



NATIONAL ASSOCIATION OF POSTAL SUPERVISORS

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June 29, 2016

The Honorable Jason Chaffetz
Chairman
Committee on Oversight and
Government Reform
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Elijah Cummings
Ranking Member
Committee on Oversight and
Government Reform
U.S. House of Representatives
Washington, D.C. 20515

Re: Discussion Draft of the Postal Service Reform Act of 2016

Mr. Chairman and Ranking Member Cummings:

Thank you for the opportunity to submit comments on the discussion draft of the "Postal Service Reform Act of 2016."

First of all, we applaud and thank you and your colleagues – including Congressmen Meadows, Connolly and Lynch – for your efforts in crafting a bill that addresses the significant financial challenges facing the Postal Service and seeks to provide a path toward financial stability. You and your staff are to be commended for the constructive approaches contained in the discussion draft to temper the onerous burden of the Retiree Health Benefit (RHB) prefunding payments; establish fairer Postal Service retirement contribution payments; provide for more cost-efficient retiree health care coverage; and encourage Postal Service innovation in collaboration with state and local governments. In addition, we appreciate the inclusion in the discussion draft of Merit System Protection Board (MSPB) appeal rights for mid-level management personnel. The remainder of this letter addresses our comments in more specific terms.

Retirement and Retiree Health Benefit Funding

As noted above, we congratulate the drafters for the inclusion of provisions in the bill that mitigate the horrendous impact of the 2006 bill by re-amortizing RHB prefunding payments and stretching them out for a longer, less demanding schedule. We would note that requiring the Postal Service to make actuarially-based RHB prefunding payments that cover 100% of the cost of the Postal Service's RHB liability within 40

payments that cover 100% of the cost of the Postal Service's RHB liability within 40 years, as compared to 80%, may be too aggressive a goal. The use of Postal Service workforce-specific demographic assumptions for the purposes of calculation of Postal Service pension costs and liabilities will help to put the Postal Service on a more sustainable path. The bill should be expanded to permit the investment of RHB prefunding payments in accordance with Thrift Savings Board guidance.

Medicare Integration

The establishment of a separate health insurance pool for current and former postal workers, along with automatic enrollment of all postal retirees in Medicare, represents a fiscally solvent response to the Postal Service's financial challenges and the significant premium payments made by the Postal Service into Medicare over the course of decades.

The Medicare enrollment mandate has caused concern among some postal retirees not currently enrolled in Medicare B because of its arbitrariness and the cost of added premiums. They would prefer choice and voluntary participation in the Medicare program, not mandatory participation. Notwithstanding the transitional premium subsidies in the first three years, the addition of significant and potentially rising Medicare costs for some annuitants could present substantial hardship. We are sympathetic to those concerns and would recommend the legislation be revised to broaden the Medicare Part B premium "hold harmless" provision to include Medicare-eligible Civil Service Retirement System postal annuitants, or permit such annuitants, to opt-out and decline Part B coverage for hardship reasons. If the budget scoring costs of these approaches are significant, eligibility requirements should be revised to assure a fiscally acceptable outcome for the success of Medicare integration.

Governance Reorganization

The history of the Board of Governors (BOG) of the U.S. Postal Service over the past decade is a sorry one, given the erosion of its membership to the barest of numbers and the minimalist performance of its conventional responsibilities.

BOG, as established by the Postal Reorganization Act of August 12, 1970, is comparable to the board of directors of a private corporation. In that respect, it has a fiduciary responsibility to set policy and oversee the operations of the enterprise and particularly the performance of its chief executive.

Under the discussion draft, the Board of Governors would be emasculated at the risk of the public mission of the Postal Service, through the reduction of BOG's role and size. The draft would reduce BOG in size from nine current members to five. More consequential, the role of BOG would be downsized from one exercising directorate responsibilities to one being merely advisory. With no disrespect to the current

Postmaster General (PMG) and Deputy Postmaster General (DPMG), we are troubled by the broad, unchecked authority PMG and DPMG would possess under the discussion draft. Unilateral PMG actions that significantly alter Postal Service operations, in the absence of BOG oversight, could rapidly transform the Postal Service and its affairs to the detriment of its public mission. Dramatic changes in the Postal Service's observance of its public mission, including widespread privatization, could occur within this framework, especially if Congress were to remain on the sidelines. The current political stalemate over Presidential appointment and Senate confirmation of competent BOG members should not cloud the fundamental and ongoing need for a properly-empowered Board of Governors.

Innovation and Non-postal Services

We applaud the proposed requirement that the Postal Service establish and appoint a Chief Innovation Officer to manage the Postal Service's development and implementation of innovative postal and non-postal products and services. Without such a designated officer, the Postal Service may not be aggressive enough in its pursuit of innovative, breakthrough products and services.

We also believe the discussion draft's authorization of the Postal Service to provide non-postal services to state, local, and tribal governments and other federal agencies is a practical step that continues to fulfill the Postal Service's public mission. However, the requirement of BOG approval of such non-postal services, would appear inconsistent if BOG were to generally play only an advisory role overall, as contemplated by the draft measure. Moreover, the limitation of Postal Service pursuit of non-postal products to only those identified in the 2006 postal law too stringently restrains innovation and the revenue potential that should remain available to the Postal Service in order to remain financially solvent.

Service Delivery and Service Standards

The Postal Service has witnessed the most significant devolution of its processing and transportation network in its storied history over the past decade. During that time, operating window changes, processing plant consolidations, service standard reductions and workforce attrition have lead to an irreversible decline in the quality of service delivered to Americans across the country, especially those in rural areas. Studies by the Government Accountability Office and the Inspector General of the US Postal Service have validated the erosion of service and the loss of cost-efficiencies by these changes. Even the Postal Service has acknowledged that transportation network costs have outpaced processing cost savings as a result of recent processing plant consolidations. Unfortunately, the discussion draft is silent on these changes and does little to deter or protect against further declines in delivery timeliness and quality, especially in rural areas. We believe this is a notable lapse that should be corrected through the inclusion of a suspension on further processing plant consolidations and cutbacks in rural post office hours and reclassifications and sustain mail service standards.

Postal Rates

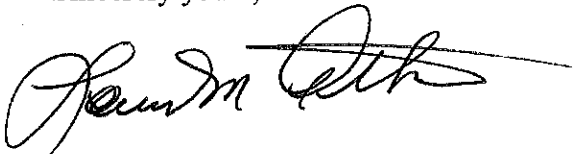
We believe the proposed extension of the exigency rate surcharge, allowing the Postal Service to increase postal rates for market-dominant products by 2.15%, or 1 cent for a First-Class stamp, falls short of the necessary revenues the Postal Service requires to remain a viable financial enterprise. The general public is incredulous that postage prices have fallen against the backdrop of a wall of financial challenges facing the Postal Service. Congressional intervention to restore postage rates to their necessary levels is overdue. But a one-cent increase falls short of the 49-cent level, the “new normal” rate level instituted in January 2014 – one that Congress and the Postal Regulatory Commission should establish as the baseline for future rate increases. Without that revenue, the Postal Service ultimately may face no alternative but to undertake further cost-cutting efforts that are counterproductive to universal service and uniform, fair prices.

Right of Appeal to Merit Systems Protection Board

We appreciate the inclusion in the discussion draft of MSPB appeal rights for mid-level management personnel. As you know, approximately 7,500 mid-level management employees within the Postal Service do not possess the right to appeal adverse personnel actions to the U.S. Merit System Protection Board; they may use only an internal appeal route. Despite the intent of Congress in 1987 to confer such rights to most USPS management personnel, Federal Circuit appeals court and MSPB interpretations of the law have narrowly limited its coverage. The discussion draft would restore Congressional intent and end this unfairness without additional major cost.

Thank you for your consideration of our comments.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Louis M. Atkins", with a long horizontal flourish extending to the right.

Louis M. Atkins
National President