

January 28, 2014

The Honorable Thomas R. Carper
Chairman
U.S. Senate Committee on Homeland Security
and Governmental Affairs
340 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Tom Coburn
Ranking Member
U.S. Senate Committee on Homeland Security
and Governmental Affairs
340 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Carper and Ranking Member Coburn:

The undersigned representatives of the financial services industry write to commend you on your efforts to advance bi-partisan postal reform. The financial services industry is one of the largest customer segments of the Postal Service. The statements, bills, and promotional materials sent by financial institutions account for a significant amount of mail volume and annual revenue. Reliable, cost-effective postal services are critical to our business.

The Postal Service is a critical piece of a U.S. mailing industry that collectively represents over \$1 trillion in economic activity and supports more than 8 million jobs. The long-term health and viability of the U.S. mailing industry and, by extension, the Postal Service, is critical to the health of the U.S. economy. That's why it's imperative for Congress to enact meaningful postal reform legislation.

The recently released substitute amendment to S. 1486, the Postal Reform Act of 2014, appropriately relieves the Postal Service of unrealistic prefunding obligations for retiree healthcare and gives the Postal Service new tools to cut costs and restructure its operations. Despite these positive elements, we cannot support the substitute amendment due to very strong concerns over the postal rate provisions of Section 301 and the authorization of nonpostal activities in Section 302.

The centerpiece of the Postal Accountability and Enhancement Act of 2006 (PAEA) was a cap limiting annual rate increases to the Consumer Price Index (CPI cap). This CPI cap was designed to ensure stable, predictable, and affordable postal rates while forcing the Postal Service to focus on increased productivity to reduce costs. Without the rate stability and predictability guaranteed by the price cap mail volume losses and the Postal Service's financial difficulties over the past would have been greater as mailers sought less expensive alternatives such as electronic communications. The CPI price cap has been an incentive for the Postal

Service to aggressively manage costs. Removing this incentive will make increasing prices an easier decision versus the tougher decisions required to increase efficiencies and manage costs.

The postal rate provisions in Section 301 would make the recent, ill-advised exigent increase permanent, legislate price increases above inflation, and allow the Postal Service to unilaterally repeal the price cap. Section 301 would also preserve the statutory monopoly of the Postal Service while significantly diminishing the oversight responsibilities of the Postal Regulatory Commission (PRC). We strongly oppose these provisions.

To that end, we support the amendment sponsored by Senators Baldwin and McCaskill (OLL13707) to amend language in Section 301 of the substitute. The Baldwin-McCaskill amendment would ensure the PRC maintains its current rate review authority and conducts future restructuring efforts to address postal rate adjustments. This oversight will better enable the Postal Service to implement a sustainable financial path while serving the mailing community.

Additionally, Section 302 of the substitute authorizes the Postal Service to engage in “nonpostal activities” provided the activities fall within certain criteria and demonstrate the ability for the Postal Service to make money. We are concerned this language will encourage the Postal Service to engage in nonpostal activities in direct competition with banks and financial institutions. Given the Postal Service’s unique governmental status, its entry into the financial services market would raise serious unfair competition concerns with the potential to allow it to become the next Government Sponsored Enterprise (GSE) in the broad based financial services arena. A recent white paper issued by the Office of the Inspector General for the U.S. Postal Service advocating that the Postal Service engage in financial services activities such as making loans, taking deposits, and other services underscores the validity of our concerns. Accordingly, we believe further changes to Section 302 are necessary.

The crisis facing the Postal Service is the result of volume losses due to electronic diversion and unsustainable costs. Raising prices on existing customers fails to address either of these issues. Worse, raising prices would be self-defeating; it will hurt existing mail users and cause more mail to leave the system.

As mailers and interested stakeholders, we commend you for your leadership on this issue. However, given our strong opposition to Section 301 and significant concerns with Section 302 we cannot support the substitute amendment as currently offered.

Sincerely,

American Bankers Association
The Financial Services Roundtable
Independent Community Bankers of America
Consumer Bankers Association

Cc: Senate Homeland Security and Government Affairs Committee