



Postal Reform Legislation Overview

The House and Senate passed postal reform legislation in the waning hours of the 109th Congress, culminating more than ten years of effort by postal stakeholders to modernize postal operations and ensure the viability of the US Postal Service well into the 21st Century. This historic legislation marks the first overhaul of the Postal Service since it was established in 1970.

House sponsors Government Reform Committee Chairman Tom Davis (R-VA) and ranking member Henry Waxman (D-CA) introduced compromise legislation (H.R. 6407) on Wednesday after brokering an agreement with Senate postal reform champions Governmental Affairs Committee Chairman Susan Collins (R-ME) and Tom Carper (D-DE).

Postal reform appeared to be in trouble as the 109th Congress wound to a close, however the mailing community rallied to push it through, winning compromises from key members of Congress and the Administration as well as stakeholders in the mailing community itself. The legislation now goes to President Bush. The White House says he will sign the bill.

The Postal Accountability and Enhancement Act of 2006 includes all the fundamental enhancements called for by IWCO Direct and other mailing stakeholders. Its provisions include:

- Pension fund relief:
 - return of the \$27 billion military retirement cost burden to the US Treasury;
 - repeal of the escrow account established in 2003;
 - monies redirected from both these sources can now be used to fund retiree health-care obligations.
- Modern rate regulation:
 - future postal rate increases will be tied to the rate of inflation with a tight exigency clause defining the conditions when emergency increases can happen;
 - additional pricing freedom for competitive products in exchange for tighter definitions of products the USPS can offer.
- Greater regulatory oversight:
 - the independent Postal Rate Commission is renamed the Postal Regulatory Commission and given additional tools, such as subpoena power, to protect the interests of the mailing public;
 - the PRC is also given authority to monitor and adjust the new rate making system to ensure the needs of postal customers are being met.
- Language supporting continuation of worksharing agreements.

The bill gives the new Postal Regulatory Commission 18 months to establish the modern system for regulating rates and classes for market-dominant products. Conceivably, the Postal Service could file one more rate case – in addition to the current ongoing case – under the old law, but it's expected that considerable pressure will be levied on the USPS to file its next case under the new law.

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