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Contact:

Jen Burita/Collins 202-224-9229

Bill Ghent/Carper 202-224-8395

Brian McNichol/Davis 202-225-5074

Karen Lightfoot/Waxman 202-225-5051

House, Senate Pass Historic Postal Reform Legislation

WASHINGTON (Dec. 9, 2006) – Both the House and Senate passed historic postal reform legislation in the final hours of the 109th Congress after key negotiators -- Sens. Susan Collins, R-ME, and Tom Carper, D-DE, and Reps. Tom Davis, R-VA, and Henry A. Waxman, D-CA -- brokered an agreement that will modernize the United States Postal Service and make it viable for the 21st century. The legislation, the first major overhaul of the USPS since 1970, will help stabilize mail volume and stamp prices.

“The U.S. Postal Service is the lynchpin of a \$900 billion mailing industry, providing nine million jobs nationwide in fields as diverse as direct mailing, printing, catalog companies, paper manufacturing, and financial services. But under its current business model, which has not been updated in decades, the financial future of the Postal Service is not viable,” said Senator Collins. “The only way to avoid what the Government Accountability Office refers to as a ‘death spiral’ – of excessive and unpredictable rate increases which lead to further reductions in mail volume – is through the comprehensive reform that we accomplished here today.”

“This legislation will help us avoid disastrous future postal rate hikes and put the Postal Service on firm financial footing for the 21st century,” said Senator Carper. “The bill would give the Postal Service the tools it needs to survive at a time when more and more people communicate and do business through faxes, email and electronic bill-pay rather than hard-copy mail. My thanks to Senator Collins and Congressmen Davis and Waxman for coming together to craft this compromise. The legislation will go a long way toward making sure the Postal Service has the flexibility it needs to compete in the new economy.”

"This is the culmination of more than a decade of hard work and study, not to mention a great deal of bipartisan negotiation and cooperation," Government Reform Committee

Chairman Tom Davis said. "The landmark legislation solves the structural, legal, and financial constraints that have brought the Postal Service to the brink of utter breakdown. This compromise will reverse the 'death spiral' at the Postal Service and bring it into the 21st century. It's a huge win for everyone who uses stamps."

"My colleagues and I have been working for nearly a decade to reach a bipartisan, bicameral compromise on postal reform legislation," said Rep. Waxman. "This is a historic accomplishment and will help one of the most revered institutions in America survive and prosper in the electronic age."

The Postal Service is in a period of transition. When it was created in 1971, nobody had access to fax machines, cell phones, pagers and email. After nearly three decades of success, these new communications technologies have caught up with the agency. In recent years, the volume of First Class mail has steadily decreased. At the same time, more than 1 million new addresses are added to delivery routes each year. The result: Delivery costs have increased at the same time that revenues are being threatened.

The legislation would force the Postal Service to concentrate on what it does best – processing and delivering mail to all Americans. The bill, entitled the Postal Accountability and Enhancement Act, would dramatically rethink the way the Postal Service prices its products by giving it the same ability any other business has to change prices whenever it needs to do so. But to protect businesses and mailers from sudden and dramatic price hikes, the legislation would ensure that price increases be kept below an inflation-based ceiling.

In addition, the bill would give the Postal Service the freedom to introduce new, innovative products or tailor existing products to meet customers' needs, which should help attract new business and increase revenues. The bill would also shore up the Postal Service's finances by repealing a provision in current law that makes the Postal Service the only agency in the federal government responsible for its employees' military pension benefits, returning this obligation to the U.S. Treasury. Another provision will permanently correct the Postal Service's flawed pension formula, a formula that was leading to significant overpayments and contributing to higher rates. These provisions will free up billions of dollars, giving the Postal Service the ability to begin paying down its debts.

Lawmakers also were able to strike a deal on the level of authority given to the newly-created Postal Regulatory Commission. The bill maintains language included in both the House and Senate versions giving the Commission tools, such as subpoena power, to ensure that the Postal Service is in compliance with the law and that the interests of the mailing public are protected. It now contains new language giving the Commission the power, as an expert regulatory body, to monitor the new rate system in future years and make whatever changes are necessary to ensure that it continues to meet postal customers' needs. At the same time, the bill would add an Inspector General of the Postal Regulatory Commission to monitor the regulator in the use of its expanded powers.

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