News

NALC adapts legislative strategy to fit changing political landscape

On Feb. 7, NALC President Fredric Rolando was among those called to testify before a House Oversight and Government Reform Committee hearing on H.R. 756, a major postal bill introduced just a few weeks after the beginning of the 115th Congress.

"There is broad agreement among all the major stakeholders that legislation is urgently required to strengthen the Postal Service," Rolando told the committee in his opening statement, adding that the postal legislation before the committee includes "the essential elements needed to stabilize and fortify the Postal Service for years to come."

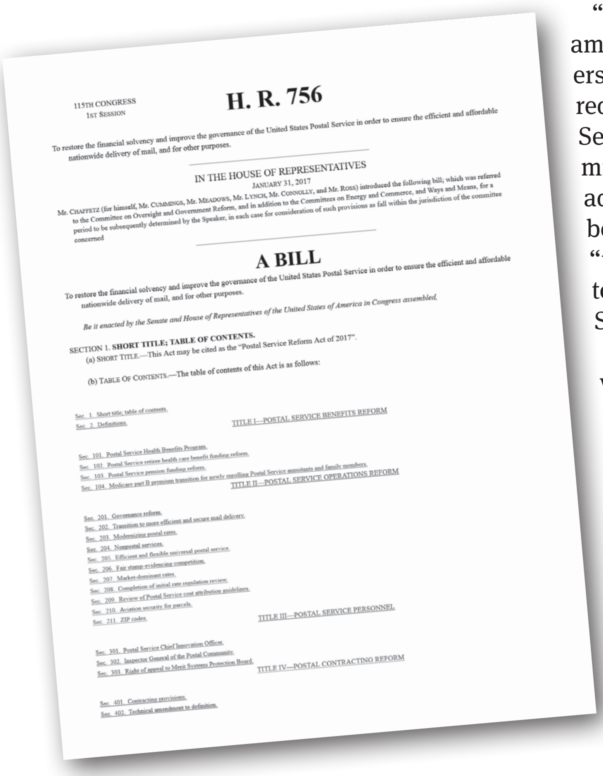
Rolando testified for NALC as well as on behalf of the other three postal employee unions: the American Postal Workers Union, the National Rural Letter Carriers' Association and the National Postal Mail Handlers Union.

While H.R. 756 is in many ways similar to a postal bill introduced last summer by the Oversight Committee, Rolando said that this new measure, as written, meets the rules of the Congressional Budget Office with regard to its impact on the federal budget (what's known as "scoring"), and that this should help the bill move along in the legislative process. That's because this year's bill drops an aviation security provision related to mail transportation that would have cost the Postal Service billions of dollars.

The final bill is likely to include many changes and, if NALC's efforts are successful, many improvements. But it must include two essential elements.

First, it must help reduce the cost of health insurance premiums paid by the Postal Service, its employees and its annuitants so as to reduce the cost of pre-funding future retiree health benefits. (The pre-funding mandate has caused nearly 90 percent of the Postal Service's reported losses since 2007, overshadowing its operating surpluses in recent years.)

Second, the bill must stabilize the Postal Service's finances before the Postal Regulatory Commission (PRC) completes its 10-year review of the rate-setting system later this year, and it must help USPS overcome the loss of revenues caused by the expiration of the 4.3 percent exigent surcharge that was put in place in the wake of the Great Recession.



115TH CONGRESS
1ST SESSION

H. R. 756

To restore the financial solvency and improve the governance of the United States Postal Service in order to ensure the efficient and affordable nationwide delivery of mail, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 31, 2017

Mr. CHAFFETZ (for himself, Mr. CUMMINGS, Mr. MEADOWS, Mr. LYNCH, Mr. CONNOLLY, and Mr. ROSS) introduced the following bill; which was referred to the Committee on Oversight and Government Reform, and in addition to the Committees on Energy and Commerce, and Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To restore the financial solvency and improve the governance of the United States Postal Service in order to ensure the efficient and affordable nationwide delivery of mail, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. **SHORT TITLE; TABLE OF CONTENTS.**

(a) SHORT TITLE.—This Act may be cited as the "Postal Service Reform Act of 2017".

(b) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

NALC President Fredric Rolando (below) and Postmaster General Megan Brennan (bottom) were among those who testified at the Oversight and Government Reform Committee hearing on Feb. 7 (opposite page).

Because H.R. 756 includes these essential elements, NALC and the other postal unions support moving the bill out of committee for further debate and congressional action.

The essential elements

H.R. 756 calls for reducing the cost of health insurance premiums, and therefore the cost of future retiree health premiums and pre-funding costs, by reforming the way the Federal Employees Health Benefit Program (FEHBP)covers postal employees and by ensuring that most Medicare-eligible annuitants enroll in Medicare Parts A and B.

The vast majority of such annuitants already enroll in Parts A and B along with their FEHBP plan, which typically provides 100 percent coverage of all medical costs. Those who have not enrolled in Part B would be able to do so without paying a late enrollment penalty and would receive assistance with Part B premiums during a three-year transition period. NALC will seek additional protections as the legislative process goes forward.

The bill also aims to reduce health insurance premiums further by granting USPS access to low-cost prescription drugs and other benefits similar to those provided by the Medicare law to private employer health plans.

Rolando testified that, taken together, these proposals would only raise Medicare spending by just one-tenth of 1 percent over 10 years, while dramatically reducing the burden imposed by the 2006 mandate that forces USPS to pre-fund retiree health benefits decades into the future.

USPS Postmaster General Megan Brennan, who also testified at the hearing, said that full integration with Medicare is a universally accepted best practice in the private sector. “It is simply a matter of fairness to enable the Postal Service and our employees to fully utilize the benefits for which we have paid,” she said.

Committee Chairman Jason Chaffetz (R-UT), who introduced the bill, noted that USPS receives no taxpayer funds and must offer products and generate revenue to sustain itself. “But there are some things that Congress can do to put it on a more even playing field,” he said. “As a tool of the economy, it is vital for us to have a good, strong vibrant Postal Service.”

The other essential element addressed by H.R. 756 is the revenue shortfall brought about by last April’s expiration of the emergency, or “exigent,” increase in postage rates. That increase, authorized in 2013 by the Postal Regulatory Commission, was designed to help USPS recover from the steep losses in revenue and mail volume it suffered as a result of the Great Recession of 2008-2009.

H.R. 756 effectively calls for restoring half of that exigent increase—a little more than 2 percent, equal to a 1-cent raise in the cost of a First Class stamp. Rolando called this compromise proposal “reasonable.”

Postal rates also were a key part of PRC Chairman Robert Taub’s hearing testimony.

"By law, after Dec. 20, 2016, the commission must review the decade-old price cap system for regulating market-dominant products," Taub said, "to determine if the system is achieving its statutory objectives and, if it is not, to make such modification or adopt such alternative system to achieve the objectives."

As reported in the February *Postal Record*, the PRC is now reviewing not just the price cap but also the exigent rate increase option and all the other rules and regulations governing postage rates for so-called "market-dominant" products, such as First Class Mail. The bill calls for pushing that review back by one year.

Rolando told the hearing that all four unions support moving the bill through the committee. "We pledge to work with all of you in our broad coalition of mailing industry partners to achieve postal reform this year," he said.

In the written testimony submitted to the committee, Rolando also expressed the unions' support for a second postal bill introduced just before the hearing by committee member Rep. Stephen Lynch (D-MA) and Rep. David McKinley (R-WV). Their bill, H.R. 760, is the Postal Service Financial Improvement Act of 2017. Similar to legislation Lynch introduced last summer, H.R. 760 presses for adoption of one of NALC's longstanding proposals: the proper investment of the assets of the Postal Service Retirees Heath Benefit Fund (PSRHBF) to reduce the cost of pre-funding.

Under current law, the PSRHBF must be invested in low-yielding Treasury bonds, now paying only 2 percent to 3 percent annually, instead of a sensible portfolio of stocks and bonds that have generated earnings of 6 percent to 7 percent over the past 10 years. H.R. 760 calls for instructing the Treasury Department to invest 25 percent to 30 percent of the PSRHBF in higher-yielding stock and bond index funds, such as those provided by the Thrift Savings Plan.

Rolando urged the committee members to review his written testimony to learn more about H.R. 756.

"Together," he concluded, "we can strengthen a great national institution—and even better, we can show the country that it is still possible to make our democracy work for the common good at a time of great partisan polarization."

The long and winding legislative road ahead

Mark-up sessions for both postal bills were expected to take place after this magazine went to press. Such sessions allow committee members to add, amend or delete provisions in a bill. NALC hopes that H.R. 760 is rolled into H.R. 756 at that time.

Should H.R. 756 gain Oversight Committee approval, it also will likely need consideration by the House Committee on Ways and Means and the House Committee on Energy and Commerce for their own reviews and potential additions.

"The road to passage of postal legislation gets more complex as more committees and members of Congress get involved," Rolando said later. "Every stakeholder, including those in our own fragile coalition, has their own priorities and strategies, and at each step in the process, NALC will reassess our position on the bills and react appropriately.

"At this early stage, we can support advancing H.R. 756 and H.R. 760 through the Oversight Committee," he said. "Our goal is to work with our coalition of unions and mailers to keep the process going and make improvements along the way."

Ultimately, Rolando said, NALC wants to achieve the union's core aims while simultaneously protecting letter carrier jobs and rights, the postal network (including Saturday and door delivery), and the interests of all retired members from any unreasonable hardships caused by the bill's Medicare provisions.

"Fortunately, postal reform has strong bipartisan support and our goals have not changed," he said. "Our strategy, of course, will have to change to reflect the new landscape."

As the bills move through the legislative process and as more members in other committees enter the picture, letter carriers in NALC's activist network will be called upon to rally fellow members' support to ensure that our message gets heard and our priorities get included. (For more about the activist network, see page 9.)

Election and holiday mail profits

Two days after the hearing, on Feb. 9, the Postal Service released its financial statement for the first quarter of Fiscal Year 2017, covering the months of October, November and December of 2016.

In a statement, President Rolando called attention to the report's revelation that the agency had shown a $522 million operating profit in that quarter, "demonstrating the strength of the postal turnaround," he said.

USPS again among most trusted for privacy

On Jan. 31, the Ponemon Institute, a Michigan-based privacy and information security research firm, announced the results of its annual survey of the most trusted companies for privacy.

"The Postal Service was in the top 10 among all enterprises," Rolando noted, "and it was the No. 1 most trusted government agency for privacy."

A continuous sampling of more than 100,000 adults was surveyed over 12 consecutive months through December 2016. Respondents were asked to name up to five companies or federal agencies that they believe to be most trusted for protecting the privacy of their personal information.

USPS is in good company, Rolando said, finding a place among such tech giants as Apple, Amazon, Facebook and PayPal. In fact, institute founder Dr. Larry Ponemon pointed out in the announcement that, over the last 10 years, the Postal Service has regularly placed among the top 20 most trusted companies and is consistently the highest rated government agency.

Ponemon INSTITUTE

The 10 Most Trusted Companies for 2017

Apple	Facebook
Amazon	HP, Inc.
American Express	Intuit
IBM	PayPal
LinkedIn	US Postal Service (tied)
	USAA (tied)

No USPS hiring freeze

Three days after he was sworn in as the 45th president of the United States, President Donald Trump issued an executive order to all federal departments and agencies to freeze all hiring effective Jan. 22.

In a message sent to letter carriers via the NALC Member App for smartphones, President Rolando said that it was initially unclear whether the order applied, in whole or in part, to USPS, especially as it might relate to city carrier assistants receiving career appointments. NALC and the other postal employee unions, as well as the Postal Service, sought clarification on the freeze.

On Jan. 31, the acting directors of the Office of Management and Budget and the Office of Personnel Management issued a memorandum to provide some overall guidance, and the Postal Service was listed among the exempted federal agencies.

"The Postal Service now has a total operating profit of $3.7 billion since the start of Fiscal Year 2014," the president said.

"These results reflect ongoing trends," he said: "stabilizing letter revenue as the economy gradually improves from the worst recession in 80 years and rising package revenue driven by online shopping."

As usual, any red ink referred to in media reports stems from pre-funding. "That multibillion annual charge actually disguises the operating profits USPS is earning," Rolando said, adding that pre-funding can be readily addressed if Congress acts on a practical, targeted postal reform bill such as H.R. 756.

The president also noted that the quarter's operating profit would have been $1.1 billion had it not been for last April's expiration of the exigent rate increase, the first annual stamp price rollback since 1919, also addressed in H.R. 756.

News coverage of the financial report was largely constructive. President Rolando was quoted in some stories and helped shape others, including ones by *Government Executive* and Federal News Radio.

A widely circulated piece by the Associated Press noted that no other entity has to pre-fund and that USPS doesn't rely on tax dollars. The AP story quoted Brennan and Rolando, ending with an upbeat quote from the president's statement about the report.

In the news media

The Washington Examiner, a leading conservative voice that circulates heavily in the D.C. area and is read closely on Capitol Hill, recently published a commentary that urged the Postal Service to reduce services to not compete with the private sector. President Rolando's Feb. 6 op-ed in the paper responded by pointing out the economic and societal value of USPS and letter carriers.

A story that described the letter carrier craft as endangered circulated recently among several newspapers in Indiana. Commentaries and letters by Rolando that rebutted that claim ran in Terre Haute's *Tribune-Star* on Feb. 6, in Jeffersonville's *News and Tribune* on Jan. 27, in Greensburg's *Daily News* on Jan. 26 and in Batesville's *The Herald-Tribune* on Jan. 20.

On Jan. 27, the *Weatherford [TX] Democrat* ran a commentary by Rolando that discussed postal finances, the value of letter carriers and the USPS, and the legislative way forward.

After a commentary on the conservative Townhall website claimed that all the Postal Service needs to do to fix its problems is to make better management decisions, the website ran a piece by Rolando on Jan. 26 that made a case for why people all along the political spectrum should, and often do, value USPS.

About a week before House Oversight Committee Chairman Chaffetz introduced H.R. 756, Rolando was quoted in a Jan. 25 Federal News Radio story about upcoming postal legislation. Others quoted in the story included Chaffetz and Sen. Tom Carper (D-DE).

Links to these and other stories can be found in the Postal Facts section of nalc.org. **PR**