



AMERICANS FOR TAX REFORM

## POSTAL NEWSLETTER

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President

### USPS Clarifies Timing Of Next Money Grab

The United States Postal Service (USPS) this week sought to clarify the remarks Deputy Postmaster John Nolan made at the National Postal Forum in Kansas City last week. Nolan told the forum that the USPS would request a double digit rate increase to take effect in October, 2005. This would have violated the USPS' commitment not to raise postage rates until 2006, in exchange for legislation allowing USPS to stop overpaying into the Civil Service Retirement System pension fund.

After word spread through the postal industry of an impending rate increase, the USPS sought to correct Nolan's statement. Apparently, Nolan was referring to fiscal year 2006, which begins in October, 2005, instead of calendar year 2006, in which the USPS would implement the increase.

Perhaps more noteworthy, however, is the fact that the USPS did NOT correct the size of the proposed increase: ten percent, or about 4 cents.

Regardless of the timing, many see Nolan's statement as a message to pressure Congress to take action to improve the USPS' financial situation. The merits of congressional action aside, one must wonder if the powers that be at the USPS might consider ending corporate sponsorships such as the Lance Armstrong Pro-Cycling Team to the tune of \$50 million. Perhaps the USPS' flirtation with Segway Human Transporters for its mail carriers might be another area in which the organization could pinch some pennies (Segway scooters are available on Amazon.com for \$4,495 apiece). Last but not least, the USPS might do well to heed the recommendation of the President's Commission on the U.S. Postal Service – in addition to countless reform advocates including ATR – and to restrict itself to its core mission of mail delivery. Currently, the USPS spends millions of dollars on ventures into competitive markets already well served by the private sector, such as magazine subscriptions, greeting cards, money orders, stuffed animals, Pro Cycling Team shirts and hats, and most recently online bill payment.

It is still unknown how credible Nolan's statement is regarding a rate increase, but if history is any indication the claim is probably valid.

Some point to mail volume over the holiday season as key to the size and likelihood of a rate increase: an upward trend in mail volume might be expected to keep the increase to a minimum, while a decline would likely lead to a more dramatic rate hike. In the Postal Reorganization Act of 1970, Congress made fairly clear its intent that the USPS be run like a business, but unfortunately this particular business is run by the economic rules of the bizzarro world, where hello means goodbye. What private sector business would respond to declining sales by *raising* prices?

As 2006 approaches, the USPS will make its plans for postal rates better known, and ATR will be watching.

### Citizen Outreach Asks For Rate Decrease

Speaking of postage rates, Citizen Outreach, a Washington public advocacy group, is calling for a cut in postage rates. In a letter to Congress, Citizen Outreach President and CEO Chuck Muth pointed to the USPS' recent "profit" of \$4 billion for fiscal year 2003 as a strong argument for a postage rate decrease.

"If the USPS was truly a private company and not a government-protected monopoly," wrote Muth, "one would expect the stockholders to receive a dividend from such a windfall. But since the USPS is a government monopoly and not a private company, it seems only logical to reduce the cost of the product and service to customers."

Muth pointed to a poll showing fully 88% of respondents thought the USPS should reduce rates in light of the recent posting.

"On behalf of the 75,000+ activists at Citizen Outreach," continued Muth, "I'm writing to urge you to put the brakes on the post office before this money burns a hole in their pocket."