## Williams, Taub and McHugh Discuss Next Steps for Postal Reform at PostalVision Event

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The closing panel session at the recent PostalVision 2020 event, held at The Ritz Carlton Pentagon City, featured renowned postal, regulatory and legislative leaders discussing what worked and did not work with the last comprehensive postal reform legislation enacted in 2006 and thoughts on what still needs changing to ensure the Postal Service’s success in the future.

The panel was moderated by PostalVision founder John Callan and included Sec. John McHugh, Hon. David Williams, Vice Chair, U.S. Postal Service Board of Governors and Hon. Robert Taub, Chairman of the Postal Regulatory Commission (PRC).

PAEA — What is Working and What is Not?
When asked what is working well and what is not working well from the last comprehensive postal reform legislation change (the Postal Accountability and Enhancement Act, enacted in 2006), Taub said the USPS has much greater ability since PAEA to introduce and price products more efficiently and quicker versus the year-long+ process in place before PAEA. Other positive changes include the enhanced mission of the PRC, he said, and USPS transparency/accountability. While there is always room for improvement, Taub said, the PAEA framework was a good one. On what could be improved, Taub said that the recession combined with acceleration of movement of physical mail to electronic media as well as some issues with the structure of the law that were not anticipated has created a USPS solvency problem which he hopes that Congress will fix. He also said the issue of defining the USPS’ universal service obligation (USO) needs to be undertaken.

USPS Governor Williams said PAEA forced the USPS to focus and use more disciplined processes to become a much leaner functional organization. He noted the changes to the PRC have been successful and set in motion the 10-year review with ability for subsequent reviews of the ratemaking system enacted with PAEA. He noted PAEA established the best pre-funded benefit plan in the world, but said it is now time to pause and ask where to go from here on that requirement because there are many ways to turn. PAEA also introduced a price cap to act as surrogate for efficient market forces, he said, which effectively controls runaway pricing which is always a risk with a government department.

On what could be improved with the PAEA, Williams said the legislation now is 13 years old and some of its aspects have become problematic because next steps were not taken by Congress. The pre-funding liability is causing problems and it is time to reassess that requirement, he said, and people are asking if the price cap should be altered in some way or reduced. He also said the alarming conditions around flats are a concern and that the USPS should not lose them because people love going to their mailbox for their catalogs and magazines. Williams also said the $15 billion line of credit from the Treasury with $3 billion maximum per year has caused the USPS to over-borrow in fear of a bad year.

Sec. McHugh noted that getting PAEA enacted took 11 years so conditions were different at the end than what was envisioned at the start. There have been some dramatic changes, particularly with ecommerce, and he noted that the USPS would be about $8 billion worse if not for the competitive marketplace changes. He said the changes for the PRC provided substantial transparency and predictability and noted that every time the PRC has been challenged in the courts, its decisions have been upheld. The CPI cap was a necessary provision for PAEA, McHugh said, because users of the system needed predictability and it also injected cost accountability into the USPS’ system.

On what is not working with PAEA, McHugh said the pre-funding requirement is an issue and noted that not everyone supported it when PAEA was being developed, but it now requires Congressional action and the USPS does not have 100 years to get it fixed.

What can be done to help the USPS succeed?
In response to the question of what the USPS is doing right or wrong and how it can be helped to succeed, Chairman Taub said the USPS needs to focus on its core and do all it can to innovate for all its product lines and said that there is strength in the USPS’ system and employees. He said it is hard for the USPS to confront its public policy challenges and that the Congress and President need to help craft a path forward.

Governor Williams said there are a lot of good news stories with USPS – its share of the package industry has grown and on-time delivery is good, it has a commanding market lead in ecommerce returns and small packages, it has successful and evolving relationships with other carriers who use USPS to offer universal service. The USPS has maintained rural access and worked through natural disasters without disadvantaging people in rural locations. Its $70 billion in revenue a year is not accidental, he said, it is the result of hard work. On what USPS could do better, Governor Williams said there are issues with maintaining and achieving service.

To help the USPS succeed, Governor Williams said defining the USO to give all Americans access to post offices and delivery supported by service standards is something the USPS and PRC should explore. There is ongoing question of what Americans want and need, which he noted often are two different things. Workshare is another strength, he said, with private sector partners who are smart and do a lot of work for the USPS. The USPS needs to ensure onboarding ramps to the middle mile are accessible and properly incentivized to allow them to race alongside the USPS. He also said there is much that the USPS carriers, vehicles and post offices can provide in terms of data collection and services. He said the USPS is working to construct a business plan and is trying to identify every possible “lever” it can pull to provide a multi-year vision without waiting entirely for legislation.

Sec. McHugh said there is much the USPS Board of Governors and leadership can do, but a quorum on the Board is needed. He noted that often it takes a crisis to get Congress’ attention, but there are things the USPS and the PRC can do in the interim while sharing the urgency of legislation with Congress.

Watch the Full Closing Session Video and More Event Highlights!

In case you missed it – watch our video of the entire closing session here: <https://www.youtube.com/watch?v=EtUha3eM79k>.