



Postal Reform Talking Points

1. Catalogs and the US Mail:

- The US Postal Service is a critical hub for the American catalog business, which consists of more than 10,000 different companies generating more than 12 billion pieces of mail each year for the USPS. Catalog mailers also generate package volume and the USPS has significant growth potential with only a 10% catalog package market share currently.
- Unlike other postal customers who are working intently to get *out* of the mail, catalog marketers would actually mail *more* if given an economically attractive incentive were available. Demographics favor catalog circulation growth in America.
- Catalogs generate mail Americans *want* to receive. Catalog content in the mail enhances the value of mail, keeping it relevant and welcome in the home.
- Cataloging generates important social, cultural environmental and quality of life benefits for Americans. See [The American Catalog Experience](#) whitepaper for more information.

2. General Policy Positions:

- The USPS is bloated with excess costs and excess capacity. With communication substitutes available to marketers today, in a system paid for entirely by postal ratepayers, the persistent increase to postage costs is driving further volume out of the USPS, deepening losses. True postal reform allows these excess costs, 80% of which are labor, to be removed from the system.
- The Postmaster General has a plan to remove \$22.5 billion from the system by fiscal year end 2015. We support his plan and encourage Congress to pass legislation that allows cost reductions to occur.
- Congress has never legislated postal rates. Going back to the organizing legislation for the US Postal Service in 1970, Congress has placed ratemaking authority with the postal regulator (formerly, known as the Postal *Rate* Commission or PRC). Then, in 2006, Congress placed rate authority with the agency itself. We believe there are very sound public policy reasons for this. We cannot support any legislation that includes mandated rate increases for catalog mailers.
- Only if it is not possible to pass postal reform legislation that contains such far-reaching mandates to help the USPS sustain itself for the long run, we support legislation that can keep the agency on its feet for the near-term.
- Some claim that certain catalog-originated mail is not profitable for the USPS; specifically, Standard Flats, which represents only one-quarter of catalog mail volume. Other catalog mail volume is clearly profitable for the USPS. Moreover, the PRC has said that the Standard Flats mail was profitable prior to 2006. With reported costs for flat-shaped mail going up at twice the twice the rate of factor prices despite technical improvements, American Catalog Mailers Association has raised some troubling but unanswered issues that need to be addressed before this type of mail is judged unprofitable for the USPS.

3. Specific Comments on Senate and House Postal Reform Bills:

- We support S.1789 because it carefully balances the needs of communities, customers, 8 million private sector, and 525,000 Postal Service, workers, and the mailing public generally, in creating

- a path to sustain this still-essential national institution. While it does not get all the required costs out of the USPS, it is as good a bill as we believe was likely to pass the Senate in this political environment. It is a critical first step toward enactment of vitally needed postal reform, but we hope the cost-saving provisions can be substantially strengthened in the Conference Committee.
- Also regarding S.1789, we'd have preferred a broader, farther-reaching bill be passed. S.1789 can be considered "kicking the can down the road," because the reforms may not be sufficient to help the USPS beyond the next 2-3 years. However, we support S.1789 because it represents at least *something* considering all the conflicting interests involved.
 - H.R. 2309 includes some interesting restructuring provisions that merit further discussions. However, H.R. 2309's call for a governing body to oversee the USPS is unnecessary and will only add further unneeded bureaucracy. Postal management knows its business better than any other body. Adding a new entity, which would likely consist of people with political but little postal background or knowledge, to solve this excess cost matter, would be problematic. Instead, we would prefer some type of modified bankruptcy type approach if the USPS were unsuccessful at reducing costs after a reasonable time following enactment of reform legislation.
 - **The current provision in H.R. 2309 that calls for a rate increase must be removed before we can support this bill.**
 - Elements of a bill that we believe are necessary include:
 - No rate increases to be part of any bill; rather, a constructive approach to addressing rates of classes that are "underwater," including removing excess costs.
 - A provision directing arbitrators to take the financial condition of the USPS into account in the arbitration process.
 - Return FERS overpayments: with more than \$11 billion in overpayments by the USPS to FERS, this money should be returned to the USPS to meet current obligations.
 - Reduce and restructure Retiree Health Benefits Fund payments to an actuarially reasonable term; the payment schedule established in 2006 should be reviewed and recalculated based on the Fund's current assets and future obligations. Continued payment to this fund at \$5.5 billion per year will jeopardize the entire system including all current and future retirees.
 - Reform of the workers compensation system to be compliant with other government workers comp systems.
 - Resolve the CSRS overpayment Issue; implement a fairer allocation of pre-1971 CSRS costs to reduce the cost of retiree health pre-funding through reduced amortization payments, and,
 - A reduction in mail delivery service to five days a week provided it brings about significant enough cost savings to the Postal Service to keep rates stable.

4. Summary of Leave-behind Points:

- Excess capacity and inflated labor rates/benefits are the primary drivers of the bloated cost structure.
- Cost reductions are necessary to ensure sustainability of the USPS. Any final legislation must contain effective cost-cutting measures.
- The catalog industry is currently being harmed by inaccurate cost allocation within the USPS as well as inaccurate assumptions related to elasticity of postage pricing as it relates to catalog circulation behavior by direct marketers.
- Not only can the catalog industry not absorb further increases, we would actively increase circulation if price incentives were provided by a more efficient postal service, generating additional volume the system clearly needs.
- We hope a compromise including the best elements of S.1789 and H. R. 2309 can be reached in Conference Committee that will set our National's postal system on a sound and successful path for generations to follow.