NATIONAL TAXPAYERS UNION

February 3, 2020

Comments of:	Pete Sepp, President, Thomas Aiello, Policy and Government Affairs Associate National Taxpayers Union
Before the:	Postal Regulatory Commission 901 New York Ave., NW, Suite 200
On the:	The Commission's Rulemaking to Modify the Rate System for Classes of Market Dominant Products
Docket No:	RM2017-3

On behalf of the supporters of National Taxpayers Union (NTU), the nation's oldest taxpayer advocacy organization, we write to submit comments in response to the Commission's revised notice of proposed rulemaking aimed at modifying the system for regulating rates and classes for Market Dominant products. NTU is committed to helping build a future for the U.S. Postal Service (USPS) that is sustainable for consumers as well as taxpayers.

NTU and its supporters have long been concerned about the financial management of the USPS and the impact of USPS's business practices on the economy as a whole. NTU has been involved in postal reform issues since the late 1970s, advocating for taxpayers, consumers, and businesses on issues such as: pension liabilities from USPS's existence as a federal department, the First Class monopoly, impediments to private-sector competition, managerial improvements, and rate-setting accountability mechanisms. The concerns we have with the long-term financial health of USPS and the increasing likelihood that taxpayers may soon be unfairly saddled with liabilities the Postal Service is unable to pay remains of utmost importance to our organization.[1]

Taxpayers are no doubt painfully aware of the lessons endured following the fiscal collapse of Fannie Mae and Freddie Mac and the ensuing taxpayer bailouts – all of which may serve as a roadmap for the USPS if it continues to fail financially and officially run out of cash-on-hand by September 30, 2024, as described by Postmaster General Megan Brennan in testimony to the House Committee on Oversight and Reform in 2019.[2]

Undoubtedly, the Commission maintains a thorough understanding of these fiscal challenges and has, as NTU has observed, put forth a plan, issued December 5, 2019, that would allow USPS to increase mail prices by significant margins. Instead of resorting to such an action, isolated from other important factors that need to be addressed, the agency should focus on better accountability to taxpayers and consumers. It is evident that the USPS's financial challenges are a result of uneven management. Asking the public to pay more, without

[1] Comments of National Taxpayers Union, ACR2018, submitted to the Commission, February 25, 2019. https://www.prc.gov/docs/108/108331/l19%2002-25%20ntu%20acr%20comments%202018.pdf.

[2] Statement Of Postmaster General And Chief Executive Officer Megan J. Brennan before the House Committee on Oversight and Reform United States House of Representatives Hearing on: "The Financial Condition of the Postal Service" April 30, 2019. https://about.usps.com/news/testimony/2019/pr19_pmg0430.htm.

coupling those price increases to any serious reforms, is a squandered opportunity to change course at this troubled entity.

As we noted in a filing to the Commission just last year, USPS unwisely introduced the agency's largest-ever price hike on its most profitable line of First-Class Mail products by bumping up letter mail prices by 10 percent. While overcharging consumers on its monopoly services, USPS notably ended up curtailing its own revenue and producing greater losses than in years past -- approximately $8.8 billion for the 2019 fiscal year. The instructive results of 2019 operations ultimately cast significant doubt on the rationale that USPS can effectively generate greater revenue as a result of further ratcheting up the prices that mail users and businesses across the country must pay for the Postal Service's monopoly of services.

While the Commission had a promising opportunity to revise its "10 Year Review" plan issued in 2017, there are now significant concerns that the latest proposal will give USPS pricing discretion that is similar in magnitude. Contrary to the USPS' need for more transparent and closely targeted pricing changes on services that do not cover their costs, the latest proposal adds new layers of convolutedness and reduced predictability. This is demonstrated by the inclusion of a new volatility-inducing formula that links pricing authority to decreased service volume and retirement prefunding, and is coupled with additional pricing latitude for the USPS, should the agency meet its objectives in delivery performance and productivity benchmarks. Establishing performance parameters is certainly desirable, but more needs to be done to ensure that such performance is being thoroughly measured and is taking root in USPS's managerial culture before additional pricing authority is granted.

This opaque course of action leaves mail customers and businesses that are involved in bulk mailing operations largely in the dark about postage rates for the near-term and beyond. Implicitly, the plan institutes a direct burden to USPS' largest segment of customers who must further foot the bill for the USPS' ongoing fiscal chaos.

In order to provide a service that is efficient, cost-effective and reliable for consumers, NTU seeks to reemphasize its position that the Postal Regulatory Commission (PRC) should look to implement and build off the market-oriented fixes that require all services to achieve a reasonable (and clearly measurable) level of profitability and make commensurate contributions to financial burden facing the entire postal system.[3] Taking a proactive approach to institute these commonsense balance sheet reforms should become a top priority.

In this docket, the PRC is proposing an enormous rate hike, raising prices by as much as thirty percent. Rather than aiming to mandate an increase in rates, the PRC should first focus their efforts on demanding the Postal Service prove that all products and services it offers, whether market-dominant or competitive, can effectively cover costs, and also mandate remedial action for the Postal Service's insufficient compliance with directives detailed in the Commission's 2018 Annual Compliance Determination.

The agency is certainly no stranger to dealing with hurdles, but NTU remains a staunch supporter of implementing the necessary structural and managerial reforms in order to provide a value-added service for the millions of Americans who rely upon USPS' services daily. The Commission should work with USPS to better manage costs, transparently capture information on agency operations, and make the necessary changes with that data.

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[3] Comments of National Taxpayers Union, ACR2017, submitted to the Commission, February 1, 2019. https://www.prc.gov/docs/103/103661/ntu%20comments%20to%20prc.pdf.

Respectfully,

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