



# NATIONAL ASSOCIATION OF POSTAL SUPERVISORS

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July 16, 2013

The Honorable Elijah E. Cummings  
Ranking Member  
Committee on Oversight and Government Reform  
U.S. House of Representatives  
Washington, DC 20515

## **Re: Discussion Draft of "Innovate to Deliver Act of 2013"**

Dear Ranking Member Cummings:

The National Association of Postal Supervisors, representing over 28,000 active and retired supervisory and managerial employees of the United States Postal Service, appreciates the opportunity to respond to your discussion draft of comprehensive postal reform legislation. As you know, our organization has long urged Congress to pass postal legislation that responsibly ends the financial crisis afflicting the Postal Service and provides a foundation for future stability and growth.

We commend you for your legislation's commitment to stabilize the Postal Service's finances and provide for longer-term stability through growth and innovation. We endorse your measure and look forward to continuing to work with you and other members of the Committee in achieving passage of legislation that provides immediate and lasting benefit to the Postal Service.

Thank you for considering the attached comments of your draft measure. Please contact us if you have questions or require assistance.

Sincerely,

James F. Killackey III  
Executive Vice President

Encl.

cc: Members of the House Committee on Oversight and Government Reform

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## **Comments of the National Association of Postal Supervisors Concerning the Discussion Draft of the “Innovate to Deliver Act of 2013”**

The National Association of Postal Supervisors, representing over 28,000 active and retired supervisory and managerial employees of the United States Postal Service, strongly supports the passage of comprehensive postal reform that ends the financial crisis afflicting the Postal Service and provides a foundation for future stability and growth.

NAPS believes that comprehensive postal reform should embrace short-term and long-term solutions. The immediate crisis facing the Postal Service is largely due to past actions taken by Congress. Short-term solutions should correct those errors and aim at restoring financial solvency. Longer-term solutions should aim to fortify revenue and provide wider authority to the Postal Service to transform itself and sell innovative products and services. While no single action will solve the Postal Service’s problems, NAPS believes that four key solutions lie at the heart of comprehensive postal reform:

- Repeal or modify the retiree health prefunding requirement
- Return pension overfunding to the Postal Service
- Preserve Saturday delivery and other delivery standards
- Authorize the Postal Service to sell additional products and services

NAPS provides these comments in response to the discussion draft of comprehensive legislative, entitled the “Innovate to Deliver Act of 2013,” prepared by Rep. Elijah E. Cummings, Ranking Member of the House Committee on Government Oversight and Reform. NAPS endorses the legislation and believes it represents an effective, balanced approach toward encouraging innovation and comprehensive postal reform. Our comments are organized by title of the bill.

### **Title I – USPS Profitability and Revenue Generating Enhancements**

#### **Subtitle A - Postal Service Products and Pricing**

- 1. Section 101: Establish the position of USPS Innovation Officer.** This section calls for the USPS to create and the Postmaster General (PMG) to designate a Chief Innovation Officer (CIO) to “lead the development of innovative postal and non-postal products and services” by January 1, 2014. The PMG must also propose a comprehensive innovation strategy to Congress and periodically report to Congress on the progress and proposed revisions to the Innovation Strategy.

**NAPS Response:** *NAPS supports the creation of a CIO and more aggressive action by the USPS to identify and take advantage of the vast opportunities for smart innovation that exist within the postal infrastructure. With the extensive logistical network, retail presence and on-line opportunities that the USPS possesses, the appointment of a designated officer to focus on growth and expansion is overdue.*

*The Postal Service and the American public stand to benefit from the creation of an aggressive innovation strategy. NAPS members, as they have for over 100 years, stand ready to manage and supervise the implementation of innovation strategy in the field.*

- 2. Section 102: Authority to Offer Non-Postal Services.** This section allows the USPS to expand its business operations into new lines of business it has previously been prohibited from participating in.

**NAPS Response:** *NAPS agrees with granting the Postal Service the ability to provide additional services to the American public including check cashing, basic banking services, and internet services. These services could raise additional revenue and extend a variety of convenient services to millions of Americans.*

- 3. Section 103: Requirement that Market Dominant Products Cover Attributable Costs.** This section repeals current statute and requires each category of mail to cover its own separate costs.

**NAPS Response:** *NAPS agrees that the rate structure of the Postal Service should be set to have all postal services cover their actual costs, and not continue subsidies for particular businesses to the detriment of the broader American public.*

- 4. Section 104: PRC Review of CPI CAP Instituted Under PAEA.** This section requires the Postal Regulatory Commission's consideration of the merits of the current CPI price cap, established by the Postal Accountability and Enhancement Act. Current exigency requirements to alleviate the burden of the current cap structure are too narrowly constructed under the current law and do not provide sufficient pricing flexibility to USPS.

**NAPS Response:** *NAPS agrees that the Postal Service should not be burdened by current statute that unnecessarily restrains the USPS from setting prices and rates.*

5. **Section 105: Enhanced Product Innovation.** This Section streamlines the implementation process for experimental USPS products.

**NAPS Response:** *NAPS agrees that the Postal Service requires the latitude to develop and test new products without the restrictions that are currently in place. Innovative products have the power to rejuvenate the Postal Service and increase revenue.*

6. **Section 106: Authority to Ship Beer, Wine and Distilled Spirits.** This section allows the USPS to serve as a carrier for alcoholic beverages.

**NAPS Response:** *NAPS agrees with this change in the law. Currently other shipping service companies have the ability to engage in these services for the American public, and the Postal Service should compete in this lucrative market like private carriers.*

7. **Section 107: Repeal of Uniform Rates for Books, Films and Other Materials.** This section lifts requirements on what the USPS is required to charge for media materials.

**NAPS Response:** *NAPS agrees with this provision as it complies with Section 103 of this proposal, which require all classes of mail cover their attributable costs, and does not unfairly shift the costs for some products on those who do not enjoy them.*

#### **Subtitle B – Postal Service Management**

8. **Section 108: USPS Balanced Budget Minimum Requirement.** This section requires the Postal Service to maintain a balanced budget in relation to revenues and costs.

**NAPS Response:** *NAPS agrees that the costs of the Postal Services should be balanced with the rates that are charged for services. This is common business sense in any industry.*

9. **Section 109: Reporting Requirement for Board of Governors and Postal Regulatory Commission.** This section requires members of the PRC to disclose their travel and expenses at the end of the fiscal year to Congress.

**NAPS Response:** *In the spirit of transparency, NAPS agrees that all costs associated for travel and expenses should be available for review and audit.*

**10. Section 110: Restrictions on Postal Service Executive Compensation.** This section places significant permanent and temporary limitations on the maximum salary for postal executives, limits how many executives can earn this salary, and establishes the maximum benefits these executives can receive.

**NAPS Response:** *NAPS members have expressed concerns about the ability of the USPS Board of Governors to enter into contractual agreements with postal executives that create additional methods of compensation that enable them to bring their own compensation and benefits above the limits for other federal employees. NAPS agrees with salary and benefit ceilings consistent with the rest of the federal government.*

**11. Section 111: Investment of Competitive Product Monies.** This section permits the Postal Service to invest the profits made from competitive products into a broader range of investments than is currently permitted by law.

**NAPS Response:** *NAPS agrees that the Postal Service should enjoy the latitude to invest any generated surpluses as it chooses, subject to the Department of Treasury's oversight.*

## **Title II – Postal Service Workforce Realignment and Right-Sizing**

**1. Section 201: Separate Normal-Cost Percentage Recalculation of FERS.** This section requires the Office of Personnel Management to amend the formula used to determine the USPS's contribution to FERS, making strategic assumptions tailored to the USPS.

**NAPS Response:** *NAPS agrees that the federal government must fairly modify the formula used to calculate future payments to the FERS system by the Postal Service, and not punish the Postal Service for the government's actuarial errors.*

**2. Section 202: Treatment of Surplus Contributions to the FERS.** This section requires that the surplus calculated in section 201 be used first to repay the Postal Service's loans from the US Treasury, and that any subsequent surpluses pay down remaining liabilities the USPS may have to the CSRS or the FRHBP.

**NAPS Response:** *NAPS agrees that any excess funds that are identified through the enactment of Section 201 should be returned to the Postal Service so it can pay down outstanding debt. NAPS also agrees that once these loans have been satisfied that any*

*other excess funds be used to offset any other postal liabilities, including health plan costs.*

- 3. Section 203: Sense of Congress.** This states the non-binding sense of Congress that the USPS should have the ability to offer early retirement and buyout packages without restriction.

**NAPS Response:** *NAPS agrees that the Postal service should have the authority to offer incentives that reduce workforce costs and are mutually beneficial to the USPS and its employees.*

- 4. Section 204: Contributions to Thrift Savings Fund of Voluntary Separation Incentive Payments.** This section allows postal employees to voluntarily deposit part of their buyout into their TSP.

**NAPS Response:** *NAPS supports this change because it provides incentives to further reduce workforce costs through voluntary retirement.*

- 5. Section 205: Service Credit Contributions of Voluntary Separation Incentive Payments.** This gives the USPS and employees the flexibility to offer service credits as a part of or instead of buyouts.

**NAPS Response:** *NAPS agrees with the flexibility granted to USPS, as it gives workers the opportunity to take the voluntary separation incentive most beneficial to them, as opposed to forcing a one size fits all policy on a diverse workforce.*

- 6. Section 206: Modification of Prepayment Schedule Relating to Postal Retiree Health Benefits Fund.** This provision modifies the pre-funding requirement for future retiree health benefits to amortize over a 40-year schedule, reduces the prefunding requirement for future retiree benefits from 100% to 80%, and delays the commencement of future payments until Fiscal Year 2017.

**NAPS Response:** *NAPS supports the recalculation of the prefunding requirement to a longer amortization period, and the extension of relief to the Postal Service for several years while it acquires greater financial stability*

7. **Section 207: Study on Workforce Realignment and Right-Sizing Options.** This section requires the Comptroller General to report to Congress on the methods used to right-size the postal workforce.

**NAPS Response:** *NAPS agrees that a comprehensive plan on workforce realignment and right-sizing options would be desirable and preferable to current piecemeal approaches.*

8. **Section 208: Applicability of Provisions Relating to a Reduction in Force (RIF).** This section allows the USPS to engage in RIF activity except when prevented by collective bargaining agreements, and to exercise this power in conjunction with an evaluation system based on comparative performance.

**NAPS Response:** *NAPS believes that current RIF rules are still applicable to dealing with any changes in the workforce that would require reductions in positions. At the present time the USPS has the authority to have up to 20% of their workforce as non-career. This flexibility precludes the need to have massive cuts in the workforce of career employees as non-career workers may be adjusted without impacting career employees.*

9. **Section 209: Enhanced Reporting on Facility Network Initiatives:** This section requires the PMG to submit reports to Congress that provide extensive reasoning for the potential closing of postal facilities, including addressing several factors related to how these closings will impact the postal infrastructure and postal employees.

**NAPS Response:** *Considering the severe and permanent impact closures of postal facilities have on both the USPS infrastructure and employees, NAPS believes that all network changes require the oversight necessary to ensure that the overall service and mission of the delivery of services to the American public is not adversely impacted by the poor planning or execution of a restructuring plan.*

### **Title III – Postal Service Improvements and Regulatory Relief**

1. **Section 301: Permit Appeal Rights for Closing of Postal Stations and Branches.** This section creates uniformity between the processes for closing post offices, and those for closing postal stations and branches.

**NAPS Response:** *NAPS supports eliminating this arbitrary distinction, and believes that all postal installations should be subject to the same process for closing, regardless of their designation. While there are parts of the postal infrastructure that are more visible and understandable to the American Public, the parts that are not as visible can play just*

*as or an even more important role within the Postal Service, and should enjoy equal protection.*

- 2. Section 302: Intra-Agency Cooperative Agreements:** This section allows the Postal Service to work with other governmental agencies for their mutual benefit.

**NAPS Response:** *NAPS agrees that the Postal Service should more aggressively seek revenue from collaborative relationships with other federal components and that intra-agency cooperative agreements could play an important role toward that end.*

- 3. Section 303: Grouping of Negotiated Service Agreements.** This section authorizes USPS to engage in Negotiated Service Agreements and private businesses.

**NAPS Response:** *NAPS agrees with allowing the Postal Service to enter into Negotiated Service Agreements with postal customers much in the same manner as other delivery services are allowed to enter into such agreements with their customers.*

- 4. Section 304: Standardization of the Process for Classification of Competitive Products.** This section requires the PRC to review and approve potential competitive products that comply with current requirements as quickly as possible.

**NAPS Response:** *NAPS agrees that the timeliness of approvals for classification of competitive products would benefit the Postal Service in bringing products and services to the American public.*

- 5. Section 305: Development of New Market-Dominant Classes of Mail.** This section requires the PRC to establish on its own, or when formally requested, new classes of mail that adhere to specified criteria.

**NAPS Response:** *NAPS agrees that the Postal Service should have the power to market different classes of mail to improve its income while better tailoring its products to the individualized needs of the American public and the business community.*



6. **Section 306: Expedited Consideration of Service Changes by the Postal Regulatory Commission.** This section permits the USPS to request expedited consideration from the PRC for time sensitive advisory opinions.

**NAPS Response:** *NAPS agrees that the Postal Service should have the ability to request that PRC expedite certain advisory opinions warranted by their time sensitive nature or their relative importance as compared to other issues before the PRC.*