



AMERICANS FOR TAX REFORM

## POSTAL NEWSLETTER

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Grover G. Norquist

President

### USPS Rescinds "Smart Mail" Plan

The United States Postal Service (USPS), after criticism from advocates of both privacy and postal reform, has withdrawn its plan to implement an "Intelligent Mail" system, by which the USPS could identify the sender, class and destination through a digital stamp.

Most observers believe, however, that the USPS has no plans to permanently rescind the plan, which was published in the Oct. 21 Federal Register, but instead will re-introduce the plan with slightly modified language. The initial proposal only applied to commercial and bulk mail, but also was followed by a postal official stating "This is a first step to make the mail more secure." Coupled with the recent recommendation of the President's Commission on the U.S. Postal Service that a system be developed to track the senders of all mail, earned the ire of privacy advocates concerned about the implications of tracking mail including personal correspondence, financial transactions and political activity.

Upon withdrawing the plan, USPS Vice President for Pricing and Classification said the notice "has caused some misunderstanding in certain quarters," and made clear the plan, titled "Sender-Identified Mail: Enhanced Requirement for Discount Rate Mailings" would be reissued.

Unfortunately, it appears that the USPS, in withdrawing the plan, understood objections to the language, but not the spirit of the proposal. A spokesman said the notice "included some justification that in retrospect raised concerns among folks that wasn't intended." However, given the linguistic slip in the initial proposal, the recommendation of the President's Commission, and the USPS' statements when the plan was withdrawn, it's clear the plan will return, and it will be a short leap to sender identification of all mail. And ATR will be watching.

### Postage Rates May Increase Rapidly After 2006

As has been reported in this newsletter, the Civil Service Retirement System (CSRS) Funding Reform Act of 2003 allowed the USPS to stop overpaying into its pension fund, in exchange for a guarantee not to raise postal rates until 2006.

Several weeks ago, a furor was created when a postal spokesman indicated the USPS might implement a ten percent increase as early as 2005, but the agency quickly backtracked.

Now, a spokesman has dropped another hint that while the USPS might ultimately comply with the CSRS legislation, that rapid rate increases may follow.

The CSRS legislation required that savings beyond Fiscal Year 2005 resulting from the pension payment adjustment must be placed in an escrow fund. Therefore, the USPS must be prepared to pay \$3.2 billion into the fund by Oct. 1, 2005, the beginning of FY2006.

"The only way this money can be raised is through rate increases, so if it is \$3.2 billion, that's roughly a five percent rate increase across the board just to support the escrow fund," said Ralph Moden, the USPS' senior vice president for government affairs. This would mean a rate increase literally days after the moratorium in the CSRS Act expires.

However, the next question is, weren't the funds in question supposed to be savings from the CSRS funding reform? Theoretically, the USPS should already have the money for the escrow fund. Meanwhile, the USPS has spent more than \$50 million over the last several years on its corporate sponsorship of Lance Armstrong.

The wonders never cease.

### Senate Committee to Hold Hearing on Postal Reform

The Senate Governmental Affairs Committee, chaired by Senator Susan Collins (R-ME), will hold a hearing on the recommendations of the President's Commission on the U.S. Postal Service, and how those recommendations should be implemented in public policy.

The Committee is seeking written comments from interested groups and individuals that address that question, or the more general topic of postal reform.

Comments may be submitted to Ms. Ann Fisher at the Senate Governmental Affairs Committee.