UNITED STATES POSTAL SERVICE

S. 1789, THE 21ST CENTURY POSTAL SERVICE ACT OF 2011

As a result of the impacts of the recession, the subsequent 25 percent decline in First-Class Mail volume, and the statutory requirement to pre-fund our retiree health benefit obligation, the Postal Service has had net losses totaling $25 billion over the past five years, and is facing significant revenue shortfalls for the foreseeable future. As a result, the Postal Service has laid out a plan, based on Postal Service action and legislative changes that will allow the Postal Service to reduce its costs by $20 billion by 2015 and return it to profitability.

While S. 1789 addresses a number of critical issues, most importantly returning to the Postal Service its over-funding of the Federal Employees' Retirement System, the bill as currently drafted does not provide the Postal Service with the speed and flexibility it needs to achieve the $20 billion in cost reductions.

If S. 1789 is enacted as reported from the Committee, it will provide the Postal Service with only two to three years of operations. The Postal Service will need additional legislation after that time to be able to return to financial stability.

The Postal Service is requesting the authority to move to five day delivery in January 2013; make needed retail and mail processing network changes without unduly restrictive administrative burdens, and be allowed to operate its own health care plan, which is the only viable way for the Postal Service to reduce its long-term retiree health benefits liability.

<u>Postal Workforce Issues:</u>

The Postal Service supports these provisions:

- S. 1789 requires the Office of Personnel Management (OPM) to return a Federal Employees' Retirement System (FERS) surplus to the USPS each year for which a surplus is calculated. The estimated surplus in the FERS, as of September 30, 2010, is $10.9 billion.
- The USPS must use a portion of these funds for retirement incentive buy-outs or to provide for additional pension service credits for employees who voluntarily retire by October 1, 2014.
- Incentive payments would be capped at $25,000 per employee.
- Makes needed adjustments in the aggressive pre-funding schedule for Retiree Health Benefits (RHB), by eliminating the fixed pre-funding stream of approximately $5.5 billion per year and replacing it with a funding level of 80 percent of the current unfunded liability, as calculated by OPM, paid over the next 44 years (through 2056).
- Beginning September 30, 2012, the USPS would pay normal costs, plus the calculated annual amortization amount, which could save as much as $4 billion per year.
- The USPS can negotiate with its recognized labor unions for the establishment of a USPS health care plan, separate from the Federal Employees' Health Benefits Program (FEHBP).
- The bill requires that an arbitrator take into account the financial condition of the USPS, when making decisions about collective bargaining agreements.

<u>Federal Employees' Compensation Act:</u>

The Postal Service supports these provisions:

- S. 1789 enacts government-wide reforms for the Federal Employees' Compensation Act (FECA), including, but not limited to the USPS.

- These reforms include a reduction of the wage-loss compensation from 66 2/3 percent to 50 percent, upon reaching retirement age.

- Injured workers who have elected to receive federal retirement will be barred from retroactively claiming workers compensation benefits.

Revenue Enhancing Provisions:

The Postal Service supports these provisions:

- The USPS is permitted to handle the mailing of beer and wine, in accordance with the laws of the respective states.

- Allows the USPS to partner with state and local government and provide services for these entities, as well as select federal agencies.

- The USPS can offer new non-postal products and services, provided certain criteria are met and following a PRC review.

Other Issues:

The Postal Service supports these provisions:

- The bill addresses certain market dominant classes of mail defined as "loss-making" and calls for a PRC study of these classes.

- Makes a technical correction to include the USPS in the definition of "executive agency" for purposes of provisions dealing with contract disputes.

- S. 1789 calls for the conversion, by the end of FY 2015, of all door delivery points to curbside, sidewalk or centralized delivery, wherever feasible.

Areas of Concern:

- Puts into place new restrictions and limitations on processes for closing or consolidating mail processing facilities, including a requirement to publish Area Mail Processing (AMP) studies on the USPS public website and in the *Federal Register*.

- The USPS is further required to hold a 45-day public comment period and respond to comments in its final closure decision.

- The USPS must create service standards for retail access (Post Offices or alternatives means of access) and these standards must take into account the universal service obligation, demographics, feasibility and the need to serve remote and rural areas with access challenges (weather, roads, etc.)

- The USPS is prevented from pursuing a five-day delivery plan for two years after enactment of S. 1789, and conditions are imposed on the eventual institution of five-day delivery; including identification of disproportionate customer impacts and remedies, and first exhausting all other authorities to raise revenue and cut costs.

- Before five-day delivery can be implemented, the Government Accountability Office (GAO) must determine the financial necessity of five-day delivery and the Postal Regulatory Commission (PRC) must issue a second advisory opinion.

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