



NATIONAL ASSOCIATION OF POSTAL SUPERVISORS

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July 16, 2013

The Honorable Darrell E. Issa
Chairman
Committee on Oversight and Government Reform
U.S. House of Representatives
Washington, DC 20515

Re: Discussion Draft of "The Postal Reform Act of 2013"

Dear Chairman Issa:

The National Association of Postal Supervisors, representing over 28,000 active and retired supervisory and managerial employees of the United States Postal Service. We appreciate having 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 commitment to stabilize the Postal Service's finances by including in your draft measure provisions addressing the foremost cause of the Service's current problems: the unwise and unfair pension and retiree health financing policies that Congress and the Office of Personnel Management have created. We also commend you for your efforts to extend greater authority and responsibility to the Postal Service for pushing the envelope of innovation, especially to leverage its premier assets: its first-mile and last-mile networks.

We believe these policy elements of comprehensive policy reform can be strengthened further. Short-term and long-term solutions together provide the prescriptions for the Postal Service's stability and growth. We look forward to continuing to work with you, other Committee members and your staff in achieving legislation that provides immediate and lasting benefit.

Thank you for considering the attached comments on 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 Postal Reform 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, meanwhile, 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 "Postal Reform Act of 2013," prepared by Rep. Darrell Issa (R-CA), chairman of the House Committee on Government Reform and Oversight, and posted on June 13 on the Committee website. NAPS believes that the draft legislation is an improvement over H.R. 2309, as proposed by Rep. Issa in the 112th Congress. Nonetheless, NAPS believes the legislation falls short in some areas and overreaches in others. Our comments are organized by section of the bill.

Title I – Postal Service Modernization

1. Allows the Postal Service to Shift to a Modified-Saturday Delivery Schedule (Section 101). The legislation will establish a nationwide schedule of 5 days of mail delivery per week and require that there cannot be more than 2 consecutive days on which mail is not delivered, including as a result of public holidays. It will terminate Saturday delivery of competitive products, like packages, beginning in 2018. It also will extend the current mailbox-monopoly Sunday exemptions for newspapers to other days in which the Postal Service does not deliver letter mail.

***NAPS Response:** NAPS opposes reductions in mail delivery schedules that degrade service and contribute to volume erosion. Cutting mail service is inherently counter-productive to "growing the business." Maintenance of the semblance of Saturday delivery to post offices boxes, and caller services coupled with parcel delivery on*

Saturdays and even on Sunday's, is ill-conceived. NAPS is doubtful that the service reductions contemplated by the legislation will provide the \$2 billion in projected savings. In fact, Postal Service delivery plans for parcel delivery on Saturday and Sunday will be costly and unprofitable, unless the attributable costs of delivery are recovered through a fee for such "premium" service.

2. Requires the Expansion of Curbside Delivery (Section 101). The legislation will phase-out "door delivery" and require that curbside or centralized (clusterbox) delivery of mail become the default delivery option for new addresses, residential addresses and business addresses, according to timetables and criteria proposed by the legislation. The legislation also will require the Postal Service to begin efforts to convert as many residential addresses as possible to curbside delivery, reaching 30 million converted addresses in the next 10 years. A working capital fund will be created finance to offset the costs of conversion to curbside delivery.

NAPS Response: NAPS agrees that there are opportunities to modernize and create additional efficiencies in the delivery of mail to addresses throughout the country. The Postal Service should seek to use the most cost-effective options of mail delivery wherever possible, where consistent with the maintenance of service quality. Physical barriers and conditions associated with urban areas present significant challenges to the success of centralized delivery service in these areas. There are security issues, mobility issues involving elderly and handicapped Americans, and storage and delivery issues associated with parcels. NAPS believes that curbside delivery cannot be an all-or-none proposition, and that the considerations requiring the continuance of door delivery, as contemplated in the legislation, should be expanded.

3. Closures of Post Offices (Section 103). The legislation will remove the prohibition on closing post offices solely for operating at a deficit.

NAPS Response: It is critically important that postal service is maintained regardless of profitability in rural areas. While the Postal Service needs to have the authority to determine the appropriate level of service that should be afforded to communities, the fulfillment of universal service mandates attention to the needs of rural America and its citizens and business interests.

4. Enhanced Reporting on Postal Service Efficiency (Section 105). The legislation requires the Postal Service to use a PRC-recommended formula to determine changes in Postal Service productivity and the resulting effect on overall costs.

NAPS Response: NAPS is uncertain as to the value of this approach. The Postal Service already has well developed methodologies to measure volume of mail and equipment and personnel performance.

5. Area and District Office Structure (Section 106). Requires the Postal Service, in consultation with the Postal Service Inspector General, to close or consolidate 30 percent of Postal Service Area and District offices that existed as of September 30, 2012 and to fully achieve that goal by October 1, 2015.

NAPS Response: The current management structure of Area and District offices supporting the work of local post offices and processing facilities should be studied, but a goal of eliminating 30% of these offices may not be realistic credible.

Title II -- Postal Service Governance

1. Establishment of the “Postal Service Financial Responsibility and Management Assistance Authority.”

The legislation would abolish the current Board of Governors and replace the Board with five executives, comprising the “Postal Financial Responsibility and Management Assistance Authority,” authorized to govern the Postal Service during a control period until such time as the Postal Service returns to profitability and can properly fund its retirement obligations. At that point, the Board of Governors would return to power.

NAPS Response: NAPS believes that the last thing that the USPS needs is to bring in a group of “experts” to temporarily replace the current Board of Governors. Currently the Postal Service is managed by an internal group of executives, the Board of Governors and overseen, in some respects, by the Postal Regulatory Commission. Adding a new temporary layer of leadership is unnecessary. Instead NAPS believes that the size of the current Board of Governors should immediately be reduced from nine members to five members, as contemplated by the legislation upon completion of the control period

Title III – Postal Service Workforce

1. Applicability of Reduction-in-Force Procedures (Section 301). The legislation will subject postal workers to the same reduction-in-force (RIF) regime as other federal workers. No-layoff clauses will be prospectively barred in Postal Service collective bargaining agreements. Any collective bargaining agreement ratified prior to the date of enactment of the legislation will be renegotiated within nine months if the agreement includes any restrictions on the use of RIF procedures. Any employees who lose their job due to current restructuring will have preferential hiring status among Postal Service contractors.

NAPS Response: Current postal workers already have RIF procedures that work effectively in balancing the workforce. Since 2009, over 8,000 management positions represented by NAPS have been eliminated through the reorganization and RIF procedures. NAPS has worked with management to ensure the best interests of the Postal Service and the recognition of the rights of our members.

On the bargaining unit side of the Postal Service, the implementation of the most recent contracts of the four major postal unions provided for the hiring of up to 20 percent non-career employees. This large percentage of non-career employees presents adequate opportunities to alter staffing needs at the local and national level to adjust for workload. NAP believes that the current system in place works well and does not need to be changed.

2. FEHBP and FEGLI Funding Requirements (Section 302). The legislation will require postal workers by 2020 to pay the same premium contribution that other federal workers pay for health and life insurance benefits.

NAPS Response: At first glance, this recommendation would appear to make sense; after all, why should different groups of federal employees receiving the same group health insurance and life insurance coverage pay different rates for these benefits. The justification lies in how the pay and benefits of federal and postal employees are arrived at.

The size of health and life insurance premiums paid by the Postal Service for its workers are negotiated and set through the collective bargaining agreements the Postal Service reaches with its unions. The compensation of

civil service employees, on the other hand, is statutorily fixed and federal employee unions may not negotiate pay and other compensation matters with the government. Negotiation over postal compensation, thus, may yield higher payments of health insurance premiums by the Postal Service than the federal government, but not as high a base pay rate due to a lower priority assigned to it by the unions during negotiations. Pay and benefit variances are compounded by the availability of locality pay to federal workers, depending on where such workers live. Locality pay is not available to postal workers, including supervisors.

Title IV – Postal Service Revenue

1. Adequacy, Efficiency and Fairness of Postal Rates (Section 401). The legislation will require each market-dominant product to cover its costs, while maintaining the statutory price cap based on the Consumer Price Index. It also require rates for any market-dominant class of mail covering less than 90 percent of costs, within two years, to increase annually at a rate of 2 percent above the rate of inflation. It also will require the PRC to conduct a study during the two-year delay period on the excess capacity on attributable costs.

***NAPS Response:** NAPS supports any effort that would result in all classes of mail bearing their own costs for processing and delivery.*

2. Repeal of Rate Preferences for Political Parties (Section 402). The legislation will immediately eliminate the ability of the national and state political committees to use the non-profit mail rate.

***NAPS Response:** NAPS agrees that all mailers, including political mailings, should be charged the cost for processing and delivery.*

3. Nonpostal Services (Section 404). The legislation permits the Postal Service to pursue new revenue. It allows USPS to sell advertising space at facilities and on its vehicles to offer state and local services, such as the sale of fishing licenses.

***NAPS Response:** NAPS supports focused, intensive effort to assist the Postal Service in reinventing its business model. The Postal Service needs to generate new revenue as aggressively as it is pursuing efficiencies in mail processing and delivery. This involves the pursuit of business opportunities within existing authority, as well as the offering of non-postal products, subject to Congressional approval.*

NAPS supports legislation that would allow the Postal Service to raise additional revenues by providing additional products and services that the American public needs and would use. The Postal Service should be permitted to offer non-postal products or services if the Postal Regulatory Commission has determined that the products and services make use of USPS's processing, transportation, delivery, retail network, or technology and are consistent with the public interest. In many respects, this can be best accomplished through public-private and inter-governmental partnerships. It also should be permitted offer services on behalf of state and local governments as it does today on behalf of federal agencies and to ship wine and beer like its private-sector competitors do.

4. Appropriations Linkage (Section 406). The legislation will eliminate current authority permitting the Postal Service to ask for a public service taxpayer subsidy and will eliminate two other provisions that authorize direct taxpayer expenditures in support of the Postal Service.

NAPS Response: The public service taxpayer subsidy should be preserved as a safety valve should the financial health of the Postal Service unexpectedly deteriorate. Prior non-use of the subsidy and the overall reliance of the Postal Service on postage revenue should not diminish the potential value of the public service taxpayer subsidy as a safeguard in extraordinary circumstances.

Title V -- Postal Service Finance

1. Treatment of CSRS and FERS Funding Surpluses (Section 501). The legislation will require any net projected actuarial surpluses between the Postal Service's CSRS and FERS accounts be transferred to the Postal Service Retiree Health Benefits Fund on an annual basis.

NAPS Response: NAPS believes that any surpluses in USPS payments for CSRS or FERS should be first used to pay down the current debt of the Postal Service. Once the debt has been paid down, then options should be explored as to the future use of surpluses.

2. Retiree Health Benefit Liability Payment Schedule (Section 502). The legislation will restructure the Postal Service's plan to fully fund its retiree health care benefit. Starting in 2014, all future payments will be based strictly on an actuarial calculation designed to achieve full funding in 2056. Past due prefunding payments are covered in the restructured payment plan. The legislation will eliminate the two statutory retiree health care prefunding payments the Postal Service has previously defaulted on, as well as the future payments for FY 2013-2016.

NAPS Response: NAPS agrees that there must be a restructuring of the methodology for funding retiree health care benefits. However, it is concerned that forty-year amortization based on full funding of the Postal Service's retiree health liability by 2056 may yet impose intolerable financial burdens upon the Postal Service.

3. Supplementary Borrowing Authority During a Control Period (Section 503). The legislation authorizes the Postal Service, to assume an additional \$5 billion in debt, but requires repayment of 20 percent of the debt each year.

NAPS Response: NAPS supports the authorization of additional debt service for the Postal Service, especially to satisfy increasingly critical infrastructure and fleet needs.

Title VI – Postal Contracting Reform

1. Advocate for Competition (Section 702). The legislation requires the Postal Service and PRC to establish competition advocates for promoting the contracting out of functions that the private sector can perform equally

well or better and at lower cost. The competition advocates are to promote competition to the maximum extent practicable consistent with obtaining best value, and to review procurement activities.

NAPS Response: There are already sufficient policies and resources in place within the Postal Service to promote the contracting out of appropriate postal functions. The USPS Inspector General additionally assists in making recommendations on contracting out and cost savings. At a time of scant resources, the creation of competition advocates does not warrant priority attention.

2. Delegation of Contracting Authority, Posting of Noncompetitive Contracts, Ethical Issues (Sections 703-706). The legislation requires the Postal Service and PRC to issue policies on contracting officer delegations of authority and provides for other reforms, including requirements of transparency and ethics compliance.

NAPS Response: Legitimate recent concern over the Postal Service's recent management of its contracting authority create the need for the reforms established by the legislation.