



THE FINANCIAL
SERVICES
ROUNDTABLE

NAMIC
NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES

Postal Regulatory Commission
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Postal Regulatory Commission
Office of Public Affairs and Government Relations
901 New York Ave., NW
Suite 200
Washington, DC 20268-0001

Re: Oppose USPS Request to Increase Postal Rates Due to Exigent Circumstances

Dear Postal Regulatory Commission:

The Financial Services Roundtable (“Roundtable¹”) and National Association of Mutual Insurance Companies (“NAMIC²”) welcomes the opportunity to comment on the Postal Regulatory Commission’s (“Commission”) invitation for public feedback on the U.S. Postal Service’s (“USPS”) proposal to increase postal mailing rates due to “exceptional or extraordinary” circumstances. This is one of the most significant requests USPS has ever presented to the Commission.

The Roundtable and NAMIC are concerned that the USPS’s request will have a detrimental effect on the general public, the financial services industry, and USPS’s ability to operate efficiently and effectively. The Roundtable and NAMIC respectfully requests that the Commission **deny** USPS’s request.

Under the 2006 postal reform law, the USPS cannot raise rates above a cap tied to the Consumer Price Index. By law, the USPS can break this ceiling through an “exigent” rate case if warranted by exceptional or extraordinary circumstances. However, an exigent increase based on cyclical economic conditions will set a dangerous precedent. A close look at USPS’s own Preliminary Financial Information for May 2010 shows that USPS’s year-to-date operating revenue (up 2.9%), volume (up 3.0%), and net income (up \$1.4 billion) are all performing better than expected. Furthermore, according to the testimony of USPS Chief Financial Officer, Joseph Corbett, before the Commission on August 10, 2010, USPS’s current cash position is not any worse than it was in 2009. It is important to note that USPS did not seek a rate increase under exigent circumstances in 2009.

Increasing postal rates at this time and under these circumstances raises a number of operational issues for American businesses and consumers. If USPS’s request is granted, it will unnecessarily disrupt the lives of customers that depend on mail delivery to meet their day-to-day needs and unnecessarily negatively impact our nation’s economy at a time of economic recovery. In addition, it could have a spiral effect creating a situation which more First Class mail leaves the system. Although millions of Americans transact business electronically,

¹ The Financial Services Roundtable represents 100 of the largest integrated financial services companies providing banking, insurance, and investment products and services to the American consumer. Roundtable member companies provide fuel for America’s economic engine, accounting directly for \$74.7 trillion in managed assets, \$1.1 trillion in revenue, and 2.3 million jobs.

² NAMIC is the largest and most diverse national property/casualty insurance trade and political advocacy association in the United States. Its 1,400 member companies write all lines of property/casualty insurance business and include small, single-state, regional, and national carriers accounting for 50 percent of the automobile/ homeowners market and 31 percent of the business insurance market. NAMIC has been advocating for a strong and vibrant insurance industry since its inception in 1895.

millions more continue to rely on the USPS to conduct their personal and business transactions. USPS's request for a rate increase is counter to the national goal of increasing business activity and economic growth.

It is critical that the USPS and Congress work together to develop a long-term comprehensive strategy to restrain operating expenses, specifically health care and retirement costs. The Roundtable and NAMIC urge the USPS to work with Congress and believes the following recommendations, if authorized and approved by Congress, will contribute to the USPS becoming more efficient:

Reduce Pension Costs: Earlier this year, the USPS Inspector General published a report on USPS funding of pension costs for postal workers. The report notes that the cost allocation method between the Civil Service Retirement System (CSRS) and USPS is unbalanced. Further, the report estimates that USPS has paid \$75 billion more into the CSRS than it would have paid if costs were allocated more proportionately. Furthermore, a recent report, conducted on behalf of the Commission, stated that there is a \$50 billion dollar overpayment into the retirement fund and Congress and the Office of Personnel Management (OPM) should consider potential transfers from the Postal Service Retirement Fund to its Retiree Health Benefit Fund. Currently, such transfers may not take place before September 30, 2015.

Reduce Health Insurance Costs: USPS is required by law to prefund its future retiree health benefits. The retiree health fund is designed to make sure that postage ratepayers reimburse the U.S. Treasury for future health benefits. USPS is being overcharged for funding these costs and there are excess postal pension assets in the civil service retirement fund that should be used to cover retiree health costs in the future. Last year, Congress reduced the amount that the USPS had to allocate into its health plan, which allowed USPS to save money. This change was for one year only. It needs to be made permanent. Thus, we urge you to support H.R. 5746, the "United States Postal Service's CSRS Obligation Modification Act of 2010."

H.R. 5746 would direct OPM to modernize the actuarial methodology used in allocating retirement liabilities between USPS and the Federal government. In short, H.R. 5746 would remedy an inequitable overpayment situation and provide stability to a postal system that remains essential to commerce and communications in today's America.

Reduce the Number of Postal Facilities: The Postal Accountability and Enhancement Act (PAEA) of 2006 encouraged USPS to streamline its network. The Government and Accountability Office (GAO) repeatedly has urged USPS to reduce the number of facilities it operates. When it passed PAEA, Congress declared that USPS "has more facilities than it needs." Yet, closing post offices are difficult undertakings. Congress needs to provide more flexibility to the Postal Service by lifting the restrictions upon, and public appeals of, post office closures and consolidations. USPS, with the help of Congress, needs to "expeditiously move forward in its streamlining efforts."

In conclusion, the Roundtable and NAMIC urge the Commission to **deny** the USPS's request to increase rates for the reasons stated above. Instead, we encourage the Postal Service to fully explore the above options, be introspective, and innovative when developing solutions to save costs or generating new revenue rather than increase postal rates.

Best Regards,

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