

September 16, 2005

The Postal Board of Governors Speaks
by Murray Comarow

On July 1, 1971, Congress converted the old Post Office Department, a patronage-saturated, tax supported agency, into a patronage-free, customer supported executive branch entity. The new U.S. Postal Service inherited the operations driven culture of its predecessor. Perhaps as a reaction to its intensely political past, and lacking customers' support, it has been remarkably passive in the legislative arena, even when its interests were threatened.

Under Jim Miller's chairmanship, this has begun to change. On September 24, 2004, the governors unanimously informed Senator Susan M. Collins and Representative Tom Davis, who chair the relevant committees, that they were troubled by H.R. 22 and S. 662 in specific respects. On August 2, 2005, Miller issued a press release on behalf of the Board, opposing both the Administration's "revenue neutral" stance, and the provisions in the Senate and House bills greatly enhancing the range and authority of the Postal Rate Commission.

The latest Board action is its September 13, 2005 letter to the same committees concluding that the current bills would deprive the Board of the flexibility and authority to run the organization, and that they'd be better off under current law. It must have been difficult to get unanimity on such a tough posture.

The Congress has been consistently contradictory, demanding that the Postal Service act as much like a business as possible, while erecting insurmountable obstacles toward that end.

Mailers who support the bills (not all do) and Hill staffers are critical. “Why did they wait so long? Where is their alternative language?” The unions in particular are agitated, and for good reason. Their benefits and present rights are preserved in both bills. The critics have a point. The Postal Service should have spoken out clearly and specifically long ago. But that’s history. Here’s where we are today: The Board is saying to the Congress that the Postal Service is sick and will get sicker if nothing is done, but that the treatment prescribed by Doctor Congress is likely to kill it.

Based on the Congress’ own lip service to the principle of businesslike management, it should let the Postmaster General and the Board really run the Postal Service, and do the following, some of which are in the Board’s letter:

- Enact the workers’ compensation provisions in S. 662.
- Eliminate the current statutory language stating that benefits may not fall below July 1, 1970 criteria.
- Return military retirement funding to the Treasury, where it belongs.
- Use the CSRS overcharges to mitigate future rate increases. The

Board would use “some portion” of the overcharges. I would argue to use all such overcharges to mitigate rate increases.

- Authorize negotiated service agreements with later, not prior, PRC review, and authorize volume discounts on competitive products.
- The Board, not the PRC, should decide whether a product is competitive or market dominant. Better yet, eliminate this split, which is certain to create hideous accounting problems, and generate complaints that must be investigated, considered, and ruled upon.
- Reduce to the essential minimum PRC authority to prescribe the form and content of Postal Service reports, which would extend, under H.R. 22, not only to rates, but to costs, revenues, service, product liability, and performance.
- Eliminate PRC’s authority to handle complaints by delaying rate action and by fining the Postal Service, in effect, making customers pay.
- A specific wage-setting mechanism, discussed below.

The Board’s stated “primary concern” is its loss of authority to the PRC, which would virtually become the de facto manager. PRC’s intrusion into management would overwhelm the Board, and reduce it to little more than an

advisory body. Service standards, network modernization, and final rate-making authority should remain with the Board. The Board's authority to set final rates is, even now, more theoretical than real. It must act unanimously, and is subject to other constraints. In the 34 years since reform, all but a few PRC "recommended" decisions have been final. The Board should be able to exercise final authority by a two-thirds vote.

The Board's letter failed to address the questionable rationale for the very existence of the PRC. By its silence, it bolsters the views of most business mailers. This has always struck me as passing strange, since business executives are aware of the deadening effects of overregulation and have railed against it since the first independent regulatory agency was established in 1887.

They know that managers must have authority to manage. The corollary is the freedom to experiment, to take risks, and to accept the fact that some initiatives won't work. In the private sector that is seen as a vital part of free enterprise and good management. An organization that is stringently regulated will lose motivation and weaken its ability to attract quality executives who like challenges. It is likely to flounder.

Yet experienced business leaders have evidently convinced themselves that these organizing principles don't apply to government, not even to government

corporations like the Postal Service that are required to act like businesses.

The labor issue, which has consumed about 80 percent of postal costs since 1971, is barely mentioned. The Board said that it would accept a hard rate cap “with the caveat that the Postal Service be given significantly greater ability to control its infrastructure and growing labor costs.” What measures would the Board propose to control “growing labor costs”? Abolish binding arbitration? A statutory mandate to bar arbitration awards that would break the cap? A statutory definition of “comparable wages”? Three neutral arbitrators?

The Board’s letter does not cover all it should, nor was it timely issued. It is welcome, however, for what it does cover, and for a signal that the Postal Service’s passivity in legislative matters may be over.

Murray Comarow is a senior fellow of the National Academy of Public Administration; he was also executive director of the Kappel Commission.