

OpEds : ALEC/Koch Cabal Pushing Privatization of the US Postal Service for UPS and FedEx...

By [Bob Sloan, Voters Legislative Transparency Project \(VTLP\)](#)
[Thank you, VTLP](#)



The smiling creep above is former Rep. John McHugh: A Republican, he was rewarded by Barack Obama to fill the post of 21st [United States Secretary of the Army](#). A career enemy of the public interest is always the natural choice. McHugh has been the point man in the charge to destroy the USPS as we know it.—Eds

An event occurred in front of my home on Wednesday of this week that provided an incentive for me to go ahead and publish an article I'd written about the United States Postal Service (USPS). The event was a strong-arm robbery of a mailman at a house on our block. I witnessed this event and was asked to give statements to agents of the Postal Inspector's Office and local detectives.

Ruminating over the past two days I realized that for hundreds of thousands of USPS letter carriers the possibility of robbery of packages, mail and their personal safety are

everyday worries. Many letter carriers have routes that take them into neighborhoods where their safety is in jeopardy – yet as representatives of our government they willingly return day after day to deliver the mail. Virtually every citizen in the U.S. comes in contact with USPS employees on a daily basis as they pick up or deliver our mail.

For years the GOP – led by alumni of the American Legislative Exchange Council (ALEC) in the U.S. Congress – have urged cutting back the wages of USPS workers. They claim they are paid too much, pensions and retirement provisions too costly to taxpayers and their collective bargaining gives them unfair advantages over private sector workers. At the core of this argument is that the USPS has a “monopoly” on first class mail and rail parcel package delivery systems. UPS and FedEx want to take over those services and contracts.

ALEC has pushed for privatizing the USPS and has used the services of RW think tanks such as Reason Foundation, CATO, Econ Journal Watch and National Taxpayers Union to contribute their support for this privatization agenda against the USPS.

The following article was written by me with research assistance from another VLTP Director, Ron Rabatsky. Months were spent on researching the involvement of the cabal and then putting it all together in the article for publication. A brief yet detailed report about the privatization of the USPS and other federal involvement by ALEC and their alumni in Congress can be reviewed [here](#)...

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.



*Editor's Note: Many citizens across the United States are outraged at the machinations in Congress and elsewhere to kill or privatize the USPS, a move that would deprive millions of basic mail delivery, passport services, subsidized mail for small businesses, throw hundreds of thousands of people out of work, and eliminate other essential functions envisioned by the founders of the nation. It may be of interest to the readers of this article that a young firm, **Cranky Beagle**, something of a hybrid—80% activist/20% commercial (to pay its bills)—is developing an extensive collection of “political expression” items to give politically engaged people an outlet for their anger and frustration in the face of so many systemic assaults.*

The image above is a sample of [Cranky Beagle's](#) campaign to help the USPS. Be sure to check out its catalog. They have a [Facebook page](#) store as well as a [Zazzle location](#). A percentage of their income will also go to defray expenses at [The Greenville Post](#), [Cyrano's Journal Today](#) and other outfits fighting the good fight. The [Facebook catalog](#) can also be reached by clicking anywhere on the image.—PG

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.”

After leaving office Tom Davis joined Deloitte Consulting in their Washington, D.C. office taking his place beside another [ALEC alumni, Tom Ridge](#). Davis currently serves as President and CEO of the Republican Main Street Partnership and also started teaching a class at George Mason University (another frequent recipient of millions in Koch funding), teaching "Southern Politics" in the 2008 Fall Semester. [GMU is recipient of large Koch contributions](#):

"Since 1985, George Mason University (GMU), and its associated institutes and centers, has received more funding from the Koch Family Charitable Foundations than any other organization—a total of \$29,604,354. The George Mason University Foundation has received the most funding, \$20,297,143, while the Institute for Humane Studies [Koch's Intern program] has been directly given \$3,111,457, the Mercatus Center \$1,442,000, and George Mason University itself has received \$4,753,754.

"In addition to financial ties, Koch also has personnel involvement with the university. [Richard Fink](#), the vice president of Koch Industries, Inc., and the former president of the Charles G. Koch Foundation and the Claude R. Lambe Foundation, [serves on the board of directors of the George Mason University Foundation and the Mercatus Center.](#)"

Obviously the Davis' both fit comfortably within the ALEC/Koch led privatization agenda that has been pursued for years now.

In 2006 Senate co-Sponsor of this legislation impacting the USPS was Susan Collins (R ME) who [has ties to Koch money and is also supporting Koch's EPA deregulation and environmental denial of climate change](#).

Now we turn to the incentive for ALEC and the Koch led cabal's interest in privatizing the USPS. We don't have to look very far from the core membership of ALEC itself and two of their more prestigious and long time members who are now or in the

past held seats upon ALEC's Private Enterprise Board – [UPS and FedEx](#).

One of ALEC's "Model Legislative" bills was the "[Unfunded Pension Liabilities Accounting Act](#)" which ties in nicely with the provisions included in the Postal Accountability and Enhancement Act as well as current and ongoing attacks upon public sector government workers; teachers, firefighters, police and the union groups they belong to.

With the USPS taking in \$67 billion a year in income, they are a highly attractive target to private business competitors – similar to US expenditures on education and payments into Social Security and Medicare – and it appears the Cabal targeted the USPS for private takeover – way back in 1996.

One of the charts (USPS Future Business Model) found in VLTP's "[ALEC and Federal Government and Corrupt Practices](#)" report, reflects an upheaval began within the USPS in 2006 and has continued to wreak havoc as more and more of their gross annual income has been taken from the profit column(s) and put into the loss column(s). Most of this has been due to required health benefit (RHB) and pension account prefunding and a steadily rising increase in health care costs which the USPS pays 79% of for 571,000+ employees.

Rising *healthcare costs*, *employment* and fending off *privatization* are key issues the Obama Administration has been attempting to wrap arms around since 2008 and each of these issues have been opposed every inch of the way by Republicans. The USPS represents a clear example of a convergence of those three core arguments slowly destroying one of the oldest government institutions in our country.

Since 2006 when the USPS began setting aside \$5.6 billion per year for prefunding the pension account as mandated by Collins' and Davis' co-sponsored legislation, both UPS and FedEx have experienced considerable growth along with increases in income and stock prices. This amount of money taken from sales and set aside for pensions denies an ability

for the USPS to reinvest, update or upgrade equipment – and eliminates their capacity to continue to compete against chief private corporate competitors – UPS and FedEx.

In 2006 UPS' gross income was given as \$47.55 billion and by the end of last year that had risen to \$49.55 billion. FedEx figures for the years 2007 – 2011 show that in that period their gross revenue increased from \$35.21 billion to \$ 39.3 billion.

Figures show the change in common stock holder investment for FedEx from 2006 to 2007 (the first year the USPS was required to fund forward the pension account) increased by 10%. From 2007 to 2008 that same common stock holder investment increased another 15%. So in just the first two years following passage of legislation requiring the USPS set aside billions in pension pre-funding, investors with FedEx stock saw a 25% increase in the value of their investment(s).

Looking at Yahoo Finance we find that currently FedEx has "holdings" in several multinational and huge US corporations. These stock holdings include; Coca-Cola, Reynolds American, ConocoPhillips, General Electric, First Energy Corporation and Chevron. Besides being huge companies, what do all of those above have in commonality? They're all members or benefactors/sponsors of ALEC. Just taking FedEx as one example we can quickly see how all of ALEC's members are making money off of each other through investments that are enhanced by the pro-corporate legislation put out through ALEC, especially at the federal level.

What did ALEC's members do with some of their "earnings?" They contributed to the campaigns of those who assisted them to make so much money, encouraging legislators to generate even more profits. Take the USPS legislation co-sponsor Susan Collins for example: in 2006 she received \$146,638 in donations from; UPS (\$22,168), Verizon, (\$15,221), AT&T (\$12,000), GlaxoSmithKline (\$11,999) and MBNA Corporation

(\$85,250). Don't know who MBNA is?

"MBNA Corp is the nation's top credit card company and one of the world's biggest finance companies. The company was also the biggest campaign contributor to the Bush-Cheney ticket during the 2000 election cycle and has been one of the Republican Party's most generous contributors over the last decade. For the last five years, MBNA has been pressing lawmakers to pass legislation that would make it harder for individuals to file bankruptcy—a bill that, if approved, stands to earn MBNA at least \$100 million in additional revenues each year, according to press reports. The bank has lobbied against legislation to protect consumer privacy rights and was [a leading proponent of banking deregulation.](#)"

(All of the foregoing pursuits by MBNA are key ALEC initiatives).

In 2008 we have to add Davis and Ridge's Deloitte Consulting, along with Pfizer, PricewaterhouseCoopers and Time Warner to the [list of ALEC related contributors to Collins.](#)

Reviewing Tom Davis' listing on Open Secrets found many ALEC members contributing to his campaigns as well.

In November 2011, [Susan Collins and Joe Lieberman of the Senate Homeland and Governmental Affairs Committee came up with proposals to help keep the USPS solvent and continue 6 day mail delivery for at least two more years.](#) In the article it hints at the fact that the USPS has "**overpaid**" \$7 billion into the Federal Employee Retirement System and the committee is agreeing to allow them access to that money to help pay down the \$8 billion USPS lost last year. Again, this prefunding is what drove them into such huge annual "losses" leaving the appearance that the agency is unstable – unable to operate at a break even rate, if not realize an actual return on their expenditures. We should all note that at most US Post Office facilities FedEx and/or UPS have "collection

boxes” on the premises – sort of like having your two top competitors sitting on your doorstep as customers approach.

Looking at Lieberman’s 2006 campaign contributions there are no ALEC members who contributed. For 2012 that’s changed (though he is not running for re-election), with [Blue Cross, AT&T, Verizon and FedEx](#) joining the ranks of corporate campaign contributors to Lieberman’s campaign.

Republican politicians began calling for privatizing the USPS in 2003 and looking for a way to “reform” it in the same manner they have since with education, Medicare, Social Security and Medicaid and pushed for “reforms” of those programs they consider entitlements. In all of these programs Republican politicians have sought cures through privatization. In each case Republicans have cut funding or subsidies for each program, causing their activities to suffer to the extent necessary to allow for passage of legislation to privatize these government programs.

The USPS is no different. For more than 7 years now the cabal has hinted at and made changes to make privatization of the U.S. Mail system appear inevitable. In May of this year Business Insider published an article; [“11 Things You Should Know About The U.S. Postal Service Before It Goes Bankrupt.”](#)

In this article the author argues privatization of the USPS is in order and cites other international mail services as an example of how such privatization “works” in countries like Japan, Germany and Sweden. The article claims:

“Despite the agency’s economic woes, the 250,000-member American Postal Workers Union negotiated a cushy labor deal with the USPS in March. The four-and-a-half-year agreement extends the no-layoff provision and provides a 3.5% raise over the period of the contract, as well as seven uncapped cost-of-living increases. A USPS spokeswoman told Businessweek the agency agreed to the terms because it feared an arbitrator might be even more deferential to the union.”

“In general, postal service employees enjoy more expensive benefits than most public-sector workers. USPS covers 79% of its employees’ health benefits, compared to the 72% typical for most federal workers.”

Doesn't this argument mirror those we've been hearing lately from Republicans about public sector workers in Wisconsin, Indiana, Ohio, and other states? The same rhetoric espoused by Governors such as Scott Walker, John Kasich, Mitch Daniels and Rick Scott of Florida to justify their attacks upon public sector Unions? Did you know all are either ALEC Alumni, co-founder (Kasich) or affiliates of ALEC and the Koch brothers?

As an example of how these defunding attacks are used to manipulate, consider that in 2010 Governor Scott of Florida [cut \\$1.75 billion from Florida's Education budget](#). This withholding of necessary funding resulted in an appearance of continued failing by educators and school systems, operating without the subsidies needed for proper education. This made it possible for Florida Republicans to push for and pass ALEC styled education “reforms” that allow an increase in Charter schools, a voucher system and other changes affecting public education. This year Scott announced he is [adding \\$1 billion to the education budget](#). Much of that increase will be used to pay for Charter schools, vouchers, “required” digital classes and other changes brought about by the changes in Education legislation. Taxpayer dollars earmarked for education will thus find their way into the corporate coffers of ALEC companies setting up the Charter schools, providing the software for the digital (Internet) classes and private non-Charter schools.

With the same agenda applied to the Postal Service (as shown above) it is obvious the attacks upon it will result in privatization. Funding that has been cut from the USPS – or diverted to RHB funding – will be returned to the private companies who acquire the USPS contract, and be considered “profits” as our mail service costs will increase to help

increase the profit margin.

Now I – and I hope you – have a better understanding of how organized the attack upon the USPS has been, who developed and funded this attack and what the end purpose to it is – profit through control and privatization. As 2012 approaches I see a clear duty to go to the polls and vote against any incumbent who is or has been identified as a member of ALEC or has been on the receiving end of Koch money. I also see a genuine need for transparency in all legislation at the state and federal level, so voters can easily see what the proposed laws are and who is writing them and for what purpose.

Koch and ALEC's form of privatization isn't really privatization at all. What they truly want and have labeled as "Privatization" is in reality a Corporatocracy – the transfer of government services, holdings and responsibilities to corporate control. If allowed to pursue their agenda unopposed, the federal government will end up being operated in the same manner as private prison operations – at an increased cost with lesser services and fewer avenues of recourse available to those who would complain.





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