



ALEC/Koch Cabal Pursuing Privatization of the US Postal Service for UPS and FedEx...

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The United States Postal Service (USPS) has been in the news a lot of late. Many stories about the loss of income and repeat annual income falling far below the Postal Service's ability to operate have been trumpeted in the MSM. Critics have called for the USPS to reduce hours, cut employees, close facilities and raise rates to increase annual sales and income. Today some within the business community think the USPS is actually looking at bankruptcy. There is no doubt the U.S. Mail service *is* struggling financially but is the fault really that of USPS?

I think it is time to take a long hard look at just how this has come about. Mail service has been around longer than the U.S. has as a nation:

"The USPS traces its roots to 1775 during the Second Continental Congress, where Benjamin Franklin was appointed the first postmaster general. The cabinet-level Post Office Department was created in 1792 from Franklin's operation and transformed into its current form in 1971 under the Postal Reorganization Act."

For more than two hundred years the USPS operated smoothly, with little reliance upon tax dollars. The USPS has not received taxpayer-dollars since the early 1980s with the minor exception of subsidies for costs associated with the disabled and overseas voters.

Congress passed the **POSTAL ACCOUNTABILITY AND ENHANCEMENT ACT (H.R. 6407)** in December 2006). This was a comprehensive postal reform bill that President Bush signed on December 20, 2006 (P.L. 109-435). This legislation addressed USPS's long-term financial obligations by: returning responsibility for funding Civil Servant's Retirement System (CSRS) pension benefits related to the military service of postal retirees to the Department of Treasury; repealing the escrow account requirement; establishing a Postal Service Retiree Health Benefit Fund (RHB); and requiring the Postal Service to make annual payments into the new RHB Fund. This law included a specific schedule for Postal Service payments into that fund from 2007 through 2016 (*ranging between \$5.4 and \$5.8 billion per year*) and a requirement for the Service to establish an amortization schedule for any remaining unfunded obligations and retire them by 2056. **HR 6407** included **H.R. 22** and **S. 662**. ([This legislation passed the House via voice vote, and no record of members present or their position was recorded](#)). This is remarkably similar to the [Animal Enterprise Terrorism Act](#) (AETA)

that was pushed through the House in 2005 by a voice vote and passed with only 5 votes due to a manipulation of the House Rules and schedule for the hearing).

The Postal Service Board of Governors opposed this legislation from the start, expressing severe and specific doubts about the bills, to no avail. Accordingly, on September 13, 2005, the Board informed the relevant committees that despite providing needed financial relief, [the bills were so bad the Postal Service would be better off under existing laws.](#)

The initiatives to implement such “prefunding” by the USPS began much earlier than 2006. Proponents of this legislation actually began pushing an agenda against the USPS way back in 1996. The “[Point man](#)” identified as being the Republican led voice behind HR 6407 has been identified as Rep. John McHugh (R NY). [McHugh is an ALEC Alumni](#) and first introduced Postal Reform legislation in 1996: [H.R. 3717](#) and worked for over ten years to bring this legislation to fruition through passage of HR 6407 in 2006.

That year President Bush appointed a Presidential commission on Postal Reform consisting of nine members. On February 7, 2006, seven of its nine members, on their own initiative, signed a letter to Congressional leaders and the relevant committees stating their concerns that:

“[T]he proposed legislation goes too far in transforming the *regulator* by giving it powers that will limit even further, rather than increase, the ability of the postal service to operate like a business. Giving the *regulator* the ability to receive, adjudicate and order remedies on virtually any complaint on any action the Postal Service takes essentially transfers oversight and operational authority from the Board of Governors and management to the *regulator*. Such an approach is likely to tie the Postal Service up in endless administrative proceedings and effectively preclude them from making the significant changes they must make to meet the daunting challenges that lie ahead. **This is a governance model that simply won’t work.**”

Since the law was implemented requiring the USPS to “prefund” their Retiree Health Benefits Fund, the USPS has appeared to be losing money every year since 2006. They have been forced to continuously raise postage rates to consumers over the past five years – and are still struggling to keep their financial heads above water. I was interested in where a push for this apparent attack against the Post Office began – and determined to find out why.

Research into this situation led to documents that clearly show this was another one of those “initiatives” discussed and advanced by the ALEC/Koch led “Cabal.” ALEC’s now infamous SB 1070 legislation initiatives in AZ. were created for and benefited ALEC’s member, Corrections Corporation of America. Just as ALEC created the proper atmosphere for SB 1070 by publishing articles to support a perceived “need” for immigration laws to protect American citizens and garner voter support, the cabal’s USPS initiatives have been similarly implemented seeking privatization of the USPS– to the direct benefit of ALEC’s members UPS and FedEx.”

Here are the facts:

From 2003 through passage of HR 6407 in 2006, the Koch/ALEC CABAL worked diligently publishing articles in favor of privatizing the USPS.

In 2004 Rick Geddes published an article in the Econ Journal Watch titled “[**DO VITAL ECONOMISTS REACH A POLICY CONCLUSION ON POSTAL REFORM?**](#)” where he states:

*“We could go on at length as to the **potential benefits from privatization of USPS and the creation of USPSI**(U.S. Postal Service, Inc.)...” (citing Economists MICHAEL A. CREW AND PAUL R. KLEINDORFER).*

This was followed in January 2005 by; “[**An Open Letter to Congress: It’s Time to Seriously Overhaul the U.S. Postal Service, Not Tweak It,**](#)” by Economic Policy Analyst, Tad DeHaven on behalf of the National Taxpayers Union (NTU). [**Dehaven is a Budget Analyst at the CATO Institute:**](#)

“Tad DeHaven is a budget analyst on federal and state budget issues for the Cato Institute. Previously he was a deputy director of the Indiana Office of Management and Budget. DeHaven also worked as a budget policy advisor to Senators Jeff Sessions (R-AL) and Tom Coburn (R-OK). In 2010, he was named to Florida Governor Rick Scott’s Economic Advisory Council.

[**Sessions is a frequent supporter of and sponsor of ALEC’s model legislation**](#) and [**Coburn is a frequent attendant at ALEC events as well as at Koch’s secret meetings.**](#) The [**NTU is a recipient of Koch funding as reported by Sourcewatch**](#) and [**ALEC’s former Executive Director is also president of both the NTU and the NTUF.**](#)

Later that year (October) the NTU issued another “memo” on the USPS: “[**First-Class to Nowhere: Congress’s Second-Rate Postal Reform Bill**](#)” where they claimed: *“USPS does not have to pay most taxes and is exempt from most of the regulations that burden truly-commercial firms. Even so, these businesses are able to operate more efficiently and more profitably than the Postal Service. **USPS was created at a time when no private entity was willing or able to deliver mail across a developing nation. Now that we have capable private organizations eager to do so, USPS should be contracting in size and mission. Legislation that encourages a government monopoly to instead expand into new and competitive markets is misguided, to say the least.**”*

Simultaneously the CATO Institute published “[**Downsizing the Federal Government**](#)” [**by Chris Edwards.**](#) In this document Edwards is again promoting privatization of USPS; *“In other industries, the federal government needlessly duplicates services that are already available in the private sector. **For example, the USPS operates parcel delivery services that compete with private parcel services...**”*

*“For example, **privatization of the USPS and repeal of its monopoly would bring major innovation to the mail industry ...**”*

*“... **The way ahead is to privatize the USPS and repeal the mail monopoly that it holds...**”*

“...**It is time to privatize the USPS** and repeal the government monopoly on mail.” Also in 2005, the Reason Foundation filed a similar document, titled “[Annual Privatization Report](#)” that provides:

*“The federal government operates numerous business enterprises that could be converted into publicly traded corporations, including the USPS...Moving forward calls for **privatizing USPS and repealing the first-class mail monopoly that it currently holds**...the USPS suffers from a high wage premium (it pays an estimated 21.2 to 35.7 percent more than would a comparable private sector employer, which represents 12 to 20 percent of total costs) and low productivity increases (only 9.2 percent from 1970 to 1999).”*

From the foregoing we see the Cabal's fingerprints beginning to appear upon an effort for privatization of the USPS. Their main pursuit was the two lucrative services provided by the USPS; the parcel post (package delivery) and residential first class mail delivery. The NTU, Heritage, Cato and Reason claims have one theme in common; claiming the USPS is poorly run, inefficient and constitutes a Government run “monopoly”. With billions in annual sales, the USPS is seen as a ripe target for profiteers (like their pursuit of the \$2 trillion in equity in senior homes through ALEC's Reverse Mortgage Act) once they break the barriers to privatization.

To privatize they had to first make it appear the agency was floundering, unable to generate revenue and in general was “bad” for the American consumer. Once they accomplished that through rhetoric, published reports by “on the payroll *Economists*”, they had to in effect make the USPS actually start losing money. They decided to do this by forcing the agency to begin to “fund forward” pension benefits – including for employees not even hired yet.

Sponsor of Congress' 2006 Postal Accountability and Enhancement Act legislation was Virginia's Representative, [Tom Davis \(R-VA 11th\)](#). Davis picked up where McHugh's H.R. 3717 left off.

Davis' family and political history is closely tied to ALEC/Koch. His wife, Jeannemarie Devolites Davis served as a Virginia state Senator and a member of ALEC. Her three political campaigns for Virginia's Senate was funded by husband Tom Davis and Republican PACs including [former Majority Leader and ALEC Alumni Tom Delay through his ARMPAC](#):

“A large percentage of her financial support is contributed from her husband, [Tom Davis](#), and the Republican organizations he directs. Before Virginia's 2007 election cycle, his PACS had donated more than [\\$172,000](#) to her campaign. In addition, she has received contributions from National Republican organizations directed by Mr. Davis including [\\$300,000](#) to the Fairfax and Prince William's counties Republican Party committees, who in turn donated money and office space to Mrs. Davis; [\\$55,616](#) from the National Republican Congressional Committee when her husband was Chair, [\\$5,000](#) from the Republican Main Stream Partnership, and [\\$5,000](#) from [Tom Delay's ARMPAC](#).”

Tom Davis was never a member of ALEC because he did not hold a state Senate or House seat –going straight from a rather obscure position upon the Fairfax County

Board of Supervisors to the U.S. House. However as cited above, his wife was an ALEC member and through her, Tom Davis established and used ALEC and the Cabal to advance his career in politics and personal life – after he resigned from the House in 2008. Together [Tom Davis and his wife was quite a pair in both politics and business](#); “Jeannemarie Devolites-Davis, was one of the first hires (as a part-time consultant) for ICG, a **firm that assists businesses in obtaining government contracts**. Their financial relationship, along with **financial ties that benefit family members of 64 of the 435 voting members of Congress**, was highlighted in the June 2007 ethics report, “[Family Affair](#)” by the Citizens for Responsibility and Ethics in Washington.

[Ms. Davis is now a partner at ICG and last year was appointed by Virginia Governor McDonnell as Virginia’s Liaison Officer \(Washington D.C.\)](#). At ICG Davis’ work includes:

“[S]he is instrumental in coordinating conferences that bring together key government and industry executives for substantive discussions of government management and information sharing, and consulting with government contracting clients in both the federal and state sectors. Additionally, she is a featured speaker on subjects of intergovernmental relations; state policy and political processes; and management of technology and health enterprise, both nationally and internationally.”