

While PRC kicks off postal rate review, Board of Governors loses last governor

The Postal Regulatory Commission (PRC) has begun its review of the way the U.S. Postal Service sets its prices for postage and postal products.

The process, which started on Dec. 20, is required under the 2006 Postal Accountability and Enhancement Act (PAEA).

“Rest assured that NALC is participating fully in this review,” NALC President Fredric Rolando said, “working with the other postal unions to help ensure that the commission goes about the review in a constructive, positive way.” Postal management, mailers, trade associations and other interested parties are also expected to take part in the review.

When a fully self-supporting USPS was created under the Postal Reorganization Act of 1970, the agency was granted the flexibility to set rates on its own. Among PAEA’s provisions, however, was a 10-year cap on the rate the Postal Service could raise some of its prices, mandating that any adjustments be tied to the general Consumer Price Index (CPI).

Specifically, postage for letters, magazines and other types of mail where USPS has a dominant market share was capped for 10 years. After that, the PAEA called for a comprehensive review of the the rate-setting system. That is where the PRC comes into play.

PAEA also grants the PRC the power to allow the Postal Service to increase rates beyond the cap in emergency, or “exigent,” circumstances. The PRC did so in 2013, approving a 4.3 percent exigent hike that took the price of a first-class stamp from 47 cents to 49 cents, part of an effort to help USPS recover from the massive drop in mail volume

and revenue that resulted directly from the Great Recession.

Despite the efforts of NALC and other stakeholders to find a way to make the increase permanent, the PRC ended it last April.

The Postal Service’s financial report for FY 2016—the period from Oct. 1, 2015, through Sept. 30, 2016—showed that the agency had made a \$610 million operating profit. But that profit could have been an estimated \$2 billion higher if the rollback had not happened.

“The Postal Service already has the lowest postage rates among the world’s industrialized countries,” Rolando said. “Rolling rates back by 2 cents made little financial sense.”

Now that the 10-year rate-capping period is over, PAEA requires the PRC to review whether the current price indexing system should continue. The regulators will not just review the CPI cap, but also the exigent rate increase option and all the other rules and regulations governing postage rates for market-dominant products.

The CPI is a common measure of inflation, factoring in the average prices for a wide set of basic consumer goods. But it bears little relation to the specific prices USPS pays for what it needs to do business.

“Thousands of different prices and indexes go into calculating the CPI,” Rolando said. “The PRC should choose from among them something that’s more relevant to the Postal Service.”

The PRC also could opt to make no changes to its current rate-setting system or to come up with one of its own.

“It won’t be easy to convince business mailers to support abandoning the current CPI cap,” the president said. “But Congress wisely gave the

PRC the power to reconsider all of the policy decisions it made on rate-making in 2006.”

Also looming over the PRC’s considerations, of course, is another PAEA component: the requirement that USPS pre-fund the health care benefits of future retirees. The cost of that mandate was never built into postage rates, though the 2006 statute actually authorized a final proceeding to adjust rates before the price cap took effect. Unfortunately, the onset of what turned out to be the Great Recession convinced the Postal Service to forego that final rate case under the previous rules.

“Pre-funding is responsible for 90 percent of the Postal Service’s reported losses over the past 10 years,” Rolando said. “Since Congress didn’t pass effective postal reform legislation in 2016, the PRC’s rate-setting review will be saddled with addressing pre-funding as well.”

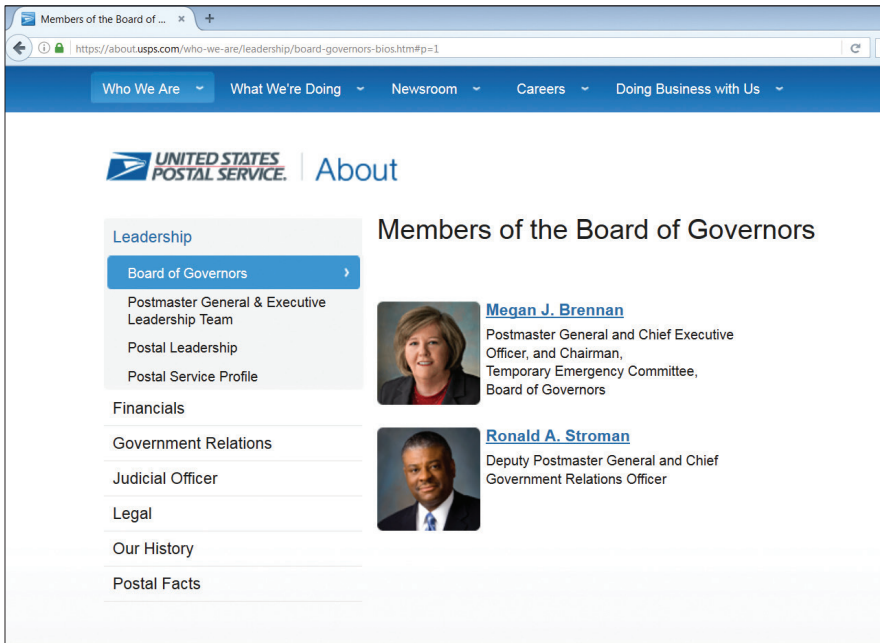
NALC is discussing these issues with the other parties interested in this review. The union will participate in the commission’s deliberations—gathering data, evaluating alternatives, making recommendations and testifying. The union has also hired well-known experts, including two former PRC research directors, to assist us with this work.

“We are confident that the PRC will restore rates to sensible levels before implementing a new system,” Rolando said.

The PRC’s public comment period runs through March 20, and a new system could be in place by early next year. Visit prc.gov to learn more.

Then there were none

In December, the Senate confirmed President Barack Obama’s reappoint-



The only governors listed on the Board of Governors' web page are Postmaster General Megan Brennan and Deputy PMG Ronald Stroman, who by virtue of their offices, serve on the board but as non-voting members.

suburban Chicago's *Daily Herald* and to Anderson, IN's *Herald Bulletin* ran on Jan. 9 and Jan. 12, respectively; his commentary in New Mexico's *Carlsbad Current-Argus* ran on Jan. 4.

San Jose, CA's *The Mercury News* showed an interest in postal issues recently, running an in-depth news story on Dec. 22 that included input from NALC Executive Vice President Brian Renfroe and San Mateo Branch 1280 Executive Vice President Sandra Dieffenderfer. On Jan. 4, the newspaper ran a commentary by President Rolando that further explained postal finances as well as the overall value of USPS and letter carriers.

There were numerous human interest stories in the news media about letter carriers making deliveries over the holidays. Central Maine Merged Branch 391 letter carrier Adam Hall was featured in one such piece on Christmas Day in the *Bangor Daily News*. On Dec. 19—considered the busiest mailing day of the year—Philadelphia Branch 157 NALC member Paul Weidman was interviewed for a story for WTXF-TV, while Buffalo-Western New York Branch 3's Renee Gronowski was featured in *The Buffalo News*. And Oswego, NY Branch 190 member Larry Woods, who "helps" Santa Claus answer letters from children, was the subject of a Dec. 21 story on WSYR-TV.

Delivering mail in winter's cold also was a topic of interest for a number of news outlets. On Jan. 3, Topeka, KS Branch 10 member Nicole Hodge was featured in one such story for *The Topeka Capital-Journal*. Sioux Falls, SD Branch 491 letter carrier Tim Durham was featured in a similar item for KDLT-TV on Dec. 19. South Bend, IN Branch 330 NALC member Joe Zanker was interviewed about the same subject on the same day, for WSBT-TV.

You can find links to these and many more stories in the Postal Facts section of nalc.org. **PR**

ments of Republicans Robert Taub and Mark Acton as commissioners on the PRC. That leaves just one vacancy on the five-member agency—the other two commissioners are Nancy Langley (D) and Tony Hammond (R). So for the foreseeable future, the PRC should have a quorum that allows it to keep functioning.

Unfortunately, the same cannot be said for the Postal Board of Governors (BOG), which is supposed to oversee and direct the executive management of the agency. By mid-December, the nine-member board was left entirely vacant when the term of the last remaining appointee, James Bilbray, ended.

"Incredibly, the Senate hasn't confirmed one Board of Governors member since 2010," President Rolando said.

In December 2014, as more and more governors' terms were expiring, the board created a so-called "temporary emergency committee" to allow it to continue to operate in the absence of a quorum. Postmaster General Megan Brennan and Deputy PMG Ronald Stroman, by virtue of their offices, also serve on the board but as non-voting members.

The latest slate of six proposed BOG candidates failed to gain approval by the end of the 114th Congress in December—an anonymous "holds" placed by multiple senators on two of the nominees prevented votes on any of the nominees. Senate Majority Leader

Mitch McConnell (R-KY) refused to allow a smaller group of acceptable governors to be seated—it was all or none.

By law, no more than five governors can be from the same political party, a measure designed to help ensure that the board remains bipartisan. Also, the president is supposed to consult the leaders of Congress before making nominations.

It now falls to newly inaugurated President Donald Trump to nominate all nine governors candidates, five Republicans and four Democrats.

"We don't yet know what President Trump's consultation and selection process will be," Rolando said. "We look forward to his nomination of a full slate of qualified candidates who can be confirmed by the Senate, and we hope that he will choose candidates wisely.

"The Postal Service's mission and the ideology of its board of governors are crucial to its health and well-being," he said. "We must be prepared to fight for a board that supports that vision."

In the news media

President Rolando's recent letters and commentaries responding to several newspapers' stories about the Postal Service provided him with an opportunity to inform readers about the broad value of letter carriers and the USPS as a whole. His letters to