



# POSTAL NEWS

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## **POSTAL REFORM LEGISLATION COULD DRAMATICALLY BOOST STAMP PRICES**

Washington, D.C. – A senior U.S. Postal Service official warned today that passage of pending postal reform legislation, when coupled with the Bush Administration demands on military retirement costs, could increase stamp prices by as much as 20 percent in the near future.

The bill scheduled for Senate action would require the Postal Service to become the first federal agency to pre-fund its retirees' health benefits while the Bush Administration is insisting that the agency absorb the military retirement obligations of its employees, also a first for the federal government.

“Under current law, the Postal Service has managed to keep the cost of postage below the rate of inflation,” said Tom Day, Senior Vice President for Government Relations. “But this bill not only strips the Postal Service of much of its management authority but almost guarantees a hefty rate increase.”

Day said that should final legislation require the Postal Service to prefund retiree health benefits and retain a \$27 billion obligation to fund military retirement benefits for its employees, postage rates could increase by up to 20 percent. The postage rate increase that was effective on Jan. 8 was implemented solely to generate the \$3.1 billion necessary to fund an escrow account resulting from 2003 legislation.

Postal operations are funded entirely by the sale of postal products and services, not through tax revenue.

Commenting on the Senate version of a postal reform bill, S. 662, Day said that it does not provide the Postal Service with necessary rate flexibility.

“The bill will keep the Postal Service tied to the current rate-making method, which is layered with a Consumer Price Index rate cap. We would have no new ways to grow revenue and mail volume to continue to support universal service,” he said.

The bill also grants a new Postal Regulatory Commission broad new authority to override practically any operational decisions the Postal Service makes, from the deployment of processing equipment to the award of a contract.

“In this divided system, there will not be an entity to hold accountable for the performance of the Postal Service,” Day said.

The Postal Service’s Board of Governors wrote the full Senate yesterday, expressing its opposition to the Senate bill.

“We believe there are critical elements missing from this bill, as well as numerous burdensome provisions that would make it extremely difficult for the Postal Service to function in a modern, competitive environment,” the Governors wrote. “It is with regret that, in carrying out our fiduciary responsibilities and in keeping with our concerns that the Postal Service be able to provide the quality of service and reasonable rates to which the American people have become accustomed, we must oppose passage of this bill.”

Day said that the Postal Service has worked hard over the years with all concerned parties involved with this attempt to modernize postal legislation.

“Unfortunately, we could not convince congressional leaders to consider our serious concerns with parts of the legislation,” he explained.

The Postal Service expressed similar concerns regarding the House of Representatives version of postal reform legislation, H.R. 22, passed in 2005.

Since 1775, the Postal Service and its predecessor, the Post Office Department, has connected friends, families, neighbors and businesses by mail. It is an independent federal agency that visits more than 144 million homes and businesses every day and is the only service provider delivering to every address in the nation. The Postal Service receives no taxpayer dollars for routine operations, but derives its operating revenues solely from the sale of postage, products and services. With annual revenues of \$70 billion, it is the world's leading provider of mailing and delivery services, offering some of the most affordable postage rates in the world. The U.S. Postal Service delivers more than 46 percent of the

world's mail volume-some 212 billion letters, advertisements, periodicals and packages a year-and serves seven million customers each day at its 37,000 retail locations nationwide.