

THOMAS G. DAY  
SENIOR VICE PRESIDENT  
GOVERNMENT RELATIONS



January 27, 2006

The Honorable Bill Frist  
Majority Leader  
United States Senate  
Washington, DC 20510-4205

Dear Senator Frist:

Because of confusion over the U.S. Postal Service's motives in opposing S.662, the Board of Governors has asked me to communicate the following information.

First, this is not a last-minute reversal of position. Letters of concern about this decade-old legislative initiative were sent to the relevant committees by the Board of Governors as early as October 1, 1996, then again on March 2, 2001, on May 15, 2001, on January 8, 2002, on June 4, 2002, on February 24, 2005, on April 12, 2005, and on September 13, 2005. That last letter concluded with these words:

"Regrettably, despite the intentions of all parties, it is our considered opinion that the bills provide neither the requisite flexibility nor the authority to accomplish our mission. While the bills would certainly provide needed financial relief, if reform legislation does not provide the Postal Service with real flexibility and authority in these areas, we would be better positioned to build on our recent progress in generating revenue and controlling costs under current law."

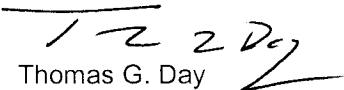
Second, the Postal Service has worked continuously, in good faith, to aid the Committee on Homeland Security and Governmental Affairs in crafting a bill that would enable the Postal Service to perform well in a competitive environment and continue to offer universal service at reasonable rates. At each stage, we have supported the legislative process in exchange for assurances that our concerns would be addressed. They were not. In fact, during the process there was marked deterioration in both S. 662 and H.R. 22, the companion bill in the House of Representatives. We have reached the end of our rope.

Third, the consequences of enactment of this bill, or the similar bill in the House, could be dire for postal customers. It would impose a remarkably broad and deep regulatory regime on the organization and would rob the Board of Governors and postal management of an ability to meet the demands of a constantly-changing marketplace. Instead of giving the Postal Service the tools necessary to survive and thrive in the 21st Century, it would do just the opposite.

Fourth, under current law the Postal Service has made great strides in efficiency. Despite deteriorating First-Class Mail volume (due to competition from electronic communications), it has remained solvent, has paid off its debt, has continued to grow, adding some 1.8 million new delivery points each year, has reduced the number of full-time employees from 804 thousand (1999) to fewer than 700 thousand, and has increased total factor productivity six years in a row. This month's rate increase was the first in nearly four years — and was necessitated only by the failure of Congress to make available the escrowed funds representing years of overpayment into the federal retirement fund.

Finally, the Board of Governors and postal management remain available to work toward the crafting of a bill that would truly serve the interests of postal customers and U.S. taxpayers. We look forward to that prospect.

Sincerely,

  
Thomas G. Day

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