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The Honorable Elijah E. Cummings
2471 Rayburn House Office Building
Washington DC 20515

Dear Ranking Member Cummings,

I am writing in response to your request for input on The Postal Service Innovate To Deliver Act of 2013 discussion draft (I2D Act). The NALC and its 285,000 members nationwide very much commend your effort to develop a sound approach to comprehensive postal reform.

We believe that any such effort must:

(1) Stabilize the Postal Service finances by reforming or eliminating unwise and unfair pension and retiree health financing policies that have crippled the Postal Service's finances since 2006;

(2) Strengthen and protect the Postal Service invaluable first-mile and last-mile networks that together comprise a crucial part of the nation's infrastructure;

(3) Overhaul the basic governance structure of the agency to attract first-class executive talent and a private sector-style board of directors with the demonstrated business expertise needed to implement a strategy that will allow the Postal Service to innovate and take advantage of growth opportunities even as it adjusts to declining traditional mail volume; and

(4) Free the Postal Service to meet the evolving needs of the American economy and to set its prices in a way that reflects the cost structure of the delivery industry while assuring affordable universal service and protecting against anti-competitive abuses.

The I2D Act addresses many of these requirements, but falls short of what is needed. We recognize the challenges associated with advancing legislation of this magnitude and we welcome the opportunity to be part of the discussion. We hope that our recommendations will prove to be helpful as you prepare to formally introduce your bill. Our comments are organized by Title.

Title I: USPS Profitability and Revenue Generating Enhancements

Title I of your bill rightly gives top priority to improving the revenue generating capacity of the Postal Service with the aim of restoring its profitability. We strongly support the provision to create a Chief Innovation Officer. Like you, we believe it is crucial that the USPS focus its attention on innovation – a focus that has been lost due to the extreme financial crisis caused by the Great Recession and the extreme financial burdens imposed by the Postal Accountability and Enhancement Act of 2006 (PAEA). Having someone charged specifically with this responsibility will be essential as the USPS business model evolves.

Of course, the fact that USPS has not appointed such an officer on its own points to a larger governance crisis at the Postal Service. Although all the current members of the severely under-staffed Board of Governors are talented and honorable people, the process for selecting board members with suitable business expertise is broken. It is imperative that Congress recognize the failure of the past two administrations and the Senate leadership in recent years to comply with the provisions of the PAEA as they pertain to the Board of Governors. Leaving aside the reality that four of the nine appointed seats on the Board are currently vacant, the individuals now serving on the board do not meet the qualifications needed to run a $65 billion enterprise with some 600,000 employees, serving 150 million addresses six days a week. None of them have experience running large companies with at least 50,000 employees as called for in the 2006 act.

We believe the Postal Service needs a real, private sector-style board of directors. The board should be comprised of people with proven track records as senior business executives, successful entrepreneurs and leaders of large non-profit organizations who have proven ability to work collaboratively with unions. The long-standing practice of Senate leaders recommending appointees to the board to the President, which naturally places the main focus on the party affiliations of Board members, is outdated and fails to produce this kind of board with the high quality business leadership needed by the Postal Service in the 21st Century.

We strongly support your draft bill's provisions that would expand the Postal Service's ability to provide non-postal services and authorize the shipment of beer, wine and spirits. We believe the Postal Service should explore every possible way to use its invaluable retail, processing and delivery networks to serve any unmet need across the country. Indeed, I have recently proposed that Congress investigate using the Postal Service as the retail foundation of a National Infrastructure Bank (see the attached column).

We support giving the Postal Service greater rate-setting flexibility and having all classes of mail cover their costs. Your reforms in this area are worth consideration. NALC would like to see the existing price indexing system reformed and strongly support a mandate that the PRC review the system. Indexing postage rates to the general Consumer Price Index (CPI-all items) is extremely restrictive and has resulted in excessive cost-cutting on the backs of the employees and postal customers. If eliminating the price cap altogether is not an option, a better, more reasonable alternative to the general CPI would be the CPI for Delivery Services, the component of the CPI that tracks private sector delivery charges. The CPI-DS sub-index would tie postage rates to cost trends in the Postal Service's own industry, reflecting the cost pressures unique to national delivery companies (energy, transport, etc.). It would give the Postal Service greater flexibility while giving mailers the benefit of predictable future rates.

Section 108 of your bill raises serious concerns for the NALC. It gives the USPS a very short period of time to eliminate any financial losses through rate increases or service cuts. This seems to give the Postal Service the right to evade the caps imposed by the price index. Although this can be seen as flexibility of sorts, the Postal Service can only raise rates so much before business is negatively affected. This reality, combined with the continuation of the mandate to massively pre-fund future retiree health benefits decades in advance (which I will address below), would leave the Board of Governors nowhere to go except to reduce the level and quality of services provided by the Postal Service. That would translate into even more jobs cuts, on top of the 160,000 good jobs eliminated since 2006. Section 108 is deeply flawed and is totally unworkable if the Postal Service is forced to massively pre-fund retiree health benefits.

The core competence and core asset of the Postal Service as an enterprise is its unmatchable, six-day a week, last-mile delivery network. To risk that in order to continue the prefunding policy of the Bush administration is counterproductive to the kind of postal innovation that your bill is focused on achieving. We request that this section be dropped or significantly amended to address these concerns.

Title II: Postal Service Workforce Realignment and Right-Sizing

Title II of your bill focuses on downsizing. The Postal Service already has plenty of flexibility and capacity to downsize. Over the past several years, it has slashed its workforce by nearly 25 percent and, given the demographic make-up of the workforce, it will continue to be able to "right-size" the organization through attrition if need be (without resort to lay-offs).

As a general matter, we think that rather than focusing on providing new means to cut jobs, Congress should focus on eliminating the artificial pressure to downsize caused by the mandate to pre-fund retiree health benefits decades in advance. It should also require the Office of Personnel Management to treat postal employees and mailers fairly in the accounting of postal pension funds. We think your draft legislation falls short in these crucial areas.

We strongly support the proposal in your bill to use postal-specific assumptions when valuing the Postal Service's assets and liabilities in the Federal Employee Retirement System (FERS). It is a sensible and fair approach. It would result in a $12.5 billion postal surplus, according to a recent report by the USPS Office of Inspector General. We also agree that these funds should be used to pay down debt, but would also like to see them used for capital improvements, service innovations and other business development as well.

We are disappointed to see that you did not include a provision regarding the postal pension surplus in the Civil Service Retirement System (CSRS). As you know, during the last Congress , the United States Postal Service Pension Obligation Recalculation and Restoration Act of 2011 (H.R. 1351) attracted 230 co-sponsors from both political parties. H.R. 1351 sponsored by Rep. Stephen Lynch received more support than any other postal bill introduced in the 112th Congress – a majority of the House, in fact – and thus should be included in any postal reform measure this year.

H.R. 1351 called for implementing the results of an audit of the postal account in CSRS in 2010. The audit was conducted for the Postal Regulatory Commission by an independent, private sector actuarial services firm (the Segal Company) and found that a fair allocation of assets would produce a $50 - $55 billion postal surplus in CSRS. This surplus could all but eliminate the retiree health pre-funding burden, save tens of thousands of good jobs and give the Postal Service the near-term financial stability it needs to innovate to deliver for decades to come. We are hopeful that you will incorporate H.R. 1351 into your final bill, as the bill offered by Rep. DeFazio does (H.R. 630, 130 co-sponsors).

Title II includes the pre-funding reforms offered by S. 1789 in the 112th Congress. We very much appreciate that it would accelerate the Postal Service's access to the Postal Service Retiree Health Benefits Fund (PSRHBF) by a few years – this will provide needed short-term cash relief. However the actual cost of prefunding future retiree health benefits would not be reduced by much. Indeed, as the attached table from the CBO shows, replacing the fixed payments called for by the PAEA (roughly $5.6 billion per year) with the two-part actuarial payments mandated by S. 1789 and your bill (a normal cost payment plus an amortization payment) would cut pre-funding costs by less than six percent over the next 10 years.

In testimony I submitted to the Oversight and Government Reform Committee on March 17, 2013 I outlined a full menu of alternative ways to reduce or eliminate the pre-funding burden, including ways to intelligently reduce the cost of retiree health benefits and better invest the funds held by the PSRHBF. We hope that the Democrats on the Committee are as committed as we are to working to pass a bill that puts service and growth above the Bush-era pre-funding mandate.

Our members want fairness. No other company in the country and no other agency of the government (including the Congress, the GAO, and the CBO) is forced to pre-fund decades of future retiree health benefits decades in advance; the Postal Service should not be forced to do so going forward. We have already set aside nearly $50 billion for this purpose and the priority now must be on innovation and restructuring for a new business model. We know you share this concern and are hopeful that we can create a sustainable solution that moves towards eliminating pre-funding entirely.

Section 207 of your bill calls for a study to right-size the workforce. Unfortunately, as you know, there are some in Congress that are solely focused on downsizing and degrading the workforce in a race to the bottom. In order to ensure that this section does not result in a misinterpretation of the intent, we would suggest adding the following language:

Sec.207 (b) (1)

*The projected workforce needs of the Postal Service over the next 5 fiscal years, given the current mail volumes, **current service standards, growth opportunities**, and the demand for Postal services.*

Title III: Postal Service Improvements and Regulatory Relief

NALC strongly supports the proposals made in Title III concerning the closure of postal facilities. Before we close more post offices (a crucial part of our first-mile collection capacity), we should make sure to exhaust all possible alternatives and ensure that both the public's and the workers' interest are protected.

We also support improving the functioning of the PRC.

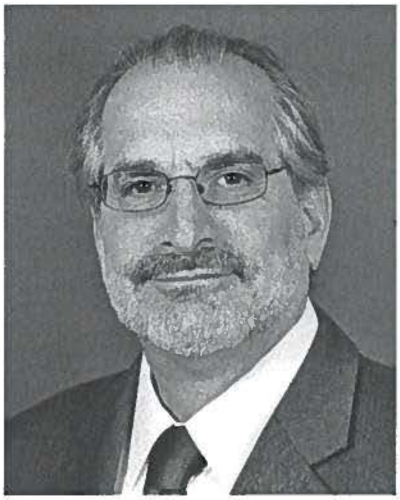
Conclusion

The NALC is very appreciative to be given the opportunity to provide our comments before your introduce your bill. We would be happy to discuss any or all the issues raised by this letter. I look forward to working with you as the effort to strengthen and modernize the Postal Service advances.

Sincerely,

Fredric V. Rolando
President

Delivering a national infrastructure bank...through the post office



Fredric V. Rolando

In late May, another bridge involving another interstate highway collapsed in the United States. This time, it was a bridge north of Seattle over which I-5 conveys millions of cars and billions in trade between Washington state and Vancouver, Canada. A few years ago, it was I-35 and a bridge over the Mississippi River in Minneapolis. In fact, bridges collapse almost every day, and more than 18,000 bridges have become structurally deficient over the past couple of decades.

And the problem of our crumbling infrastructure goes far beyond bridges or highway transport. Our water and sewage systems, our electrical grids, our airports and seaports, and broadband systems are in desperate need of repair and modernization. The American Society of Civil Engineers has assigned a failing grade (D+) to the quality of our nation's infrastructure and has identified more than $3.6 trillion in construction projects needed between now and 2020.

You may be asking, "What do collapsing bridges have to do with saving the Postal Service?" Do we have time to worry about these problems when the Postal Service is recklessly seeking to close post offices, reduce hours and eliminate Saturday delivery?

You might be thinking, "There's nothing we can do about this crisis at a time when there is mass unemployment, large federal deficits and a total unwillingness of Congress to allocate tax-payer funds for public investments." After all, President Obama has been calling for further action on jobs since his 2009 stimulus program helped prevent a Great Depression but failed to kick-start a strong jobs recovery—and Congress has balked every time.

But with a little imagination and the kind of can-do spirit and political will that America has summoned many times in the past, there is a way to address all these issues in a smart, creative way. We could create a national infrastructure bank (NIB) and we could use the nation's 32,000 post offices as its retail network, earning revenue for the Postal Service by providing basic financial services (savings and checking accounts, money transfers, etc.) while helping to rebuild America.

The first part of this idea—the NIB—has a lot of bipartisan support. Over the past six years, senators from both parties have introduced bills to create an NIB. The BUILD Act was initially introduced in 2007 by then-Sen. Chris Dodd, a blue state liberal, and Sen. Lindsey Graham, a red state conservative. That should not have been a surprise—citizens in all states need first-class roads, bridges, sewers and energy networks regardless of their political beliefs. Both the AFL-CIO and the U.S. Chamber of Commerce have endorsed a major infrastructure program.

An NIB would provide a means to channel public funds into regional and national projects identified by political and community leaders across the country to keep the economy healthy. It could issue bonds, back public-private partnerships and guarantee long-term, low-interest loans to states and investment groups willing to rebuild our schools, hospitals, airports and energy grids. An NIB with $10 billion in capital could leverage hundreds of billions in investments.

Yet opposition to using tax money for such a bank has stopped the BUILD Act in its tracks. But what if we set up the NIB without using taxpayer funds? What if we allowed Americans to open savings accounts in the nation's post offices and directed those funds into national infrastructure bonds that would earn interest for depositors and fund job-creating projects to replace and modernize our crumbling infrastructure? Rather than closing down post offices, let's find a new use for them.

To some, this may sound crazy. But more than 40 million Americans are "unbanked." In many rural areas, commercial banks are nowhere to be found. And in many low-income urban areas, banks are closing branches at an accelerated pace—a recent study for the banking industry predicts that 40 percent of the nation's 90,000 bank branches will close over the next 20 years. That's where our ubiquitous post office network could step in. Both the Sanders and the DeFazio postal reform bills we support would allow the Postal Service to diversify its range of services to meet un-met public needs.

A post office bank would not compete with private banks—it would not offer commercial loans or mortgages. But it could serve the unbanked and fund infrastructure projects selected by a non-partisan NIB.

Postal banks are common all over the world. In fact, we used to have one in the United States. Between 1911 and 1967, millions of Americans had savings accounts at the post office. Dozens of countries have postal banks, and new ones have been created in France, Italy and Brazil during the past decade. Although NALC has advocated postal financial services for years, this trend prompted a resolution at our last convention calling on the union to investigate the possibility of postal banking in America. NALC is now actively doing this with the assistance of the Public Banking Institute.

We can put millions of Americans back to work and strengthen our Postal Service at the same time—if we are willing to think big, as we did when we built the transcontinental railroads, the interstate highway system and the space program. The time has come for a national infrastructure bank. Let's do it with the Postal Service!

PRE-FUNDING PAYMENTS UNDER CURRENT LAW AND S. 1789: CBO ESTIMATES

Current Law -- PAEA of 2006 ($billions)

Year		Schedule		Normal		Amortization		Total
2012	$	2.100					$	2.100
2013	$	5.600					$	5.600
2014	$	5.700					$	5.700
2015	$	5.700					$	5.700
2016	$	5.800					$	5.800
2017			$	4.181	$	3.410	$	7.591
2018			$	4.410	$	3.410	$	7.820
2019			$	4.651	$	3.410	$	8.061
2020			$	4.902	$	3.410	$	8.312
2021			$	5.165	$	3.410	$	8.575
2022			$	5.440	$	3.410	$	8.850
Totals	**$**	**24.900**	**$**	**28.749**	**$**	**20.460**	**$**	**74.109**

S. 1789 - 21st Century Postal Service Act of 2012 ($billions)

		Schedule		Normal		Amortization		Total
2012	$	-	$	3.174	$	2.100	$	5.274
2013	$	-	$	3.368	$	2.100	$	5.468
2014	$	-	$	3.560	$	2.100	$	5.660
2015	$	-	$	3.760	$	2.100	$	5.860
2016	$	-	$	3.970	$	2.100	$	6.070
2017	$	-	$	4.181	$	2.100	$	6.281
2018	$	-	$	4.410	$	2.100	$	6.510
2019	$	-	$	4.651	$	2.100	$	6.751
2020	$	-	$	4.902	$	2.100	$	7.002
2021	$	-	$	5.165	$	2.100	$	7.265
2022	$	-	$	5.440	$	2.100	$	7.540
Totals	**$**	**-**	**$**	**46.581**	**$**	**23.100**	**$**	**69.681**
				USPS Savings (2012-2022)			**$**	**(4.43)**
				Pct Change (2012-2022)				**-5.97%**

Source: Report of the Homeland Security and Governmental Affairs Committee to Accompany S. 1789 (Report # 112-143), Table 3, p. 43.