

 October XX, 2016

The Honorable Paul Ryan The Honorable Nancy Pelosi

Speaker Minority Leader

U.S. House of Representatives U.S. House of Representatives

Washington, DC 20515 Washington, DC 20515

Dear Mr. Speaker and Leader Pelosi:

The undersigned companies and associations urge Members of the House to support H.R. 5714, the “Postal Service Reform Act of 2016,” a bipartisan bill[[1]](#footnote-1) that ensures the survival of an invaluable national resource. The Postal Service is the hub of a diverse mailing industry critical to the economy and the growing E-commerce sector so important to our economic recovery. 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. That is 4.6% of total U.S. output. With a recovering but still fragile economy, these jobs and revenues would be put at risk if Congress fails to pass H.R. 5714.

The Postal Service is almost exclusively funded through user fees, i.e., postage, and faces many challenges from rapidly declining mail volumes and rising operating costs due to ever-expanding deliveries. Its most pressing challenge, however, results from legislation passed in 2006 that required the Postal Service to prefund 70 years of future retiree healthcare costs on a schedule that has proven unrealistic, front-loading more than two-thirds of that obligation in the first 10 years at a cost to USPS of $5.5 billion or more annually. USPS has not had the funds to pay this obligation and continue to deliver the mail as scheduled for the past four years, and has not paid them. No other government or private sector organization is required to fully prefund retiree health benefits in this fashion, and the vast majority of companies don’t do so. Only Congress can restructure these long-term retiree benefit obligations. H.R. 5714 is a balanced and responsible approach to put the Postal Service on a sustainable economic path by adopting common private sector best practices[[2]](#footnote-2):

**Reforming USPS Healthcare Obligations.**  H.R. 5714 would recalculate USPS obligations using postal-specific data and re-amortize the remaining obligations over a reasonable 40-year period.  The legislation would also require Postal Service retirees who have paid in $30 billion in taxes into Medicare to use the system for their healthcare needs.  These combined changes would save the Postal Service billions and allow it to resume making reasonable payments into its retiree healthcare fund.  The change would increase Medicare costs by less than 0.2% (almost $800 million annually, offset by savings of $260 million in reduced annual FEHBP costs) and only bring in 77,000 new enrollees, an increase of only 0.157% over current enrollment.

**Additional Revenue Authority.** H.R. 5714 would also increase postage rates by 2.15%-- half the 4.3% rollback implemented in April. This increase would generate more than $1 billion in additional annual revenue more than paying for the incremental $530 million net annual cost of Medicare integration. Rate increases are never embraced, but a statutorily required rate system review will begin in December. Absent this legislation, the Postal Regulatory Commission, charged with this review, will face extraordinary pressure to impose rate increases to close the gap. Such rate increases, were the Commission to impose them, would be necessarily large, burdensome and unaffordable for many businesses. This is a prescription for financial disaster resulting in steep losses of mail volume and revenues to pervasive electronic competition, greater debt and potential operational insolvency for the Postal Service. Our support for H.R. 5714, however, depends upon maintaining the reformed healthcare obligations in the bill and limiting any rate increase to no more than 2.15% throughout the legislative process to final enactment.

We do wish to note, however, that in light of the serious concerns of primarily rural Members of both Houses about service delays in their areas, the Coalition believes that a final bill must include provisions for additional transparency, accountability and oversight of timely mail service.

The core provisions in H.R. 5714 will allow the Postal Service to meet its obligations and ensure the stability of a mail and parcel delivery system on which all Americans rely. Failure to act will leave the Postal Service on a potentially irreversible downward trajectory, risk the loss of millions of jobs and billions of dollars in revenue, and leave Congress with the unenviable prospect of a massive bailout since all Postal Service obligations are ultimately guaranteed by taxpayers. For all the foregoing reasons, we ask Members of the House to pass H.R. 5714 at the earliest possible opportunity.

1. HR 5714 is sponsored by Committee on Oversight and Government Reform Chairman, Jason Chaffetz, its Ranking Member, Eljiah Cummings, its Subcommittee on Government Operations Chairman, Mark Meadows, and Ranking Member Gerry Connolly, and Rep. Stephen Lynch. We are grateful to all five for taking the lead on this legislative imperative. [↑](#footnote-ref-1)
2. We also strongly support HR 5707, the “Postal Service Financial Improvement Act of 2016,” for similar reasons. Conservatively investing a minor percentage of the funds in the RHBF will result in returns that are multiples of the current rules constraining these funds to invest in Treasuries at the current 1.7% more or less. This is not only a private sector best practice, but would also follow the successful approach used in the federal Thrift Savings Plan life-cycle funds, and adopted by Amtrak, TVA, the Railroad Retirement Board, and others. We urge a favorable House vote on this bill, as well. [↑](#footnote-ref-2)