the Postal Service and the pre-1971 Post Office Department, and integration with Medicare. These measures would help provide financial stability for the Postal Service, which should be a top priority alongside restoring service quality.

As part of comprehensive legislation, my immediate predecessor as chairman recommended that Congress grant the Commission authority to define the postal

universal service obligation. In the long term, a unified definition of universal service can provide coherence in postal policy, underpinning an alignment between resources and the needs of the American public. The issue is especially notable as disparate stakeholder groups have recently called for public service appropriations for the Postal Service, which would imply a need to define the types of services that would receive such funding. The Commission currently provides and updates annually an evaluation of the cost of universal service, which provides valuable information for policy makers.

Thank you for the opportunity to submit comments for this critical hearing.

Sincerely,

A handwritten signature in black ink that reads "Michael Kubayanda". The script is fluid and cursive, with the first letters of each word being capitalized and prominent.

Michael Kubayanda
Chairman, Postal Regulatory Commission



**United States House of Representatives
Committee on Oversight and Reform
Hearing on “Legislative Proposals to Put the Postal Service on Sustainable Financial Footing”
February 24, 2021
Submitted for the Record
Daniel M. Heins, President
United Postmasters and Managers of America**

Chairwoman Maloney, Ranking Member Comer, as President of the United Postmasters and Managers of America (UPMA) I would like to thank you for convening this hearing to bring attention to the needs of the United States Postal Service (USPS). UPMA represents more than 24,000 active and retired postmasters and senior managers at USPS. Like the Postal Service itself, our members live and work in every state and every Congressional district.

UPMA applauds the Committee for holding this hearing to begin the 117th Congress’s discussion of the issues facing the United States Postal Service. It is not hyperbole to say that the USPS serves an irreplaceable role in our society that is as critical today as it was at the founding of our country.

UPMA members help supervise the delivery of more than 500 million pieces of mail every day to 159 million households and small, medium, and large businesses in the United States. That number continues to grow.

In the past year, our members have faced unforeseen challenges and the USPS itself is receiving more attention than almost any time in history. Throughout the history of the USPS, major changes in how Americans live, work and communicate have not reduced their expectations of their Postal Service. The USPS and the employees who have worked for the USPS throughout its history have always managed change. From stagecoaches to planes to automated sorting and being “the last mile delivery” for many other shipping companies, the Postal Service has adapted to serve American businesses and consumers.

The COVID-19 pandemic’s transformation of postal business and operations has been another example of those adaptations. We have seen package and parcel volumes come down from their peak during the holiday season, but they remain significantly above pre-pandemic levels. The Post Offices we manage face continued uncertainty, but we are committed to persevering. As public health requirements and business for retail and commercial customers shift, we expect to see demands for postal services shift over the coming year as well. While we all hope to see a return to pre-pandemic levels of First-Class Mail volumes, these products are still on a declining trendline – yet new addresses are still coming online every month. Pricing flexibility for these products is needed.



A world of email, online retail and online bill payment would be challenging enough, but the United States Postal Service is facing those marketplace challenges while also facing severe economic demands. As a Postmaster I can tell you that I like a challenge, and I know the folks at L'Enfant Plaza can adapt to almost anything. But the challenge the Postal Service is facing now is unprecedented.

I can also tell you that Postmasters are incredibly proud of our performance during the 2020 election. On average, ballots were delivered from voters to election officials in 1.6 days during the general election. In the Georgia run-off election, the average was 1.9 days. We processed a total of 136 million ballots, with 99.7 percent delivered in less than five days. The people of the USPS are committed to delivering and providing exceptional service.

Now we need Congress to step up and deliver for us, in order to reach our shared goal of a postal service that meets the expectations of the American people. Congress must pass legislation that addresses the unfair, outdated and fiscally untenable prefunding mandate. This exists because in 2006, the Postal Accountability and Enhancement Act (PAEA) required that the USPS pre-fund the entire sum of its future retiree health benefits. Congress imposed this requirement solely on the USPS and not on any other Federal agency or private companies. This requirement is the leading cause of the fiscal challenges faced by the USPS today. Without this requirement, the Postal Service would break even or operate at a small net loss, rather than experiencing the record losses we have been seeing every year.

The USPS is required to pay \$5.4 billion annually to pre-fund future retiree healthcare costs, and this sum comprises more than 90 percent of the Postal Service's annual loss. The Postal Service has called for further reforms, including integrating retiree health benefits with the Medicare program. We also see a significant need for governance reforms and adequate pricing flexibility.

The Postal Service should be able to offer some additional services in the facilities, particularly in rural and underserved markets — business services, for example; selling fishing or hunting licenses; and serving as an extension site for TSA pre-check screening. As you likely know, USPS already provides passport support for the Department of State, but in some instances, we can't offer customers the services they need to accompany their passport applications, such as photographs. This simple change, to make these services available in every office that sells passports would provide better convenience for citizens and some additional revenue, while requiring little training or capital cost. Six-day service to homes and businesses, one of our most valuable assets, should not be stripped away for the sake of short-term savings.



We urge you to consider modernization in your push for postal reform. Congress should consider investing in the Postal Service vehicle fleet, upgrading legacy IT, and facility upgrades to reimburse costs for ventilation and personal safety equipment, especially since other industries are receiving financial support or tax credits to allow them to operate safely during a pandemic. In too many cases, postal facilities lack many of the standard safety precautions recommended by the CDC for safe operations, such as Plexiglass barriers.

The Postal Service must also address the needs of Postmasters. Our members are enduring significant strain dealing with staffing shortages and other challenges to the operations they oversee on a day-to-day basis. The COVID-19 pandemic has only served to exacerbate the issues we are facing.

Postmasters serve at the front lines of addressing customer complaints about slowed mail, missing packages and medications that don't arrive on time. These reduce customer satisfaction and confidence in the USPS – and may have some choose to take their business elsewhere, a recipe for further economic challenges.

Lastly, UPMA and our allies in the postal and federal community strongly oppose privatization. We are glad that the Postmaster General and the 2019 Treasury report agreed with us and did not recommend privatization as a path forward. We would like to especially thank the members of this committee and Congress who have led the effort to oppose privatization.

Thank you for the opportunity to share our views. We look forward to working with the Committee and Congress to pass meaningful and necessary postal reform.

Daniel M. Heins
National President
United Postmasters and Managers of America (UPMA)
8 Herbert Street
Alexandria, VA 22305
(703) 683-9027

Statement by MPA – The Association of Magazine Media

**Submitted for the Record of the House Committee on Oversight and Reform hearing on
“Legislative Proposals to Put the Postal Service on
Sustainable Financial Footing”**

February 24, 2021

MPA – The Association of Magazine Media respectfully thanks Chairwoman Maloney, Ranking Member Comer, and the distinguished Members of the Committee for holding this hearing and moving expeditiously to examine and propose reform measures to improve Postal Service finances. MPA has long championed postal reform and continues to support proposals we believe are under consideration by the committee, including eliminating the Postal Service’s retiree health benefit prefunding obligation, integrating the postal retiree health benefits system into Medicare, and enhancing the measurement, transparency, and accountability of postal service standards.

Our comments today focus on three additional measures that will ensure the continuation of predictable and affordable postage rates, while placing the Postal Service on firm financial footing:

- A New Review of the Postal Rate-Setting System
- A Study and Plan to Address “Underwater” Mail
- A Higher-Yield Investment Plan for the Postal Service’s Retirement Funds

Representing over 500 magazine media brands, MPA has been the voice of the magazine industry for over 100 years and an active supporter of the Postal Service since its founding 50 years ago. Today our members deliver the trusted content that informs, inspires, and entertains consumers across multiple platforms, connecting with a diverse, multigenerational audience that is 1.8 billion strong. Yet, print remains our foundation and our core. Over 90 percent of magazine circulation is delivered to readers in their mailboxes. Coincidentally, more than 90 percent of Americans read print magazines, across all ages and demographics, even with the vast array of digital offerings available 24/7. And with over 7,000 consumer print magazine titles in the United States, a number that has held steady for eight years, our industry has long demonstrated a commitment to the mail, and the widespread communities we serve.

We set forth below details on the three legislative proposals we urge this committee to include in postal reform legislation. We also explain why a focus on these measures will allow magazine publishers to continue delivering trusted content to Americans – and why that is good not just for consumers, our companies, and communities – but why it is good for the U.S. Postal Service as well.

I. A New Review of the Postal Rate-Setting System

Stable and affordable postage is critically important to maintain and grow current volume levels, particularly for market-dominant classes and products. If volumes are driven from the system by rate increases more than five times the rate of inflation, the Postal Service will fail and, with it, a critically important piece of our country's infrastructure.

To avoid this outcome, the Postal Regulatory Commission should be required to initiate a new review of the postal rate-setting system. Congress, of course, already permits the Commission to review the rate-setting system "from time to time." And the Commission completed in November 2020 the previous rate system review required of it by Congress. Unfortunately, during that review the Commission refused to reopen the record and consider the effects of the pandemic and the funding provided to the Postal Service in the amended Cares Act on the Postal Service's financial condition.

The Commission's determinations must be based on a full understanding of the Postal Service's financial position, including the impact of the pandemic and legislation passed in response to the pandemic. We support the proposal put forth by the Coalition for a 21st Century Postal Service in testimony presented by Joel Quadracci at the Committee hearing. As we understand it, that proposal would require a recalculation of rate authority based on: (1) mail volume and mail mix changes in calendar years 2020-2021; (2) the financial impact of laws affecting the Postal Service enacted since the start of the COVID-19 pandemic; and (3) the financial and other impacts of the current legislation.

During the pendency of the Commission's review, any above-inflation rate authority previously granted by the Commission should be "banked". If still allowed after the second review, the banked authority should be made available to the Postal Service on a phased-in basis.

II. A Study and Plan to Address "Underwater" Mail

Below, we detail some of the concerning trends in the Postal Service's handling of flat-shaped mail, and the dramatic growth in costs that has led such mail to be considered "underwater" and potentially subject to an above-inflation surcharge authorized by the Commission.

Previous legislative proposals before this Committee and in the Senate have required a study of the underlying reasons for the Postal Service's dismal performance for flats mail, and for the results of such study to be taken into account in setting rates for underwater classes and products. For reference, we have provided copies of the study provision contained in HR 2748, reported out of Committee in the 113th Congress, and a similar provision contained in S.2629, introduced by Senators Carper, Moran, Heitkamp, and McCaskill in 2018.

We urge inclusion of an underwater study in the current legislation also, as well as a requirement that the Postal Service implement a plan to improve flats' productivity and efficiency and to reduce costs for underwater products and classes. The above-inflation rate authority for underwater classes provided to the Postal Service by the Commission should be "banked" until after completion of the study and implementation of the cost reduction plan.

Existing postal law requires that the rate-setting system maximize incentives to reduce costs and increase efficiency. It also requires the Commission to account for several important factors, including: (1) that each class or type of mail should bear the costs attributable to it; (2) the ECSI value of certain types of mail; and (3) the need for the Postal Service to increase its efficiency and reduce its costs in order to maintain high quality, affordable postal services. Consistent with these Congressional mandates, the underwater provision should:

- Require the Commission, in conjunction with the Office of Inspector General, to study the extent to which market-dominant postal products and classes are “underwater”;
- Require that such study quantify the impact of Postal Service inefficiencies (e.g., excess capacity) on attributable cost calculations, and that the study determine whether costs were inappropriately attributed to underwater products;
- Require that the Postal Service develop a plan to reduce flat-shaped mail processing costs and improve efficiency, and that the Postal Service’s plan be presented to the Commission and subject to notice and public comment before it is finalized;
- Prevent the Postal Service from accruing or using a rate surcharge on underwater products until after its study is completed and its cost reduction plan implemented; and
- Mitigate the impact of any underwater surcharge on mailers, by: (1) requiring the Postal Service to account for the study’s findings in imposing any such surcharge; (2) requiring the Postal Service to account for mail’s ECSI value when imposing any such surcharge, and (3) requiring that such surcharge be phased in to avoid market disruption and the loss of classes and products that enhance the mail.

III. A Higher Yield Investment Plan for the Postal Service’s Retirement Funds

Among the postal reform measures considered and proposed in recent years has been a provision to allow the Postal Service to invest a small portion of its retirement assets in higher yielding securities than the currently allowed U.S. Treasuries. In HR 760, introduced by Representative Lynch in 2017, the Postal Service would have been allowed investments similar to the federal Thrift Savings Plan.

To maximize the improvement in the Postal Service’s financial position, we urge this Committee to go even further, allowing all USPS funds in retirement-related accounts, more than \$300 billion in assets, to be invested in a diversified portfolio. This could provide USPS in excess of \$10 billion more in average annual earnings and, by itself, put the Postal Service on more sound financial footing.

Adding a higher yield investment plan to the other financial provisions that have long been part of postal reform legislative proposals and which we believe are intended to form the cornerstone of the legislation under consideration by this committee – 1) eliminating the Postal Service’s retiree health benefit prefunding obligation and 2) integrating the postal retiree health benefits system into Medicare – would do much to put the Postal Service on sustainable financial footing and ensure a viable future for the most-trusted government agency that matters to our country more than it ever has before.

The Economic and Policy Rationale for Rate Stability

We are very concerned about the effect the above-inflation rate authority the Commission has provided to the Postal Service will have on us and on the Postal Service. A rate increase more than five times the rate of inflation on top of January's rate hike would devastate magazines and newspapers at an already fraught time, with all media – especially print media – suffering from significant declines in advertising during the pandemic. On top of that, USPS's unprecedented service failures this year have led to a huge jump in customer delivery complaints and greatly increased costs for publishers, from printing and mailing replacement copies to significant costs and penalties from transportation work-arounds and truck delays. The full impact of this year's record low service performance on long-term magazine renewals – and publishers' bottom lines – remains to be seen.

In recent years, while some publications have chosen to emphasize digital offerings, other publishers decided to upgrade the print product, investing in higher-grade paper and larger formats, to deliver copies that subscribers would enjoy, display, and keep. A potential 7.6 percent postage increase above inflation would force publishers to pivot from investing in print to cutting costs by shuttering titles, reducing issue frequencies, and shedding subscribers.

Magazines' ECSI Value versus the Underwater Surcharge

Congress has always recognized – and even codified – Periodicals' Educational, Cultural, Scientific, and Informational (ECSI) value, and the loss of magazines from the mailstream would hurt publishers, printers, readers, and ultimately the Postal Service itself. The implications would be far-reaching for an industry with 83,000 direct jobs and supporting nearly 160,000 additional indirect and induced jobs.

Despite authorizing an underwater surcharge, the Commission recognized the risks thereof. In its final rule, the PRC made three significant admissions:

- “The Commission acknowledges the concern regarding the potential effect of price increases on mailers and on mail volume.
- “The Commission also acknowledges that reducing costs will improve cost coverage.
- “The Commission further acknowledges that the Periodicals class, in particular, comprises mailpieces that offer ECSI value.”

The answer for improving cost coverage is not simply to raise rates on an “underwater” class with ECSI value. A study is needed to get at the root causes of the problem and a plan must be developed and implemented to improve operations. Imposition of an underwater surcharge should not be allowed until flats costs are under control.

The Case for a Flats Study

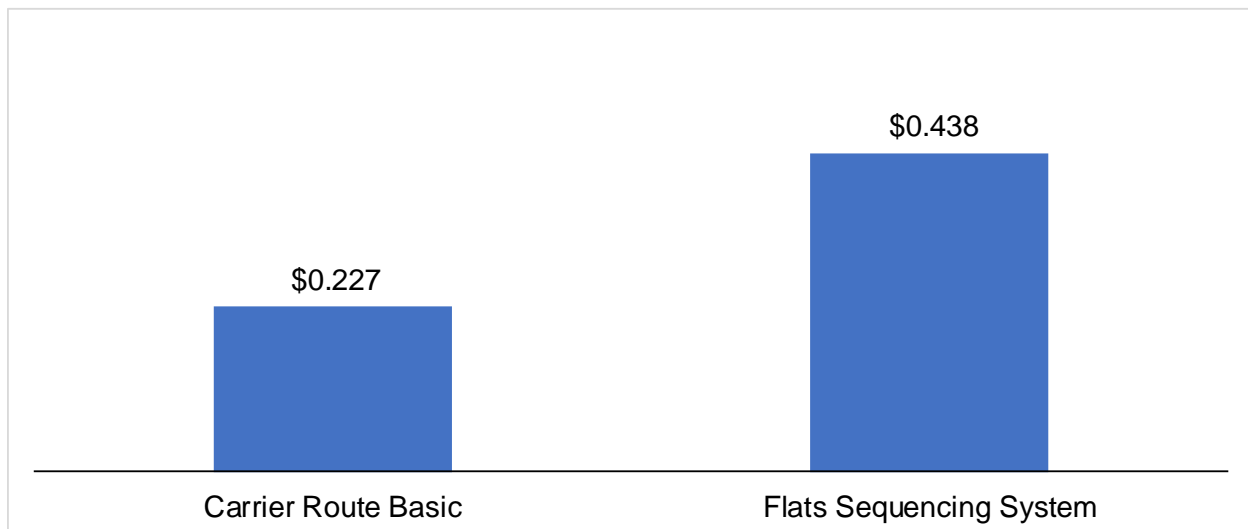
USPS' overall productivity has declined over the last five years, but the trends have been much worse for flat-shaped mail, including magazines. Flats processing productivities on all the machines used to process flats have declined substantially – by up to 50 percent – over the past decade.

Flats Mail Processing Productivity Trends

Operation	FY 2008 to 2019 Productivity Change (%)
AFSM 100 Incoming Secondary	-31.6%
SPBS/APBS Incoming	-21.8%
APPS Incoming	-50.9%

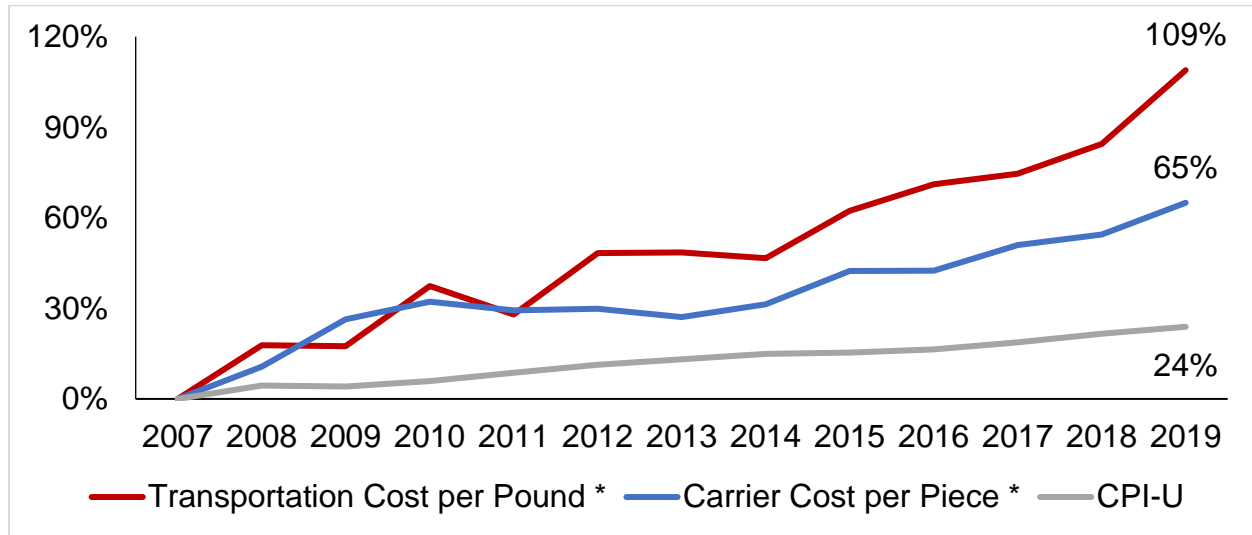
Deployment of the Flats Sequencing System (FSS) a decade ago has further hurt efficiency and increased costs. And FSS performance is worsening. FSS machine processing can cost twice as much as manual processing of the same mail.

FY 2019 Periodicals Outside County Cost per Piece



The problems are not confined to mail processing costs either. Both transportation and delivery costs for flats have increased much faster than inflation over the past decade as well.

Growth in Periodicals Transportation and Carrier Costs



Conclusion

MPA thanks the Committee for its hard work on postal reform. The Postal Service is part of the infrastructure that binds us as Americans, and magazines delivered through the mail are an important means of communicating with each other. MPA has long supported this Committee's efforts, and will continue to do so. We firmly believe that the legislative proposals outlined above will benefit consumers, protect mailers, and maintain the Postal Service for future generations. We look forward to working with you on bringing these sensible reforms to fruition.

Brigitte Schmidt Gwyn

President and CEO

Rita D. Cohen

Senior Vice President



National Association of Letter Carriers

100 Indiana Ave. NW
Washington, DC 20001-2144
202.393.4695
www.nalc.org

Fredric V. Rolando, President

Statement Submitted for the Record

of the

House Committee on Oversight and Reform's Hearing on "Legislative Proposals to Put the Postal Service on a Sustainable Financial Footing" (2/24/21)

by

**Fredric V. Rolando, President of the
National Association of Letter Carriers, AFL-CIO**

On behalf of the nearly 290,000 active and retired members of the National Association of Letter Carriers, which represents active city letter carriers employed by the U.S. Postal Service in every Congressional District in America, I submit this statement for the record of the Committee's February 24th hearing on proposals to strengthen our agency.

NALC appreciates Chairwoman Carolyn Maloney and Ranking Member James Comer for prioritizing bipartisan postal reform efforts early in the 117th Congress. We appreciate that members of this Committee have given this issue such a high priority.

That is as it should be. Over the past year, USPS has once again demonstrated the wisdom of our nation's founding generation in calling for this vital public service in our Constitution. When the country needed it the most with the arrival of the Covid-19 pandemic, the Postal Service was there to help tens of millions of Americans to safely work and shop from home. It delivered public health information from the CDC and economic support payments from the Treasury, and it made sure that medicines, merchandise, and information continued to reach America's citizens and businesses. It also made it possible for nearly half the country to vote on mailed-out ballots last year, safely and securely. For these reasons and more, it is no surprise that Americans rated the Postal Service as the "most essential enterprise" in a May Harris poll of U.S. citizens.

It will soon be 15 years since Congress last enacted significant legislation concerning the Postal Service. Unfortunately, the Postal Accountability and Enhancement Act of 2006 (PAEA), enacted just before the Great Recession, created a financial crisis at the self-sustaining Postal Service that plagues us to this day. It imposed an unaffordable and unfair burden to prefund future retiree health insurance premiums (\$5.4 billion per year, on average) decades in advance, and established an overly strict price cap that bore no relation to the underlying cost of providing universal postal services. The resulting financial losses over the past 14 years has starved the Postal Service of investment and has led to a deterioration of service. The prefunding burden alone accounts for 84% of these losses. Even as the agency downsized in reaction to declining letter mail volume (eliminating some 200,000 career jobs), the prefunding burden and excessively tight price cap denied the USPS the resources to restructure fully and to meet the booming demand more easily for e-commerce processing and delivery. Despite these challenges, the Postal Service soldiered on and rose to the occasion in the years since 2007.

Unfortunately, a combination of the pandemic and the Christmas peak season has caused a severe deterioration in service that we are struggling to recover from today. The unprecedented surge in volume overwhelmed our available space and the surge of infections reduced the available workforce due to positive tests and quarantines.

My members know that the poor quality of service in recent months is not acceptable. NALC is committed to working with the Postal Service to fix it. But we must be honest. Like the recent collapse of the energy sector in Texas in the face of an unprecedented deep freeze, the current crisis in service quality in the Postal Service has its roots in public policy failures going back many years. The neglect of our nation's economic infrastructure – which includes our energy grids and our Postal Service – has exposed our fellow Americans to costly service disruptions.

Fortunately, the bipartisan leadership of this Committee recognizes that urgent action is needed. Committee leadership has expressed interest in taking immediate legislative action to strengthen the Postal Service, building on a limited number of consensus reforms developed by this Committee's late beloved former Chairman, Rep. Elijah Cummings, and its former Ranking Member, Mark Meadows, as well as other ideas with past, broad bipartisan support. These proposals and ideas, outlined in the discussion draft released before the hearing, have the core elements necessary to achieve broad support across the postal stakeholder community, including business and labor. We strongly support moving forward on this basis.

With regards to reform efforts, NALC believes the discussion draft attacks head on the biggest driver of the Postal Service's financial distress – the burden to prefund retiree health benefits. It not only repeals the prefunding mandate by including the provisions of the USPS Fairness Act (H.R. 695, which was adopted by a bipartisan vote of 309-106 in the last Congress), but it also seeks to significantly reduce the cost of health insurance for the Postal Service and its employees and annuitants by integrating those health benefits with the various parts of Medicare, into which the Postal Service and its employees have paid taxes for decades. This reform, which would be done on a prospective basis for active employees and be offered to postal annuitants on a voluntary basis, is common sense. It embraces private sector best practice, ensures postal employees derive the benefit of Medicare taxes paid, and minimizes the impact on the Medicare Trust Fund, raising future program spending by less than two-tenths of one percent.

Working in concert with the Postal Service and other stakeholders, NALC will offer a few minor revisions to the discussion draft to protect employees in special circumstances. For example, active employees within a year of age 65 when the proposed new health benefit reforms take effect in January 2023 should be given the option to remain in traditional FEHBP plans (without the requirement to enroll in Medicare Part B) since they would have very little time to adjust their retirement planning based on current law. In addition, a very small number of annuitants (and employees who become annuitants as well as their covered relatives) should be given the option to remain in the traditional FEHBP plans in special circumstances – if they cannot benefit from enrolling in Medicare Part B. For example, retired postal employees who are veterans and who qualify for medical coverage from the Veteran's Administration. Other such alternative coverage should also be grounds for remaining in the traditional plans. Similarly, if covered annuitants live in places (at home or abroad) with no access to Medicare providers, the bill should allow them to remain in federal FEHBP plans instead of the new postal-only plans. It should be noted that the Postal Service would still cover the cost of those allowed to remain in the traditional federal plans, so there is no cost to the taxpayers of these limited exceptions. We hope to reach consensus on these minor revisions by working together with your staff members and with other stakeholders.

As the Committee prepares to take action on postal legislation, it might also consider other proposals to strengthen the Postal Service. Some of these additions might be included in the current

discussion draft, while others might be explored in future bills after additional hearings. Let me offer three such areas.

First, the Committee could explore expanding the range of services provided by the Postal Service to include some non-postal services that would meet unmet public needs. In the Cummings-Meadows legislation mentioned above, there was agreement that the USPS retail network could be used to provide state and local government services through negotiated service agreements (NSAs) with such agencies. Given the Postal Service's management of the national change of address system, perhaps it could be used to help local public health authorities to do contact tracing. Or it could be used to issue hunting licenses or assist state governments in other ways. This approach might be extended to other federal agencies as well – just as the USPS now provides Passport Services for the State Department, there may be other services we could provide to federal agencies via NSAs.

Other services to citizens and businesses might be permitted. For example, America's post office network might be used to expand broadband internet access in rural areas. And there is also broad support for allowing the Postal Service to ship beer, wine, and spirits by lifting the Prohibition-era ban on such deliveries.

Second, as NALC first raised years ago, the Postal Service could significantly reduce the cost of its health benefits costs if the assets of the Postal Service Retiree Health Benefit Fund (PSRHBF) were invested more sensibly. Under current law, all funds in the PSRHBF are invested in low-yielding Treasury bonds. Since 2007, the average rate of return on the fund was just 3.7 percent – and in recent years, returns have fallen to between 1.0 and 3.0 percent. If the fund had been invested in a well-balanced portfolio of stock and bond index funds offered by the federal Thrift Savings Plan, the rate of return would have averaged 8.3 percent and surged into double digits in recent years. For the PSRHBF fund alone, the forgone earnings since 2007 have surpassed \$45 billion, even after the large losses incurred during the 2008-2009 crash of the financial markets.

Committee member Stephen Lynch has drafted legislation in prior Congresses to allow the investment of some portion of the PSRHBF, for which we are grateful. We believe that this idea deserves renewed attention.

This approach might also be expanded and applied to the postal retirement (CSRS and FERS) accounts in the Civil Service Retirement and Disability Fund. In a recent investment simulation comparing what the three postal retirement funds earned by investing in Treasury bonds since 2007 instead of a balanced portfolio of TSP-style index funds, NALC found that the Postal Service lost an average of \$20.0 billion annually in forgone earnings. Poorly investing retirement assets in Treasury bonds raises the cost of retiree pension and health benefits while putting avoidable upward pressure on postage rates and needlessly denying the USPS resources that could be used to improve its infrastructure.

In the coming weeks/months ahead, NALC will share information with the Committee that explores how innovative investment reforms might be legislated to protect the interests of taxpayers, ratepayers, and the Postal Service.

Third and finally, there is the issue of investment in the Postal Service's infrastructure. For years, there has been bipartisan support for a major push to improve the nation's infrastructure, which has steadily deteriorated in quality for decades. The Postal Service is a vital and often overlooked part of our national infrastructure and should be included in this effort. A good place to start is with the Postal Service's outdated vehicle fleet. The USPS recently announced the first steps to procure a replacement fleet for its huge fleet of delivery vehicles.

We urge this Congress to help the Postal Service replace this fleet with mostly electric vehicles with financial assistance. All the major private delivery firms are committed to achieving zero-emission fleets in the next decade or so. USPS should do the same and become a leader in this climate-friendly revolution. President Biden has embraced this policy goal. And Postmaster General DeJoy has made clear that the vehicle recently chosen as the Next Generation Delivery Vehicle was purposely designed to allow for either fossil fuel or electric engines – and that USPS would electrify a majority of its fleet by the end of the decade with the right level of assistance from Congress. We urge the Congress to provide that assistance in an infrastructure package or other relevant legislation – and to invest in charging stations at post offices all over America that can be made available to the public as well. The Postal Service has a long history of facilitating economic innovation, starting with railroads and civil aviation to carry mail, continuing with the creation of mail order merchants like Sears and Montgomery Ward, and most recently by providing the infrastructure for companies like Netflix, Amazon, and e-Bay to innovate and grow. The USPS can be used to promote innovation with an electric vehicle fleet.

In conclusion, NALC appreciates all of the members of the Committee for their participation and passionate views expressed during the hearing. It is unfortunate that post-election partisan division, which was on display during the hearing continues to permeate the Committee and Congress. But we can use the work of postal reform legislation to build unity. The Postal Service is not a partisan institution. Indeed, the Post Office is older than our Constitution and is the ultimate American institution – one with the explicit mission to unify our country.

Last April, Pew Research released its regular poll on federal agencies. It found that the most popular agency in the government was, once again, the U.S. Postal Service – and that, quite remarkably, 91 percent of both Democrats and Republicans have a favorable opinion of the agency. It is a modest bit of common ground – but at least it is a place to start. Let us use postal reform to learn how to work together again and to bring our nation together.

February 23, 2021

Committee on Oversight and Reform
2157 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Maloney, Ranking Member Comer and members of the House Committee on Oversight and Reform:

Thank you for holding this important hearing, “Legislative Proposals to Put the Postal Service on Sustainable Financial Footing,” to examine solutions to the financial challenges of the U.S. Postal Service (USPS). I write to share the views of the National Active and Retired Federal Employees Association (NARFE) in advance of the hearing and for the hearing record.

Postal retirees make up a substantial portion of NARFE’s membership. These postal retiree members, most of whom had long careers working for USPS, care deeply about maintaining a strong and vibrant public postal service that meets the needs of American citizens. They believe, as does NARFE, that reliable mail delivery is an inherently governmental function.

As stewards of our members’ health and financial wellbeing, NARFE’s primary concern regarding previous legislative efforts to reform USPS has been the inclusion of provisions that would require current postal retirees to pay additional premiums for mostly duplicative health insurance coverage through Medicare – or else lose their earned retiree health benefits.

NARFE strongly supports the improvements to the Medicare integration provisions that the committee has incorporated into its discussion draft of postal reform legislation circulated in advance of the hearing. The new provisions preserve choice for current postal retirees regarding whether to enroll in Medicare Part B by no longer adding a condition to the continued receipt of their earned retiree health benefits after they have retired. The opt-in provisions for those age 65 and older provide postal retirees with a new opportunity to enroll in Medicare Part B without penalty, which allows them to purchase additional (Part B) insurance should they choose to do so. With these critical improvements, the Medicare integration construct of the discussion draft preserves choice for postal retirees while reducing the cost of health insurance for all postal employees and retirees.

NARFE also supports the repeal of the burdensome mandate to prefund future postal retiree health benefits. Rather than protecting health benefits, the requirement has threatened them by undermining the financial stability of the Postal Service, leading to cost-reduction measures targeting those benefits.

Together, the changes to the Medicare integration provisions and the repeal of the prefunding mandate significantly improve upon past postal reform bills. Furthermore, the discussion draft as written would provide much-needed financial relief to the U.S. Postal Service. NARFE urges members of Congress to maintain these improvements. We look forward to reviewing the final bill and hope to support the committee's postal reform bill once it is introduced.

Background on NARFE

NARFE is a nonprofit, nonpartisan membership association. Our 170,000 members live in every congressional district across the country and consist of both retired and current federal workers from all branches and levels of the federal government, including the U.S. Postal Service. Federal benefits and retirement plans are unique, complex and subject to change. NARFE provides federal workers and retirees with the clear, reliable and accessible counsel they need to make critical decisions regarding their benefits.

Since NARFE's founding in 1921, the association's mission has been to defend and advance the earned pay and benefits of America's civil servants. Federal and postal workers dedicate their careers to the betterment of our country, and in return they ask their government to hold up its end of the bargain – keeping the promises made when they were hired, including their compensation package. NARFE honors the service of federal employees by helping ensure that they have a secure future.

Postal Service employees earned valuable pension and retiree health benefits, in addition to their pay, in exchange for years of hard work. They rightfully expect the U.S. government to live up to its end of the bargain. NARFE is here to make sure it does.

The Need for Postal Reform

Due to a number of factors, from a decline in first class mail resulting from expanded internet use to a burdensome mandate to prefund future retiree health benefits, the Postal Service's financial condition has weakened over the past decade. This financial trouble puts USPS at risk of having insufficient cash on hand to conduct operations in the foreseeable future. With the threat of insolvency continually on the horizon and limits on the agency's ability to use debt-financing for needed investments, Postal Service operations have been hampered by austerity budgeting focused more on cost cutting than growth.

More than a decade of financial challenges has led to a slow but steady decline in service standards, threatening the reliability of essential postal services for the country. Americans rely on the Postal Service to deliver life-saving prescription medications and essential goods and communications. Degraded service standards lead to increasing delays in delivery. In some cases, delivery delayed is delivery denied, as it could force individuals to forego delivery in the future or receive medications and goods too late to use for critical needs. An erosion of public trust in the Postal Service could pose an even greater challenge to its long-term success, as distrust could cause additional declines in revenue.

Despite its challenges, the Postal Service continues to serve the American people. It delivers more than [472 million mail pieces every day](#), including more than 181 million pieces of first-class mail. The men and women of USPS continue their service through a global pandemic, ensuring that the nation remains connected and that individuals quarantining or isolating in response to COVID-19 receive goods and communications without leaving their home. They have done so at significant personal risk, as tens of thousands of postal workers have tested positive for coronavirus. Amid an extremely challenging year, the women and men of the Postal Service have exemplified public service and reminded us of the importance of their work.

Yet their shining example does not solve the long-standing financial challenges of the agency. Congress provided USPS with short-term financial relief via COVID-19 legislation, but it has been unable to reach consensus on a longer-term solution. Meanwhile, the Postal Service continues to operate under the same basic legislative framework that it has since 2006. It is past time for Congress to develop and pass postal reform legislation to provide a framework that allows the Postal Service to succeed. I thank this committee for its efforts in attempting to do so and look forward to working with you as the process moves forward.

Medicare Integration

The Medicare integration construct of the discussion draft circulated in advance of this hearing includes new, critical protections for current postal retirees compared to previous postal reform bills. Notably, the discussion draft would *not require* current postal retirees to enroll in Medicare Part B as a condition of maintaining their earned postal retiree health benefits. Instead, it provides postal service annuitants (and eligible family members) age 65 and older (as of January 1, 2023) who are not enrolled in Medicare Part B with a three-month window in which they will be able to enroll without incurring a late enrollment penalty. Postal annuitants (and eligible family members) age 55 to 64 (as of January 1, 2023), would be automatically enrolled in Part B at age 65, but they would have a three-month window to opt out of Part B coverage.

While these changes may appear modest, they preserve key principles regarding retiree health benefits. It preserves the choice for postal retirees as to whether to enroll in Medicare Part B or not. By doing so, the improvements ensure that the bill does not add a new condition and new costs (additional Part B premiums) to the continued receipt of earned retiree health benefits. The changes also avoid a dangerous precedent for other federal employees and retirees – that the federal government could renege on promised retirement benefits after retirement.

Without the flexibility provided by the new provisions of the discussion draft, a 90-year-old postal retiree and his or her spouse, living on a fixed income and already paying \$7,301 per year for their popular Blue Cross Blue Shield standard plan, would be forced to pay another \$3,564 a year in Part B premiums to keep that coverage – close to \$11,000 in premiums. That is a significant expense, especially when those additional costs, previously declined, now must be absorbed while living on a fixed income.

While there are benefits to having both Part B and federal retiree health insurance – fewer out-of-pocket costs from co-pays and deductibles for most plans – it is currently the retiree’s choice as to whether to accept that trade-off. Under the discussion draft, it will remain so.

The new improvements to the Medicare construct eliminate previous fatal flaws and provide additional benefits for many postal retirees. First, for those age 65 and older who were not enrolled in Medicare Part B, the bill provides an opportunity to enroll without penalty. Some postal retirees may be happy to take advantage of the chance to purchase additional insurance, which, when combined with their postal retiree health benefits, limit out-of-pocket expenses. Second, as more participants enroll in Medicare Part B, the cost of coverage for postal retiree health benefit plans will decline, as those plans become secondary payers when retirees are covered by both Medicare and their postal retiree plan. These reduced costs of coverage will result in lower premiums for all postal employees and retirees. Third, the integration of Medicare Part D should also reduce costs for postal health benefit plans, further lowering premiums.

The Medicare integration construct of the discussion draft ensures that the U.S. government upholds its bargain to postal retirees – they will continue to receive, without additional conditions imposed, the valuable retiree health benefits that they earned in exchange for years of diligent work. The construct would also provide needed financial relief to the Postal Service and should lower health insurance costs for many postal retirees. For these reasons, NARFE supports the updated discussion draft.

Repeal of the Prefunding Mandate

NARFE also supports the discussion draft’s repeal of the burdensome mandate to prefund future retiree health benefits. No other federal agency or private-sector company fully prefunds its retiree health benefits. Yet, the Postal Accountability and Enhancement Act (PAEA) of 2006 mandated specific, annual prefunding payments by USPS into the Retiree Health Benefits Fund (RHBF) over a 10-year period (2007-2016), followed by continued payments to fully cover the remaining liability for retiree health benefits as far as 75 years into the future.

Even though the Postal Service has not made all the required payments, the liability remains current on its balance sheet and is steering cost-cutting strategies and prohibiting investments, while simultaneously driving and limiting options for legislative reforms. The mandate has failed to serve its purpose of protecting health benefits. Rather, the requirement to prefund benefits for future retirees has threatened the benefits of current retirees via past legislative efforts to mandate Medicare Part B coverage for current postal retirees (rather than preserve choice).

It is important to note that even with the repeal of the prefunding mandate, the Postal Service would maintain its obligation to fund postal retiree health benefits. After using funds currently in the RHBF, the Postal Service would return to pay-as-you-go funding, similar to other federal agencies and businesses in the private sector. The repeal alone

will not solve all of the Postal Service's financial problems, but it is an important first step. It would rescind an unnecessary and unreasonable mandate, providing breathing room for other reforms.

NARFE's Position on Additional Issues

- **Six-Day Delivery.** NARFE supports maintaining six days of mail delivery throughout the United States. This delivery standard has existed since at least 1888. Toward that end, NARFE supports H.Res. 114 in support of six-day delivery and continuing to mandate six-day delivery through the appropriations process.
- **To-the-door Delivery.** NARFE supports maintaining curbside and to-the-door delivery, opposing a transition to cluster box delivery. This is of particular concern to NARFE members, as most are retired and some may not have the ability to walk several blocks to retrieve their mail – nor should they be required to. NARFE supports H.Res. 109 in support of to-the-door delivery.
- **Maintaining Service Standards.** NARFE supports efforts to preserve high service and delivery standards. Lowering the quality of service is not the way to improve the Postal Service's business model. As such, NARFE supports H.Res. 119 in support of restoring service standards.
- **Privatizing the Postal Service.** NARFE supports universal postal service provided independent of profit motivations. Toward that end, NARFE supports H.Res. 47, which expresses the position that USPS should remain an independent establishment of the federal government and not be subject to privatization.

Conclusion

The Postal Service distributes mail to every address in America. Its universal service provides essential communication and transportation infrastructure for our national economy. Yet it has faced more than a decade of financial challenges as it operates under a restrictive legislative framework that needs reform.

Past efforts focused on reducing the Postal Service's liabilities for retiree health benefits through a Medicare requirement that threatened to change the bargain for postal retirees after retirement, setting a dangerous precedent for all federal and postal retirees. But this committee has made important improvements to the Medicare integration provisions to preserve choice regarding the health benefits for current postal retirees. The simple, but critical, changes to the construct of Medicare integration apply the mandate to enroll in Medicare prospectively, and provide flexibility for current retirees (to either opt in or opt out of the requirement, depending on age). NARFE is grateful for the modifications and looks forward to working with committee leaders to support much-needed legislative reforms for the Postal Service.

Thank you for the consideration of our views. If you have any questions or concerns, please contact NARFE's Staff Vice President for Policy and Programs Jessica Klement at jklement@narfe.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ken Thomas', with a stylized flourish at the end.

Ken Thomas
National President



**Delivering Postal Advocacy,
Resources and Results**

The Honorable Carolyn Maloney
Chairwoman
Committee on Oversight and Reform
US House of Representatives
Washington DC 20515

The Honorable James Comer
Ranking Member
Committee on Oversight and Reform
US House of Representatives
Washington DC 20515

March 1, 2021

Dear Ms. Chairwoman and Ranking Member Comer,

Thank you for calling attention to the challenges facing the Postal Service and its customers. Our association, the Association for Postal Commerce (PostCom) is a diverse group of organizations from many different industries: financial services, publishing, software, transportation, shipping, logistics, printing, insurance, and others. They are united by their support for - and dependence on - an efficient, effective, and affordable Postal Service. As your Committee advances the critical work of putting the Postal Service on a sustainable track, we offer the accompanying comments for your consideration.

We agree that alleviating unfair cost burdens and ensuring quality service are essential for preserving the Postal Service and support legislative efforts to achieve those ends. We have also supplied a copy of comments we are filing with the Postal Regulatory Commission today identifying steps that can be taken immediately to restore service to the levels that the American public deserves.

Thank you for the opportunity to add our contributions to the record of your February 24, 2021 hearing.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael K Plunkett", is written over a faint, light blue circular stamp.

Michael K Plunkett
President & CEO
Association for Postal Commerce

**COMMENTS OF THE ASSOCIATION FOR POSTAL COMMERCE
REGARDING THE OVERSIGHT AND GOVERNMENT REFORM
COMMITTEE HEARING: LEGISLATIVE PROPOSALS TO PUT
THE POSTAL SERVICE ON A SUSTAINABLE FINANCIAL
FOOTING**

The Association for Postal Commerce (PostCom) appreciates the opportunity to submit comments regarding the critically important effort to ensure the continued viability of the nation's Postal system. Our members are world-class organizations in financial services, insurance, healthcare, telecommunications, logistics, mail production, technology, and shipping. They include many of the most recognizable brands in the world as well as small proprietors offering specialty products and services. This diverse group is united in its reliance on the Postal Service and is committed to ensuring that reliable, affordable postal services remain available to all US businesses and citizens.

PostCom's members rely on the Postal Service to deliver marketing mail, magazines, prescription medication, bills and statements, catalogs and essential business communications. Our members, to a great extent, fund the provision of universal postal service in the United States through the rates that they pay for commercial mail and shipping services.

We applaud the Committee in putting forth a discussion draft as the basis for what we all hope could become substantive and much needed postal reform legislation. We support the proposed components of reform that would relieve the Postal Service of unfair prefunding requirements and that would put postal employees on equal footing with their private sector counterparts regarding use of the Medicare system.

Our association also supports a reexamination of Postal Service overfunding of its Civil Service Retirement System (CSRS) obligations as put forth by Mr.

Quadracci in his testimony. An independent assessment of the Postal Service's retirement liabilities, coupled with a more rational investment of the Postal Service's retirement assets, should be a priority. Past work by the Government Accountability Office (GAO) and the US Postal Service's Office of the Inspector General (OIG) indicates that rate payers may have overfunded CSRS by billions of dollars.

We also support efforts to improve Postal Service performance. For the reasons explained below, we do not believe that the provisions set forth in the draft "Postal Reform Act of 2021" are likely to achieve their intended results, and we respectfully suggest an alternative approach.

We believe that the Postal Regulatory Commission (Commission) has the legal authority to substantially improve service measurement and reporting without further legislative action (see appended comments prepared by PostCom in Docket No. ACR2020, filed on March 1, 2021 with the Commission). As we point out in our comments, the solution to improving the Postal Service's performance will not come from stricter reporting requirements or more extensive planning. What is needed, and what we believe would strengthen the Commission's ability to ensure accountability, is enforcement of existing standards.

This would best be achieved by an automatic enforcement mechanism to include:

- Linkage of rate authority to achievement of specific service standards. For example, the current price cap regime permits modification to enable automatic reduction if service standards are not met. Incentive based rate

regulation often includes performance triggers, and the Postal Service's price cap could hypothetically be replaced with one that offers greater flexibility tied to accountability such as $CPI - X$, with x being a service quality offset such that, if all service standards are met, then $X = 0$.

- Limiting the Commission to a purely advisory role regarding service standards limits its ability to address substandard performance – and other forms of cost-shifting that have the effect of increasing postage costs. Legislative language regarding service should vest authority for approving service standard changes with the PRC while clarifying that any regulations implemented by the PRC must take into account their effect on users of the Postal system in addition to the Postal Service itself. This would enable the Commission to balance its approach rather than defer to the Postal Service on service standards and performance.
- Financial remedies for postal customers whose product is rendered unusable, or who incur extraordinary charges, due to postal delays. In late 2020, mail delays reached historic levels. In many instances statements were not delivered until after payment was due from the recipient, resulting in additional costs for mailers and fees for consumers. Delivery of advertising mail was often delayed beyond promotional periods, rendering coupons and other offers unusable and causing frustration for retailers and their customers. Weekly magazines were in many cases delivered weeks late causing publishers to have to mail out extra copies at higher rates. Logistics suppliers serving all postal products experienced unloading delays

such that trucks were stalled at postal facilities for extended periods. In many cases, mail and packages had to be returned to originator facilities because drivers were exhausting their time limits. Shippers incurred penalties and struggled to find trucking companies willing to transport mail to certain postal facilities. The Postal Service does not grant refunds under such circumstances, effectively seizing funds when service has been rendered worthless. Any effort to provide further financial relief to the Postal Service for COVID related impacts should designate some portion to offset extraordinary costs incurred by postal customers.

Both in contemplating structural reform as well as most other matters, we feel Congress should define what it wants and needs from the agency, and then allow postal leadership to determine the most appropriate ways to deliver that after consultation with its customers as well as its various oversight bodies. Additionally, while the Postal Service's ratepayer-funded model has had undeniable benefits, there are natural limits to what ratepayers can bear. The Postal Service provides a public service that benefits all Americans, but individual ratepayers use the mail to support their broader business and personal needs. To the extent the Postal Service is asked to do more than can be economically justified, ratepayers will seek alternatives to the mail rather than bear the full costs of providing these public benefits. Certainly, continuing rate increases, especially when combined with service degradation, will force mailers out of the mail, making it ever more likely that the system will need massive taxpayer support. To remain solely ratepayer funded,

the Postal Service must focus on providing reliable service at stable, predictable prices, keeping volume in the system and even growing it where possible.

CONCLUSION

Contrary to Postmaster DeJoy's characterization of the Postal Service being in a "death spiral," we do not believe the Postal Service is on the verge of immediate collapse. The COVID-19 pandemic, which has tested the agency, has also reminded us that it remains a vital part of the country's economic infrastructure and part of the civic life of Americans. The Postal Service is profitable thus far in FY 2021, and has the employees, resources, and capacity it needs to perform its mission. However, the systemic challenges that have plagued the Postal Service for the past decade, which culminated in unprecedented service problems in 2020, remain and should be addressed. We respectfully urge Congress to enact reform legislation that will ensure reliable and economical delivery service for all Americans, and we pledge our readiness to work with the Committee to achieve that goal.

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Annual Compliance Review, 2020

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Docket No. ACR2020

**COMMENTS OF THE ASSOCIATION FOR POSTAL COMMERCE
AND DELIVERY TECHNOLOGY ADVOCACY COUNCIL
ON FY2020 REPORT AND FY 2021 PLAN
(March 1, 2021)**

Pursuant to Order No. 5803, the Association for Postal Commerce ("PostCom") and the Delivery Technology Advocacy Council ("DTAC") submit these comments on the Postal Service's 2020 annual performance report (FY 2020 Report) and FY 2021 annual performance plan (FY 2021 Plan) (Library Reference USPS-FY20-17, December 29, 2020). It should be noted at the outset, however, that on the date that these comments are being filed, the 2021 Fiscal Year is nearly half over, which renders the Commission's consideration of comments and suggestions a purely formal matter; lacking in practical import. Were the Commission to take action to remedy the deficiencies identified in the FY 2020 Report or adjust the FY 2021 plan, there is no reason to believe such an effort would produce results in the current year.

I. THE POSTAL SERVICE DOES NOT PROVIDE THE SERVICE THAT ITS CUSTOMERS PAY FOR

As shown in the FY 2020 Report, the Postal Service failed to meet service standards for any of its market dominant products during FY2020. Unfortunately, this state of affairs is not unusual. In fact, as the table below illustrates, this is as much the rule as it is the exception (red numbers indicate instances where standards were not met).

USPS Service Performance Summary: 2010-2020											
Category	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
First-Class Mail											
Single-Piece Overnight	96.3	96.2	96.5	96.1	96	95.6	NA	NA	NA	NA	NA
Single-Piece Two-Day	93.6	93.4	94.8	95.3	94.9	93.2	94.7	94.7	93.8	92	91.5
Single-Piece 3-5 Day	91.6	91.2	92.3	91.6	87.7	76.5	83.7	85.6	82.5	80.9	78.8
Presort Overnight	93.4	90.8	96.8	97.2	97	95.7	96.2	96.5	96	95.5	94.7
Presort Two-Day	92.7	89.1	95.7	97	96.4	93.6	95.1	95.6	94.9	94.1	92.8
Presort 3-5 Day	88.2	90.6	95.1	95.1	92.2	87.8	91.7	93.7	92	92	89.9
Periodicals	76.7	75.5	68.7	82	80.9	77.7	80.1	85.6	85.6	85.7	80.9
Marketing Mail											
Origin Entry	59	38.4	56.5	63.3	63.5	59.6	65.9	69.8	66.4	66.2	72.2
Destination Entry	83.4	70.8	82	88.8	89.9	89.1	92.3	93.7	91.6	91.9	91.5
Package Services	79.4	76.7	87.2	87.5	86.3	84	82.5	89.6	89.2	87.3	85.8

The Postal Service has not met service standards for all of its market dominant products for any fiscal year since the passage of the Postal Accountability and Enhancement Act. As illustrated above:

- Since 2010, the Postal Service has never met service standards for Periodicals, Package Services, Origin-entered Marketing Mail (formerly Standard Mail), Overnight Single-piece First-Class Mail, and 3-5 Day Single-piece First-Class mail.
- In five different years, the Postal Service met none of its service standards.

In fact, these dismal results represent an overly rosy depiction of what users of USPS' market dominant products have to contend with. For instance:

- The Postal Service's targets are highly aggregated and therefore obscure worse performance on subcategories. For example, service performance on flats is

routinely much worse than on letters within the same category. Because letters greatly outnumber flats, reported service performance results are a distortion. For mailers of flats, service performance is much worse than reported by the Postal Service.

- The Postal Service does not begin measuring compliance with standards until a mail piece has an acceptance scan. In recent months there have been numerous instances of trucks bearing commercial mail being held for days at postal facilities awaiting unloading despite having confirmed appointments. Those added delays are not reflected in the way the Postal Service self-reports.
- Mail pieces may be excluded from measurement for a number of reasons, including pieces that get lost in the USPS network. Unedited service performance reports would certainly show that service is worse than depicted.

Service standards are necessary under price cap regulation to protect captive users of monopoly products from the incentive for the monopolist to degrade service in order to reduce cost in the name of “financial stability,” which is, in effect, tantamount to an increase in rates. By enabling and abetting the Postal Service overcharging its customers for more than a decade, the Commission has failed one of its most fundamental objectives.

II. REPORTING ON SERVICE PERFORMANCE IS TOO OPAQUE

As noted above, the Postal Service’s preference for highly aggregated reporting on – and setting targets for – service performance presents a misleading view of how the Postal Service is performing. When the Postal Service transitioned from external measurement of service to an internal, Intelligent Mail Barcode (IMb) based system, one of the presumed benefits was greater

availability of performance data. Indeed, since that time, the Postal Service has imposed numerous requirements on its commercial customers, such as conversion to Seamless Acceptance, that have the effect of providing the Postal Service with greater information about the mail in its network. Simultaneously, the Postal Service has invested heavily in its Informed Visibility platform and scanning equipment to track mail and packages through its system.

Given these changes, the Commission's continued reliance on quarterly data that is highly aggregated and edited by the Postal Service is a disservice to the mailers who depend on the Postal Service. Toward the end of FY2020, the Postal Service implemented structural changes in its field operations that will further reduce the amount and specificity of service reporting information. Through Q4 of FY2020, the Postal Service reported service performance for 67 distinct Districts, which were aggregated to seven administrative areas. In Q1 of 2021, service reporting is based on two administrative "regions" and only twelve "divisions." Against this backdrop, the addition of the Market Dominant Composite service indicator appears to be an attempt to further obfuscate the Postal Service's performance. Furthermore, the aforementioned administrative changes are coincident with marked declines in service performance. As indicated below, the Commission should consider whether these administrative changes were part of a larger effort to enact de facto changes in service standards.

For service performance targets – and results – to be useful and meaningful, they should correspond to how customers use the Postal Service, not how the Postal Service organizes itself administratively or legacy product structures. The current classification schedule – largely unchanged in fifty years – does not provide a usable framework for determining whether the Postal Service is actually delivering "High-Quality Service." For instance, Single-Piece First-Class Mail contains both personal correspondence between individuals, but also remittances to

financial institutions and statements that are aggregated at destination by commercial mailers. The information available on the exterior of a mailpiece has increased significantly thanks to the IMb. Performance targeting, and reporting should evolve to reflect emergent technological capabilities and customer expectations, *e.g.* separate reporting for First-Class Mail pieces bearing a facing identification mark (FIM) indicating that the mail piece includes a remittance (see suggested remedy below).

The Postal Service clearly understands this, as indicated in their self-published report on election mail performance. See https://about.usps.com/newsroom/national-releases/2021/usps_postelectionanalysis_1-12-21_georgia.pdf. Election mail is not a product. Rather, it is a specific use of various postal products for a distinct purpose. Despite the fact that this report touts statistics that are not clearly tied to actual performance standards, it demonstrates that – when properly motivated, in this case by a desire to tout performance – the Postal Service has the ability to measure and report on service that relates to how customers use its products. This report also catalogs extraordinary efforts undertaken by the Postal Service to serve a particular customer niche. That niche, through lobbying and use of the Courts, has been able to motivate the Postal Service to measure and perform well. Customers of the Postal Service should not have to resort to such efforts; that is the job of the Commission.

Frequency of reporting is also an issue. In response to a judicial ruling in advance of the 2020 election season, the Postal Service began supplying weekly service performance data for market dominant products by district. Clearly, the Postal Service has the ability to provide much better and more frequent data on service performance on a timely basis than the Commission currently requires. Some suggested improvements to the Commission’s reporting requirements include:

- Explicit reporting, by product, of how many pieces of mail were excluded from measurement, including historical data going back as far as PI2015-1
- Scan data captured on Single Piece First-Class Mail pieces at the point of delivery to provide visibility into last-mile impacts.
- Scan to home data to provide additional visibility into last-mile impacts and allow mailers to better coordinate mail with other channels

III. THE POSTAL SERVICE'S 2021 PERFORMANCE TARGETS ARE INSULTING, UNREALISTIC, AND PERVERSE

The lack of service performance targets for 2021 demonstrates contempt for the ACR process and postal customers. At the time of filing, the COVID-19 pandemic, cited by the Postal Service as the reason for not developing 2021 targets (Report at 35) was in its tenth month. The Postal Service ought to have had ample time to analyze baseline service performance from which to set targets for 2021. Those targets might have been lower than FY2020 and may have been more prone to error than in a typical year, but the Postal Service would have an opportunity to address these issues when it files the FY2021 Annual Report. To elect to forgo targets altogether is a tacit abandonment of its mission by the Postal Service, and the Commission should expect and demand better.

Other performance targets defy cogent explanation. For example:

- The Controllable Income (loss) target is worse than FY2020, despite USPS outperforming last year's target. *See* Report at 46. It is also lower than any of the last five years, despite USPS revenues greatly exceeding planned levels during the last year. *Id.*
- The target for the Customer Experience Composite Index is set above last year's target, despite the fact that the Postal Service's actual performance in FY 2020 was well below targeted levels. Report at 33.

- The Engagement Survey Response Rate Target appears to be set arbitrarily to just exceed more than 50 percent. Actual performance has been declining every year and last year was at 33 percent. Report at 33. A 51 percent target for FY2021 is unrealistic.
- It appears, based on the Total Accident Rate target, that the Postal Service is endeavoring to be less safe than in FY2020. Report at 33.

IV. THE COMMISSION’S APPROACH TO REGULATING SERVICE HAS FAILED – AND IS FAILING – POSTAL CUSTOMERS

The table presented in Section I above is ample evidence that the ACR process has not been effective in driving improved service performance. Consequently, while the issuance of an Annual Compliance Determination technically satisfies a basic statutory requirement, the end result is that the spirit of the Postal Accountability and Enhancement Act (PAEA) is thwarted to the extent that PAEA vested regulatory authority to oversee service with the Commission. A new approach is needed to ensure that postal customers receive the service that they pay for.

In the foregoing paragraphs, using examples from the Postal Service’s 2021 performance plan and recent results, we have highlighted several issues that warrant Commission action. There are more. In the latter part of 2020, the Postal Service made a number of operational and structural changes including:

- Instructing field managers to minimize use of overtime and reduce reliance on unscheduled inter-facility trips to meet service standards
- Removal of sortation and other equipment from postal facilities
- Implementation of a surface transfer network to consolidate highway transport of mail, including remittance pieces previously transported by air.

There may be others. The result of these changes has been a measurable decline in service performance for the Postal Service’s market dominant products (see table below).

Considered separately, any of these actions would not necessarily be considered an intentional degradation in service standards, but collectively performance has declined, raising the question of whether or not these operational changes constitute a de facto change in service standards. If so, then the Postal Service should have sought an advisory opinion from the Commission before implementing these practices. Indeed, Judge Sullivan specifically found that this decline in service likely constituted a change in the nature of postal services requiring an advisory opinion under 39 U.S.C. § 3661(b). *See, e.g., New York v. Trump*, Case No. 20-cv-2340, Memorandum Opinion at 28 (D.D.C. Sept. 27, 2020).

USPS Service Performance by Product						
FY2021 Quarter 1						
Product	Origin / Destination					
	Overnight	Two-Day	Three-To-Five-Day			
	Percent On Time	Percent On Time	Percent On Time			
First-Class Mail Presort Letters & Cards	N/A	82.0	54.8			
First-Class Mail Single Piece Letters & Cards	91.6	85.0	78.3			
First-Class Mail Flats	71.0	67.2	55.9			
	Origin / Destination					
	Overall			End-To-End		
		Three-To-Five-Day (SCF)	Five-Day-And-Above (NDC)	Overall		
	Percent On Time	Percent On Time	Percent On Time	Percent On Time		
USPS Marketing Mail Overall Letters	85.9	88.1	91.4	70.7		
	Origin / Destination					
	End-To-End					Overall
	Three-To-Five-Day (SCF)	Five-Day-And-Above (NDC)	Three-To-Five-Day	Six-To-Ten-Day	Eleven-Day-And-Above	
	Percent On Time	Percent On Time	Percent On Time	Percent On Time	Percent On Time	Percent On Time
USPS Marketing Mail Flats	74.1	78.2	65.6	44.8	63.1	69.1
USPS Marketing Mail Carrier Route	81.5	88.6	85.1	72.9	74.6	81.9
	Origin / Destination					
	Within County	Outside County				
		Destination Entry	End-To-End	Overall		
	Percent On Time	Percent On Time	Percent On Time	Percent On Time		
Periodicals	69.8	73.1	59.0	69.5		

V. THE COMMISSION SHOULD CONDUCT A SEPARATE RULEMAKING PROCEEDING

The issues identified in the preceding sections are too important and too complex to be remedied in the ACR process. As this proceeding unfolds, postal customers are experiencing service levels that are historically bad. The role of a regulator is more than just checking a box to

see that a report is filed on the time. The Commission must initiate a proceeding to explore better alternatives to performance measurement and enforcement than the ACR process provides.

These questions of service standards and service performance are not merely academic. Failures of service do not just inconvenience senders and recipients of mail matter. Rather, they have significant financial consequences for both individuals and business users of the mail. As these consequences accrue, the value of the mail declines, and the Postal Service's customers will look for alternatives where they can.

The consequences to individuals should be obvious. Late-delivered invoices and payments can lead to service cancellations and impacts to consumers' credit with long-lasting consequences. In an effort to avoid such consequences, consumers will continue to shift to electronic bill payment, furthering the trend of declining First-Class Mail volume.

The Postal Service's business customers rely on the Postal Service's service standards to plan marketing campaigns around sale dates, schedule call center coverage, and time invoices and remittance payments. Delivery of promotional offers and coupons after sale dates diminish returns on postage investment and may void such returns altogether. Delayed mail also disrupts mailer operations. For instance, when an offer is expected in home in 3 days, the mailer will staff a call center based on the call volume it will expect to receive once that offer arrives. If the offer arrives in 7 days instead, not only will the mailer have paid its call center staff to receive calls that never arrived, but it may not have sufficient staffing available to handle the call volume when the offer does arrive. The mailer will lose sales and frustrate its customers. And it will then seek alternative marketing channels that are more predictable and reliable.

When the Postal Service operates as it should, the response businesses receive from mail can exceed what they receive from electronic marketing. But if an offer only reaches a customer

after its expiration date, or when the company doesn't have anyone on call to accept the sale, the service provided by the Postal Service is worthless to the business. The business will have wasted the money it spent on postage and lost the value it expected to receive from its marketing campaign.

Indeed, the Postal Service's recent service problems have had a significant impact. PostCom members have struggled with these very issues, causing significant financial impacts to their businesses from lost sales, extra staffing, and postage paid for mail not delivered within a time frame that serves any business purpose. Put simply, businesses are paying for a service that is costing them money instead of making them money. That situation is unsustainable.

If businesses received the level of service they have received from the Postal Service from any other vendor, they would have recourse—at least for the value of the services rendered, if not for the consequential damages as well. They would also contract for performance guarantees to ensure these problems would not occur in the future. But because the Postal Service is a government-owned monopoly, these options are not available to its customers. The Postal Service doesn't guarantee its services and is not liable for not performing them. As a result, it has collected billions in revenue for services that did not meet the requirements of its customers.

The Commission's job is not to support the Postal Service. It is to protect postal customers by ensuring the Postal Service carries out its mandate. The Commission should open a rulemaking to develop a new service performance review process that will allow the Commission to address service failures in closer to real time and take meaningful corrective action. As part of this process, the Commission should consider adding enforcement mechanisms to its review of Postal Service performance. For instance, if the Postal Service fails

to meet service standards with respect to a particular product or category of mail, the Commission could restrict its ability to increase prices for that product or category. While some of these issues may be discussed in Docket No. RM2021-2, an inquiry focused specifically on service performance would provide a more targeted platform to address these issues.

VI. CONCLUSION

PostCom and DTAC respectfully offer the foregoing comments on the Postal Service's FY 2020 Performance Report and FY 2021 Performance Plan. As noted above, the contents of the Postal Service's performance plan raise serious concerns. Given perpetual underperformance on service, we believe that the ACR process is inadequate to drive the necessary improvements and therefore request that the PRC initiate a separate rulemaking proceeding to develop a performance review process that will enable customers of the Postal Service to receive the service for which they have paid.

Michael Plunkett
President
Delivery Technology Advocacy Council
(DTAC)
1800 Diagonal Road
Suite 600
Alexandria, VA 22314
(703) 524-0096
michaelplunkett@postcom.org

Respectfully Submitted,

/s/ Matthew D. Field
Matthew D. Field
Ian D. Volner
VENABLE LLP
600 Massachusetts Ave., NW
Washington, DC 20001
(202) 344-8281
mfield@venable.com
idvolner@venable.com
Counsel for Association for Postal Commerce