Order Code IB10104

Issue Brief for Congress
Received through the CRS Web

Postal Reform

Updated January 6, 2003

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SUMMARY

Although its short-term financial prospects have suddenly brightened by discovery that retirement obligations are less burdensome than presumed, the U.S. Postal Service (USPS) faces severe financial straits in the long term. Business use of the mails is declining as alternatives such as e-mail, faxes, and cell phones substitute for hard copy letters. The economic slowdown that began in 2001 has cut into advertising mail. On top of this, the anthrax attack of October, 2001 has affected volume and added billions in costs for mail sanitization. Despite three rate increases in 18 months, USPS has lost well over $2 billion in the past two years, and is approaching its $15 billion debt limit to the Treasury. It has a negative net worth and mounting obligations for retiree health benefits. USPS would be bankrupt but for the fact that it is a government entity.

USPS, its board of governors, GAO, and most mailers' organizations believe that the Postal Reorganization Act of 1970 no longer provides a viable business model. It is dependent on rising mail volume to cover the ever-increasing cost of arbitrated labor settlements and the addition of 1.7 million new delivery points each year, yet volume has begun to fall. The highly regulated process of setting rates is cumbersome and tendentious.

At congressional request, USPS developed a "Transformation Plan" that briefly considered, and rejected, the alternatives of privatization and a return to regular agency status with appropriations to cover the costs of universal service. Instead, it asks Congress for authority to change rates more flexibly, close post offices and processing centers, and negotiate tailored service agreements and volume discounts for big mailers. It also proposed to redefine its universal service obligation by adjusting the number of delivery days, and to revamp union contract talks by involving the President and Congress in averting strikes.

Most postal stakeholders think that the USPS monopoly lines – first class, periodical, and advertising mail – are a declining business, and want USPS to compete in other markets that are growing. Competitors in those markets resist because USPS pays no taxes and is immune from most government regulations. They think USPS should concentrate on its natural monopoly – the "last mile" in the delivery process. USPS has not had much success to date in developing commercially competitive products. Congress has not shown much willingness to address postal reform. While a reform bill has been under development in the House for a half-dozen years, it has yet to emerge from committee. A bipartisan version was introduced as H.R. 4970 in the 107th Congress, but it ran into opposition from USPS competitors, and Democrats refused to support it without a commitment from House leadership to bring it to the floor.

In early November, 2002, USPS was notified that its payments to the Civil Service Retirement Fund are in arrears by only $5 billion, and that continuing payments at the current rate would result in a large surplus. Congressional action would be needed to change the contribution formula. On December 11, President Bush appointed a presidential commission, with nine members who have no previous ties to postal issues, to review the role of the Postal Service in the 21st century. This was welcomed by many observers who had felt that Congress was immobilized by conflicting pressures. The commission is to report by July 31, 2003.

Most Recent Developments

President Bush issued an executive order establishing a Commission on the Postal Service on December 11, 2002. Its nine members do not have previous involvement in postal affairs. The commission is charged with reporting by July 31, 2003 on "how the Postal Service should adapt to pressures from customers, competitors, and technology, and best fulfill its mission in the 21st century." Its first meeting is scheduled for January 8, 2003.

On June 30, 2002, USPS implemented a 7.7% rate increase, its third in 18 months. Large mailers agreed to the increase because they believed USPS faced both a short-term and a long-term financial crisis. The added revenues, aggressive cost cutting, and a freeze on new facilities improved the Service's financial position somewhat, reducing the loss for FY2002 to $676 million. USPS has predicted a return to profitability in FY2003, but that is dependent on reversing the recent trend toward volume losses.

After months of bipartisan negotiations, H.R. 4970, The Postal Accountability and Enhancement Act, was introduced in the House by Representatives Dan Burton and John McHugh. Although Democratic Representatives Henry Waxman and Danny Davis had helped draft the bill and said they supported it, Democrats did not vote to report the bill in a June 20 markup session of the House Government Reform Committee. They said that it made little sense to report a bill from committee if there was no leadership commitment to consider it on the floor. Without Democratic support, and with visible opposition from the United Parcel Service and the Teamsters Union, the bill failed on a 20-6 vote. Senator Tom Carper, in an August 21 speech to the National Association of Letter Carriers, announced his intention to introduce a bill very much like H.R. 4970 in the 108th Congress.

On November 5, 2002, the Office of Personnel Management (OPM) announced that a review of USPS payments to the Civil Service Retirement Fund for pension obligations to employees on board before 1984 revealed a much more positive picture than previously believed. Because past contributions have been earning interest at a higher rate than presumed in the statutory funding formula, the deferred liability for pension obligations is only $5 billion instead of $32 billion. If USPS continues to make payments based on the latter figure, the liability will eventually be over funded by $71 billion. In announcing the good news, Postmaster General John Potter said that if Congress passes draft legislation developed by OPM to reduce its annual payment, USPS will be able to reduce its debt by $3 billion in FY2003, and defer the next rate increase from 2004 to 2006. But he also said that the development does "not in any way obviate the fundamental flaws in the Postal Service business model," and urged undiminished attention to postal reform.

Background and Analysis

The U.S. Postal Service has been operating in a mode of financial crisis since February 2001. Despite three rate increases in two years, it is mired in losses. Its deficit rose from $199 million in FY2000 to $1.68 billion in FY2001. It predicted a $1.35 billion deficit for FY2002 (more than Amtrak's) even before anthrax was discovered in letters to several public figures. The reaction to that event both added billions to USPS costs and cut deeply into revenues as mail was diverted, slowed down, shunned by some, and actively discouraged by certain government agencies as a dependable means of communication. An accelerated and negotiated rate increase in June, 2002, combined with radical cost cutting measures, cut the eventual FY2002 loss to$676 million.

Both the House and the Senate held hearings early in 2001 on the deteriorating financial condition of the Postal Service. The General Accounting Office (GAO) has issued a number of reports that portray a steadily growing sense of urgency. Among the indicators of the crisis are the following:

- Despite desperate cost-cutting measures, a freeze on facilities, and severe limits on productivity investments, revenues are falling twice as fast as expenses. Net income has fallen each year since 1995.

- Mailers warn of an "economic death spiral," as falling mail volume forces price increases to cover fixed costs, and the price increases lead to further drops in volume as businesses seek more cost-effective alternatives.

- The USPS debt to the Treasury is close to reaching its statutory $15 billion limit. Congressional action would be required to raise the limit.

- Before discovery of the Civil Service Retirement Fund potential overpayment, GAO estimated major liabilities and obligations at close to $100 billion for such items as Treasury debt, pension and retiree health obligations, and workers' compensation future benefits, all of which will need to be borne by future ratepayers, or taxpayers, in a shrinking market. Within eight years, USPS will need to come up with $16 billion annually for the deferred costs of past services, before spending a single dollar on current mail delivery.

- Liabilities continue to exceed and grow faster than assets, a condition that GAO says would mean bankruptcy if USPS were not a government entity.

Causes of the Financial Crisis

While there are differences among the stakeholders in emphasis, the following factors have been identified as being in part responsible for the current crisis:

- The economic slowdown that began in early 2001 has cut into USPS revenues from the dominant business segment, and reduced advertising mail, which accounts for 25% of revenues. Overall volume for FY2002 declined by 4.6 billion pieces, or 2.2%, from the previous year, though the rate increase produced a slight increase in revenue to $66.7 billion. Costs continue to rise, however, since 1.7 million delivery points are added each year, built-in wage and cost-of-living increases add $2 billion per year, and USPS is particularly vulnerable to energy price spikes.

- The rate determination process is cumbersome and rigid, preventing USPS from aligning its offerings with the variable needs of its customers. Preparations for a rate case begin many months before a filing with the Postal Rate Commission (PRC) and USPS must estimate costs and demand nearly two years into the future. The adversarial process of contesting proposed rates and classes goes on for 10 months, with exchanges of tons of paperwork and hundreds of hours of testimony. USPS competitors are very active participants. The emphasis is on allocating stated costs among mail classes rather than reducing costs or encouraging demand. USPS complains that the process gives it no opportunity to respond to competition, to vary rates with the season or periods of low usage, to negotiate rates with big mailers, or to price products in accordance with demand, rather than costs of service.

- Three rate increases in an 18-month period have driven some mailers to curtail volume in order to stay within set budgets, and made the comparative cost of alternatives – such as newspapers, television, and e-mail for advertising – more attractive.

- Competition from other providers and other media is marginalizing some of the services that USPS provides. E-mail, fax transmission, and cell phones without distance charges have become substitutes for written correspondence. The Internet is becoming increasingly popular as an alternative for financial billing and payment, which sustained USPS volume and revenue growth through the 1990s. USPS is already a secondary player in the overnight express and package delivery markets, except for the most difficult routes in Alaska and Hawaii.

- Labor costs of its 800,000 employees account for over three-fourths of USPS expenses, not much less than was the case decades ago. In contrast, labor costs are 56% of UPS's expenses, and 42% of costs at FedEx, where only the pilots are unionized. Lagging productivity growth (11% in 30 years), a backlog of 146,000 pending or appealed labor grievances that are pursued "on the clock," and binding arbitration of disputes keep labor costs high.

- Facilities are not optimally located for efficient distribution, since USPS has been unable to close existing facilities and consolidate operations in new locations. USPS maintains that over half its 38,000 facilities do not generate enough revenues to cover their operating costs, and complains that political considerations prevent it from modernizing and rationalizing its retail and distribution system.

The American Postal Workers Union (APWU) has been a vocal proponent of another ascribed cause for the postal financial predicament. The APWU believes that "worksharing" discounts (for pre-sorting and adding bar codes that allow automated processing) to big mailers have gotten out of hand, costing USPS $4 billion annually that could be saved if the work were brought back in-house.

Recalculation of USPS Retirement Obligation

Having placed the Postal Service transformation effort on its High Risk List, GAO found fault with the fact that no one had ever determined whether the $32 billion liability

USPS was carrying on its books for retirement obligations of its employees who are still under the Civil Service Retirement System (CSRS) was an accurate figure. GAO, along with nearly all other postal analysts, suspected that it was too low. GAO therefore asked OPM to recalculate the obligation so that the true extent of postal liabilities could be known.

OPM's actuaries went back into the books to isolate Postal Service and postal employee contributions and interest earned on those contributions since 1971, when USPS became a standalone entity responsible for funding its own retirement obligations. In a November 1, 2002 letter to the Postmaster General, OPM Director Kay Coles James came to a startling conclusion: that future payments under current legislation would overfund USPS liability for its CSRS employees by $71 billion. A principal reason is that interest earnings on past contributions have been credited at a statutory rate of 5%, when in fact the average rate of returns on the bonds held by the trust fund has been substantially higher.

As calculated by OPM in 2002 dollars, and verified by both OMB and the Department of the Treasury, USPS payments and interest on them amount to $152.1 billion. When actuaries looked at the total costs of meeting pension obligations for the total USPS/CSRS population, they found that $172.6 billion would be required to cover all future costs for CSRS employees, retirees, and their survivors. However, at the present rate of contributions required by current legislation, future contributions to the CSRS fund by USPS and its CSRS employees will amount to $243.6 billion – an overpayment of $71 billion. In actuality, for CSRS to be fully funded, a payment of only $20.5 billion by USPS and its employees is required.

OPM emphasized that no overpayment has yet taken place; in fact, USPS has a current funding gap of $5 billion. But that is a far cry from the $32 billion gap assumed by the payment schedule in current legislation, which GAO and many others had feared was too low.

The effect of the surprise announcement on the postal community has been electric. The Postmaster General said that reducing the annual payments to an actuarially sound level would save $2.9 billion in FY2003, and $2.6 billion in both FY2004 and FY 2005. He said that this would enable USPS to reduce its debt to the Treasury by $3 billion this year, and to defer another rate increase from January 2004, as currently planned, to some time in 2006. However, legislation would be required to reduce the payment. OPM has drafted a bill, "The Postal Service Civil Service Retirement System Funding Reform Act of 2002," and it reportedly has the support of OMB. One potential obstacle to its passage is the possibility that offsetting savings would need to be found elsewhere in the budget. The Congressional Budget Office is considering how the proposal should be scored from a budget standpoint.

The Postal Reorganization Act of 1970

Postal Service management, its board of governors, GAO, and most stakeholders assert that the Postal Reorganization Act of 1970 no longer provides a viable business model for a successful postal enterprise at the turn of the century. That Act had taken postal affairs out of the direct control of either Congress or the President. It made USPS an independent establishment of the executive branch, directed by a postmaster general selected by, and serving at the pleasure of, a part-time board of governors appointed by the President with the consent of the Senate. USPS was permitted to operate using business principles, and charged with generating enough revenues to support the costs of the service it provides by allocating those costs among the many users of the postal system. That allocation has been accomplished through periodic rate cases before the Postal Rate Commission (PRC), a five-member regulatory commission that considers cost data and the conflicting views of competitors, unions, and users of the many classes of mail in a 10-month adjudicative process leading to new rates and classification requirements.

The legal and regulatory framework established by the Act served reasonably well for nearly three decades. Delivery service and customer satisfaction improved, USPS survived without general appropriations since 1983, rising mail volumes covered the costs of adding new routes and delivery points each year, and prices rose generally in line with inflation. Postal issues came to be perceived as minor enough that postal service committees and eventually even subcommittees disappeared from the congressional organization chart. However, few who are familiar with postal affairs believe that Congress can ignore the current state of the enterprise. USPS admits that its business model no longer works in the 21st century, and Comptroller General David Walker testified bluntly on May 13, 2002 before a Senate Governmental Affairs subcommittee that the institution's current course is "unsustainable."

The USPS Transformation Plan

When GAO placed the long-term outlook for USPS on its High Risk List in the spring of 2001, the Senate Committee on Governmental Affairs asked USPS to prepare a comprehensive plan to address its financial, operational, and workforce challenges, along with a time frame and key milestones for achieving positive results. USPS eventually came to welcome the opportunity to lay before Congress a comprehensive statement of what it needed to make its business successful.

USPS released its *Transformation Plan* in April, 2002 with a substantial public relations effort. The plan contains 400 pages of historical and analytical information about changes in the postal business in the United States and throughout the world, and presents three alternative futures for USPS. It rejects the option of returning to government agency status, and depending on Congress to provide appropriations to maintain universal service as the gap between costs and revenues continues to widen. It also dismisses the prospect of privatization as likely to lead to substantial layoffs, and inevitably leading to cuts in services and geographic coverage that do not pay for themselves. The option USPS favors is called the "Commercial Government Enterprise," preserving government ownership but allowing USPS to operate under more businesslike conditions than what the 1970 Postal Reorganization Act provides.

(See the Transformation Plan at [http://www.usps.com/strategicdirection/transform.htm].)

While it lacked (as GAO pointed out) a detailed action plan, milestones, and concrete legislative recommendations, the transformation plan did propose a number of significant departures from the status quo. The following are among those likely to require congressional approval:

- An aggressive effort to "optimize the retail network" and "redesign the postal logistics network," which would entail lifting the moratorium on closing post offices, streamlining the process for more closures, and reducing the number of processing centers.

- Negotiating service agreements and volume discount prices with the biggest mailers, exploring seasonal discounts and premiums, and phasing in new rates on a more predictable basis.

- Revamping contract talks with the unions to escape binding arbitration, moving eventually to a mediation process like that in the Railway Labor Act, which involves the President and Congress in averting strikes and encouraging reasonable settlements with the public's interest paramount.

- Redefining universal service by adjusting service levels and the number of delivery days to a more affordable level.

- Changes in the incentive structure to permit USPS to retain any excess earnings, and remove the limit on executive pay tied to the federal executive schedule.

- Expanded freedom to use its assets for entering related markets and developing new products without skeptical scrutiny from the PRC.

Many of the initiatives proposed in the transformation plan could be undertaken under USPS's existing authorities, and it suggested that others could be negotiated with a PRC that had become more cooperative in the wake of the terrorist attacks. However, Congress would need to act in both the short and the long term to achieve the most significant changes. One change urged immediately was the removal of annual appropriations language that restricts post office closings and mandates no reduction from the service levels that prevailed in 1983.

At the May 13, 2002 subcommittee hearing of the Senate Governmental Affairs Committee called to discuss the plan, reaction was somewhat subdued. The postmaster general said that gaining more flexibility in pricing its services was the "number one priority" in the transformation plan. Members generally complimented USPS on a good-faith effort to set forth its needs, but raised questions about several key facets of the plan: whether it was "fair to competitors;" whether opening new businesses would divert attention from its core mission; whether closing post offices was politically realistic; and whether now is the right time for long-term decisions, since the world of communications continues on such a rapid pace of change.

Should the Postal Service Compete?

USPS itself, its unions, and many mailers' organizations believe that the survival of the Postal Service depends on the institution's ability to compete in active or developing markets, because the services it provides under its statutory monopoly are a declining business. Another school of thought, however, rejects the notion that USPS should compete with private sector companies who are able to provide services within the market economy.

There are several thrusts to the argument. One relates to fairness. USPS has many advantages stemming from its governmental status. It pays no federal, state, or local taxes on its income, sales, purchases, or property. Unlike private sector companies, It is immune from most forms of regulation, such as zoning, land use restrictions, motor vehicle registration, parking tickets, and antitrust. It is also able to borrow money at the lowest possible rate because it does so through the U. S. Treasury. Understandably, companies facing competition from USPS feel that they are at a great disadvantage.

A second argument is based on concepts of economic efficiency. Because of its indirect subsidies such as freedom from taxation and regulation, and because its goal is to break even rather than earn a competitive rate of return, USPS has less incentive than private sector entities to use capital and labor resources efficiently. Subsidies make government products and service seem artificially cheap, resulting in an over-allocation of resources that could be used to produce greater benefits elsewhere in the economy. Economic theory maintains that such a mis-allocation reduces national economic welfare below that achieved by a competitive market. When private sector companies produce and sell a product or service, there is some benefit to society from the taxes that result, a benefit not gained when the government produces the same product or service.

Finally, there is substantial evidence that USPS is not a very adept competitor. GAO has issued several reports of failed commercial ventures by USPS. In 1997, for example, USPS had discontinued or was losing money on 15 of 19 new products, resulting in a net loss of $85 million. UPS and FedEx have both established profitable delivery networks in markets where USPS tries to compete but is now a relatively minor player.

One policy prescription leading from this diagnosis is that USPS should stick to its monopoly business and not seek to grow at the expense of private sector competitors. Indeed, some would like to see the postal monopoly reduced to “the last mile” of delivery, opening up collection, sorting, and transportation to market competition.

A Postal Reform Commission

A number of postal observers have believed for some time that political power is so thoroughly dispersed among stakeholders that only an independent blue-ribbon commission, rather than the legislative process, can devise a contemporary solution to today’s postal crisis. The Association for Postal Commerce, the Mailers Council, GAO, the United Parcel Service (UPS), and some Members of Congress are among those calling on the President to create a commission to study and make recommendations on the future organization and function of the Postal Service. The USPS Board of Governors, at its August 6 meeting, endorsed the idea of a reform commission. The president of the American Postal Workers Union, however, opposed the creation of a commission.

There is a notable precedent. In 1967, President Johnson appointed Frederick R. Kappel (the chief executive of AT&T) to chair a Commission on Postal Organization that eventually devised the framework for the Postal Reorganization Act of 1970. Murray Comarow, who was executive director of the Kappel commission, agrees that the legislative process cannot achieve genuine reform. He cautions against a commission made up of stakeholders, however, because it is likely to mirror the intransigent interests that have fought to a draw on Capitol Hill. A 1977 commission with union and mailer representatives broke down in disagreement and its report was ignored. The Kappel commission was composed of eminent individuals with no close ties to postal interests.

On December 11, 2002, President Bush issued an executive order creating a Commission on the Postal Service, forestalling congressional initiatives to create such a commission by statute. He ordered it to report by July 31, 2003, on

- the role of the Postal Service in the 21st century and beyond;
- the flexibility that the Postal Service should have to change prices, control costs, and adjust service in response to financial, competitive, or market pressures;
- the rigidities in cost or service that limit the efficiency of the postal system;
- the ability of the Postal Service, over the long term, to maintain universal mail delivery at affordable rates and cover its unfunded liabilities with minimum exposure to the American taxpayers;
- the extent to which postal monopoly restrictions continue to advance the public interest under evolving market conditions, and the extent to which the Postal Service competes with private sector services; and
- the most appropriate governance and oversight structure for the Postal Service.

The co-chairmen of the commission are James Johnson, former CEO of Fannie Mae, and Harry Pearce, board chairman of Hughes Electronics. The other seven members include no one with close ties to postal stakeholders. Most are business executives, with one local labor leader, the president of Yale University, and Robert Walker, a former Member of Congress. In a press conference announcing the commission, Undersecretary of Treasury Peter Fisher took pains to emphasize that privatization was not the goal of the commission. He said that only two things are "out of bounds" in the commission's deliberations: "We don't want the Commission to come back and suggest that the existing business model should be left in place and the costs all rolled up on the taxpayer. We also don't want them to come back and say that all of the existing costs should be rolled up on the ratepayer."

Developments in the 105th and 106th Congresses

Representative John McHugh used his chairmanship of the House Government Reform Subcommittee on the Postal Service to develop and promote comprehensive postal reform legislation that was given the number H.R. 22 in both the 105th and 106th Congresses. The theory behind the bill was that USPS needed freedom to engage more competitively in growing markets, but on a leveled playing field, while having an enhanced degree of supervised flexibility in its monopoly markets. It would have weakened the control now held by the Postal Rate Commission. The bill avoided controversial issues such as binding pay arbitration and closing post offices that lose money. With only belated support from USPS and its board, however, and opposition from such influential stakeholders as UPS and the APWU, the bill passed the subcommittee but no further action was taken by the Government Reform Committee.

Representative Henry Waxman, ranking minority member of the House Government Reform Committee, introduced H.R. 2535 in the 106th Congress. The bill would have provided some rate making flexibilities for competitive products, negotiated rate agreements, and phased-in rates. According to USPS, however, the increased authority would be "nominal" and would leave unchanged PRC authority over the pricing of noncompetitive (monopoly) products, such as letter mail and addressed advertising mail. The bill also would establish a national commission to review and report on the present practices and organizational structure of USPS, with an emphasis on promoting efficiency in mail collection, processing, and delivery. The bill was not considered by the committee.

Representative Philip Crane has introduced legislation to privatize USPS in the last several Congresses, including H.R. 2589 in the 106th Congress. It would have converted USPS to a totally private corporation, owned by its employees, leaving many of the implementation details, such as the role of the PRC, to the President and a Postal Privatization Commission.

Representative Duncan Hunter has introduced legislation designed to reduce USPS presence in commercial markets. His Postal Service Core Business Act of 1999 (H.R. 198 in the 106th Congress) would prevent USPS from marketing any new non-postal products and require it to discontinue any commercial non-postal products introduced since 1994. The bill cited such examples as photocopying, wrapping and packaging, notary public services, and sale of office supplies. The bill was not acted on in the 106th Congress and was not re-introduced in the 107th.

Activity in the 107th Congress

While Congress has been increasingly concerned about deterioration in USPS's finances, there was little legislative activity in the 107th Congress. The House Postal Service Subcommittee was not reconstituted in the 107th Congress (Representative McHugh was term-limited as chairman), and formal congressional oversight was devoted largely to the anthrax crisis. In a House Government Reform Committee hearing on April 4, 2001, Chairman Dan Burton and ranking minority member Waxman invited postal stakeholders to participate in a broad range of discussions aimed at the development of a bipartisan consensus bill, and these discussions proceeded for more than a year.

LEGISLATION

H.R. 4970 (McHugh, Burton)

Postal Accountability and Reform Act, introduced June 20, 2002. The bill was essentially a marriage of the former H.R. 22 with elements promoted by Representatives Waxman and Danny Davis, including the formation of a reform commission, and enhancing the role of the Postal Rate Commission. The PRC would be renamed the Postal Regulatory Commission, and be given substantial powers to monitor, investigate, and control the activities of the Postal Service within broad parameters, rather than being limited to considering rate requests. The principal changes that would be made by H.R. 4970 include the following:

- dividing postal operations between "competitive" and "market dominant" products. Competitive products would include Express Mail, Priority Mail, packages up to 70 pounds, and international mail. Market dominant products are traditional letter mail, advertising mail, periodicals, catalogs, and rural mail boxes – products on which USPS has a monopoly and can raise prices above costs without fear of losing market share;

- requiring the new regulatory commission to devise a new rate setting system for market dominant products that would follow broad principles of flexibility, predictability, incentives to reduce costs and maintain service standards, and limits for price increases to no more than the annual rise in the consumer price index;

- allowing USPS to price competitive products according to market conditions, including discounts not available to all mailers, and to conduct tests of new competitive products exempt from most specific pricing requirements;

- establishing a separate competitive products fund that would have safeguards against cross-subsidization from the market dominant category, would borrow from private markets without federal government backing, and would be subject to imputed federal income taxes;

- giving the Secretary of State authority to lead U.S. delegations to international postal conventions, charging the secretary with assuring that international agreements do not give preference to any entity including USPS, and requiring the Customs Service to treat private carriers on an equal basis with USPS;

- granting the Postal Regulatory Commission subpoena powers, enforcement orders through the district courts, and broad authority to investigate and act on complaints of unfair competition, service deficiencies, subsidization of competitive products, or offering services that are "non-postal;" and

- specifying that members of the Postal Regulatory Commission be "chosen solely on the basis of their technical qualifications, professional standing, and demonstrated expertise in economics, accounting, law, or public administration."

In implicit recognition that the bill does not address a number of issues that need resolution before USPS can be assured a viable future, Title VII would provide for the appointment of a "National Commission on the Future of the Postal Service," with 11 members named by the President and congressional leaders. The commission would be charged with studying and making recommendations on the scope of universal service, labor relations, safety and security, and postal facilities. The commission would have 30 months to issue its recommendations, but there is no provision for fast-track congressional consideration of them.

H.R. 4970 fell victim to legislative backlogs as the 107th Congress drew to a close. The USPS board of governors issued a letter of support for the draft, and a number of mailers groups were active in its support. A markup, repeatedly scheduled and delayed in the House Committee on Government Reform, finally took place on June 20, 2002. Committee Democrats, even though several had worked closely on development of the bill, refused to support reporting the bill from committee without a commitment from the House leadership that it would be brought to the floor in this session. At the markup, several supporters criticized the influence of UPS, and of the International Brotherhood of Teamsters, which represents UPS employees. A roll call vote to report the bill gained only six votes, all Republicans. Twenty members voted against it, and nine, all Democrats, voted "present." Supporters agreed that the bill is dead for the 107th Congress. Senator Thomas Carper, however, said that he would introduce a similar bill in the 108th Congress.

S. 2754 (Collins)

The United States Postal Service Commission Act of 2002, introduced July 18, 2002. Creates a presidential commission on the Postal Service. The commission would be charged with studying the USPS mission, monopoly, regulatory and governing structure, efficiency, and infrastructure. It would be required to report within one year of its initial meeting, or 15 months after the date of enactment. The bill would forbid the President from appointing "stakeholders" to the commission, defining "stakeholder" to include any individual with close ties to USPS, including employees, competitors, or union representatives. The bill was referred to the Senate Governmental Affairs Committee.

H.R. 5702 (Crane)

To provide for the privatization of the United States Postal Service, introduced October 28, 2002. This bill, co-sponsored by Representative Rohrabacher, is identical to H.R. 2589 in the 106th Congress. It would transfer USPS to a new private corporation, owned by its employees. It would require the President to appoint a commission, within 60 days, to submit a transfer plan to Congress for approval. The bill was referred to the Committee on Government Reform.

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