

# Postal Accountability and Enhancement Act of 2006

## Summary of the major elements

### Title I: Definitions; Postal Services

- ❑ Defines postal services; distinguishes market-dominant services (most letter mail, publications and single-piece parcels) from competitive services (Express Mail, Priority Mail, bulk parcel post and international mail). Each will be regulated using different rules.
- ❑ Gives the PRC two years to decide if USPS should continue providing any current, non-postal service, considering public need and private-sector ability to provide it.

### Title II: Modern Rate Regulation

- ❑ Spells out rules for regulating rates of market-dominant, competitive and experimental products. Specifies annual reporting requirements for USPS and PRC; outlines complaint-making process for mailers and USPS customers.
- ❑ PRC will have 18 months to write regulations implementing a price indexing system for market-dominant products that will tie annual postage rate hikes to increases in the Consumer Price Index (CPI). USPS can save and use later any unused rate-hiking authority (for up to five years) and may seek a waiver of the CPI limit from the PRC in extraordinary or exceptional circumstances in order to maintain quality services. After 10 years, PRC will review the price indexing system and make any necessary changes.
- ❑ Places limits on the use of work-sharing discounts to ensure they do not permanently exceed avoided costs.
- ❑ USPS Board of Governors will set rates of competitive services according to regulations drafted by the PRC to ensure transparency and fairness to customers and competitors.
- ❑ USPS granted the right to introduce new services on an experimental basis; PRC granted the power to assign such services to either competitive or market-dominant categories.
- ❑ PRC is required to report annually on USPS' compliance with Title II; USPS is required to file financial reports similar to those required of private sector companies by the SEC.

### Title III: Modern Service Standards

- ❑ Requires USPS, in consultation with PRC, to establish service standards for market-dominant products by December 20, 2007.
- ❑ Requires USPS to submit a plan to meet service standards within six months of establishment. The plan must report on any planned changes in mail processing, transportation, or delivery networks and describe USPS' long-term vision for rationalizing its workforce and infrastructure.
- ❑ USPS must submit a plan to rationalize and/or consolidate distribution and sorting facilities.

### Title IV: Provisions Relating to Fair Competition

- ❑ Requires USPS to create a Competitive Products Fund separate from the Postal Service Fund. All revenue from competitive services will be deposited into this fund; all expenses for such services will be paid from it.
- ❑ Debt incurred to provide or improve competitive services will be secured by the assets of the Competitive Services Fund; profits earned on competitive products must be invested in Treasury securities.
- ❑ USPS' Competitive Products Fund will be charged an assumed federal income tax rate on any profits earned on competitive services. The amount of the assumed tax will be transferred to the general Postal Service Fund once a year.
- ❑ PRC is directed to issue regulations to prohibit unfair competition by USPS.
- ❑ USPS is to be covered by the federal anti-trust laws and is to be subject to commercial lawsuits (without sovereign immunity protection).

### Title V: General Provisions

- ❑ **Governors:** Sets out the qualifications for new appointments to the USPS Board of Governors. New appointees must have experience in public service, law or accounting or have a demonstrated ability to manage organizations or corporations of substantial size. Four Governors must have experience with managing organizations or corporations with at least 50,000 employees. Term of office is cut from nine years to seven, with a two-term limit.
- ❑ **Private express statutes:** Minimum charge required for private carriage of addressed letters (those covered by the postal monopoly) is changed from "\$3 or

double postage, whichever is greater," to at least six times the rate then currently charged for the first ounce of a single-piece First-Class letter. Exemption from the general prohibition on private carriage is automatic for letters weighing at least 12.5 ounces and may be extended to other types of letters by USPS regulation.

- ❑ **Non-interference with collective bargaining:** Provides for mandatory mediation when postal collective bargaining parties fail to reach an agreement on new contracts; states that nothing in the Act shall restrict, expand or otherwise affect any of the rights, privileges or benefits of either employees, or of labor organizations representing employees, under existing law, including Title 39 of the USC and the National Labor Relations Act, any labor contract, or any USPS handbook or manual.
- ❑ **Bonus authority:** USPS can pay top executives increased bonuses, but total compensation can not exceed that of the vice president of the United States.

### Title VI: Enhanced Regulatory Commission

- ❑ Postal Rate Commission is re-designated as Postal Regulatory Commission. The five commissioners are appointed by the president and confirmed by the Senate for six-year terms; must have demonstrated expertise in economics, accounting, law or public administration.
- ❑ PRC is granted authority to issue subpoenas to USPS officials to carry out its duties under the law.

### Title VII: Evaluations

- ❑ PRC and other organizations are to conduct a series of regular and one-time evaluations and assessments and report their findings to Congress.
- ❑ PRC is to conduct an assessment of the overall system of rate-setting every five years, a one-time study on the cost of universal service within five years, and several special studies on publication and cooperative mailing rates.
- ❑ The Board of Governors is directed to evaluate diversity in its executive workforce and the extent of its contracting with women, minorities and small businesses.
- ❑ FTC is to study the fairness and application of U.S. laws to competitive products.
- ❑ GAO is directed to assess USPS programs for encouraging use of recycled paper and to evaluate USPS business model to determine its ability to maintain universal service.
- ❑ USPS' Inspector General is to study workplace safety and injuries, as well as fraud in the use of non-profit mailing rates.

### Title VIII: Postal Service and Health Benefit Funding

- ❑ Repeals the requirement that USPS deposit savings from the 2003 CSRS funding reform law into an escrow account; returns to the Treasury responsibility for funding postal employee CSRS annuity benefits attributable to prior military service. Savings are to be used in part to pre-fund future retiree health benefits.
- ❑ A Postal Service Retiree Health Benefit Fund is to be established with the surplus resulting from a new actuarial valuation of USPS' assets and liabilities related to CSRS. The new valuation will generate a surplus, since the \$27 billion cost of military pension benefits is returned to the Treasury. The law sets out a 10-year schedule of additional payments into the new Fund (drawn mainly from escrow savings but include USPS' existing payments for current retiree health benefits) that range between \$5.4 billion and \$5.8 billion annually.
- ❑ USPS is provided a process to appeal actuarial methods used by OPM under this statute (about which there is disagreement) and to seek relief from Congress.

### Title IX: Compensation for Work Injuries

- ❑ Establishes a three-day waiting period for COP benefits, which previously existed only for compensation benefits. The three-day waiting period for COP is unfair and discriminatory toward postal employees, since the change does not apply to other federal workers. However, the change *does* allow the injured worker to use annual or sick leave, or LWOP, during the three-day waiting period. Before the change, paid leave could not be used during the three-day waiting period for compensation benefits.

### Title X: Miscellaneous

- ❑ Outlines a series of provisions regarding the employment of postal police officers, purchasing reform, air mail contracts, hazardous materials and other minor provisions.