NALC Fact Sheet

Department of Government and Political Affairs — National Association of Letter Carriers

100 Indiana Ave. NW — Washington, DC 20001-2144 — 202-393-4695 — nalc.org

NALC priorities for postal reform

Over the last two years, the U.S. Postal Service has continued to slowly turn the corner financially. Excluding the retiree health benefits (RHB) pre-funding expense, USPS has made $1.2 billion on operations through the end of the third quarter of this year. The increase in revenue is directly related to its booming package delivery business, record productivity growth from postal workers and a stabilization of letter mail revenue as the U.S. economy slowly recovers from the Great Recession.

Despite the growth, USPS remains in a fragile financial state due to the 2006 congressional mandate to pre-fund future retiree health, and it has exhausted all of its borrowing authority. The pre-funding policy starves the agency of needed resources for investment and innovation. No other public or private enterprise faces a mandate to pre-fund, a burden that accounts for 87 percent of USPS' net losses since 2007 and 100 percent of its net losses over the last two years. NALC calls on Congress to implement a series of smart, targeted reforms to sustain USPS' recovery and to pave the way for long-term stability and growth, including:

Address the retiree health benefits pre-funding burden. Congress should reform the way the Federal Employee Health Benefits Program (FEHBP) covers postal employees and postal annuitants. Maximizing participation in Medicare Parts A and B (following the best practice of large, private-sector firms) and providing access to low-cost prescription drugs provided to private employers by Medicare Part D could reduce the unfunded liability by $43 billion and reduce annual expenses by $3.5 billion.

Investment of PSRHBF. To further reduce pre-funding costs, Congress should authorize the Office of Personnel Management (OPM) to safely invest the Postal Service Retiree Health Benefits Fund (PSRHBF) in low-cost index funds similar to the longest-term "lifecyle" fund offered by the federal Thrift Savings Plan. This would again follow best corporate practice, where the few companies that voluntarily pre-fund adopt sensible investment policies for their retiree health funds. Congress can start by mandating the use of postal-specific assumptions by OPM when measuring the USPS' retirement liabilities, a policy that nobody disputes.

Restore service standards. The financial crisis caused by the pre-funding mandate led the USPS to dramatically reduce service standards, to implement closure of hundreds of mail processing plants, and to shutter thousands of post offices either entirely or through reduced operating hours. Offering slower mail delivery threatens to tip USPS into a death spiral—driving away business and weakening new investment in the mailing industry. Congress should prohibit any new reductions in service standards below current levels and should seek to restore them to July 2012 levels whenever and wherever possible.

Pricing modernization for market-dominant products. Congress should direct the Postal Regulatory Commission to use its upcoming review to modify the cap on USPS' prices for market-dominant products (e.g., First Class Mail, Standard Mail, Periodicals) to allow the agency to charge prices that more accurately reflect its actual costs while providing for predictability and holding the agency to a reasonable standard relative to private delivery services. USPS' prices for market-dominant products are currently capped at artificially low rates, tied to increases in the general Consumer Price Index (CPI), which neither reflects actual USPS costs nor pricing trends in the national delivery industry.

New products and innovation. The services USPS can provide are strictly limited by current law. It therefore cannot maximize the value of its unique retail, processing and delivery networks. To innovate and remain healthy, USPS must be allowed to develop new ways to serve the public and to offer new services.

Congress should authorize USPS to investigate ways to serve unmet needs with its existing networks, subject to regulations to prevent unfair competition. It should also increase participation in our democracy by promoting mail-in balloting at all levels of government and improve access to government services by encouraging partnerships between USPS and federal, state and local government agencies. For example, using USPS' infrastructure to deliver beer, wine and distilled spirits, in accordance with state laws, is one example of how USPS could continue to serve its customers and generate revenue.

NALC believes that reforms such as these offer a sensible alternative to plans that would dismantle the Postal Service's universal network of affordable service. Congress should free USPS to fully leverage its networks and lay the groundwork for long-term, sustainable success that serves the evolving needs of its business and residential customers. NALC calls on Congress to focus on a limited set of common-sense solutions that would strengthen the Postal Service and to avoid damaging its capacity to thrive in the 21st century.