Policy Brief – Postal Modernization & Reform – June 2018

Congress should pass financial modernization legislation to ensure the future viability of the US Postal Service (USPS) and the mailing economy.

Background
The USPS is the hub of a diverse mailing industry critical to the economy and the growing e-commerce sector. The combined industry and its suppliers in paper, printing and technology, comprising hundreds of large companies and thousands of small businesses, employs 7.5 million Americans and generates $1.4 trillion in sales revenue. The Postal Service is supported almost entirely by the purchase of postage and fees for services.

In 2006, Congress passed the first legislative overhaul of the USPS in three decades which capped postal rates and tied increases to the Consumer Price Index (CPI) to produce affordable, predictable rates. Also included in that Act was a mandated prefunding of postal retirees’ health benefits at a level of $5.5 billion per year as opposed to a “pay-as-you-go” funding approach used by other federal agencies and most private sector companies. This requirement has since been a major threat to the USPS’ financial solvency.

Concurrently, all mailers in First Class, Marketing Mail, Periodicals and other parts of Market Dominant (MD) Mail face the likelihood of a Postal Regulatory Commission (PRC) final decision on revising the postal rate and classification setting system later this year. This 10-year rate review was mandated by Congress in the 2006 Act. Pending before the Commission is a proposal that would compound rate increases from about 30 percent to 40+ percent over five years, and near 100 percent over ten years, depending upon the class of mail. The First Class stamp would increase to 64 cents in five years, and business mail – responsible for over 90 percent of postal revenues – would increase proportionately or higher. Absent Congressional action to address the prefunding requirement and other financial challenges, the PRC will likely proceed with its recommendation.

Industry Position
Mailers of every kind and every size, and their suppliers, plus postal labor unions are together pursuing urgent Congressional action on postal reform. Restoring USPS is a two-step process. In order to have the time to make thoughtful, long-term structural, business model or other changes, USPS must be stabilized financially in the short-term and critical service standards addressed.

115th Congress
Congress should urgently pass the Postal Service Reform Act (Senate: S. 2629; House: H.R. TBD). (Note: The original House bill, H.R. 756, was passed unanimously by the House Committee on Oversight & Government Reform. Bill text has been updated with modifications only to appropriate dates and reintroduced due to the resignation of the original bill sponsor.)