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Statement of
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Senate Committee on Homeland Security and
Governmental Affairs

Recommendations from the President's Task Force
on the Postal Service

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Chairman Johnson, Ranking Democrat Peters, and member of the Homeland Security and Governmental Affairs Committee, thank you for permitting me to provide the views of the National Association of Postal Supervisors (NAPS) on the *President's Task Force on the U.S. Postal System*. My name is Ivan Butts. I have the honor of serving as the Executive Vice President of NAPS, representing approximately 26,000 postal supervisors, mid-level postal managers, and postmasters who are employed by and retired from the U.S. Postal Service. Our members help to ensure the high quality of the postal services American citizens expect and deserve.

Thank you for holding today's hearing to provide review of the recommendations of the President's Task Force on the Postal Service and their contribution to a universal, accessible and affordable postal system.

Today and tomorrow, over 500 NAPS delegates are meeting with their Senators and Representatives to advocate for a sustainable and vibrant Postal Service. Their meetings are intended to impress upon members of Congress the importance of enacting consequential and constructive postal legislation. NAPS members have an intimate and abiding reverence for the Postal Service, including the important role the federal agency plays in the U.S. economy and our nation's social fabric.

As the committee has noted in the past, our nation's postal system was established by the founders of this nation as a Constitutionally-enshrined and Congressionally-authorized government function. Indeed, binding our nation together remains the core mission of the American postal system. Consequently, any attempt to privatize the U.S. Postal Service, which strays from these roots of American exceptionalism, should be met with firm resistance.

American commerce relies on the strength of a universal mail system that does not discriminate on the basis of the geographic location of the sender or recipient, or the distance between the two. The President's Task Force on the Postal System recognized the reach of the postal service and the uniqueness of its mission in noting:

“In FY 2018, the U.S. Postal Service delivered 146 billion pieces of mail to 159 million delivery points, including to rural and remote locations. Private carriers

charge many of these locations a delivery surcharge, limit the services offered to these locations, and in a few cases, offer no service at all.”

Indeed, our national postal system is distinctive and valued. That stature, the Task Force noted, continues into the digital age. The Task Force recognized, although it was unable to quantify the economic impact of postal commerce, that “the USPS’s economic impact is substantial in both its direct activities and in the broader economic activity that it enables.”

The economic footprint of the Postal Service is comprised of an irreplaceable network of post offices, processing facilities, transport vehicles and delivery routes, staffed by expert, efficient and dedicated employees. The reliability and integrity of the postal network enables our Postal Service to be ranked as the most trusted and approved federal agency. That trust is irreplaceable. As Congress and the White House strive to equip the Postal Service with the tools necessary to preserve its future, let it be based upon that trust and the expectations of Americans that the value of its postal system be preserved.

NAPS believes that the legislation introduced in the 115th Congress should serve as the foundation of action in this, the 116th Congress. The bipartisan measure considered and advanced in the House of Representatives was a legislative product endorsed by multiple postal stakeholders, including the National Association of Postal Supervisors. The House Oversight and Government Reform Committee voted overwhelmingly to favorably report H.R. 756 for floor action. The bill was subsequently reintroduced by Reps. Mark Meadows and Elijah Cummings as H.R. 6076, subsequent to the retirement of the bill’s author, former committee Chair Jason Chaffetz. In the Senate, bipartisan Senate legislation, S. 2629, introduced by Senators Tom Carper and Jerry Moran, provided a firm foundation for postal reform. The Senate bill reinforced the importance of postal service standards, especially for rural America. NAPS understands that there needs to be modifications to both bills to garner broader support and to better address the unique interaction between the Federal Employees Health Benefits Program (FEHBP) and Medicare.

The authors of last Congress’ legislation and NAPS believes that three factors conspired to undermine the finances and operations of the Postal Service: the evolving composition of the

mail mix; the debilitating impact of the 2006 congressional requirement to prefund future retiree health benefits; and the lingering after-effect of the 2007-2008 recession. The Task Force correctly diagnosed some of the problems and proposed remedies for a number of governance issues that can be resolved fairly quickly. However, certain operational and fiscal recommendations offered by the Task Force would irreparably harm the postal system.

NAPS commends that Task Force for its acknowledgement that current vacancies on the Postal Board of Governors pose a huge obstacle to the formulation of a strategic plan to achieve postal sustainability. The current absence of a board quorum precludes the Postal Service from providing the Postmaster General and senior postal staff with the requisite guidance to respond to evolving market condition. It hinders the agency's ability to make critical policy decisions that, when necessary could be reviewed by the Postal Regulatory Commission and then implemented. This especially applies to the introduction of innovative products and services to the American public.

Consistent with the Task Force recommendation, the Postal Service needs to articulate how its core competencies will enhance opportunities to generate revenue and increase foot traffic into postal retail facilities. Partnering with other federal agencies, as well as state, county and local governments, the Postal Service should be encouraged to identify for-fee-service products that require identity or address verification and constitute eligible sources of revenue. In addition, Postal Service acceptance, processing and delivery of alcoholic products provide significant potential for added postal revenue.

While NAPS appreciates the Task Force not sanctioning privatization of the Postal Service, we would welcome clarification relating to the report's apparent variance with the June 2018 White House Office of Management and Budget proposal to reorganize the federal government, "Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendation." Two Task Force members took part in drafting the June 2018 document, which, in part, suggested postal privatization, akin to foreign postal privatization efforts. NAPS would hope that the committee and the White House appreciates

how foreign and radical postal changes could inflate postage rates and eviscerate universal postal operations.

Finally, NAPS applauds the Task Force for its endorsement of revising calculation of the postal health liability to include only those employees nearing retirement. Taking into account only the financial liability of postal employees statutorily entitled to FEHBP coverage (i.e., employees within 5 years of retirement with 5 years of uninterrupted health coverage) would significantly reduce the Postal Service's health insurance liability. However, NAPS advises the committee to take the Task Force recommendation one step further. We recommend that the Postal Retiree Health Benefits Trust Fund be invested in conservative vehicles that historically have a better rate of return than the Treasury obligations in which the funds are presently invested. A long-term vehicle, structured consistent with the goals of the long-term Thrift Savings Plan L-Fund would represent a sound step. A percentage point increase in the rate-of-return, accomplished through the L-Fund, could yield an almost \$20 billion reduction in the health liability.

Despite some positive recommendation, a number of Task Force recommendations are problematic. They would clash with the Committee's attentiveness to rural mail service, destabilize postal rate-setting and reduce mail volume. The Task Force proposes to dramatically narrow the scope of the universal service obligation to include mail and postal services deemed to be "essential." Generally, "essential" mail is defined by the Task Force as being products and services for which there is no "nationwide, private" substitute. Consequently, the Task Force suggests that uniform service standards or pricing should only apply to correspondence, transactional mail, drug prescriptions, government mail and recall notices. Everything else would be profit-driven. Therefore, so-called non-essential products, including small parcels from home-based business or non-residence-to-residence packages addressed to rural areas or originating there, would be destination-priced and delivery-saturation scheduled. Under this flawed approach, mailing products to rural and low-density areas would become more expensive and delivery frequency would be slashed.

The Task Force recommendations also seek to constrict the universal obligation. The Task Force proposes to sell mailbox access to private sector postal competitors, which will compromise the

historic sanctity of the residential and business mail box. It will expose mail recipients to breaches of privacy and undermine the trust of Americans in the Postal Service. The committee should assure all Americans that only a government-employed postal designee will have access to the mailbox. Vacation stops and mail forwarding services provided by the Postal Service should not be delegated to private messengers to avoid risk to the integrity of the mail box. The combination of universal service obligation reduction and opening the mail box will devalue the mail and the stability of the Postal Service.

Finally, NAPS strongly objects to the Task Force recommendations to increase Federal Employee Retirement System contributions and to eliminate FERS coverage for future Postal Service employees. Our opposition applies to this proposal, as well as a similar proposal in the the President's Fiscal Year 2020 budget proposal. For current postal employees, this proposal would be tantamount to a \$4,000-plus pay cut, annually after six years. Increasing the employee contribution, absent an increase in pension value, is punitive and unfair.

In conclusion, NAPS encourages the Committee to move ahead toward approval of a postal reform measure that reflects the Postal Service's statutory responsibility to bind the nation through universal service to our citizens and ensuring postal accessibility, security and reliability. The Task Force made a meaningful contribution to the discussion, but the Congress should move ahead, consistent with its Constitutional authority to establish post offices and post roads, to assure the long-term vitality of the nation's postal system.

NAPS looks forward to working with you, Mr. Chairman, and the members of this committee to drafting the legislative framework for a vital, sustainable and vibrant Postal Service.