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Postal Reform

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SUMMARY

Although its short-term financial prospects have unexpectedly 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 owes $11.9 billion 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, mailers' organizations, and most recently a presidential blue ribbon commission 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, legislated benefits, 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 regulation. They think USPS should concentrate on its natural monopoly — the "last mile" in the delivery process. USPS has had little success to date in developing commercially competitive products.

While a reform bill has been under development in the House for a half-dozen years, it has yet to emerge from committee. Senator Carper has introduced a modified version, S. 1285, in the 108th Congress. Passage of P.L. 108-18, the Postal Civil Service Retirement System Funding Reform Act of 2003, will enable USPS to pay down its debt to the Treasury by nearly $3 billion per year, and defer further rate increases to 2006.

On July 31, a blue-ribbon commission appointed by President Bush issued a report recommending reforms consistent with reform legislation that has been brewing for years and with the transformation plan. It recommends changes in governance, scope of the postal monopoly, rate-setting, physical infrastructure, and – most controversially – workforce compensation policies. The commission rejected privatization and endorsed continued universal service within the governmental framework. Congressional hearings on the commission's report are contemplated for September.

Most Recent Developments

President Bush's Commission on the United States Postal Service issued its report, with 35 reform recommendations, on July 31, 2003. The commission rejected the privatization option that is popular abroad and recommended retaining the Postal Service with a universal service obligation in the executive branch, but with enhanced independence. The commission said that USPS must downsize and cut costs, notably by consolidating and closing unneeded processing facilities through a base-closing model approach. The one labor representative on the commission dissented from recommendations to end binding arbitration in wage disputes, to include leave, health, and retirement benefits in collective bargaining, and to add pay for performance to the compensation package.

On April 23, 2003, President Bush signed into law the Postal Civil Service Retirement System Funding Reform Act of 2003, P.L. 108-18. The Act authorized USPS to reduce its annual payments to the Civil Service Retirement Fund by $2.9 billion in fiscal year (FY) 2003, and $2.6 billion in FY2004. The savings will allow USPS to reduce its $11.9 billion debt to the Treasury and keep postage rates stable to 2006. While this development grants financial breathing room, Postmaster General John Potter said that it does "not in any way obviate the fundamental flaws in the Postal Service business model" and urged undiminished attention to postal reform.

Senator Thomas Carper introduced comprehensive postal reform legislation, S. 1285, on June 18, 2003. The bill is modeled in large part on H.R. 4970 in the 107th Congress, but there are some key differences. The innovation that has attracted the most attention is the bill's provision that a Postal Regulatory Commission devise a set of service standards for market dominant products and that USPS realign its operations to meet the new standards. USPS's plan to meet the standards would include the preparation of a list of facilities no longer needed, and the list would be reviewed by an independent commission along the lines of the military base closing commissions.

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. Data from the first three quarters of FY2003 indicate that first class mail volume is still depressed.

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 2 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. Stagnant mail volumes have continued to cut revenues below plan throughout FY2003; the quarter ended June 2, 2003 was the seventh straight quarter in which first class mail volume dropped.

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 were 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.

- 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 $11.9 billion, not far from 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 8 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 2 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 to service in Alaska and Hawaii.

- Labor costs of its 843,000 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. Costly government leave, retirement, and health benefits are set in law and not negotiable.

- 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 costs, and complains that political considerations prevent it from modernizing 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 told Congress in May 2002 that the "Postal Service's financial crisis is directly attributable to the $12 billion in postage discounts it gives annually to major mailers and direct mail firms for pre-sorting their mail. The discounts equal significantly more than the costs the Postal Service avoids when it receives pre-sorted mail, and they amount to huge subsidies for the major mailers and direct mail firms." APWU believes that at least some of this revenue could be recovered if the work were brought back in-house. GAO recently issued an informational report on the issue.

Recalculation of USPS Retirement Obligation

On April 23, 2003, President Bush signed into law the Postal Civil Service Retirement System Funding Reform Act of 2003, P.L. 108-18. The law was quickly passed without dissent in either chamber in response to a surprise finding by the Office of Personnel Management that future payments under current legislation would overfund USPS liability to the Civil Service Retirement Fund 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 return on the bonds held by the trust fund has been substantially higher.

The Act authorized USPS to reduce its annual payments by $2.9 billion in FY2003 and $2.6 billion in FY2004. The savings will allow USPS to reduce its $11.9 billion debt to the Treasury and keep postage rates stable to 2006. While this development grants financial breathing room, Postmaster General John Potter said that it does "not in any way obviate the fundamental flaws in the Postal Service business model" and urged undiminished attention to postal reform. For more information on the measure, see CRS Report RL31684, *Funding Postal Service Obligations to the Civil Service Retirement System*, by Patrick Purcell and Nye Stevens.

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.

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.

The President's Commission on the United States Postal Service

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. 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. The USPS Board of Governors, the Association for Postal Commerce, the Mailers Council, GAO, the United Parcel Service (UPS), and some Members of Congress are among those who called on the President to create a new commission to study and make recommendations on the future organization and function of the Postal Service. The president of the American Postal Workers Union, however, opposed the creation of a commission, believing that it would be a front for privatization initiatives.

On December 11, 2002, President Bush issued Executive Order 13278 creating a Commission on the Postal Service, forestalling congressional initiatives to create such a commission by statute. The co-chairmen of the commission were James Johnson, former CEO of Fannie Mae, and Harry Pearce, board chairman of Hughes Electronics. The other seven members included no one with close ties to postal stakeholders. Most were business executives, with one local labor leader, the president of Yale University, and Robert Walker, a former Member of Congress. The Commission's Web site has hundreds of statements by interested parties on reform proposals before the commission. Public hearings concluded on May 29, and the commission issued its final 181-page report to the President, on schedule, on July 31, 2003.

The commission's report contains 35 recommendations, 18 of which would require some action by Congress. In many ways, the commission's approach is in the mainstream of postal reform discussions that have been underway among stakeholders since the mid-1990s. For example, the commission endorsed the basic structure of the 1970 Postal Reorganization Act, recommending that USPS "should continue to operate as an independent establishment within the executive branch with a unique mandate to operate as a self-sustaining commercial enterprise" and rejecting the alternative of privatization that many other developed countries have adopted. While keeping the basic government corporation model, the commission pressed in many of its recommendations that USPS should adopt the "best practices of similarly-sized private-sector corporations." These included an independent corporate-style board of directors that would perpetuate itself, greater financial transparency, expanded outsourcing for services, aggressive real estate asset management, and use of commercial purchasing practices.

The commission's recommendations with regard to regulatory controls are similar to recent congressional proposals. The Postal Rate Commission would be transformed into a new Postal Regulatory Board that would have authority to refine the scope of the universal service obligation and the postal monopoly, to establish limits and broad parameters within which USPS could set rates and negotiate service arrangements, and to assure that competitive products are not cross-subsidized by revenues from products protected by the monopoly.

While recommending that Congress eliminate current statutory restrictions on closing post offices for economic reasons, the commission did not press for an aggressive program of closing local post offices, pointing out that even some "low activity" post offices are needed to meet the universal service obligation. It placed much more emphasis on consolidating the 380 large processing facilities, recommending a Postal Network Optimization Commission to identify facilities to be closed with a fast-track congressional approval process similar to the defense base closing process. A similar proposal was contained in a bill introduced in the 108th Congress by Senator Carper (S. 1285; see below).

The aspect of the commission's report that will almost certainly be the most controversial are four recommendations relating to workforce compensation, a subject that recent bills in Congress have conspicuously avoided. Referring to "persuasive testimony" that a postal compensation premium may exist, the commission (with the one member from the labor movement dissenting) recommended major revisions to the current practice of binding arbitration of wage bargaining disputes, including the value of fringe benefits such as health care and early government retirement in bargaining over compensation, a redefinition of pay comparability to made by the Postal Regulatory Board, and introducing some form of pay for performance into the compensation package. The American Postal Workers Union news bulletin denouncing the recommendations as "fundamentally dishonest" and "a disaster" said it would use every tool at its disposal to assure that none of them becomes law.

Activity in the 107th Congress

Although Congress became increasingly concerned about deterioration in USPS's finances, little legislative activity occurred until late in the 107th Congress. The House Postal Service Subcommittee was not reconstituted in the 107th Congress. Representative John McHugh, who had chaired the Postal Subcommittee through six years of hearings in large part devoted to postal reform, was term-limited as chairman. 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 Henry 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.

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 (in both the 105th and 106th Congresses) 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 did not address a number of issues that need resolution before USPS could 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 was 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 before the end of the 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."

S. 2754 (Collins)

The United States Postal Service Commission Act of 2002, introduced July 18, 2002. Would create 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.

H.R. 5702 (Crane)

To provide for the privatization of the Postal Service, introduced October 28, 2002. The bill, co-sponsored by Representative Rohrabacher, was identical to H.R. 2589 in the 106th Congress. It would transfer USPS to a new private corporation, owned by its employees, and require the President to appoint a commission to submit a transfer plan to Congress.

Activity in the 108th Congress

Both the House Government Reform and the Senate Governmental Affairs Committees have geared up for concentrated attention to postal issues in the 108th Congress. The new chair of the Senate committee announced that postal affairs will be handled at the full committee level. The House Government Reform Committee created a Special Panel on Postal Reform and Oversight for the 108th Congress, chaired by Representative John McHugh. Congress acted swiftly on the USPS request to change the formula for its contributions to the Civil Service Retirement Fund. By April 23, 2003, the Postal Civil Service Retirement System Funding Reform Act of 2003 had been enacted as P.L. 108-18. Its proponents said that the Act would provide some much-needed financial breathing room but warned that it would be a serious mistake to let that relief forestall consideration of long-range reforms.

S. 1285 (Carper)

Senator Thomas Carper introduced comprehensive postal reform legislation, S. 1285, on June 18, 2003. The bill is modeled in large part on H.R. 4970 in the 107th Congress, but there are some key differences. The innovation that has attracted the most attention is the bill's provision that a Postal Regulatory Commission devise a set of service standards for market dominant products, and that USPS realign its operations to meet the new standards. USPS's plan to meet the standards would include the preparation of a list of facilities no longer needed, and the list would be reviewed by an independent commission along the lines of the base closing commission used to streamline the Department of Defense infrastructure. S. 1285 would also explicitly authorize negotiated service agreements with big mailers, and contains no provision limiting price increases to rises in the consumer price index.

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