

109<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 6407

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IN THE SENATE OF THE UNITED STATES

DECEMBER 8, 2006

Received

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## AN ACT

To reform the postal laws of the United States.

1       *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

2 (a) **SHORT TITLE.**—This Act may be cited as the  
3 “Postal Accountability and Enhancement Act”.

4 (b) **TABLE OF CONTENTS.**—The table of contents for  
5 this Act is as follows:

Sec. 1. Short title; table of contents.

**TITLE I—DEFINITIONS; POSTAL SERVICES**

Sec. 101. Definitions.

Sec. 102. Postal Services.

**TITLE II—MODERN RATE REGULATION**

Sec. 201. Provisions relating to market-dominant products.

Sec. 202. Provisions relating to competitive products.

Sec. 203. Provisions relating to experimental and new products.

Sec. 204. Reporting requirements and related provisions.

Sec. 205. Complaints; appellate review and enforcement.

Sec. 206. Clerical amendment.

**TITLE III—MODERN SERVICE STANDARDS**

Sec. 301. Establishment of modern service standards.

Sec. 302. Postal service plan.

**TITLE IV—PROVISIONS RELATING TO FAIR COMPETITION**

Sec. 401. Postal Service Competitive Products Fund.

Sec. 402. Assumed Federal income tax on competitive products income.

Sec. 403. Unfair competition prohibited.

Sec. 404. Suits by and against the Postal Service.

Sec. 405. International postal arrangements.

**TITLE V—GENERAL PROVISIONS**

Sec. 501. Qualification and term requirements for Governors.

Sec. 502. Obligations.

Sec. 503. Private carriage of letters.

Sec. 504. Rulemaking authority.

Sec. 505. Noninterference with collective bargaining agreements.

Sec. 506. Bonus authority.

**TITLE VI—ENHANCED REGULATORY COMMISSION**

Sec. 601. Reorganization and modification of certain provisions relating to the  
Postal Regulatory Commission.

Sec. 602. Authority for Postal Regulatory Commission to issue subpoenas.

Sec. 603. Authorization of appropriations from the Postal Service Fund.

Sec. 604. Redesignation of the Postal Rate Commission.

Sec. 605. Inspector General of the Postal Regulatory Commission.

**TITLE VII—EVALUATIONS**



1 inserting a semicolon, and by adding at the end the fol-  
2 lowing:

3 “(5) ‘postal service’ refers to the delivery of let-  
4 ters, printed matter, or mailable packages, including  
5 acceptance, collection, sorting, transportation, or  
6 other functions ancillary thereto;

7 “(6) ‘product’ means a postal service with a  
8 distinct cost or market characteristic for which a  
9 rate or rates are, or may reasonably be, applied;

10 “(7) ‘rates’, as used with respect to products,  
11 includes fees for postal services;

12 “(8) ‘market-dominant product’ or ‘product in  
13 the market-dominant category of mail’ means a  
14 product subject to subchapter I of chapter 36; and

15 “(9) ‘competitive product’ or ‘product in the  
16 competitive category of mail’ means a product sub-  
17 ject to subchapter II of chapter 36; and

18 “(10) ‘year’, as used in chapter 36 (other than  
19 subchapters I and VI thereof), means a fiscal year.”.

20 **SEC. 102. POSTAL SERVICES.**

21 (a) IN GENERAL.—Section 404 of title 39, United  
22 States Code, is amended—

23 (1) in subsection (a), by striking paragraph (6)  
24 and by redesignating paragraphs (7) through (9) as  
25 paragraphs (6) through (8), respectively; and

1 (2) by adding at the end the following:

2 “(c)(1) In this subsection, the term “nonpostal serv-  
3 ice” means any service that is not a postal service defined  
4 under section 102(5).

5 “(2) Nothing in this section shall be considered to  
6 permit or require that the Postal Service provide any non-  
7 postal service, except that the Postal Service may provide  
8 nonpostal services which were offered as of January 1,  
9 2006, as provided under this subsection.

10 “(3) Not later than 2 years after the date of enact-  
11 ment of the Postal Accountability and Enhancement Act,  
12 the Postal Regulatory Commission shall review each non-  
13 postal service offered by the Postal Service on the date  
14 of enactment of that Act and determine whether that non-  
15 postal service shall continue, taking into account—

16 “(A) the public need for the service; and

17 “(B) the ability of the private sector to meet  
18 the public need for the service.

19 “(4) Any nonpostal service not determined to be con-  
20 tinued by the Postal Regulatory Commission under para-  
21 graph (3) shall terminate.

22 “(5) If the Postal Regulatory Commission authorizes  
23 the Postal Service to continue a nonpostal service under  
24 this subsection, the Postal Regulatory Commission shall  
25 designate whether the service shall be regulated under this

1 title as a market dominant product, a competitive product,  
2 or an experimental product.”.

3 (b) CONFORMING AMENDMENTS.—Section  
4 1402(b)(1)(B)(ii) of the Victims of Crime Act of 1984 (98  
5 Stat. 2170; 42 U.S.C. 10601(b)(1)(B)(ii)) is amended by  
6 striking “404(a)(8)” and inserting “404(a)(7)”.

## 7 **TITLE II—MODERN RATE** 8 **REGULATION**

### 9 **SEC. 201. PROVISIONS RELATING TO MARKET-DOMINANT** 10 **PRODUCTS.**

11 (a) IN GENERAL.—Chapter 36 of title 39, United  
12 States Code, is amended by striking sections 3621 and  
13 3622 and inserting the following:

#### 14 **“§ 3621. Applicability; definitions**

15 “(a) APPLICABILITY.—This subchapter shall apply  
16 with respect to—

17 “(1) first-class mail letters and sealed parcels;

18 “(2) first-class mail cards;

19 “(3) periodicals;

20 “(4) standard mail;

21 “(5) single-piece parcel post;

22 “(6) media mail;

23 “(7) bound printed matter;

24 “(8) library mail;

25 “(9) special services; and

1           “(10) single-piece international mail,  
2 subject to any changes the Postal Regulatory Commission  
3 may make under section 3642.

4           “(b) RULE OF CONSTRUCTION.—Mail matter re-  
5 ferred to in subsection (a) shall, for purposes of this sub-  
6 chapter, be considered to have the meaning given to such  
7 mail matter under the mail classification schedule.

8 **“§ 3622. Modern rate regulation**

9           “(a) AUTHORITY GENERALLY.—The Postal Regu-  
10 latory Commission shall, within 18 months after the date  
11 of enactment of this section, by regulation establish (and  
12 may from time to time thereafter by regulation revise) a  
13 modern system for regulating rates and classes for mar-  
14 ket-dominant products.

15           “(b) OBJECTIVES.—Such system shall be designed to  
16 achieve the following objectives, each of which shall be ap-  
17 plied in conjunction with the others:

18           “(1) To maximize incentives to reduce costs  
19 and increase efficiency.

20           “(2) To create predictability and stability in  
21 rates.

22           “(3) To maintain high quality service standards  
23 established under section 3691.

24           “(4) To allow the Postal Service pricing flexi-  
25 bility.

1           “(5) To assure adequate revenues, including re-  
2           tained earnings, to maintain financial stability.

3           “(6) To reduce the administrative burden and  
4           increase the transparency of the ratemaking process.

5           “(7) To enhance mail security and deter ter-  
6           rorism.

7           “(8) To establish and maintain a just and rea-  
8           sonable schedule for rates and classifications, how-  
9           ever the objective under this paragraph shall not be  
10          construed to prohibit the Postal Service from mak-  
11          ing changes of unequal magnitude within, between,  
12          or among classes of mail.

13          “(9) To allocate the total institutional costs of  
14          the Postal Service appropriately between market-  
15          dominant and competitive products.

16          “(c) FACTORS.—In establishing or revising such sys-  
17          tem, the Postal Regulatory Commission shall take into ac-  
18          count—

19                 “(1) the value of the mail service actually pro-  
20                 vided each class or type of mail service to both the  
21                 sender and the recipient, including but not limited to  
22                 the collection, mode of transportation, and priority  
23                 of delivery;

24                 “(2) the requirement that each class of mail or  
25                 type of mail service bear the direct and indirect

1 postal costs attributable to each class or type of mail  
2 service through reliably identified causal relation-  
3 ships plus that portion of all other costs of the Post-  
4 al Service reasonably assignable to such class or  
5 type;

6 “(3) the effect of rate increases upon the gen-  
7 eral public, business mail users, and enterprises in  
8 the private sector of the economy engaged in the de-  
9 livery of mail matter other than letters;

10 “(4) the available alternative means of sending  
11 and receiving letters and other mail matter at rea-  
12 sonable costs;

13 “(5) the degree of preparation of mail for deliv-  
14 ery into the postal system performed by the mailer  
15 and its effect upon reducing costs to the Postal  
16 Service;

17 “(6) simplicity of structure for the entire sched-  
18 ule and simple, identifiable relationships between the  
19 rates or fees charged the various classes of mail for  
20 postal services;

21 “(7) the importance of pricing flexibility to en-  
22 courage increased mail volume and operational effi-  
23 ciency;

24 “(8) the relative value to the people of the  
25 kinds of mail matter entered into the postal system

1 and the desirability and justification for special clas-  
2 sifications and services of mail;

3 “(9) the importance of providing classifications  
4 with extremely high degrees of reliability and speed  
5 of delivery and of providing those that do not re-  
6 quire high degrees of reliability and speed of deliv-  
7 ery;

8 “(10) the desirability of special classifications  
9 for both postal users and the Postal Service in ac-  
10 cordance with the policies of this title, including  
11 agreements between the Postal Service and postal  
12 users, when available on public and reasonable terms  
13 to similarly situated mailers, that—

14 “(A) either—

15 “(i) improve the net financial position  
16 of the Postal Service through reducing  
17 Postal Service costs or increasing the over-  
18 all contribution to the institutional costs of  
19 the Postal Service; or

20 “(ii) enhance the performance of mail  
21 preparation, processing, transportation, or  
22 other functions; and

23 “(B) do not cause unreasonable harm to  
24 the marketplace.

1           “(11) the educational, cultural, scientific, and  
2 informational value to the recipient of mail matter;

3           “(12) the need for the Postal Service to in-  
4 crease its efficiency and reduce its costs, including  
5 infrastructure costs, to help maintain high quality,  
6 affordable postal services;

7           (13) the value to the Postal Service and postal  
8 users of promoting intelligent mail and of secure,  
9 sender-identified mail; and

10           “(14) the policies of this title as well as such  
11 other factors as the Commission determines appro-  
12 priate.

13           “(d) REQUIREMENTS.—

14           “(1) IN GENERAL.—The system for regulating  
15 rates and classes for market-dominant products  
16 shall—

17           “(A) include an annual limitation on the  
18 percentage changes in rates to be set by the  
19 Postal Regulatory Commission that will be  
20 equal to the change in the Consumer Price  
21 Index for All Urban Consumers unadjusted for  
22 seasonal variation over the most recent avail-  
23 able 12-month period preceding the date the  
24 Postal Service files notice of its intention to in-  
25 crease rates;

1           “(B) establish a schedule whereby rates,  
2 when necessary and appropriate, would change  
3 at regular intervals by predictable amounts;

4           “(C) not later than 45 days before the im-  
5 plementation of any adjustment in rates under  
6 this section, including adjustments made under  
7 subsection (c)(10)—

8                 “(i) require the Postal Service to pro-  
9 vide public notice of the adjustment;

10                “(ii) provide an opportunity for review  
11 by the Postal Regulatory Commission;

12                “(iii) provide for the Postal Regu-  
13 latory Commission to notify the Postal  
14 Service of any noncompliance of the ad-  
15 justment with the limitation under sub-  
16 paragraph (A); and

17                “(iv) require the Postal Service to re-  
18 spond to the notice provided under clause  
19 (iii) and describe the actions to be taken to  
20 comply with the limitation under subpara-  
21 graph (A);

22           “(D) establish procedures whereby the  
23 Postal Service may adjust rates not in excess of  
24 the annual limitations under subparagraph (A);  
25 and

1           “(E) notwithstanding any limitation set  
2           under subparagraphs (A) and (C), and provided  
3           there is not sufficient unused rate authority  
4           under paragraph (2)(C), establish procedures  
5           whereby rates may be adjusted on an expedited  
6           basis due to either extraordinary or exceptional  
7           circumstances, provided that the Commission  
8           determines, after notice and opportunity for a  
9           public hearing and comment, and within 90  
10          days after any request by the Postal Service,  
11          that such adjustment is reasonable and equi-  
12          table and necessary to enable the Postal Serv-  
13          ice, under best practices of honest, efficient,  
14          and economical management, to maintain and  
15          continue the development of postal services of  
16          the kind and quality adapted to the needs of  
17          the United States.

18          “(2) LIMITATIONS.—

19                 “(A) CLASSES OF MAIL.—Except as pro-  
20                 vided under subparagraph (C), the annual limi-  
21                 tations under paragraph (1)(A) shall apply to a  
22                 class of mail, as defined in the Domestic Mail  
23                 Classification Schedule as in effect on the date  
24                 of enactment of the Postal Accountability and  
25                 Enhancement Act.

1           “(B) ROUNDING OF RATES AND FEES.—  
2           Nothing in this subsection shall preclude the  
3           Postal Service from rounding rates and fees to  
4           the nearest whole integer, if the effect of such  
5           rounding does not cause the overall rate in-  
6           crease for any class to exceed the Consumer  
7           Price Index for All Urban Consumers.

8           “(C) USE OF UNUSED RATE AUTHORITY.—

9           “(i) DEFINITION.—In this subpara-  
10          graph, the term ‘unused rate adjustment  
11          authority’ means the difference between—

12                   “(I) the maximum amount of a  
13                   rate adjustment that the Postal Serv-  
14                   ice is authorized to make in any year  
15                   subject to the annual limitation under  
16                   paragraph (1); and

17                   “(II) the amount of the rate ad-  
18                   justment the Postal Service actually  
19                   makes in that year.

20           “(ii) AUTHORITY.—Subject to clause  
21           (iii), the Postal Service may use any un-  
22           used rate adjustment authority for any of  
23           the 5 years following the year such author-  
24           ity occurred.

1                   “(iii) LIMITATIONS.—In exercising the  
2 authority under clause (ii) in any year, the  
3 Postal Service—

4                   “(I) may use unused rate adjust-  
5 ment authority from more than 1  
6 year;

7                   “(II) may use any part of the un-  
8 used rate adjustment authority from  
9 any year;

10                  “(III) shall use the unused rate  
11 adjustment authority from the earliest  
12 year such authority first occurred and  
13 then each following year; and

14                  “(IV) for any class or service,  
15 may not exceed the annual limitation  
16 under paragraph (1) by more than 2  
17 percentage points.

18                  “(3) REVIEW.—Ten years after the date of en-  
19 actment of the Postal Accountability and Enhance-  
20 ment Act and as appropriate thereafter, the Com-  
21 mission shall review the system for regulating rates  
22 and classes for market-dominant products estab-  
23 lished under this section to determine if the system  
24 is achieving the objectives in subsection (b), taking  
25 into account the factors in subsection (c). If the

1 Commission determines, after notice and opportunity  
2 for public comment, that the system is not achieving  
3 the objectives in subsection (b), taking into account  
4 the factors in subsection (c), the Commission may,  
5 by regulation, make such modification or adopt such  
6 alternative system for regulating rates and classes  
7 for market-dominant products as necessary to  
8 achieve the objectives.

9 “(e) WORKSHARE DISCOUNTS.—

10 “(1) DEFINITION.—In this subsection, the term  
11 ‘workshare discount’ refers to rate discounts pro-  
12 vided to mailers for the presorting, prebarcoding,  
13 handling, or transportation of mail, as further de-  
14 fined by the Postal Regulatory Commission under  
15 subsection (a).

16 “(2) SCOPE.—The Postal Regulatory Commis-  
17 sion shall ensure that such discounts do not exceed  
18 the cost that the Postal Service avoids as a result  
19 of workshare activity, unless—

20 “(A) the discount is—

21 “(i) associated with a new postal serv-  
22 ice, a change to an existing postal service,  
23 or with a new work share initiative related  
24 to an existing postal service; and

1           “(ii) necessary to induce mailer behav-  
2           ior that furthers the economically efficient  
3           operation of the Postal Service and the  
4           portion of the discount in excess of the  
5           cost that the Postal Service avoids as a re-  
6           sult of the workshare activity will be  
7           phased out over a limited period of time;

8           “(B) the amount of the discount above  
9           costs avoided—

10           “(i) is necessary to mitigate rate  
11           shock; and

12           “(ii) will be phased out over time;

13           “(C) the discount is provided in connection  
14           with subclasses of mail consisting exclusively of  
15           mail matter of educational, cultural, scientific,  
16           or informational value; or

17           “(D) reduction or elimination of the dis-  
18           count would impede the efficient operation of  
19           the Postal Service.

20           “(3) LIMITATION.—Nothing in this subsection  
21           shall require that a work share discount be reduced  
22           or eliminated if the reduction or elimination of the  
23           discount would—

24           “(A) lead to a loss of volume in the af-  
25           fected category or subclass of mail and reduce

1 the aggregate contribution to the institutional  
2 costs of the Postal Service from the category or  
3 subclass subject to the discount below what it  
4 otherwise would have been if the discount had  
5 not been reduced or eliminated; or

6 “(B) result in a further increase in the  
7 rates paid by mailers not able to take advan-  
8 tage of the discount.

9 “(4) REPORT.—Whenever the Postal Service es-  
10 tablishes a workshare discount rate, the Postal Serv-  
11 ice shall, at the time it publishes the workshare dis-  
12 count rate, submit to the Postal Regulatory Com-  
13 mission a detailed report that—

14 “(A) explains the Postal Service’s rea-  
15 sons for establishing the rate;

16 “(B) sets forth the data, economic  
17 analyses, and other information relied on  
18 by the Postal Service to justify the rate;  
19 and

20 “(C) certifies that the discount will  
21 not adversely affect rates or services pro-  
22 vided to users of postal services who do not  
23 take advantage of the discount rate.

24 “(f) TRANSITION RULE.—For the 1-year period be-  
25 ginning on the date of enactment of this section, rates and

1 classes for market-dominant products shall remain subject  
2 to modification in accordance with the provisions of this  
3 chapter and section 407, as such provisions were last in  
4 effect before the date of enactment of this section. Pro-  
5 ceedings initiated to consider a request for a recommended  
6 decision filed by the Postal Service during that 1-year pe-  
7 riod shall be completed in accordance with subchapter II  
8 of chapter 36 of this title and implementing regulations,  
9 as in effect before the date of enactment of this section.”.

10 (b) REPEALED SECTIONS.—Sections 3623, 3624,  
11 3625, and 3628 of title 39, United States Code, are re-  
12 pealed.

13 (c) REDESIGNATION.—Chapter 36 of title 39, United  
14 States Code (as in effect after the amendment made by  
15 section 601, but before the amendment made by section  
16 202) is amended by striking the heading for subchapter  
17 II and inserting the following:

18 “SUBCHAPTER I—PROVISIONS RELATING TO  
19 MARKET-DOMINANT PRODUCTS”.

20 **SEC. 202. PROVISIONS RELATING TO COMPETITIVE PROD-**  
21 **UCTS.**

22 Chapter 36 of title 39, United States Code, is amend-  
23 ed by inserting after section 3629 the following:

1 “SUBCHAPTER II—PROVISIONS RELATING TO  
2 COMPETITIVE PRODUCTS

3 **“§ 3631. Applicability; definitions and updates**

4 “(a) APPLICABILITY.—This subchapter shall apply  
5 with respect to—

6 “(1) priority mail;

7 “(2) expedited mail;

8 “(3) bulk parcel post;

9 “(4) bulk international mail; and

10 “(5) mailgrams;

11 subject to subsection (d) and any changes the Postal Reg-  
12 ulatory Commission may make under section 3642.

13 “(b) DEFINITION.—For purposes of this subchapter,  
14 the term ‘costs attributable’, as used with respect to a  
15 product, means the direct and indirect postal costs attrib-  
16 utable to such product through reliably identified causal  
17 relationships.

18 “(c) RULE OF CONSTRUCTION.—Mail matter re-  
19 ferred to in subsection (a) shall, for purposes of this sub-  
20 chapter, be considered to have the meaning given to such  
21 mail matter under the mail classification schedule.

22 **“§ 3632. Action of the Governors**

23 “(a) AUTHORITY TO ESTABLISH RATES AND CLASS-  
24 ES.—The Governors, with the concurrence of a majority  
25 of all of the Governors then holding office, shall establish

1 rates and classes for products in the competitive category  
2 of mail in accordance with the requirements of this sub-  
3 chapter and regulations promulgated under section 3633.

4 “(b) PROCEDURES.—

5 “(1) IN GENERAL.—Rates and classes shall be  
6 established in writing, complete with a statement of  
7 explanation and justification, and the date as of  
8 which each such rate or class takes effect.

9 “(2) RATES OR CLASSES OF GENERAL APPLICA-  
10 BILITY.—In the case of rates or classes of general  
11 applicability in the Nation as a whole or in any sub-  
12 stantial region of the Nation, the Governors shall  
13 cause each rate and class decision under this section  
14 and the record of the Governors’ proceedings in con-  
15 nection with such decision to be published in the  
16 Federal Register at least 30 days before the effective  
17 date of any new rates or classes.

18 “(3) RATES OR CLASSES NOT OF GENERAL AP-  
19 PPLICABILITY.—In the case of rates or classes not of  
20 general applicability in the Nation as a whole or in  
21 any substantial region of the Nation, the Governors  
22 shall cause each rate and class decision under this  
23 section and the record of the proceedings in connec-  
24 tion with such decision to be filed with the Postal  
25 Regulatory Commission by such date before the ef-





1           “(1) IN GENERAL.—The Postal Service may  
2           conduct market tests of experimental products in ac-  
3           cordance with this section.

4           “(2) PROVISIONS WAIVED.—A product shall  
5           not, while it is being tested under this section, be  
6           subject to the requirements of sections 3622, 3633,  
7           or 3642, or regulations promulgated under those  
8           sections.

9           “(b) CONDITIONS.—A product may not be tested  
10          under this section unless it satisfies each of the following:

11           “(1) SIGNIFICANTLY DIFFERENT PRODUCT.—  
12          The product is, from the viewpoint of the mail users,  
13          significantly different from all products offered by  
14          the Postal Service within the 2-year period preceding  
15          the start of the test.

16           “(2) MARKET DISRUPTION.—The introduction  
17          or continued offering of the product will not create  
18          an unfair or otherwise inappropriate competitive ad-  
19          vantage for the Postal Service or any mailer, par-  
20          ticularly in regard to small business concerns (as de-  
21          fined under subsection (h)).

22           “(3) CORRECT CATEGORIZATION.—The Postal  
23          Service identifies the product, for the purpose of a  
24          test under this section, as either market-dominant or  
25          competitive, consistent with the criteria under sec-

1       tion 3642(b)(1). Costs and revenues attributable to  
2       a product identified as competitive shall be included  
3       in any determination under section 3633(3) (relating  
4       to provisions applicable to competitive products col-  
5       lectively). Any test that solely affects products cur-  
6       rently classified as competitive, or which provides  
7       services ancillary to only competitive products, shall  
8       be presumed to be in the competitive product cat-  
9       egory without regard to whether a similar ancillary  
10      product exists for market-dominant products.

11      “(c) NOTICE.—

12              “(1) IN GENERAL.—At least 30 days before ini-  
13      tiating a market test under this section, the Postal  
14      Service shall file with the Postal Regulatory Com-  
15      mission and publish in the Federal Register a no-  
16      tice—

17                      “(A) setting out the basis for the Postal  
18      Service’s determination that the market test is  
19      covered by this section; and

20                      “(B) describing the nature and scope of  
21      the market test.

22              “(2) SAFEGUARDS.—For a competitive experi-  
23      mental product, the provisions of section 504(g)  
24      shall be available with respect to any information re-  
25      quired to be filed under paragraph (1) to the same

1 extent and in the same manner as in the case of any  
2 matter described in section 504(g)(1). Nothing in  
3 paragraph (1) shall be considered to permit or re-  
4 quire the publication of any information as to which  
5 confidential treatment is accorded under the pre-  
6 ceding sentence (subject to the same exception as set  
7 forth in section 504(g)(3)).

8 “(d) DURATION.—

9 “(1) IN GENERAL.—A market test of a product  
10 under this section may be conducted over a period  
11 of not to exceed 24 months.

12 “(2) EXTENSION AUTHORITY.—If necessary in  
13 order to determine the feasibility or desirability of a  
14 product being tested under this section, the Postal  
15 Regulatory Commission may, upon written applica-  
16 tion of the Postal Service (filed not later than 60  
17 days before the date as of which the testing of such  
18 product would otherwise be scheduled to terminate  
19 under paragraph (1)), extend the testing of such  
20 product for not to exceed an additional 12 months.

21 “(e) DOLLAR-AMOUNT LIMITATION.—

22 “(1) IN GENERAL.—A product may only be  
23 tested under this section if the total revenues that  
24 are anticipated, or in fact received, by the Postal  
25 Service from such product do not exceed

1       \$10,000,000 in any year, subject to paragraph (2)  
2       and subsection (g). In carrying out the preceding  
3       sentence, the Postal Regulatory Commission may  
4       limit the amount of revenues the Postal Service may  
5       obtain from any particular geographic market as  
6       necessary to prevent market disruption (as defined  
7       under subsection (b)(2)).

8               “(2) EXEMPTION AUTHORITY.—The Postal  
9       Regulatory Commission may, upon written applica-  
10      tion of the Postal Service, exempt the market test  
11      from the limit in paragraph (1) if the total revenues  
12      that are anticipated, or in fact received, by the Post-  
13      al Service from such product do not exceed  
14      \$50,000,000 in any year, subject to subsection (g).  
15      In reviewing an application under this paragraph,  
16      the Postal Regulatory Commission shall approve  
17      such application if it determines that—

18                       “(A) the product is likely to benefit the  
19                       public and meet an expected demand;

20                       “(B) the product is likely to contribute to  
21                       the financial stability of the Postal Service; and

22                       “(C) the product is not likely to result in  
23                       unfair or otherwise inappropriate competition.

24               “(f) CANCELLATION.—If the Postal Regulatory Com-  
25      mission at any time determines that a market test under

1 this section fails, with respect to any particular product,  
2 to meet 1 or more of the requirements of this section, it  
3 may order the cancellation of the test involved or take  
4 such other action as it considers appropriate. A determina-  
5 tion under this subsection shall be made in accordance  
6 with such procedures as the Commission shall by regula-  
7 tion prescribe.

8       “(g) ADJUSTMENT FOR INFLATION.—For purposes  
9 of each year following the year in which occurs the dead-  
10 line for the Postal Service’s first report to the Postal Reg-  
11 ulatory Commission under section 3652(a), each dollar  
12 amount contained in this section shall be adjusted by the  
13 change in the Consumer Price Index for such year (as de-  
14 termined under regulations of the Commission).

15       “(h) DEFINITION OF A SMALL BUSINESS CON-  
16 CERN.—The criteria used in defining small business con-  
17 cerns or otherwise categorizing business concerns as small  
18 business concerns shall, for purposes of this section, be  
19 established by the Postal Regulatory Commission in con-  
20 formance with the requirements of section 3 of the Small  
21 Business Act.

22       “(i) EFFECTIVE DATE.—Market tests under this  
23 subchapter may be conducted in any year beginning with  
24 the first year in which occurs the deadline for the Postal

1 Service’s first report to the Postal Regulatory Commission  
2 under section 3652(a).

3 **“§ 3642. New products and transfers of products be-**  
4 **tween the market-dominant and competi-**  
5 **tive categories of mail**

6 “(a) IN GENERAL.—Upon request of the Postal Serv-  
7 ice or users of the mails, or upon its own initiative, the  
8 Postal Regulatory Commission may change the list of  
9 market-dominant products under section 3621 and the list  
10 of competitive products under section 3631 by adding new  
11 products to the lists, removing products from the lists, or  
12 transferring products between the lists.

13 “(b) CRITERIA.—All determinations by the Postal  
14 Regulatory Commission under subsection (a) shall be  
15 made in accordance with the following criteria:

16 “(1) The market-dominant category of products  
17 shall consist of each product in the sale of which the  
18 Postal Service exercises sufficient market power that  
19 it can effectively set the price of such product sub-  
20 stantially above costs, raise prices significantly, de-  
21 crease quality, or decrease output, without risk of  
22 losing a significant level of business to other firms  
23 offering similar products. The competitive category  
24 of products shall consist of all other products.

1           “(2) EXCLUSION OF PRODUCTS COVERED BY  
2           POSTAL MONOPOLY.—A product covered by the post-  
3           al monopoly shall not be subject to transfer under  
4           this section from the market-dominant category of  
5           mail. For purposes of the preceding sentence, the  
6           term ‘product covered by the postal monopoly’  
7           means any product the conveyance or transmission  
8           of which is reserved to the United States under sec-  
9           tion 1696 of title 18, subject to the same exception  
10          as set forth in the last sentence of section 409(e)(1).

11          “(3) ADDITIONAL CONSIDERATIONS.—In mak-  
12          ing any decision under this section, due regard shall  
13          be given to—

14                 “(A) the availability and nature of enter-  
15                 prises in the private sector engaged in the deliv-  
16                 ery of the product involved;

17                 “(B) the views of those who use the prod-  
18                 uct involved on the appropriateness of the pro-  
19                 posed action; and

20                 “(C) the likely impact of the proposed ac-  
21                 tion on small business concerns (within the  
22                 meaning of section 3641(h)).

23          “(c) TRANSFERS OF SUBCLASSES AND OTHER SUB-  
24          ORDINATE UNITS ALLOWABLE.—Nothing in this title  
25          shall be considered to prevent transfers under this section

1 from being made by reason of the fact that they would  
2 involve only some (but not all) of the subclasses or other  
3 subordinate units of the class of mail or type of postal  
4 service involved (without regard to satisfaction of min-  
5 imum quantity requirements standing alone).

6 “(d) NOTIFICATION AND PUBLICATION REQUIRE-  
7 MENTS.—

8 “(1) NOTIFICATION REQUIREMENT.—The Post-  
9 al Service shall, whenever it requests to add a prod-  
10 uct or transfer a product to a different category, file  
11 with the Postal Regulatory Commission and publish  
12 in the Federal Register a notice setting out the basis  
13 for its determination that the product satisfies the  
14 criteria under subsection (b) and, in the case of a  
15 request to add a product or transfer a product to  
16 the competitive category of mail, that the product  
17 meets the regulations promulgated by the Postal  
18 Regulatory Commission under section 3633. The  
19 provisions of section 504(g) shall be available with  
20 respect to any information required to be filed.

21 “(2) PUBLICATION REQUIREMENT.—The Postal  
22 Regulatory Commission shall, whenever it changes  
23 the list of products in the market-dominant or com-  
24 petitive category of mail, prescribe new lists of prod-  
25 ucts. The revised lists shall indicate how and when

1 any previous lists (including the lists under sections  
2 3621 and 3631) are superseded, and shall be pub-  
3 lished in the Federal Register.

4 “(e) PROHIBITION.—Except as provided in section  
5 3641, no product that involves the physical delivery of let-  
6 ters, printed matter, or packages may be offered by the  
7 Postal Service unless it has been assigned to the market-  
8 dominant or competitive category of mail (as appropriate)  
9 either—

10 “(1) under this subchapter; or

11 “(2) by or under any other provision of law.”.

12 **SEC. 204. REPORTING REQUIREMENTS AND RELATED PRO-**  
13 **VISIONS.**

14 (a) REDESIGNATION.—Chapter 36 of title 39, United  
15 States Code (as in effect before the amendment made by  
16 subsection (b)) is amended—

17 (1) by striking the heading for subchapter IV  
18 and inserting the following:

19 “SUBCHAPTER V—POSTAL SERVICES,  
20 COMPLAINTS, AND JUDICIAL REVIEW”; and

21 (2) by striking the heading for subchapter V  
22 and inserting the following:

1 “SUBCHAPTER VI—GENERAL”.

2 (b) REPORTS AND COMPLIANCE.—Chapter 36 of title  
3 39, United States Code, is amended by inserting after sub-  
4 chapter III the following:

5 “SUBCHAPTER IV—REPORTING  
6 REQUIREMENTS AND RELATED PROVISIONS

7 “§ 3651. Annual reports by the Commission

8 “(a) IN GENERAL.—The Postal Regulatory Commis-  
9 sion shall submit an annual report to the President and  
10 the Congress concerning the operations of the Commission  
11 under this title, including the extent to which regulations  
12 are achieving the objectives under sections 3622 and 3633,  
13 respectively.

14 “(b) ADDITIONAL INFORMATION.—

15 “(1) IN GENERAL.—In addition to the informa-  
16 tion required under subsection (a), each report  
17 under this section shall also include, with respect to  
18 the period covered by such report, an estimate of the  
19 costs incurred by the Postal Service in providing—

20 “(A) postal services to areas of the Nation  
21 where, in the judgment of the Postal Regu-  
22 latory Commission, the Postal Service either  
23 would not provide services at all or would not  
24 provide such services in accordance with the re-  
25 quirements of this title if the Postal Service

1           were not required to provide prompt, reliable,  
2           and efficient services to patrons in all areas and  
3           all communities, including as required under  
4           the first sentence of section 101(b);

5           “(B) free or reduced rates for postal serv-  
6           ices as required by this title; and

7           “(C) other public services or activities  
8           which, in the judgment of the Postal Regulatory  
9           Commission, would not otherwise have been  
10          provided by the Postal Service but for the re-  
11          quirements of law.

12          “(2) BASIS FOR ESTIMATES.—The Commission  
13          shall detail the basis for its estimates and the statu-  
14          tory requirements giving rise to the costs identified  
15          in each report under this section.

16          “(c) INFORMATION FROM POSTAL SERVICE.—The  
17          Postal Service shall provide the Postal Regulatory Com-  
18          mission with such information as may, in the judgment  
19          of the Commission, be necessary in order for the Commis-  
20          sion to prepare its reports under this section.

21          **“§ 3652. Annual reports to the Commission**

22          “(a) COSTS, REVENUES, RATES, AND SERVICE.—Ex-  
23          cept as provided in subsection (c), the Postal Service shall,  
24          no later than 90 days after the end of each year, prepare  
25          and submit to the Postal Regulatory Commission a report

1 (together with such nonpublic annex to the report as the  
2 Commission may require under subsection (e))—

3 “(1) which shall analyze costs, revenues, rates,  
4 and quality of service, using such methodologies as  
5 the Commission shall by regulation prescribe, and in  
6 sufficient detail to demonstrate that all products  
7 during such year complied with all applicable re-  
8 quirements of this title; and

9 “(2) which shall, for each market-dominant  
10 product provided in such year, provide—

11 “(A) product information, including mail  
12 volumes; and

13 “(B) measures of the quality of service af-  
14 forded by the Postal Service in connection with  
15 such product, including—

16 “(i) the level of service (described in  
17 terms of speed of delivery and reliability)  
18 provided; and

19 “(ii) the degree of customer satisfac-  
20 tion with the service provided.

21 The Inspector General shall regularly audit the data  
22 collection systems and procedures utilized in col-  
23 lecting information and preparing such report (in-  
24 cluding any annex thereto and the information re-  
25 quired under subsection (b)). The results of any

1 such audit shall be submitted to the Postal Service  
2 and the Postal Regulatory Commission.

3 “(b) INFORMATION RELATING TO WORKSHARE DIS-  
4 COUNTS.—The Postal Service shall include, in each report  
5 under subsection (a), the following information with re-  
6 spect to each market-dominant product for which a  
7 workshare discount was in effect during the period covered  
8 by such report:

9 “(1) The per-item cost avoided by the Postal  
10 Service by virtue of such discount.

11 “(2) The percentage of such per-item cost  
12 avoided that the per-item workshare discount rep-  
13 resents.

14 “(3) The per-item contribution made to institu-  
15 tional costs.

16 “(c) MARKET TESTS.—In carrying out subsections  
17 (a) and (b) with respect to experimental products offered  
18 through market tests under section 3641 in a year, the  
19 Postal Service shall—

20 “(1) report data on the costs, revenues, and  
21 quality of service by market test, which may be re-  
22 ported in summary form; and

23 “(2) report such data as the Postal Regulatory  
24 Commission requires.

1       “(d) SUPPORTING MATTER.—The Postal Regulatory  
2 Commission shall have access, in accordance with such  
3 regulations as the Commission shall prescribe, to the  
4 working papers and any other supporting matter of the  
5 Postal Service and the Inspector General in connection  
6 with any information submitted under this section.

7       “(e) CONTENT AND FORM OF REPORTS.—

8           “(1) IN GENERAL.—The Postal Regulatory  
9 Commission shall, by regulation, prescribe the con-  
10 tent and form of the public reports (and any non-  
11 public annex and supporting matter relating to the  
12 report) to be provided by the Postal Service under  
13 this section. In carrying out this subsection, the  
14 Commission shall give due consideration to—

15           “(A) providing the public with timely, ade-  
16 quate information to assess the lawfulness of  
17 rates charged;

18           “(B) avoiding unnecessary or unwarranted  
19 administrative effort and expense on the part of  
20 the Postal Service; and

21           “(C) protecting the confidentiality of com-  
22 mercially sensitive information.

23       “(2) REVISED REQUIREMENTS.—The Commis-  
24 sion may, on its own motion or on request of an in-  
25 terested party, initiate proceedings (to be conducted

1 in accordance with regulations that the Commission  
2 shall prescribe) to improve the quality, accuracy, or  
3 completeness of Postal Service data required by the  
4 Commission under this subsection whenever it shall  
5 appear that—

6 “(A) the attribution of costs or revenues to  
7 products has become significantly inaccurate or  
8 can be significantly improved;

9 “(B) the quality of service data has be-  
10 come significantly inaccurate or can be signifi-  
11 cantly improved; or

12 “(C) such revisions are, in the judgment of  
13 the Commission, otherwise necessitated by the  
14 public interest.

15 “(f) CONFIDENTIAL INFORMATION.—

16 “(1) IN GENERAL.—If the Postal Service deter-  
17 mines that any document or portion of a document,  
18 or other matter, which it provides to the Postal Reg-  
19 ulatory Commission in a nonpublic annex under this  
20 section or under subsection (d) contains information  
21 which is described in section 410(c) of this title, or  
22 exempt from public disclosure under section 552(b)  
23 of title 5, the Postal Service shall, at the time of  
24 providing such matter to the Commission, notify the  
25 Commission of its determination, in writing, and de-

1 scribe with particularity the documents (or portions  
2 of documents) or other matter for which confiden-  
3 tiality is sought and the reasons therefor.

4 “(2) TREATMENT.—Any information or other  
5 matter described in paragraph (1) to which the  
6 Commission gains access under this section shall be  
7 subject to paragraphs (2) and (3) of section 504(g)  
8 in the same way as if the Commission had received  
9 notification with respect to such matter under sec-  
10 tion 504(g)(1).

11 “(g) OTHER REPORTS.—The Postal Service shall  
12 submit to the Postal Regulatory Commission, together  
13 with any other submission that the Postal Service is re-  
14 quired to make under this section in a year, copies of its  
15 then most recent—

16 “(1) comprehensive statement under section  
17 2401(e);

18 “(2) performance plan under section 2803; and

19 “(3) program performance reports under sec-  
20 tion 2804.

21 **“§ 3653. Annual determination of compliance**

22 “(a) OPPORTUNITY FOR PUBLIC COMMENT.—After  
23 receiving the reports required under section 3652 for any  
24 year, the Postal Regulatory Commission shall promptly  
25 provide an opportunity for comment on such reports by

1 users of the mails, affected parties, and an officer of the  
2 Commission who shall be required to represent the inter-  
3 ests of the general public.

4 “(b) DETERMINATION OF COMPLIANCE OR NON-  
5 COMPLIANCE.—Not later than 90 days after receiving the  
6 submissions required under section 3652 with respect to  
7 a year, the Postal Regulatory Commission shall make a  
8 written determination as to—

9 “(1) whether any rates or fees in effect during  
10 such year (for products individually or collectively)  
11 were not in compliance with applicable provisions of  
12 this chapter (or regulations promulgated there-  
13 under); or

14 “(2) whether any service standards in effect  
15 during such year were not met.

16 If, with respect to a year, no instance of noncompliance  
17 is found under this subsection to have occurred in such  
18 year, the written determination shall be to that effect.

19 “(c) NONCOMPLIANCE WITH REGARD TO RATES OR  
20 SERVICES.—If, for a year, a timely written determination  
21 of noncompliance is made under subsection (b), the Postal  
22 Regulatory Commission shall take appropriate action in  
23 accordance with subsections (c) and (e) of section 3662  
24 (as if a complaint averring such noncompliance had been  
25 duly filed and found under such section to be justified).

1       “(d) REVIEW OF PERFORMANCE GOALS.—The Postal  
2 Regulatory Commission shall also evaluate annually  
3 whether the Postal Service has met the goals established  
4 under sections 2803 and 2804, and may provide rec-  
5 ommendations to the Postal Service related to the protec-  
6 tion or promotion of public policy objectives set out in this  
7 title.

8       “(e) REBUTTABLE PRESUMPTION.—A timely written  
9 determination described in the last sentence of subsection  
10 (b) shall, for purposes of any proceeding under section  
11 3662, create a rebuttable presumption of compliance by  
12 the Postal Service (with regard to the matters described  
13 under paragraphs (1) and (2) of subsection (b)) during  
14 the year to which such determination relates.

15 **“§ 3654. Additional financial reporting**

16       “(a) ADDITIONAL FINANCIAL REPORTING.—

17               “(1) IN GENERAL.—The Postal Service shall  
18 file with the Postal Regulatory Commission begin-  
19 ning with the first full fiscal year following the effec-  
20 tive date of this section—

21                       “(A) within 40 days after the end of each  
22 fiscal quarter, a quarterly report containing the  
23 information required by the Securities and Ex-  
24 change Commission to be included in quarterly  
25 reports under sections 13 and 15(d) of the Se-

1 securities Exchange Act of 1934 (15 U.S.C. 78m,  
2 78o(d)) on Form 10–Q, as such Form (or any  
3 successor form) may be revised from time to  
4 time;

5 “(B) within 60 days after the end of each  
6 fiscal year, an annual report containing the in-  
7 formation required by the Securities and Ex-  
8 change Commission to be included in annual re-  
9 ports under such sections on Form 10–K, as  
10 such Form (or any successor form) may be re-  
11 vised from time to time; and

12 “(C) periodic reports within the time frame  
13 and containing the information prescribed in  
14 Form 8–K of the Securities and Exchange  
15 Commission, as such Form (or any successor  
16 form) may be revised from time to time.

17 “(2) REGISTRANT DEFINED.—For purposes of  
18 defining the reports required by paragraph (1), the  
19 Postal Service shall be deemed to be the ‘registrant’  
20 described in the Securities and Exchange Commis-  
21 sion Forms, and references contained in such Forms  
22 to Securities and Exchange Commission regulations  
23 are incorporated herein by reference, as amended.

24 “(3) INTERNAL CONTROL REPORT.—For pur-  
25 poses of defining the reports required by paragraph

1 (1)(B), the Postal Service shall comply with the  
2 rules prescribed by the Securities and Exchange  
3 Commission implementing section 404 of the Sar-  
4 banes-Oxley Act of 2002 (15 U.S.C. 7262), begin-  
5 ning with the annual report for fiscal year 2010.

6 “(b) FINANCIAL REPORTING.—

7 “(1) The reports required by subsection  
8 (a)(1)(B) shall include, with respect to the Postal  
9 Service’s pension and post-retirement health obliga-  
10 tions—

11 “(A) the funded status of the Postal Serv-  
12 ice’s pension and postretirement health obliga-  
13 tions;

14 “(B) components of the net change in the  
15 fund balances and obligations and the nature  
16 and cause of any significant changes;

17 “(C) components of net periodic costs;

18 “(D) cost methods and assumptions under-  
19 lying the relevant actuarial valuations;

20 “(E) the effect of a one-percentage point  
21 increase in the assumed health care cost trend  
22 rate for each future year on the service and in-  
23 terest costs components of net periodic post-  
24 retirement health cost and the accumulated ob-  
25 ligation;

1           “(F) actual contributions to and payments  
2           from the funds for the years presented and the  
3           estimated future contributions and payments  
4           for each of the following 5 years;

5           “(G) the composition of plan assets re-  
6           flected in the fund balances; and

7           “(H) the assumed rate of return on fund  
8           balances and the actual rates of return for the  
9           years presented.

10          “(2) The Office of Personnel Management shall  
11          provide the data listed under paragraph (1) to the  
12          Postal Service not later than 30 days after the end  
13          of each fiscal year.

14          “(3)(A) Beginning with reports for the fiscal  
15          year 2010, for purposes of the reports required  
16          under subparagraphs (A) and (B) of subsection  
17          (a)(1), the Postal Service shall include segment re-  
18          porting.

19          “(B) The Postal Service shall determine the ap-  
20          propriate segment reporting under subparagraph (A)  
21          after consultation with the Postal Regulatory Com-  
22          mission.

23          “(c) TREATMENT.—For purposes of the reports re-  
24          quired by subsection (a)(1)(B), the Postal Service shall  
25          obtain an opinion from an independent auditor on whether

1 the information listed in subsection (b) is fairly stated in  
2 all material respects, either in relation to the basic finan-  
3 cial statements as a whole or on a stand-alone basis.

4 “(d) SUPPORTING MATTER.—The Postal Regulatory  
5 Commission shall have access to the audit documentation  
6 and any other supporting matter of the Postal Service and  
7 its independent auditor in connection with any information  
8 submitted under this section.

9 “(e) REVISED REQUIREMENTS.—The Postal Regu-  
10 latory Commission may, on its own motion or on request  
11 of an interested party, initiate proceedings (to be con-  
12 ducted in accordance with regulations that the Commis-  
13 sion shall prescribe) to improve the quality, accuracy, or  
14 completeness of Postal Service data required under this  
15 section whenever it shall appear that—

16 “(1) the data have become significantly inac-  
17 curate or can be significantly improved; or

18 “(2) those revisions are, in the judgment of the  
19 Commission, otherwise necessitated by the public in-  
20 terest.

21 “(f) CONFIDENTIAL INFORMATION.—

22 “(1) IN GENERAL.—If the Postal Service deter-  
23 mines that any document or portion of a document,  
24 or other matter, which it provides to the Postal Reg-  
25 ulatory Commission in a nonpublic annex under this

1 section or pursuant to subsection (d) contains infor-  
2 mation which is described in section 410(c) of this  
3 title, or exempt from public disclosure under section  
4 552(b) of title 5, the Postal Service shall, at the  
5 time of providing such matter to the Commission,  
6 notify the Commission of its determination, in writ-  
7 ing, and describe with particularity the documents  
8 (or portions of documents) or other matter for which  
9 confidentiality is sought and the reasons therefor.

10 “(2) TREATMENT.—Any information or other  
11 matter described in paragraph (1) to which the  
12 Commission gains access under this section shall be  
13 subject to paragraphs (2) and (3) of section 504(g)  
14 in the same way as if the Commission had received  
15 notification with respect to such matter under sec-  
16 tion 504(g)(1).”.

17 **SEC. 205. COMPLAINTS; APPELLATE REVIEW AND EN-**  
18 **FORCEMENT.**

19 Chapter 36 of title 39, United States Code, is amend-  
20 ed by striking sections 3662 and 3663 and inserting the  
21 following:

22 **“§ 3662. Rate and service complaints**

23 “(a) IN GENERAL.—Any interested person (including  
24 an officer of the Postal Regulatory Commission rep-  
25 resenting the interests of the general public) who believes

1 the Postal Service is not operating in conformance with  
2 the requirements of the provisions of sections 101(d),  
3 401(2), 403(c), 404a, or 601, or this chapter (or regula-  
4 tions promulgated under any of those provisions) may  
5 lodge a complaint with the Postal Regulatory Commission  
6 in such form and manner as the Commission may pre-  
7 scribe.

8 “(b) PROMPT RESPONSE REQUIRED.—

9 “(1) IN GENERAL.—The Postal Regulatory  
10 Commission shall, within 90 days after receiving a  
11 complaint under subsection (a)—

12 “(A) either—

13 “(i) upon a finding that such com-  
14 plaint raises material issues of fact or law,  
15 begin proceedings on such complaint; or

16 “(ii) issue an order dismissing the  
17 complaint; and

18 “(B) with respect to any action taken  
19 under subparagraph (A) (i) or (ii), issue a writ-  
20 ten statement setting forth the bases of its de-  
21 termination.

22 “(2) TREATMENT OF COMPLAINTS NOT TIMELY  
23 ACTED ON.—For purposes of section 3663, any com-  
24 plaint under subsection (a) on which the Commis-  
25 sion fails to act in the time and manner required by

1 paragraph (1) shall be treated in the same way as  
2 if it had been dismissed pursuant to an order issued  
3 by the Commission on the last day allowable for the  
4 issuance of such order under paragraph (1).

5 “(c) ACTION REQUIRED IF COMPLAINT FOUND TO  
6 BE JUSTIFIED.—If the Postal Regulatory Commission  
7 finds the complaint to be justified, it shall order that the  
8 Postal Service take such action as the Commission con-  
9 siderers appropriate in order to achieve compliance with the  
10 applicable requirements and to remedy the effects of any  
11 noncompliance (such as ordering unlawful rates to be ad-  
12 justed to lawful levels, ordering the cancellation of market  
13 tests, ordering the Postal Service to discontinue providing  
14 loss-making products, or requiring the Postal Service to  
15 make up for revenue shortfalls in competitive products).

16 “(d) AUTHORITY TO ORDER FINES IN CASES OF DE-  
17 LIBERATE NONCOMPLIANCE.—In addition, in cases of de-  
18 liberate noncompliance by the Postal Service with the re-  
19 quirements of this title, the Postal Regulatory Commission  
20 may order, based on the nature, circumstances, extent,  
21 and seriousness of the noncompliance, a fine (in the  
22 amount specified by the Commission in its order) for each  
23 incidence of noncompliance. Fines resulting from the pro-  
24 vision of competitive products shall be paid from the Com-  
25 petitive Products Fund established in section 2011. All re-

1 cepts from fines imposed under this subsection shall be  
 2 deposited in the general fund of the Treasury of the  
 3 United States.

4 **“§ 3663. Appellate review**

5 “A person, including the Postal Service, adversely af-  
 6 fected or aggrieved by a final order or decision of the Post-  
 7 al Regulatory Commission may, within 30 days after such  
 8 order or decision becomes final, institute proceedings for  
 9 review thereof by filing a petition in the United States  
 10 Court of Appeals for the District of Columbia. The court  
 11 shall review the order or decision in accordance with sec-  
 12 tion 706 of title 5, and chapter 158 and section 2112 of  
 13 title 28, on the basis of the record before the Commission.

14 **“§ 3664. Enforcement of orders**

15 “The several district courts have jurisdiction specifi-  
 16 cally to enforce, and to enjoin and restrain the Postal  
 17 Service from violating, any order issued by the Postal Reg-  
 18 ulatory Commission.”.

19 **SEC. 206. CLERICAL AMENDMENT.**

20 Chapter 36 of title 39, United States Code, is amend-  
 21 ed by striking the heading and analysis for such chapter  
 22 and inserting the following:

**“CHAPTER 36—POSTAL RATES, CLASSES, AND SERVICES**

**“SUBCHAPTER I—PROVISIONS RELATING TO MARKET-DOMINANT  
 PRODUCTS**

“Sec.

“3621. Applicability; definitions.

“3622. Modern rate regulation.

- “[3623. Repealed.]
- “[3624. Repealed.]
- “[3625. Repealed.]
- “3626. Reduced Rates.
- “3627. Adjusting free rates.
- “[3628. Repealed.]
- “3629. Reduced rates for voter registration purposes.

“SUBCHAPTER II—PROVISIONS RELATING TO COMPETITIVE  
PRODUCTS

- “3631. Applicability; definitions and updates.
- “3632. Action of the Governors.
- “3633. Provisions applicable to rates for competitive products.
- “3634. Assumed Federal income tax on competitive products.

“SUBCHAPTER III—PROVISIONS RELATING TO EXPERIMENTAL  
AND NEW PRODUCTS

- “3641. Market tests of experimental products.
- “3642. New products and transfers of products between the market-dominant and competitive categories of mail.

“SUBCHAPTER IV—REPORTING REQUIREMENTS AND RELATED  
PROVISIONS

- “3651. Annual reports by the Commission.
- “3652. Annual reports to the Commission.
- “3653. Annual determination of compliance.
- “3654. Additional financial reporting.

“SUBCHAPTER V—POSTAL SERVICES, COMPLAINTS, AND  
JUDICIAL REVIEW

- “3661. Postal Services.
- “3662. Rate and service complaints.
- “3663. Appellate review.
- “3664. Enforcement of orders.

“SUBCHAPTER VI—GENERAL

- “3681. Reimbursement.
- “3682. Size and weight limits.
- “3683. Uniform rates for books; films, other materials.
- “3684. Limitations.
- “3685. Filing of information relating to periodical publications.
- “3686. Bonus authority.

“SUBCHAPTER VII—MODERN SERVICE STANDARDS

- “3691. Establishment of modern service standards.”.

1       **TITLE III—MODERN SERVICE**  
2                                   **STANDARDS**

3   **SEC. 301. ESTABLISHMENT OF MODERN SERVICE STAND-**  
4                                   **ARDS.**

5       Chapter 36 of title 39, United States Code, as  
6   amended by this Act, is further amended by adding at the  
7   end the following:

8                   “SUBCHAPTER VII—MODERN SERVICE  
9                                   STANDARDS

10   “§ 3691. **Establishment of modern service standards**

11       “(a) **AUTHORITY GENERALLY.**—Not later than 12  
12   months after the date of enactment of this section, the  
13   Postal Service shall, in consultation with the Postal Regu-  
14   latory Commission, by regulation establish (and may from  
15   time to time thereafter by regulation revise) a set of serv-  
16   ice standards for market-dominant products.

17       “(b) **OBJECTIVES.**—

18               “(1) **IN GENERAL.**—Such standards shall be de-  
19   signed to achieve the following objectives:

20                   “(A) To enhance the value of postal serv-  
21   ices to both senders and recipients.

22                   “(B) To preserve regular and effective ac-  
23   cess to postal services in all communities, in-  
24   cluding those in rural areas or where post of-  
25   fices are not self-sustaining.

1           “(C) To reasonably assure Postal Service  
2 customers delivery reliability, speed and fre-  
3 quency consistent with reasonable rates and  
4 best business practices.

5           “(D) To provide a system of objective ex-  
6 ternal performance measurements for each mar-  
7 ket-dominant product as a basis for measure-  
8 ment of Postal Service performance.

9           “(2) IMPLEMENTATION OF PERFORMANCE  
10 MEASUREMENTS.—With respect to paragraph  
11 (1)(D), with the approval of the Postal Regulatory  
12 Commission an internal measurement system may be  
13 implemented instead of an external measurement  
14 system.

15          “(c) FACTORS.—In establishing or revising such  
16 standards, the Postal Service shall take into account—

17           “(1) the actual level of service that Postal Serv-  
18 ice customers receive under any service guidelines  
19 previously established by the Postal Service or serv-  
20 ice standards established under this section;

21           “(2) the degree of customer satisfaction with  
22 Postal Service performance in the acceptance, proc-  
23 essing and delivery of mail;

24           “(3) the needs of Postal Service customers, in-  
25 cluding those with physical impairments;

1           “(4) mail volume and revenues projected for fu-  
2           ture years;

3           “(5) the projected growth in the number of ad-  
4           dresses the Postal Service will be required to serve  
5           in future years;

6           “(6) the current and projected future cost of  
7           serving Postal Service customers;

8           “(7) the effect of changes in technology, demo-  
9           graphics, and population distribution on the efficient  
10          and reliable operation of the postal delivery system;  
11          and

12          “(8) the policies of this title and such other fac-  
13          tors as the Postal Service determines appropriate.

14          “(d) REVIEW.—The regulations promulgated pursu-  
15          ant to this section (and any revisions thereto), and any  
16          violations thereof, shall be subject to review upon com-  
17          plaint under sections 3662 and 3663.”.

18          **SEC. 302. POSTAL SERVICE PLAN.**

19          (a) IN GENERAL.—Within 6 months after the estab-  
20          lishment of the service standards under section 3691 of  
21          title 39, United States Code, as added by this Act, the  
22          Postal Service shall, in consultation with the Postal Regu-  
23          latory Commission, develop and submit to Congress a plan  
24          for meeting those standards.

25          (b) CONTENTS.—The plan under this section shall—

1 (1) establish performance goals;

2 (2) describe any changes to the Postal Service's  
3 processing, transportation, delivery, and retail net-  
4 works necessary to allow the Postal Service to meet  
5 the performance goals;

6 (3) describe any changes to planning and per-  
7 formance management documents previously sub-  
8 mitted to Congress to reflect new performance goals;  
9 and

10 (4) describe the long-term vision of the Postal  
11 Service for rationalizing its infrastructure and work-  
12 force, and how the Postal Service intends to imple-  
13 ment that vision.

14 (c) POSTAL FACILITIES.—

15 (1) FINDINGS.—Congress finds that—

16 (A) the Postal Service has more than 400  
17 logistics facilities, separate from its post office  
18 network;

19 (B) as noted by the President's Commis-  
20 sion on the United States Postal Service, the  
21 Postal Service has more facilities than it needs  
22 and the streamlining of this distribution net-  
23 work can pave the way for the potential consoli-  
24 dation of sorting facilities and the elimination  
25 of excess costs;

1 (C) the Postal Service has always revised  
2 its distribution network to meet changing condi-  
3 tions and is best suited to address its oper-  
4 ational needs; and

5 (D) Congress strongly encourages the  
6 Postal Service to—

7 (i) expeditiously move forward in its  
8 streamlining efforts; and

9 (ii) keep unions, management associa-  
10 tions, and local elected officials informed  
11 as an essential part of this effort and abide  
12 by any procedural requirements contained  
13 in the national bargaining agreements.

14 (2) IN GENERAL.—The Postal Service plan  
15 shall include a description of—

16 (A) the long-term vision of the Postal  
17 Service for rationalizing its infrastructure and  
18 workforce; and

19 (B) how the Postal Service intends to im-  
20 plement that vision.

21 (3) CONTENT OF FACILITIES PLAN.—The plan  
22 under this subsection shall include—

23 (A) a strategy for how the Postal Service  
24 intends to rationalize the postal facilities net-  
25 work and remove excess processing capacity and

1 space from the network, including estimated  
2 timeframes, criteria, and processes to be used  
3 for making changes to the facilities network,  
4 and the process for engaging policy makers and  
5 the public in related decisions;

6 (B) a discussion of what impact any facil-  
7 ity changes may have on the postal workforce  
8 and whether the Postal Service has sufficient  
9 flexibility to make needed workforce changes;

10 (C) an identification of anticipated costs,  
11 cost savings, and other benefits associated with  
12 the infrastructure rationalization alternatives  
13 discussed in the plan; and

14 (D) procedures that the Postal Service will  
15 use to—

16 (i) provide adequate public notice to  
17 communities potentially affected by a pro-  
18 posed rationalization decision;

19 (ii) make available information re-  
20 garding any service changes in the affected  
21 communities, any other effects on cus-  
22 tomers, any effects on postal employees,  
23 and any cost savings;

1 (iii) afford affected persons ample op-  
2 portunity to provide input on the proposed  
3 decision; and

4 (iv) take such comments into account  
5 in making a final decision.

6 (4) ANNUAL REPORTS.—

7 (A) IN GENERAL.—Not later than 90 days  
8 after the end of each fiscal year, the Postal  
9 Service shall prepare and submit a report to  
10 Congress on how postal decisions have impacted  
11 or will impact rationalization plans.

12 (B) CONTENTS.—Each report under this  
13 paragraph shall include—

14 (i) an account of actions taken during  
15 the preceding fiscal year to improve the ef-  
16 ficiency and effectiveness of its processing,  
17 transportation, and distribution networks  
18 while preserving the timely delivery of  
19 postal services, including overall estimated  
20 costs and cost savings;

21 (ii) an account of actions taken to  
22 identify any excess capacity within its  
23 processing, transportation, and distribution  
24 networks and implement savings through  
25 realignment or consolidation of facilities

1 including overall estimated costs and cost  
2 savings;

3 (iii) an estimate of how postal deci-  
4 sions related to mail changes, security, au-  
5 tomation initiatives, worksharing, informa-  
6 tion technology systems, excess capacity,  
7 consolidating and closing facilities, and  
8 other areas will impact rationalization  
9 plans;

10 (iv) identification of any statutory or  
11 regulatory obstacles that prevented or will  
12 prevent or hinder the Postal Service from  
13 taking action to realign or consolidate fa-  
14 cilities; and

15 (v) such additional topics and rec-  
16 ommendations as the Postal Service con-  
17 siders appropriate.

18 (5) EXISTING EFFORTS.—Effective on the date  
19 of enactment of this Act, the Postal Service may not  
20 close or consolidate any processing or logistics facili-  
21 ties without using procedures for public notice and  
22 input consistent with those described under para-  
23 graph (3)(D).

24 (d) ALTERNATE RETAIL OPTIONS.—The Postal Serv-  
25 ice plan shall include plans to expand and market retail

1 access to postal services, in addition to post offices, includ-  
2 ing—

3 (1) vending machines;

4 (2) the Internet;

5 (3) postage meters;

6 (4) Stamps by Mail;

7 (5) Postal Service employees on delivery routes;

8 (6) retail facilities in which overhead costs are  
9 shared with private businesses and other government  
10 agencies;

11 (7) postal kiosks; or

12 (8) any other nonpost office access channel pro-  
13 viding market retail access to postal services.

14 (e) REEMPLOYMENT ASSISTANCE AND RETIREMENT  
15 BENEFITS.—The Postal Service plan shall include—

16 (1) a comprehensive plan under which reem-  
17 ployment assistance shall be afforded to employees  
18 displaced as a result of automation of any of its  
19 functions, the closing and consolidation of any of its  
20 facilities, or such other reasons as the Postal Service  
21 may determine; and

22 (2) a plan, developed in consultation with the  
23 Office of Personnel Management, to offer early re-  
24 tirement benefits.

1 (f) CONTINUED AUTHORITY.—Nothing in this section  
2 shall be construed to prohibit the Postal Service from im-  
3 plementing any change to its processing, transportation,  
4 delivery, and retail networks under any authority granted  
5 to the Postal Service for those purposes.

6 **TITLE IV—PROVISIONS RELAT-**  
7 **ING TO FAIR COMPETITION**

8 **SEC. 401. POSTAL SERVICE COMPETITIVE PRODUCTS**  
9 **FUND.**

10 (a) PROVISIONS RELATING TO POSTAL SERVICE  
11 COMPETITIVE PRODUCTS FUND AND RELATED MAT-  
12 TERS.—

13 (1) IN GENERAL.—Chapter 20 of title 39,  
14 United States Code, is amended by adding at the  
15 end the following:

16 **“§ 2011. Provisions relating to competitive products**

17 “(a)(1) In this subsection, the term ‘costs attrib-  
18 utable’ has the meaning given such term by section 3631.

19 “(2) There is established in the Treasury of the  
20 United States a revolving fund, to be called the Postal  
21 Service Competitive Products Fund, which shall be avail-  
22 able to the Postal Service without fiscal year limitation  
23 for the payment of—

24 “(A) costs attributable to competitive products;  
25 and

1           “(B) all other costs incurred by the Postal  
2           Service, to the extent allocable to competitive prod-  
3           ucts.

4           “(b) There shall be deposited in the Competitive  
5           Products Fund, subject to withdrawal by the Postal Serv-  
6           ice—

7           “(1) revenues from competitive products;

8           “(2) amounts received from obligations issued  
9           by Postal Service under subsection (e);

10           “(3) interest and dividends earned on invest-  
11           ments of the Competitive Products Fund; and

12           “(4) any other receipts of the Postal Service  
13           (including from the sale of assets), to the extent al-  
14           locable to competitive products.

15           “(c) If the Postal Service determines that the moneys  
16           of the Competitive Products Fund are in excess of current  
17           needs, the Postal Service may request the investment of  
18           such amounts as the Postal Service determines advisable  
19           by the Secretary of the Treasury in obligations of, or obli-  
20           gations guaranteed by, the Government of the United  
21           States, and, with the approval of the Secretary, in such  
22           other obligations or securities as the Postal Service deter-  
23           mines appropriate.

24           “(d) With the approval of the Secretary of the Treas-  
25           ury, the Postal Service may deposit moneys of the Com-

1 petitive Products Fund in any Federal Reserve bank, any  
2 depository for public funds, or in such other places and  
3 in such manner as the Postal Service and the Secretary  
4 may mutually agree.

5 “(e)(1)(A) Subject to the limitations specified in sec-  
6 tion 2005(a), the Postal Service is authorized to borrow  
7 money and to issue and sell such obligations as the Postal  
8 Service determines necessary to provide for competitive  
9 products and deposit such amounts in the Competitive  
10 Products Fund.

11 “(B) Subject to paragraph (5), any borrowings by the  
12 Postal Service under subparagraph (A) shall be supported  
13 and serviced by—

14 “(i) the revenues and receipts from competitive  
15 products and the assets related to the provision of  
16 competitive products (as determined under sub-  
17 section (h)); or

18 “(ii) for purposes of any period before account-  
19 ing practices and principles under subsection (h)  
20 have been established and applied, the best informa-  
21 tion available from the Postal Service, including the  
22 audited statements required by section 2008(e).

23 “(2) The Postal Service may enter into binding cov-  
24 enants with the holders of such obligations, and with any

1 trustee under any agreement entered into in connection  
2 with the issuance of such obligations with respect to—

3           “(A) the establishment of reserve, sinking, and  
4 other funds;

5           “(B) application and use of revenues and re-  
6 ceipts of the Competitive Products Fund;

7           “(C) stipulations concerning the subsequent  
8 issuance of obligations or the execution of leases or  
9 lease purchases relating to properties of the Postal  
10 Service; and

11           “(D) such other matters as the Postal Service,  
12 considers necessary or desirable to enhance the mar-  
13 ketability of such obligations.

14           “(3) Obligations issued by the Postal Service under  
15 this subsection—

16           “(A) shall be in such forms and denominations;

17           “(B) shall be sold at such times and in such  
18 amounts;

19           “(C) shall mature at such time or times;

20           “(D) shall be sold at such prices;

21           “(E) shall bear such rates of interest;

22           “(F) may be redeemable before maturity in  
23 such manner, at such times, and at such redemption  
24 premiums;

1           “(G) may be entitled to such relative priorities  
2           of claim on the assets of the Postal Service with re-  
3           spect to principal and interest payments; and

4           “(H) shall be subject to such other terms and  
5           conditions,

6 as the Postal Service determines.

7           “(4) Obligations issued by the Postal Service under  
8 this subsection—

9           “(A) shall be negotiable or nonnegotiable and  
10          bearer or registered instruments, as specified therein  
11          and in any indenture or covenant relating thereto;

12          “(B) shall contain a recital that such obliga-  
13          tions are issued under this section, and such recital  
14          shall be conclusive evidence of the regularity of the  
15          issuance and sale of such obligations and of their va-  
16          lidity;

17          “(C) shall be lawful investments and may be ac-  
18          cepted as security for all fiduciary, trust, and public  
19          funds, the investment or deposit of which shall be  
20          under the authority or control of any officer or agen-  
21          cy of the Government of the United States, and the  
22          Secretary of the Treasury or any other officer or  
23          agency having authority over or control of any such  
24          fiduciary, trust, or public funds, may at any time

1 sell any of the obligations of the Postal Service ac-  
2 quired under this section;

3 “(D) shall not be exempt either as to principal  
4 or interest from any taxation now or hereafter im-  
5 posed by any State or local taxing authority; and

6 “(E) except as provided in section 2006(e),  
7 shall not be obligations of, nor shall payment of the  
8 principal thereof or interest thereon be guaranteed  
9 by, the Government of the United States, and the  
10 obligations shall so plainly state.

11 “(5) The Postal Service shall make payments of prin-  
12 cipal, or interest, or both on obligations issued under this  
13 section out of revenues and receipts from competitive  
14 products and assets related to the provision of competitive  
15 products (as determined under subsection (h)), or for pur-  
16 poses of any period before accounting practices and prin-  
17 ciples under subsection (h) have been established and ap-  
18 plied, the best information available, including the audited  
19 statements required by section 2008(e). For purposes of  
20 this subsection, the total assets of the Competitive Prod-  
21 ucts Fund shall be the greater of—

22 “(A) the assets related to the provision of com-  
23 petitive products as calculated under subsection (h);  
24 or

1           “(B) the percentage of total Postal Service rev-  
2           enues and receipts from competitive products times  
3           the total assets of the Postal Service.

4           “(f) The receipts and disbursements of the Competi-  
5           tive Products Fund shall be accorded the same budgetary  
6           treatment as is accorded to receipts and disbursements of  
7           the Postal Service Fund under section 2009a.

8           “(g) A judgment (or settlement of a claim) against  
9           the Postal Service or the Government of the United States  
10          shall be paid out of the Competitive Products Fund to the  
11          extent that the judgment or claim arises out of activities  
12          of the Postal Service in the provision of competitive prod-  
13          ucts.

14          “(h)(1)(A) The Secretary of the Treasury, in con-  
15          sultation with the Postal Service and an independent, cer-  
16          tified public accounting firm and other advisors as the  
17          Secretary considers appropriate, shall develop rec-  
18          ommendations regarding—

19                  “(i) the accounting practices and principles that  
20                  should be followed by the Postal Service with the ob-  
21                  jectives of—

22                          “(I) identifying and valuing the assets and  
23                          liabilities of the Postal Service associated with  
24                          providing competitive products, including the  
25                          capital and operating costs incurred by the

1           Postal Service in providing such competitive  
2           products; and

3           “(II) subject to subsection (e)(5), pre-  
4           venting the subsidization of such products by  
5           market-dominant products; and

6           “(ii) the substantive and procedural rules that  
7           should be followed in determining the assumed Fed-  
8           eral income tax on competitive products income of  
9           the Postal Service for any year (within the meaning  
10          of section 3634).

11          “(B) Not earlier than 6 months after the date of en-  
12          actment of this section, and not later than 12 months  
13          after such date, the Secretary of the Treasury shall submit  
14          the recommendations under subparagraph (A) to the Post-  
15          al Regulatory Commission.

16          “(2)(A) Upon receiving the recommendations of the  
17          Secretary of the Treasury under paragraph (1), the Com-  
18          mission shall give interested parties, including the Postal  
19          Service, users of the mails, and an officer of the Commis-  
20          sion who shall be required to represent the interests of  
21          the general public, an opportunity to present their views  
22          on those recommendations through submission of written  
23          data, views, or arguments with or without opportunity for  
24          oral presentation, or in such other manner as the Commis-  
25          sion considers appropriate.

1 “(B)(i) After due consideration of the views and other  
2 information received under subparagraph (A), the Com-  
3 mission shall by rule—

4 “(I) provide for the establishment and applica-  
5 tion of the accounting practices and principles which  
6 shall be followed by the Postal Service;

7 “(II) provide for the establishment and applica-  
8 tion of the substantive and procedural rules de-  
9 scribed under paragraph (1)(A)(ii); and

10 “(III) provide for the submission by the Postal  
11 Service to the Postal Regulatory Commission of an-  
12 nual and other periodic reports setting forth such in-  
13 formation as the Commission may require.

14 “(ii) Final rules under this subparagraph shall be  
15 issued not later than 12 months after the date on which  
16 recommendations are submitted under paragraph (1) (or  
17 by such later date on which the Commission and the Post-  
18 al Service may agree). The Commission is authorized to  
19 promulgate regulations revising such rules.

20 “(C)(i) Reports described under subparagraph  
21 (B)(i)(III) shall be submitted at such time and in such  
22 form, and shall include such information, as the Commis-  
23 sion by rule requires.

24 “(ii) The Commission may, on its own motion or on  
25 request of an interested party, initiate proceedings (to be

1 conducted in accordance with such rules as the Commis-  
2 sion shall prescribe) to improve the quality, accuracy, or  
3 completeness of Postal Service information under subpara-  
4 graph (B)(i)(III) whenever it shall appear that—

5 “(I) the quality of the information furnished in  
6 those reports has become significantly inaccurate or  
7 can be significantly improved; or

8 “(II) such revisions are, in the judgment of the  
9 Commission, otherwise necessitated by the public in-  
10 terest.

11 “(D) A copy of each report described under subpara-  
12 graph (B)(i)(III) shall be submitted by the Postal Service  
13 to the Secretary of the Treasury and the Inspector Gen-  
14 eral of the United States Postal Service.

15 “(i)(1) The Postal Service shall submit an annual re-  
16 port to the Secretary of the Treasury concerning the oper-  
17 ation of the Competitive Products Fund. The report shall  
18 address such matters as risk limitations, reserve balances,  
19 allocation or distribution of moneys, liquidity require-  
20 ments, and measures to safeguard against losses.

21 “(2) A copy of the most recent report submitted  
22 under paragraph (1) shall be included in the annual report  
23 submitted by the Postal Regulatory Commission under  
24 section 3652(g).”.

1           (2) CLERICAL AMENDMENT.—The table of sec-  
2           tions for chapter 20 of title 39, United States Code,  
3           is amended by adding after the item relating to sec-  
4           tion 2010 the following:

“2011. Provisions relating to competitive products.”.

5           (b) TECHNICAL AND CONFORMING AMENDMENTS.—

6           (1) DEFINITION.—Section 2001 of title 39,  
7           United States Code, is amended by striking “and”  
8           at the end of paragraph (1), by redesignating para-  
9           graph (2) as paragraph (3), and by inserting after  
10          paragraph (1) the following:

11          “(2) COMPETITIVE PRODUCTS FUND.—The  
12          term ‘Competitive Products Fund’ means the Postal  
13          Service Competitive Products Fund established by  
14          section 2011; and”.

15          (2) CAPITAL OF THE POSTAL SERVICE.—Sec-  
16          tion 2002(b) of title 39, United States Code, is  
17          amended by striking “Fund,” and inserting “Fund  
18          and the balance in the Competitive Products  
19          Fund,”.

20          (3) POSTAL SERVICE FUND.—

21                (A) PURPOSES FOR WHICH AVAILABLE.—

22                Section 2003(a) of title 39, United States Code,  
23                is amended by striking “title.” and inserting  
24                “title (other than any of the purposes, func-

1 tions, or powers for which the Competitive  
2 Products Fund is available).”.

3 (B) DEPOSITS.—Section 2003(b) of title  
4 39, United States Code, is amended by striking  
5 “There” and inserting “Except as otherwise  
6 provided in section 2011, there”.

7 (4) RELATIONSHIP BETWEEN THE TREASURY  
8 AND THE POSTAL SERVICE.—Section 2006 of title  
9 39, United States Code, is amended—

10 (A) in subsection (a), in the first sentence,  
11 by inserting “or 2011” after “section 2005”;

12 (B) in subsection (b)—

13 (i) in the first sentence, by inserting  
14 “under section 2005” before “in such  
15 amounts”; and

16 (ii) in the second sentence, by insert-  
17 ing “under section 2005” before “in excess  
18 of such amount.”; and

19 (C) in subsection (c), by inserting “or  
20 2011(e)(4)(E)” after “section 2005(d)(5)”.

21 **SEC. 402. ASSUMED FEDERAL INCOME TAX ON COMPETI-**  
22 **TIVE PRODUCTS INCOME.**

23 Subchapter II of chapter 36 of title 39, United States  
24 Code, as amended by section 202, is amended by adding  
25 at the end the following:

1 **“§ 3634. Assumed Federal income tax on competitive**  
2 **products income**

3 “(a) DEFINITIONS.—For purposes of this section—

4 “(1) the term ‘assumed Federal income tax on  
5 competitive products income’ means the net income  
6 tax that would be imposed by chapter 1 of the Inter-  
7 nal Revenue Code of 1986 on the Postal Service’s  
8 assumed taxable income from competitive products  
9 for the year; and

10 “(2) the term ‘assumed taxable income from  
11 competitive products’, with respect to a year, refers  
12 to the amount representing what would be the tax-  
13 able income of a corporation under the Internal Rev-  
14 enue Code of 1986 for the year, if—

15 “(A) the only activities of such corporation  
16 were the activities of the Postal Service allo-  
17 cable under section 2011(h) to competitive  
18 products; and

19 “(B) the only assets held by such corpora-  
20 tion were the assets of the Postal Service allo-  
21 cable under section 2011(h) to such activities.

22 “(b) COMPUTATION AND TRANSFER REQUIRE-  
23 MENTS.—The Postal Service shall, for each year beginning  
24 with the year in which occurs the deadline for the Postal  
25 Service’s first report to the Postal Regulatory Commission  
26 under section 3652(a)—

1           “(1) compute its assumed Federal income tax  
2           on competitive products income for such year; and

3           “(2) transfer from the Competitive Products  
4           Fund to the Postal Service Fund the amount of that  
5           assumed tax.

6           “(c) DEADLINE FOR TRANSFERS.—Any transfer re-  
7           quired to be made under this section for a year shall be  
8           due on or before the January 15th next occurring after  
9           the close of such year.”.

10 **SEC. 403. UNFAIR COMPETITION PROHIBITED.**

11           (a) SPECIFIC LIMITATIONS.—Chapter 4 of title 39,  
12           United States Code, is amended by adding after section  
13           404 the following:

14 **“§ 404a. Specific limitations**

15           “(a) Except as specifically authorized by law, the  
16           Postal Service may not—

17                   “(1) establish any rule or regulation (including  
18                   any standard) the effect of which is to preclude com-  
19                   petition or establish the terms of competition unless  
20                   the Postal Service demonstrates that the regulation  
21                   does not create an unfair competitive advantage for  
22                   itself or any entity funded (in whole or in part) by  
23                   the Postal Service;

24                   “(2) compel the disclosure, transfer, or licens-  
25                   ing of intellectual property to any third party (such

1 as patents, copyrights, trademarks, trade secrets,  
2 and proprietary information); or

3 “(3) obtain information from a person that pro-  
4 vides (or seeks to provide) any product, and then  
5 offer any postal service that uses or is based in  
6 whole or in part on such information, without the  
7 consent of the person providing that information,  
8 unless substantially the same information is obtained  
9 (or obtainable) from an independent source or is  
10 otherwise obtained (or obtainable).

11 “(b) The Postal Regulatory Commission shall pre-  
12 scribe regulations to carry out this section.

13 “(c) Any party (including an officer of the Commis-  
14 sion representing the interests of the general public) who  
15 believes that the Postal Service has violated this section  
16 may bring a complaint in accordance with section 3662.”.

17 (b) CONFORMING AMENDMENTS.—

18 (1) GENERAL POWERS.—Section 401 of title  
19 39, United States Code, is amended by striking  
20 “The” and inserting “Subject to the provisions of  
21 section 404a, the”.

22 (2) SPECIFIC POWERS.—Section 404(a) of title  
23 39, United States Code, is amended by striking  
24 “Without” and inserting “Subject to the provisions  
25 of section 404a, but otherwise without”.

1 (c) CLERICAL AMENDMENT.—The analysis for chap-  
2 ter 4 of title 39, United States Code, is amended by insert-  
3 ing after the item relating to section 404 the following:  
“404a. Specific limitations.”.

4 **SEC. 404. SUITS BY AND AGAINST THE POSTAL SERVICE.**

5 (a) IN GENERAL.—Section 409 of title 39, United  
6 States Code, is amended by striking subsections (d) and  
7 (e) and inserting the following:

8 “(d)(1) For purposes of the provisions of law cited  
9 in paragraphs (2)(A) and (2)(B), respectively, the Postal  
10 Service—

11 “(A) shall be considered to be a ‘person’, as  
12 used in the provisions of law involved; and

13 “(B) shall not be immune under any other doc-  
14 trine of sovereign immunity from suit in Federal  
15 court by any person for any violation of any of those  
16 provisions of law by any officer or employee of the  
17 Postal Service.

18 “(2) This subsection applies with respect to—

19 “(A) the Act of July 5, 1946 (commonly re-  
20 ferred to as the ‘Trademark Act of 1946’ (15 U.S.C.  
21 1051 and following)); and

22 “(B) the provisions of section 5 of the Federal  
23 Trade Commission Act to the extent that such sec-  
24 tion 5 applies to unfair or deceptive acts or prac-  
25 tices.

1       “(e)(1) To the extent that the Postal Service, or other  
2 Federal agency acting on behalf of or in concert with the  
3 Postal Service, engages in conduct with respect to any  
4 product which is not reserved to the United States under  
5 section 1696 of title 18, the Postal Service or other Fed-  
6 eral agency (as the case may be)—

7               “(A) shall not be immune under any doctrine of  
8 sovereign immunity from suit in Federal court by  
9 any person for any violation of Federal law by such  
10 agency or any officer or employee thereof; and

11               “(B) shall be considered to be a person (as de-  
12 fined in subsection (a) of the first section of the  
13 Clayton Act) for purposes of—

14                       “(i) the antitrust laws (as defined in such  
15 subsection); and

16                       “(ii) section 5 of the Federal Trade Com-  
17 mission Act to the extent that such section 5  
18 applies to unfair methods of competition.

19 For purposes of the preceding sentence, any private car-  
20 riage of mail allowable by virtue of section 601 shall not  
21 be considered a service reserved to the United States  
22 under section 1696 of title 18.

23       “(2) No damages, interest on damages, costs or at-  
24 torney’s fees may be recovered, and no criminal liability  
25 may be imposed, under the antitrust laws (as so defined)

1 from any officer or employee of the Postal Service, or  
2 other Federal agency acting on behalf of or in concert with  
3 the Postal Service, acting in an official capacity.

4 “(3) This subsection shall not apply with respect to  
5 conduct occurring before the date of enactment of this  
6 subsection.

7 “(f)(1) Each building constructed or altered by the  
8 Postal Service shall be constructed or altered, to the max-  
9 imum extent feasible as determined by the Postal Service,  
10 in compliance with 1 of the nationally recognized model  
11 building codes and with other applicable nationally recog-  
12 nized codes.

13 “(2) Each building constructed or altered by the  
14 Postal Service shall be constructed or altered only after  
15 consideration of all requirements (other than procedural  
16 requirements) of zoning laws, land use laws, and applica-  
17 ble environmental laws of a State or subdivision of a State  
18 which would apply to the building if it were not a building  
19 constructed or altered by an establishment of the Govern-  
20 ment of the United States.

21 “(3) For purposes of meeting the requirements of  
22 paragraphs (1) and (2) with respect to a building, the  
23 Postal Service shall—

24 “(A) in preparing plans for the building, con-  
25 sult with appropriate officials of the State or polit-

1 ical subdivision, or both, in which the building will  
2 be located;

3 “(B) upon request, submit such plans in a  
4 timely manner to such officials for review by such  
5 officials for a reasonable period of time not exceed-  
6 ing 30 days; and

7 “(C) permit inspection by such officials during  
8 construction or alteration of the building, in accord-  
9 ance with the customary schedule of inspections for  
10 construction or alteration of buildings in the locality,  
11 if such officials provide to the Postal Service—

12 “(i) a copy of such schedule before con-  
13 struction of the building is begun; and

14 “(ii) reasonable notice of their intention to  
15 conduct any inspection before conducting such  
16 inspection.

17 Nothing in this subsection shall impose an obligation  
18 on any State or political subdivision to take any ac-  
19 tion under the preceding sentence, nor shall any-  
20 thing in this subsection require the Postal Service or  
21 any of its contractors to pay for any action taken by  
22 a State or political subdivision to carry out this sub-  
23 section (including reviewing plans, carrying out on-  
24 site inspections, issuing building permits, and mak-  
25 ing recommendations).

1           “(4) Appropriate officials of a State or a political  
2 subdivision of a State may make recommendations to the  
3 Postal Service concerning measures necessary to meet the  
4 requirements of paragraphs (1) and (2). Such officials  
5 may also make recommendations to the Postal Service  
6 concerning measures which should be taken in the con-  
7 struction or alteration of the building to take into account  
8 local conditions. The Postal Service shall give due consid-  
9 eration to any such recommendations.

10           “(5) In addition to consulting with local and State  
11 officials under paragraph (3), the Postal Service shall es-  
12 tablish procedures for soliciting, assessing, and incor-  
13 porating local community input on real property and land  
14 use decisions.

15           “(6) For purposes of this subsection, the term ‘State’  
16 includes the District of Columbia, the Commonwealth of  
17 Puerto Rico, and a territory or possession of the United  
18 States.

19           “(h)(1) Notwithstanding any other provision of law,  
20 legal representation may not be furnished by the Depart-  
21 ment of Justice to the Postal Service in any action, suit,  
22 or proceeding arising, in whole or in part, under any of  
23 the following:

24                   “(A) Subsection (d) or (e) of this section.

1           “(B) Subsection (f) or (g) of section 504 (relat-  
2           ing to administrative subpoenas by the Postal Regu-  
3           latory Commission).

4           “(C) Section 3663 (relating to appellate re-  
5           view).

6 The Postal Service may, by contract or otherwise, employ  
7 attorneys to obtain any legal representation that it is pre-  
8 cluded from obtaining from the Department of Justice  
9 under this paragraph.

10          “(2) In any circumstance not covered by paragraph  
11 (1), the Department of Justice shall, under section 411,  
12 furnish the Postal Service such legal representation as it  
13 may require, except that, with the prior consent of the  
14 Attorney General, the Postal Service may, in any such cir-  
15 cumstance, employ attorneys by contract or otherwise to  
16 conduct litigation brought by or against the Postal Service  
17 or its officers or employees in matters affecting the Postal  
18 Service.

19          “(3)(A) In any action, suit, or proceeding in a court  
20 of the United States arising in whole or in part under any  
21 of the provisions of law referred to in subparagraph (B)  
22 or (C) of paragraph (1), and to which the Commission  
23 is not otherwise a party, the Commission shall be per-  
24 mitted to appear as a party on its own motion and as  
25 of right.

1 “(B) The Department of Justice shall, under such  
2 terms and conditions as the Commission and the Attorney  
3 General shall consider appropriate, furnish the Commis-  
4 sion such legal representation as it may require in connec-  
5 tion with any such action, suit, or proceeding, except that,  
6 with the prior consent of the Attorney General, the Com-  
7 mission may employ attorneys by contract or otherwise for  
8 that purpose.

9 “(i) A judgment against the Government of the  
10 United States arising out of activities of the Postal Service  
11 shall be paid by the Postal Service out of any funds avail-  
12 able to the Postal Service, subject to the restriction speci-  
13 fied in section 2011(g).”.

14 (b) TECHNICAL AMENDMENT.—Section 409(a) of  
15 title 39, United States Code, is amended by striking “Ex-  
16 cept as provided in section 3628 of this title,” and insert-  
17 ing “Except as otherwise provided in this title,”.

18 **SEC. 405. INTERNATIONAL POSTAL ARRANGEMENTS.**

19 (a) IN GENERAL.—Section 407 of title 39, United  
20 States Code, is amended to read as follows:

21 **“§ 407. International postal arrangements**

22 “(a) It is the policy of the United States—

23 “(1) to promote and encourage communications  
24 between peoples by efficient operation of inter-  
25 national postal services and other international deliv-

1       ery services for cultural, social, and economic pur-  
2       poses;

3               “(2) to promote and encourage unrestricted and  
4       undistorted competition in the provision of inter-  
5       national postal services and other international deliv-  
6       ery services, except where provision of such services  
7       by private companies may be prohibited by law of  
8       the United States;

9               “(3) to promote and encourage a clear distinc-  
10      tion between governmental and operational respon-  
11      sibilities with respect to the provision of inter-  
12      national postal services and other international deliv-  
13      ery services by the Government of the United States  
14      and by intergovernmental organizations of which the  
15      United States is a member; and

16              “(4) to participate in multilateral and bilateral  
17      agreements with other countries to accomplish these  
18      objectives.

19              “(b)(1) The Secretary of State shall be responsible  
20      for formulation, coordination, and oversight of foreign pol-  
21      icy related to international postal services and other inter-  
22      national delivery services and shall have the power to con-  
23      clude postal treaties, conventions, and amendments re-  
24      lated to international postal services and other inter-  
25      national delivery services, except that the Secretary may

1 not conclude any treaty, convention, or other international  
2 agreement (including those regulating international postal  
3 services) if such treaty, convention, or agreement would,  
4 with respect to any competitive product, grant an undue  
5 or unreasonable preference to the Postal Service, a private  
6 provider of international postal or delivery services, or any  
7 other person.

8       “(2) In carrying out the responsibilities specified in  
9 paragraph (1), the Secretary of State shall exercise pri-  
10 mary authority for the conduct of foreign policy with re-  
11 spect to international postal services and international de-  
12 livery services, including the determination of United  
13 States positions and the conduct of United States partici-  
14 pation in negotiations with foreign governments and inter-  
15 national bodies. In exercising this authority, the Sec-  
16 retary—

17               “(A) shall coordinate with other agencies as ap-  
18 propriate, and in particular, shall give full consider-  
19 ation to the authority vested by law or Executive  
20 order in the Postal Regulatory Commission, the De-  
21 partment of Commerce, the Department of Trans-  
22 portation, and the Office of the United States Trade  
23 Representative in this area;

1           “(B) shall maintain continuing liaison with  
2 other executive branch agencies concerned with post-  
3 al and delivery services;

4           “(C) shall maintain continuing liaison with the  
5 Committee on Homeland Security and Governmental  
6 Affairs of the Senate and the Committee on Govern-  
7 ment Reform of the House of Representatives;

8           “(D) shall maintain appropriate liaison with  
9 both representatives of the Postal Service and rep-  
10 resentatives of users and private providers of inter-  
11 national postal services and other international deliv-  
12 ery services to keep informed of their interests and  
13 problems, and to provide such assistance as may be  
14 needed to ensure that matters of concern are  
15 promptly considered by the Department of State or  
16 (if applicable, and to the extent practicable) other  
17 executive branch agencies; and

18           “(E) shall assist in arranging meetings of such  
19 public sector advisory groups as may be established  
20 to advise the Department of State and other execu-  
21 tive branch agencies in connection with international  
22 postal services and international delivery services.

23           “(3) The Secretary of State shall establish an advi-  
24 sory committee (within the meaning of the Federal Advi-  
25 sory Committee Act) to perform such functions as the Sec-

1   retary considers appropriate in connection with carrying  
2   out subparagraphs (A) through (D) of paragraph (2).

3       “(c)(1) Before concluding any treaty, convention, or  
4   amendment that establishes a rate or classification for a  
5   product subject to subchapter I of chapter 36, the Sec-  
6   retary of State shall request the Postal Regulatory Com-  
7   mission to submit its views on whether such rate or classi-  
8   fication is consistent with the standards and criteria estab-  
9   lished by the Commission under section 3622.

10       “(2) The Secretary shall ensure that each treaty, con-  
11   vention, or amendment concluded under subsection (b) is  
12   consistent with the views submitted by the Commission  
13   pursuant to paragraph (1), except if, or to the extent, the  
14   Secretary determines, in writing, that it is not in the for-  
15   eign policy or national security interest of the United  
16   States to ensure consistency with the Commission’s views.  
17   Such written determination shall be provided to the Com-  
18   mission together with a full explanation of the reasons  
19   thereof, provided that the Secretary may designate which  
20   portions of the determination or explanation shall be kept  
21   confidential for reasons of foreign policy or national secu-  
22   rity.

23       “(d) Nothing in this section shall be considered to  
24   prevent the Postal Service from entering into such com-  
25   mercial or operational contracts related to providing inter-

1 national postal services and other international delivery  
2 services as it deems appropriate, except that—

3 “(1) any such contract made with an agency of  
4 a foreign government (whether under authority of  
5 this subsection or otherwise) shall be solely contrac-  
6 tual in nature and may not purport to be inter-  
7 national law; and

8 “(2) a copy of each such contract between the  
9 Postal Service and an agency of a foreign govern-  
10 ment shall be transmitted to the Secretary of State  
11 and the Postal Regulatory Commission not later  
12 than the effective date of such contract.

13 “(e)(1) In this subsection, the term ‘private company’  
14 means a private company substantially owned or con-  
15 trolled by persons who are citizens of the United States.

16 “(2) With respect to shipments of international mail  
17 that are competitive products within the meaning of sec-  
18 tion 3631 that are exported or imported by the Postal  
19 Service, the Customs Service and other appropriate Fed-  
20 eral agencies shall apply the customs laws of the United  
21 States and all other laws relating to the importation or  
22 exportation of such shipments in the same manner to both  
23 shipments by the Postal Service and similar shipments by  
24 private companies.

1           “(3) In exercising the authority under subsection (b)  
2 to conclude new postal treaties and conventions related to  
3 international postal services and to renegotiate such trea-  
4 ties and conventions, the Secretary of State shall, to the  
5 maximum extent practicable, take such measures as are  
6 within the Secretary’s control to encourage the govern-  
7 ments of other countries to make available to the Postal  
8 Service and private companies a range of nondiscrim-  
9 inatory customs procedures that will fully meet the needs  
10 of all types of American shippers. The Secretary of State  
11 shall consult with the United States Trade Representative  
12 and the Commissioner of Customs in carrying out this  
13 paragraph.

14           “(4) The provisions of this subsection shall take ef-  
15 fect 6 months after the date of enactment of this sub-  
16 section or such earlier date as the Bureau of Customs and  
17 Border Protection of the Department of Homeland Secu-  
18 rity may determine in writing.”.

19           (b) EFFECTIVE DATE.—Notwithstanding any provi-  
20 sion of the amendment made by subsection (a), the au-  
21 thority of the United States Postal Service to establish  
22 the rates of postage or other charges on mail matter con-  
23 veyed between the United States and other countries shall  
24 remain available to the Postal Service until—

1 (1) with respect to market-dominant products,  
2 the date as of which the regulations promulgated  
3 under section 3622 of title 39, United States Code  
4 (as amended by section 201(a)) take effect; and

5 (2) with respect to competitive products, the  
6 date as of which the regulations promulgated under  
7 section 3633 of title 39, United States Code (as  
8 amended by section 202) take effect.

## 9 **TITLE V—GENERAL PROVISIONS**

### 10 **SEC. 501. QUALIFICATION AND TERM REQUIREMENTS FOR** 11 **GOVERNORS.**

#### 12 (a) QUALIFICATIONS.—

13 (1) IN GENERAL.—Section 202(a) of title 39,  
14 United States Code, is amended by striking “(a)”  
15 and inserting “(a)(1)” and by striking the fourth  
16 sentence and inserting the following: “The Gov-  
17 ernors shall represent the public interest generally,  
18 and shall be chosen solely on the basis of their expe-  
19 rience in the field of public service, law or account-  
20 ing or on their demonstrated ability in managing or-  
21 ganizations or corporations (in either the public or  
22 private sector) of substantial size; except that at  
23 least 4 of the Governors shall be chosen solely on the  
24 basis of their demonstrated ability in managing or-  
25 ganizations or corporations (in either the public or

1 private sector) that employ at least 50,000 employ-  
2 ees. The Governors shall not be representatives of  
3 specific interests using the Postal Service, and may  
4 be removed only for cause.”.

5 (2) APPLICABILITY.—The amendment made by  
6 paragraph (1) shall not affect the appointment or  
7 tenure of any person serving as a Governor of the  
8 United States Postal Service under an appointment  
9 made before the date of enactment of this Act how-  
10 ever, when any such office becomes vacant, the ap-  
11 pointment of any person to fill that office shall be  
12 made in accordance with such amendment. The re-  
13 quirement set forth in the fourth sentence of section  
14 202(a)(1) of title 39, United States Code (as amend-  
15 ed by subsection (a)) shall be met beginning not  
16 later than 9 years after the date of enactment of  
17 this Act.

18 (b) CONSULTATION REQUIREMENT.—Section 202(a)  
19 of title 39, United States Code, is amended by adding at  
20 the end the following:

21 “(2) In selecting the individuals described in para-  
22 graph (1) for nomination for appointment to the position  
23 of Governor, the President should consult with the Speak-  
24 er of the House of Representatives, the minority leader

1 of the House of Representatives, the majority leader of  
2 the Senate, and the minority leader of the Senate.”.

3 (c) 7-YEAR TERMS.—

4 (1) IN GENERAL.—Section 202(b) of title 39,  
5 United States code, is amended in the first sentence  
6 by striking “9 years” and inserting “7 years”.

7 (2) APPLICABILITY.—

8 (A) CONTINUATION BY INCUMBENTS.—

9 The amendment made by paragraph (1) shall  
10 not affect the tenure of any person serving as  
11 a Governor of the United States Postal Service  
12 on the date of enactment of this Act and such  
13 person may continue to serve the remainder of  
14 the applicable term.

15 (B) VACANCY BY INCUMBENT BEFORE 7  
16 YEARS OF SERVICE.—If a person who is serving  
17 as a Governor of the United States Postal Serv-  
18 ice on the date of enactment of this Act resigns,  
19 is removed, or dies before the expiration of the  
20 9-year term of that Governor, and that Gov-  
21 ernor has served less than 7 years of that term,  
22 the resulting vacancy in office shall be treated  
23 as a vacancy in a 7-year term.

24 (C) VACANCY BY INCUMBENT AFTER 7  
25 YEARS OF SERVICE.—If a person who is serving

1 as a Governor of the United States Postal Serv-  
2 ice on the date of enactment of this Act resigns,  
3 is removed, or dies before the expiration of the  
4 9-year term of that Governor, and that Gov-  
5 ernor has served 7 years or more of that term,  
6 that term shall be deemed to have been a 7-year  
7 term beginning on its commencement date for  
8 purposes of determining vacancies in office. Any  
9 appointment to the vacant office shall be for a  
10 7-year term beginning at the end of the original  
11 9-year term determined without regard to the  
12 deeming under the preceding sentence. Nothing  
13 in this subparagraph shall be construed to af-  
14 fect any action or authority of any Governor or  
15 the Board of Governors during any portion of  
16 a 9-year term deemed to be 7-year term under  
17 this subparagraph.

18 (d) TERM LIMITATION.—

19 (1) IN GENERAL.—Section 202(b) of title 39,  
20 United States Code, is amended—

21 (A) by inserting “(1)” after “(b)”; and

22 (B) by adding at the end the following:

23 “(2) No person may serve more than 2 terms  
24 as a Governor.”.

1           (2) APPLICABILITY.—The amendments made  
2           by paragraph (1) shall not affect the tenure of any  
3           person serving as a Governor of the United States  
4           Postal Service on the date of enactment of this Act  
5           with respect to the term which that person is serving  
6           on that date. Such person may continue to serve the  
7           remainder of the applicable term, after which the  
8           amendments made by paragraph (1) shall apply.

9 **SEC. 502. OBLIGATIONS.**

10          (a) PURPOSES FOR WHICH OBLIGATIONS MAY BE  
11 ISSUED.—The first sentence of section 2005(a)(1) of title  
12 39, United States Code, is amended by striking “title.”  
13 and inserting “title, other than any of the purposes for  
14 which the corresponding authority is available to the Post-  
15 al Service under section 2011.”.

16          (b) LIMITATION ON NET ANNUAL INCREASE IN OB-  
17 LIGATIONS ISSUED FOR CERTAIN PURPOSES.—The third  
18 sentence of section 2005(a)(1) of title 39, United States  
19 Code, is amended to read as follows: “In any one fiscal  
20 year, the net increase in the amount of obligations out-  
21 standing issued for the purpose of capital improvements  
22 and the net increase in the amount of obligations out-  
23 standing issued for the purpose of defraying operating ex-  
24 penses of the Postal Service shall not exceed a combined  
25 total of \$3,000,000,000.” .

1 (c) LIMITATIONS ON OBLIGATIONS OUTSTANDING.—

2 (1) IN GENERAL.—Subsection (a) of section  
3 2005 of title 39, United States Code, is amended by  
4 adding at the end the following:

5 “(3) For purposes of applying the respective limita-  
6 tions under this subsection, the aggregate amount of obli-  
7 gations issued by the Postal Service which are outstanding  
8 as of any one time, and the net increase in the amount  
9 of obligations outstanding issued by the Postal Service for  
10 the purpose of capital improvements or for the purpose  
11 of defraying operating expenses of the Postal Service in  
12 any fiscal year, shall be determined by aggregating the  
13 relevant obligations issued by the Postal Service under this  
14 section with the relevant obligations issued by the Postal  
15 Service under section 2011.”.

16 (2) CONFORMING AMENDMENT.—The second  
17 sentence of section 2005(a)(1) of title 39, United  
18 States Code, is amended by striking “any such obli-  
19 gations” and inserting “obligations issued by the  
20 Postal Service which may be”.

21 (d) AMOUNTS WHICH MAY BE PLEDGED.—

22 (1) OBLIGATIONS TO WHICH PROVISIONS  
23 APPLY.—The first sentence of section 2005(b) of  
24 title 39, United States Code, is amended by striking

1 “such obligations,” and inserting “obligations issued  
2 by the Postal Service under this section,”.

3 (2) ASSETS, REVENUES, AND RECEIPTS TO  
4 WHICH PROVISIONS APPLY.—Subsection (b) of sec-  
5 tion 2005 of title 39, United States Code, is amend-  
6 ed by striking “(b)” and inserting “(b)(1)”, and by  
7 adding at the end the following:

8 “(2) Notwithstanding any other provision of this sec-  
9 tion—

10 “(A) the authority to pledge assets of the Post-  
11 al Service under this subsection shall be available  
12 only to the extent that such assets are not related  
13 to the provision of competitive products (as deter-  
14 mined under section 2011(h) or, for purposes of any  
15 period before accounting practices and principles  
16 under section 2011(h) have been established and ap-  
17 plied, the best information available from the Postal  
18 Service, including the audited statements required  
19 by section 2008(e)); and

20 “(B) any authority under this subsection relat-  
21 ing to the pledging or other use of revenues or re-  
22 cepts of the Postal Service shall be available only to  
23 the extent that they are not revenues or receipts of  
24 the Competitive Products Fund.”.

1 **SEC. 503. PRIVATE CARRIAGE OF LETTERS.**

2 (a) IN GENERAL.—Section 601 of title 39, United  
3 States Code, is amended by striking subsection (b) and  
4 inserting the following:

5 “(b) A letter may also be carried out of the mails  
6 when—

7 “(1) the amount paid for the private carriage of  
8 the letter is at least the amount equal to 6 times the  
9 rate then currently charged for the 1st ounce of a  
10 single-piece first class letter;

11 “(2) the letter weighs at least 12½ ounces; or

12 “(3) such carriage is within the scope of serv-  
13 ices described by regulations of the United States  
14 Postal Service (including, in particular, sections  
15 310.1 and 320.2–320.8 of title 39 of the Code of  
16 Federal Regulations, as in effect on July 1, 2005)  
17 that purport to permit private carriage by suspen-  
18 sion of the operation of this section (as then in ef-  
19 fect).

20 “(c) Any regulations necessary to carry out this sec-  
21 tion shall be promulgated by the Postal Regulatory Com-  
22 mission.”.

23 (b) EFFECTIVE DATE.—This section shall take effect  
24 on the date as of which the regulations promulgated under  
25 section 3633 of title 39, United States Code (as amended  
26 by section 202) take effect.

1 **SEC. 504. RULEMAKING AUTHORITY.**

2 Paragraph (2) of section 401 of title 39, United  
3 States Code, is amended to read as follows:

4 “(2) to adopt, amend, and repeal such rules  
5 and regulations, not inconsistent with this title, as  
6 may be necessary in the execution of its functions  
7 under this title and such other functions as may be  
8 assigned to the Postal Service under any provisions  
9 of law outside of this title;”.

10 **SEC. 505. NONINTERFERENCE WITH COLLECTIVE BAR-**  
11 **GAINING AGREEMENTS.**

12 (a) **LABOR DISPUTES.**—Section 1207 of title 39,  
13 United States Code, is amended to read as follows:

14 **“§ 1207. Labor disputes**

15 “(a) If there is a collective-bargaining agreement in  
16 effect, no party to such agreement shall terminate or mod-  
17 ify such agreement unless the party desiring such termi-  
18 nation or modification serves written notice upon the other  
19 party to the agreement of the proposed termination or  
20 modification not less than 90 days prior to the expiration  
21 date thereof, or not less than 90 days prior to the time  
22 it is proposed to make such termination or modification.  
23 The party serving such notice shall notify the Federal Me-  
24 diation and Conciliation Service of the existence of a dis-  
25 pute within 45 days after such notice, if no agreement has  
26 been reached by that time.

1           “(b) If the parties fail to reach agreement or to adopt  
2 a procedure providing for a binding resolution of a dispute  
3 by the expiration date of the agreement in effect, or the  
4 date of the proposed termination or modification, the Di-  
5 rector of the Federal Mediation and Conciliation Service  
6 shall within 10 days appoint a mediator of nationwide rep-  
7 utation and professional stature, and who is also a mem-  
8 ber of the National Academy of Arbitrators. The parties  
9 shall cooperate with the mediator in an effort to reach an  
10 agreement and shall meet and negotiate in good faith at  
11 such times and places that the mediator, in consultation  
12 with the parties, shall direct.

13           “(c)(1) If no agreement is reached within 60 days  
14 after the expiration or termination of the agreement or  
15 the date on which the agreement became subject to modi-  
16 fication under subsection (a) of this section, or if the par-  
17 ties decide upon arbitration but do not agree upon the pro-  
18 cedures therefore, an arbitration board shall be established  
19 consisting of 3 members, 1 of whom shall be selected by  
20 the Postal Service, 1 by the bargaining representative of  
21 the employees, and the third by the 2 thus selected. If  
22 either of the parties fails to select a member, or if the  
23 members chosen by the parties fail to agree on the third  
24 person within 5 days after their first meeting, the selection  
25 shall be made from a list of names provided by the Direc-

1 tor. This list shall consist of not less than 9 names of arbi-  
2 trators of nationwide reputation and professional nature,  
3 who are also members of the National Academy of Arbi-  
4 trators, and whom the Director has determined are avail-  
5 able and willing to serve.

6 “(2) The arbitration board shall give the parties a  
7 full and fair hearing, including an opportunity to present  
8 evidence in support of their claims, and an opportunity  
9 to present their case in person, by counsel or by other rep-  
10 resentative as they may elect. Decisions of the arbitration  
11 board shall be conclusive and binding upon the parties.  
12 The arbitration board shall render its decision within 45  
13 days after its appointment.

14 “(3) Costs of the arbitration board and mediation  
15 shall be shared equally by the Postal Service and the bar-  
16 gaining representative.

17 “(d) In the case of a bargaining unit whose recog-  
18 nized collective-bargaining representative does not have an  
19 agreement with the Postal Service, if the parties fail to  
20 reach the agreement within 90 days after the commence-  
21 ment of collective bargaining, a mediator shall be ap-  
22 pointed in accordance with the terms in subsection (b) of  
23 this section, unless the parties have previously agreed to  
24 another procedure for a binding resolution of their dif-  
25 ferences. If the parties fail to reach agreement within 180

1 days after the commencement of collective bargaining, and  
2 if they have not agreed to another procedure for binding  
3 resolution, an arbitration board shall be established to pro-  
4 vide conclusive and binding arbitration in accordance with  
5 the terms of subsection (c) of this section.”.

6 (b) NONINTERFERENCE WITH COLLECTIVE BAR-  
7 GAINING AGREEMENTS.—Except as otherwise provided by  
8 the amendment made by subsection (a), nothing in this  
9 Act shall restrict, expand, or otherwise affect any of the  
10 rights, privileges, or benefits of either employees of or  
11 labor organizations representing employees of the United  
12 States Postal Service under chapter 12 of title 39, United  
13 States Code, the National Labor Relations Act, any hand-  
14 book or manual affecting employee labor relations within  
15 the United States Postal Service, or any collective bar-  
16 gaining agreement.

17 (c) FREE MAILING PRIVILEGES CONTINUE UN-  
18 CHANGED.—Nothing in this Act or any amendment made  
19 by this Act shall affect any free mailing privileges ac-  
20 corded under section 3217 or sections 3403 through 3406  
21 of title 39, United States Code.

22 **SEC. 506. BONUS AUTHORITY.**

23 Chapter 36 of title 39, United States Code, is amend-  
24 ed by inserting after section 3685 the following:

1 **“§ 3686. Bonus authority**

2       “(a) IN GENERAL.—The Postal Service may establish  
3 1 or more programs to provide bonuses or other rewards  
4 to officers and employees of the Postal Service in senior  
5 executive or equivalent positions to achieve the objectives  
6 of this chapter.

7       “(b) LIMITATION ON TOTAL COMPENSATION.—

8           “(1) IN GENERAL.—Under any such program,  
9 the Postal Service may award a bonus or other re-  
10 ward in excess of the limitation set forth in the last  
11 sentence of section 1003(a), if such program has  
12 been approved under paragraph (2). Any such award  
13 or bonus may not cause the total compensation of  
14 such officer or employee to exceed the total annual  
15 compensation payable to the Vice President under  
16 section 104 of title 3 as of the end of the calendar  
17 year in which the bonus or award is paid.

18           “(2) APPROVAL PROCESS.—If the Postal Serv-  
19 ice wishes to have the authority, under any program  
20 described in subsection (a), to award bonuses or  
21 other rewards in excess of the limitation set forth in  
22 the last sentence of section 1003(a)—

23           “(A) the Postal Service shall make an ap-  
24 propriate request to the Board of Governors of  
25 the Postal Service in such form and manner as  
26 the Board requires; and

1           “(B) the Board of Governors shall approve  
2           any such request if the Board certifies, for the  
3           annual appraisal period involved, that the per-  
4           formance appraisal system for affected officers  
5           and employees of the Postal Service (as de-  
6           signed and applied) makes meaningful distinc-  
7           tions based on relative performance.

8           “(3) REVOCATION AUTHORITY.—If the Board  
9           of Governors of the Postal Service finds that a per-  
10          formance appraisal system previously approved  
11          under paragraph (2)(B) does not (as designed and  
12          applied) make meaningful distinctions based on rel-  
13          ative performance, the Board may revoke or suspend  
14          the authority of the Postal Service to continue a pro-  
15          gram approved under paragraph (2) until such time  
16          as appropriate corrective measures have, in the judg-  
17          ment of the Board, been taken.

18          “(c) EXCEPTIONS FOR CRITICAL POSITIONS.—Not-  
19          withstanding any other provision of law, the Board of Gov-  
20          ernors may allow up to 12 officers or employees of the  
21          Postal Service in critical senior executive or equivalent po-  
22          sitions to receive total compensation in an amount not to  
23          exceed 120 percent of the total annual compensation pay-  
24          able to the Vice President under section 104 of title 3 as  
25          of the end of the calendar year in which such payment

1 is received. For each exception made under this sub-  
2 section, the Board shall provide written notification to the  
3 Director of the Office of Personnel Management and the  
4 Congress within 30 days after the payment is made setting  
5 forth the name of the officer or employee involved, the  
6 critical nature of his or her duties and responsibilities, and  
7 the basis for determining that such payment is warranted.

8       “(d) INFORMATION FOR INCLUSION IN COMPREHEN-  
9 SIVE STATEMENT.—Included in its comprehensive state-  
10 ment under section 2401(e) for any period shall be—

11           “(1) the name of each person receiving a bonus  
12       or other payment during such period which would  
13       not have been allowable but for the provisions of  
14       subsection (b) or (c);

15           “(2) the amount of the bonus or other payment;  
16       and

17           “(3) the amount by which the limitation set  
18       forth in the last sentence of section 1003(a) was ex-  
19       ceeded as a result of such bonus or other payment.

20       “(e) REGULATIONS.—The Board of Governors may  
21       prescribe regulations for the administration of this sec-  
22       tion.”.

1                   **TITLE VI—ENHANCED**  
 2                   **REGULATORY COMMISSION**

3   **SEC. 601. REORGANIZATION AND MODIFICATION OF CER-**  
 4                   **TAIN PROVISIONS RELATING TO THE POSTAL**  
 5                   **REGULATORY COMMISSION.**

6           (a) TRANSFER AND REDESIGNATION.—Title 39,  
 7 United States Code, is amended—

8                   (1) by inserting after chapter 4 the following:

9                   **“CHAPTER 5—POSTAL REGULATORY**  
 10                   **COMMISSION**

“Sec.

“501. Establishment.

“502. Commissioners.

“503. Rules; regulations; procedures.

“504. Administration.

“505. Officer of the Postal Regulatory Commission representing the general  
 public.

11   **“§ 501. Establishment**

12           “The Postal Regulatory Commission is an inde-  
 13 pendent establishment of the executive branch of the Gov-  
 14 ernment of the United States.

15   **“§ 502. Commissioners**

16           “(a) The Postal Regulatory Commission is composed  
 17 of 5 Commissioners, appointed by the President, by and  
 18 with the advice and consent of the Senate. The Commis-  
 19 sioners shall be chosen solely on the basis of their technical  
 20 qualifications, professional standing, and demonstrated  
 21 expertise in economics, accounting, law, or public adminis-  
 22 tration, and may be removed by the President only for

1 cause. Each individual appointed to the Commission shall  
2 have the qualifications and expertise necessary to carry  
3 out the enhanced responsibilities accorded Commissioners  
4 under the Postal Accountability and Enhancement Act.  
5 Not more than 3 of the Commissioners may be adherents  
6 of the same political party.

7 “(b) No Commissioner shall be financially interested  
8 in any enterprise in the private sector of the economy en-  
9 gaged in the delivery of mail matter.

10 “(c) A Commissioner may continue to serve after the  
11 expiration of his term until his successor has qualified,  
12 except that a Commissioner may not so continue to serve  
13 for more than 1 year after the date upon which his term  
14 otherwise would expire under subsection (f).

15 “(d) One of the Commissioners shall be designated  
16 as Chairman by, and shall serve in the position of Chair-  
17 man at the pleasure of, the President.

18 “(e) The Commissioners shall by majority vote des-  
19 ignate a Vice Chairman of the Commission. The Vice  
20 Chairman shall act as Chairman of the Commission in the  
21 absence of the Chairman.

22 “(f) The Commissioners shall serve for terms of 6  
23 years.”;

24 (2) by striking, in subchapter I of chapter 36  
25 (as in effect before the amendment made by section

1 201(c)), the heading for such subchapter I and all  
2 that follows through section 3602;

3 (3) by redesignating sections 3603 and 3604 as  
4 sections 503 and 504, respectively, and transferring  
5 such sections to the end of chapter 5 (as inserted by  
6 paragraph (1)); and

7 (4) by adding after such section 504 the fol-  
8 lowing:

9 **“§ 505. Officer of the Postal Regulatory Commission**  
10 **representing the general public**

11 “The Postal Regulatory Commission shall designate  
12 an officer of the Postal Regulatory Commission in all pub-  
13 lic proceedings (such as developing rules, regulations, and  
14 procedures) who shall represent the interests of the gen-  
15 eral public.”.

16 (b) APPLICABILITY.—The amendment made by sub-  
17 section (a)(1) shall not affect the appointment or tenure  
18 of any person serving as a Commissioner on the Postal  
19 Regulatory Commission (as so redesignated by section  
20 604) under an appointment made before the date of enact-  
21 ment of this Act or any nomination made before that date,  
22 but, when any such office becomes vacant, the appoint-  
23 ment of any person to fill that office shall be made in ac-  
24 cordance with such amendment.

1 (c) CLERICAL AMENDMENT.—The analysis for part  
 2 I of title 39, United States Code, is amended by inserting  
 3 after the item relating to chapter 4 the following:

**“5. Postal Regulatory Commission ..... 501”**

4 **SEC. 602. AUTHORITY FOR POSTAL REGULATORY COMMIS-**  
 5 **SION TO ISSUE SUBPOENAS.**

6 Section 504 of title 39, United States Code (as so  
 7 redesignated by section 601) is amended by adding at the  
 8 end the following:

9 “(f)(1) Any Commissioner of the Postal Regulatory  
 10 Commission, any administrative law judge appointed by  
 11 the Commission under section 3105 of title 5, and any  
 12 employee of the Commission designated by the Commis-  
 13 sion may administer oaths, examine witnesses, take depo-  
 14 sitions, and receive evidence.

15 “(2) The Chairman of the Commission, any Commis-  
 16 sioner designated by the Chairman, and any administra-  
 17 tive law judge appointed by the Commission under section  
 18 3105 of title 5 may, with respect to any proceeding con-  
 19 ducted by the Commission under this title or to obtain  
 20 information to be used to prepare a report under this  
 21 title—

22 “(A) issue subpoenas requiring the attendance  
 23 and presentation of testimony by, or the production  
 24 of documentary or other evidence in the possession  
 25 of, any covered person; and

1           “(B) order the taking of depositions and re-  
2           sponses to written interrogatories by a covered per-  
3           son.

4 The written concurrence of a majority of the Commis-  
5 sioners then holding office shall, with respect to each sub-  
6 poena under subparagraph (A), be required in advance of  
7 its issuance.

8           “(3) In the case of contumacy or failure to obey a  
9 subpoena issued under this subsection, upon application  
10 by the Commission, the district court of the United States  
11 for the district in which the person to whom the subpoena  
12 is addressed resides or is served may issue an order requir-  
13 ing such person to appear at any designated place to tes-  
14 tify or produce documentary or other evidence. Any failure  
15 to obey the order of the court may be punished by the  
16 court as a contempt thereof.

17           “(4) For purposes of this subsection, the term ‘cov-  
18 ered person’ means an officer, employee, agent, or con-  
19 tractor of the Postal Service.

20           “(g)(1) If the Postal Service determines that any doc-  
21 ument or other matter it provides to the Postal Regulatory  
22 Commission under a subpoena issued under subsection (f),  
23 or otherwise at the request of the Commission in connec-  
24 tion with any proceeding or other purpose under this title,  
25 contains information which is described in section 410(c)

1 of this title, or exempt from public disclosure under sec-  
2 tion 552(b) of title 5, the Postal Service shall, at the time  
3 of providing such matter to the Commission, notify the  
4 Commission, in writing, of its determination (and the rea-  
5 sons therefor).

6 “(2) Except as provided in paragraph (3), no officer  
7 or employee of the Commission may, with respect to any  
8 information as to which the Commission has been notified  
9 under paragraph (1)—

10 “(A) use such information for purposes other  
11 than the purposes for which it is supplied; or

12 “(B) permit anyone who is not an officer or  
13 employee of the Commission to have access to any  
14 such information.

15 “(3)(A) Paragraph (2) shall not prohibit the  
16 Commission from publicly disclosing relevant infor-  
17 mation in furtherance of its duties under this title,  
18 provided that the Commission has adopted regula-  
19 tions under section 553 of title 5, that establish a  
20 procedure for according appropriate confidentiality  
21 to information identified by the Postal Service under  
22 paragraph (1). In determining the appropriate de-  
23 gree of confidentiality to be accorded information  
24 identified by the Postal Service under paragraph (1),  
25 the Commission shall balance the nature and extent

1 of the likely commercial injury to the Postal Service  
2 against the public interest in maintaining the finan-  
3 cial transparency of a government establishment  
4 competing in commercial markets.

5 “(B) Paragraph (2) shall not prevent the Com-  
6 mission from requiring production of information in  
7 the course of any discovery procedure established in  
8 connection with a proceeding under this title. The  
9 Commission shall, by regulations based on rule 26(c)  
10 of the Federal Rules of Civil Procedure, establish  
11 procedures for ensuring appropriate confidentiality  
12 for information furnished to any party.”

13 **SEC. 603. AUTHORIZATION OF APPROPRIATIONS FROM THE**  
14 **POSTAL SERVICE FUND.**

15 (a) **POSTAL REGULATORY COMMISSION.**—Subsection  
16 (d) of section 504 of title 39, United States Code (as so  
17 redesignated by section 601) is amended to read as fol-  
18 lows:

19 “(d) There are authorized to be appropriated, out of  
20 the Postal Service Fund, such sums as may be necessary  
21 for the Postal Regulatory Commission. In requesting an  
22 appropriation under this subsection for a fiscal year, the  
23 Commission shall prepare and submit to the Congress  
24 under section 2009 a budget of the Commission’s ex-

1 penses, including expenses for facilities, supplies, com-  
2 pensation, and employee benefits.”.

3 (b) OFFICE OF INSPECTOR GENERAL OF THE  
4 UNITED STATES POSTAL SERVICE.—Section 8G(f) of the  
5 Inspector General Act of 1978 (5 U.S.C. App.) is amend-  
6 ed—

7 (1) by redesignating paragraph (4) as para-  
8 graph (5);

9 (2) by redesignating the second paragraph (3)  
10 (relating to employees and labor organizations) as  
11 paragraph (4); and

12 (3) by adding at the end the following:

13 “(6) There are authorized to be appropriated,  
14 out of the Postal Service Fund, such sums as may  
15 be necessary for the Office of Inspector General of  
16 the United States Postal Service.”.

17 (c) BUDGET PROGRAM.—

18 (1) IN GENERAL.—The next to last sentence of  
19 section 2009 of title 39, United States Code, is  
20 amended to read as follows: “The budget program  
21 shall also include separate statements of the  
22 amounts which (1) the Postal Service requests to be  
23 appropriated under subsections (b) and (c) of section  
24 2401, (2) the Office of Inspector General of the  
25 United States Postal Service requests to be appro-

1       appropriated, out of the Postal Service Fund, under sec-  
2       tion 8G(f) of the Inspector General Act of 1978, and  
3       (3) the Postal Regulatory Commission requests to be  
4       appropriated, out of the Postal Service Fund, under  
5       section 504(d) of this title.”.

6           (2)    CONFORMING    AMENDMENT.—Section  
7       2003(e)(1) of title 39, United States Code, is  
8       amended by striking the first sentence and inserting  
9       the following: “The Fund shall be available for the  
10      payment of (A) all expenses incurred by the Postal  
11      Service in carrying out its functions as provided by  
12      law, subject to the same limitation as set forth in  
13      the parenthetical matter under subsection (a); (B)  
14      all expenses of the Postal Regulatory Commission,  
15      subject to the availability of amounts appropriated  
16      under section 504(d); and (C) all expenses of the Of-  
17      fice of Inspector General, subject to the availability  
18      of amounts appropriated under section 8G(f) of the  
19      Inspector General Act of 1978.”.

20      (d) EFFECTIVE DATE.—

21           (1) IN GENERAL.—The amendments made by  
22      this section shall apply with respect to fiscal years  
23      beginning on or after October 1, 2008.

24           (2) SAVINGS PROVISION.—The provisions of  
25      title 39, United States Code, and the Inspector Gen-



1 “Postal Rate Commission” and inserting “Postal Regu-  
2 latory Commission”.

3 (d) AMENDMENT TO THE REHABILITATION ACT OF  
4 1973.—Section 501(b) of the Rehabilitation Act of 1973  
5 (29 U.S.C. 791(b)) is amended by striking “Postal Rate  
6 Office” and inserting “Postal Regulatory Commission”.

7 (e) AMENDMENT TO TITLE 44, UNITED STATES  
8 CODE.—Section 3502(5) of title 44, United States Code,  
9 is amended by striking “Postal Rate Commission” and in-  
10 sserting “Postal Regulatory Commission”.

11 (f) OTHER REFERENCES.—Whenever a reference is  
12 made in any provision of law (other than this Act or a  
13 provision of law amended by this Act), regulation, rule,  
14 document, or other record of the United States to the  
15 Postal Rate Commission, such reference shall be consid-  
16 ered a reference to the Postal Regulatory Commission.

17 **SEC. 605. INSPECTOR GENERAL OF THE POSTAL REGU-**  
18 **LATORY COMMISSION.**

19 (a) IN GENERAL.—Section 8G(a)(2) of the Inspector  
20 General Act of 1978 is amended by inserting “the Postal  
21 Regulatory Commission,” after “the United States Inter-  
22 national Trade Commission,”.

23 (b) ADMINISTRATION.—Section 504 of title 39,  
24 United States Code (as so redesignated by section 601)

1 is amended by adding after subsection (g) (as added by  
2 section 602) the following:

3 “(h)(1) Notwithstanding any other provision of this  
4 title or of the Inspector General Act of 1978, the authority  
5 to select, appoint, and employ officers and employees of  
6 the Office of Inspector General of the Postal Regulatory  
7 Commission, and to obtain any temporary or intermittent  
8 services of experts or consultants (or an organization of  
9 experts or consultants) for such Office, shall reside with  
10 the Inspector General of the Postal Regulatory Commis-  
11 sion.

12 “(2) Except as provided in paragraph (1), any exer-  
13 cise of authority under this subsection shall, to the extent  
14 practicable, be in conformance with the applicable laws  
15 and regulations that govern selections, appointments, and  
16 employment, and the obtaining of any such temporary or  
17 intermittent services, within the Postal Regulatory Com-  
18 mission.”.

19 (c) DEADLINE.—No later than 180 days after the  
20 date of the enactment of this Act—

21 (1) the first Inspector General of the Postal  
22 Regulatory Commission shall be appointed; and

23 (2) the Office of Inspector General of the Post-  
24 al Regulatory Commission shall be established.

1           **TITLE VII—EVALUATIONS**

2   **SEC. 701. ASSESSMENTS OF RATEMAKING, CLASSIFICA-**  
3                   **TION, AND OTHER PROVISIONS.**

4           (a) IN GENERAL.—The Postal Regulatory Commis-  
5 sion shall, at least every 5 years, submit a report to the  
6 President and Congress concerning—

7               (1) the operation of the amendments made by  
8 this Act; and

9               (2) recommendations for any legislation or  
10 other measures necessary to improve the effective-  
11 ness or efficiency of the postal laws of the United  
12 States.

13           (b) POSTAL SERVICE VIEWS.—A report under this  
14 section shall be submitted only after reasonable oppor-  
15 tunity has been afforded to the Postal Service to review  
16 the report and to submit written comments on the report.  
17 Any comments timely received from the Postal Service  
18 under the preceding sentence shall be attached to the re-  
19 port submitted under subsection (a).

20   **SEC. 702. REPORT ON UNIVERSAL POSTAL SERVICE AND**  
21                   **THE POSTAL MONOPOLY.**

22           (a) REPORT BY THE POSTAL REGULATORY COMMIS-  
23 SION.—

24               (1) IN GENERAL.—Not later than 24 months  
25 after the date of enactment of this Act, the Postal

1 Regulatory Commission shall submit a report to the  
2 President and Congress on universal postal service  
3 and the postal monopoly in the United States (in  
4 this section referred to as “universal service and the  
5 postal monopoly”), including the monopoly on the  
6 delivery of mail and on access to mailboxes.

7 (2) CONTENTS.—The report under this sub-  
8 section shall include—

9 (A) a comprehensive review of the history  
10 and development of universal service and the  
11 postal monopoly, including how the scope and  
12 standards of universal service and the postal  
13 monopoly have evolved over time for the Nation  
14 and its urban and rural areas;

15 (B) the scope and standards of universal  
16 service and the postal monopoly provided under  
17 current law (including sections 101 and 403 of  
18 title 39, United States Code), and current  
19 rules, regulations, policy statements, and prac-  
20 tices of the Postal Service;

21 (C) a description of any geographic areas,  
22 populations, communities (including both urban  
23 and rural communities), organizations, or other  
24 groups or entities not currently covered by uni-  
25 versal service or that are covered but that are

1 receiving services deficient in scope or quality  
2 or both; and

3 (D) the scope and standards of universal  
4 service and the postal monopoly likely to be re-  
5 quired in the future in order to meet the needs  
6 and expectations of the United States public,  
7 including all types of mail users, based on dis-  
8 cussion of such assumptions, alternative sets of  
9 assumptions, and analyses as the Postal Service  
10 considers plausible.

11 (b) RECOMMENDED CHANGES TO UNIVERSAL SERV-  
12 ICE AND THE MONOPOLY.—The Postal Regulatory Com-  
13 mission shall include in the report under subsection (a),  
14 and in all reports submitted under section 701 of this  
15 Act—

16 (1) any recommended changes to universal serv-  
17 ice and the postal monopoly as the Commission con-  
18 siders appropriate, including changes that the Com-  
19 mission may implement under current law and  
20 changes that would require changes to current law,  
21 with estimated effects of the recommendations on  
22 the service, financial condition, rates, and security of  
23 mail provided by the Postal Service;

24 (2) with respect to each recommended change  
25 described under paragraph (1)—

1 (A) an estimate of the costs of the Postal  
2 Service attributable to the obligation to provide  
3 universal service under current law; and

4 (B) an analysis of the likely benefit of the  
5 current postal monopoly to the ability of the  
6 Postal Service to sustain the current scope and  
7 standards of universal service, including esti-  
8 mates of the financial benefit of the postal mo-  
9 nopoly to the extent practicable, under current  
10 law; and

11 (3) such additional topics and recommendations  
12 as the Commission considers appropriate, with esti-  
13 mated effects of the recommendations on the service,  
14 financial condition, rates, and the security of mail  
15 provided by the Postal Service.

16 (c) CONSULTATION.—In preparing the report re-  
17 quired by this section, the Postal Regulatory Commis-  
18 sion—

19 (1) shall solicit written comments from the  
20 Postal Service and consult with the Postal Service  
21 and other Federal agencies, users of the mails, en-  
22 terprises in the private sector engaged in the deliv-  
23 ery of the mail, and the general public; and

24 (2) shall address in the report any written com-  
25 ments received under this section.

1 (d) CLARIFYING PROVISION.—Nothing in this section  
2 shall be considered to relate to any services that are not  
3 postal services within the meaning of section 102 of title  
4 39, United States Code, as amended by section 101 of this  
5 Act.

6 **SEC. 703. STUDY ON EQUAL APPLICATION OF LAWS TO**  
7 **COMPETITIVE PRODUCTS.**

8 (a) IN GENERAL.—The Federal Trade Commission  
9 shall prepare and submit to the President and Congress,  
10 and to the Postal Regulatory Commission, within 1 year  
11 after the date of enactment of this Act, a comprehensive  
12 report identifying Federal and State laws that apply dif-  
13 ferently to the United States Postal Service with respect  
14 to the competitive category of mail (within the meaning  
15 of section 102 of title 39, United States Code, as amended  
16 by section 101) and to private companies providing similar  
17 products.

18 (b) RECOMMENDATIONS.—The Federal Trade Com-  
19 mission shall include such recommendations as it con-  
20 siders appropriate for bringing such legal differences to  
21 an end, and in the interim, to account under section 3633  
22 of title 39, United States Code (as added by this Act),  
23 for the net economic effects provided by those laws.

24 (c) CONSULTATION.—In preparing its report, the  
25 Federal Trade Commission shall consult with the United

1 States Postal Service, the Postal Regulatory Commission,  
2 other Federal agencies, mailers, private companies that  
3 provide delivery services, and the general public, and shall  
4 append to such report any written comments received  
5 under this subsection.

6 (d) **COMPETITIVE PRODUCT REGULATION.**—The  
7 Postal Regulatory Commission shall take into account the  
8 recommendations of the Federal Trade Commission, and  
9 subsequent events that affect the continuing validity of the  
10 estimate of the net economic effect, in promulgating or  
11 revising the regulations required under section 3633 of  
12 title 39, United States Code.

13 **SEC. 704. REPORT ON POSTAL WORKPLACE SAFETY AND**  
14 **WORKPLACE-RELATED INJURIES.**

15 (a) **REPORT BY THE INSPECTOR GENERAL.**—

16 (1) **IN GENERAL.**—Not later than 6 months  
17 after the enactment of this Act, the Inspector Gen-  
18 eral of the United States Postal Service shall submit  
19 a report to Congress and the Postal Service that—

20 (A) details and assesses any progress the  
21 Postal Service has made in improving workplace  
22 safety and reducing workplace-related injuries  
23 nationwide; and

1 (B) identifies opportunities for improve-  
2 ment that remain with respect to such improve-  
3 ments and reductions.

4 (2) CONTENTS.—The report under this sub-  
5 section shall also—

6 (A) discuss any injury reduction goals es-  
7 tablished by the Postal Service;

8 (B) describe the actions that the Postal  
9 Service has taken to improve workplace safety  
10 and reduce workplace-related injuries, and as-  
11 sess how successful the Postal Service has been  
12 in meeting its injury reduction goal; and

13 (C) identify areas where the Postal Service  
14 has failed to meet its injury reduction goals, ex-  
15 plain the reasons why these goals were not met,  
16 and identify opportunities for making further  
17 progress in meeting these goals.

18 (b) REPORT BY THE POSTAL SERVICE.—

19 (1) REPORT TO CONGRESS.—Not later than 6  
20 months after receiving the report under subsection  
21 (a), the Postal Service shall submit a report to Con-  
22 gress detailing how it plans to improve workplace  
23 safety and reduce workplace-related injuries nation-  
24 wide, including goals and metrics.

1           (2) PROBLEM AREAS.—The report under this  
2 subsection shall also include plans, developed in con-  
3 sultation with the Inspector General and employee  
4 representatives, including representatives of each  
5 postal labor union and management association, for  
6 addressing the problem areas identified by the In-  
7 spector General in the report under subsection  
8 (a)(2)(C).

9 **SEC. 705. STUDY ON RECYCLED PAPER.**

10       (a) IN GENERAL.—Within 12 months after the date  
11 of enactment of this Act, the Government Accountability  
12 Office shall study and submit to the Congress, the Board  
13 of Governors of the Postal Service, and to the Postal Reg-  
14 ulatory Commission a report concerning—

15           (1) a description and analysis of the accom-  
16 plishments of the Postal Service in each of the pre-  
17 ceding 5 years involving recycling activities, includ-  
18 ing efforts by the Postal Service to recycle undeliver-  
19 able and discarded mail and other materials and its  
20 public affairs efforts to promote the increased recy-  
21 cling of paper products; and

22           (2) additional opportunities that may be avail-  
23 able for the United States Postal Service to engage  
24 in recycling initiatives, including consultation with  
25 the paper recycling industry and encouraging mail-

1       ers to increase both the recycling of paper products  
2       and the use of recycled paper, and the projected  
3       costs and revenues of undertaking such opportuni-  
4       ties.

5       (b) RECOMMENDATIONS.—The report shall include  
6       recommendations for any administrative or legislative ac-  
7       tions that may be appropriate.

8       **SEC. 706. GREATER DIVERSITY IN POSTAL SERVICE EXECU-**  
9                                   **TIVE AND ADMINISTRATIVE SCHEDULE MAN-**  
10                                  **AGEMENT POSITIONS.**

11       (a) IN GENERAL.—The Board of Governors shall  
12       study and, within 1 year after the date of the enactment  
13       of this Act, submit to the President and Congress a report  
14       concerning the extent to which women and minorities are  
15       represented in supervisory and management positions  
16       within the United States Postal Service. Any data included  
17       in the report shall be presented in the aggregate and by  
18       pay level.

19       (b) PERFORMANCE EVALUATIONS.—The United  
20       States Postal Service shall, as soon as is practicable, take  
21       such measures as may be necessary to incorporate the af-  
22       firmative action and equal opportunity criteria contained  
23       in 4313(5) of title 5, United States Code, into the per-  
24       formance appraisals of senior supervisory or managerial  
25       employees.

1 **SEC. 707. CONTRACTS WITH WOMEN, MINORITIES, AND**  
2 **SMALL BUSINESSES.**

3 The Board of Governors shall study and, within 1  
4 year after the date of the enactment of this Act, submit  
5 to the President and the Congress a report concerning the  
6 number and value of contracts and subcontracts the Post-  
7 al Service has entered into with women, minorities, and  
8 small businesses.

9 **SEC. 708. RATES FOR PERIODICALS.**

10 (a) IN GENERAL.—The United States Postal Service,  
11 acting jointly with the Postal Regulatory Commission,  
12 shall study and submit to the President and Congress a  
13 report concerning—

14 (1) the quality, accuracy, and completeness of  
15 the information used by the Postal Service in deter-  
16 mining the direct and indirect postal costs attrib-  
17 utable to periodicals; and

18 (2) any opportunities that might exist for im-  
19 proving efficiencies in the collection, handling, trans-  
20 portation, or delivery of periodicals by the Postal  
21 Service, including any pricing incentives for mailers  
22 that might be appropriate.

23 (b) RECOMMENDATIONS.—The report shall include  
24 recommendations for any administrative action or legisla-  
25 tion that might be appropriate.

1 **SEC. 709. ASSESSMENT OF CERTAIN RATE DEFICIENCIES.**

2 (a) IN GENERAL.—Within 12 months after the date  
3 of the enactment of this Act, the Office of Inspector Gen-  
4 eral of the United States Postal Service shall study and  
5 submit to the President, the Congress, and the United  
6 States Postal Service, a report concerning the administra-  
7 tion of section 3626(k) of title 39, United States Code.

8 (b) SPECIFIC REQUIREMENTS.—The study and re-  
9 port shall specifically address the adequacy and fairness  
10 of the process by which assessments under section 3626(k)  
11 of title 39, United States Code, are determined and ap-  
12 pealable, including—

13 (1) whether the Postal Regulatory Commission  
14 or any other body outside the Postal Service should  
15 be assigned a role; and

16 (2) whether a statute of limitations should be  
17 established for the commencement of proceedings by  
18 the Postal Service thereunder.

19 **SEC. 710. ASSESSMENT OF FUTURE BUSINESS MODEL OF**  
20 **THE POSTAL SERVICE.**

21 (a) GOVERNMENT ACCOUNTABILITY OFFICE MAN-  
22 DATE.—The Comptroller General of the United States  
23 shall prepare and submit to the President and Congress  
24 a report that builds upon the work of the 2002 President’s  
25 Commission on the United States Postal Service by evalu-  
26 ating in-depth various options and strategies for the long-

1 term structural and operational reforms of the United  
2 States Postal Service. The final report required by this  
3 section shall be submitted within 5 years of the date of  
4 enactment of this Act.

5 (b) PROTECTION OF UNIVERSAL SERVICE.—The  
6 Government Accountability Office may include such rec-  
7 ommendations as it considers appropriate with respect to  
8 how the Postal Service’s business model can be maintained  
9 or transformed in an orderly manner that will minimize  
10 adverse effects on all interested parties and assure contin-  
11 ued availability of affordable, universal postal service  
12 throughout the United States. The Government Account-  
13 ability Office shall not consider any strategy or other  
14 course of action that would pose a significant risk to the  
15 continued availability of affordable, universal postal serv-  
16 ice throughout the United States.

17 (c) ELEMENTS OF REPORT.—

18 (1) TOPICS TO ADDRESS.—The report shall ad-  
19 dress at least the following:

20 (A) Specification of nature and bases of  
21 one or more sets of reasonable assumptions  
22 about the development of the postal services  
23 market, to the extent that such assumptions  
24 may be necessary or appropriate for each strat-

1           egy identified by the Government Accountability  
2           Office.

3           (B) Specification of the nature and bases  
4           of one or more sets of reasonable assumptions  
5           about the development of the regulatory frame-  
6           work for postal services, to the extent that such  
7           assumptions may be necessary or appropriate  
8           for each strategy identified by the Government  
9           Accountability Office.

10          (C) Qualitative and, to the extent possible,  
11          quantitative effects that each strategy identified  
12          by the Government Accountability Office may  
13          have on universal service generally, the Postal  
14          Service, mailers, postal employees, private com-  
15          panies that provide delivery services, and the  
16          general public.

17          (D) Financial effects that each strategy  
18          identified by the Government Accountability Of-  
19          fice may have on the Postal Service, postal em-  
20          ployees, the Treasury of the United States, and  
21          other affected parties, including the American  
22          mailing consumer.

23          (E) Feasible and appropriate procedural  
24          steps and timetables for implementing each

1 strategy identified by the Government Account-  
2 ability Office.

3 (F) Such additional topics as the Comp-  
4 troller General shall consider necessary and ap-  
5 propriate.

6 (2) MATTERS TO CONSIDER.—For each strat-  
7 egy identified, the Government Accountability Office  
8 shall assess how each business model might—

9 (A) address the human-capital challenges  
10 facing the Postal Service, including how em-  
11 ployee-management relations within the Postal  
12 Service may be improved;

13 (B) optimize the postal infrastructure, in-  
14 cluding the best methods for providing retail  
15 services that ensure convenience and access to  
16 customers;

17 (C) ensure the safety and security of the  
18 mail and of postal employees;

19 (D) minimize areas of inefficiency or waste  
20 and improve operations involved in the collec-  
21 tion, processing, or delivery of mail; and

22 (E) impact other matters that the Comp-  
23 troller General determines are relevant to evalu-  
24 ating a viable long-term business model for the  
25 Postal Service.

1           (3) EXPERIENCES OF OTHER COUNTRIES.—In  
2           preparing the report required by subsection (a), the  
3           Government Accountability Office shall comprehen-  
4           sively and quantitatively investigate the experiences  
5           of other industrialized countries that have trans-  
6           formed the national post office. The Government Ac-  
7           countability Office shall undertake such original re-  
8           search as it deems necessary. In each case, the Gov-  
9           ernment Accountability Office shall describe as fully  
10          as possible the costs and benefits of transformation  
11          of the national post office on all affected parties and  
12          shall identify any lessons that foreign experience  
13          may imply for each strategy identified by the re-  
14          search organization.

15          (d) OUTSIDE EXPERTS.—In preparing its study, the  
16          Government Accountability Office may retain the services  
17          of additional experts and consultants.

18          (e) CONSULTATION.—In preparing its report, the  
19          Government Accountability Office shall consult fully with  
20          the Postal Service, the Postal Regulatory Commission,  
21          other Federal agencies, postal employee unions and man-  
22          agement associations, mailers, private companies that pro-  
23          vide delivery services, and the general public. The Govern-  
24          ment Accountability Office shall include with its final re-

1 port a copy of all formal written comments received under  
2 this subsection.

3 (f) AUTHORIZATION OF APPROPRIATIONS.—There  
4 are authorized to be appropriated from the Postal Service  
5 Fund such sums as may be necessary to carry out this  
6 section.

7 **SEC. 711. PROVISIONS RELATING TO COOPERATIVE MAIL-**  
8 **INGS.**

9 (a) STUDY.—

10 (1) IN GENERAL.—The Postal Regulatory Com-  
11 mission shall examine section E670.5.3 of the Do-  
12 mestic Mail Manual to determine whether it contains  
13 adequate safeguards to protect against—

14 (A) abuses of rates for nonprofit mail; and

15 (B) deception of consumers.

16 (2) REPORT.—The Commission shall report the  
17 results of its examination to the Postal Service,  
18 along with any recommendations that the Commis-  
19 sion determines appropriate.

20 (b) FAILURE TO ACT.—If the Postal Service fails to  
21 act on the recommendations of the Commission, the Com-  
22 mission may take such action as it determines necessary  
23 to prevent abuse of rates or deception of consumers.

1 **SEC. 712. DEFINITION.**

2 For purposes of this title, the term “Board of Gov-  
3 ernors” has the meaning given such term by section 102  
4 of title 39, United States Code.

5 **TITLE VIII—POSTAL SERVICE**  
6 **RETIREMENT AND HEALTH**  
7 **BENEFITS FUNDING**

8 **SEC. 801. SHORT TITLE.**

9 This title may be cited as the “Postal Civil Service  
10 Retirement and Health Benefits Funding Amendments of  
11 2006”.

12 **SEC. 802. CIVIL SERVICE RETIREMENT SYSTEM.**

13 (a) IN GENERAL.—Chapter 83 of title 5, United  
14 States Code, is amended—

15 (1) in section 8334(a)(1)(B), by striking clause

16 (ii) and inserting the following:

17 “(ii) In the case of an employee of the United States  
18 Postal Service, no amount shall be contributed under this  
19 subparagraph.”; and

20 (2) by amending section 8348(h) to read as fol-  
21 lows:

22 “(h)(1) In this subsection, the term ‘Postal surplus  
23 or supplemental liability’ means the estimated difference,  
24 as determined by the Office, between—

25 “(A) the actuarial present value of all future  
26 benefits payable from the Fund under this sub-

1 chapter to current or former employees of the  
2 United States Postal Service and attributable to ci-  
3 vilian employment with the United States Postal  
4 Service; and

5 “(B) the sum of—

6 “(i) the actuarial present value of deduc-  
7 tions to be withheld from the future basic pay  
8 of employees of the United States Postal Serv-  
9 ice currently subject to this subchapter under  
10 section 8334;

11 “(ii) that portion of the Fund balance, as  
12 of the date the Postal surplus or supplemental  
13 liability is determined, attributable to payments  
14 to the Fund by the United States Postal Serv-  
15 ice and its employees, minus benefit payments  
16 attributable to civilian employment with the  
17 United States Postal Service, plus the earnings  
18 on such amounts while in the Fund; and

19 “(iii) any other appropriate amount, as de-  
20 termined by the Office in accordance with gen-  
21 erally accepted actuarial practices and prin-  
22 ciples.

23 “(2)(A) Not later than June 15, 2007, the Office  
24 shall determine the Postal surplus or supplemental liabil-  
25 ity, as of September 30, 2006. If that result is a surplus,

1 the amount of the surplus shall be transferred to the Post-  
2 al Service Retiree Health Benefits Fund established under  
3 section 8909a by June 30, 2007.

4 “(B) The Office shall redetermine the Postal surplus  
5 or supplemental liability as of the close of the fiscal year,  
6 for each fiscal year beginning after September 30, 2007,  
7 through the fiscal year ending September 30, 2038. If the  
8 result is a surplus, that amount shall remain in the Fund  
9 until distribution is authorized under subparagraph (C).  
10 Beginning June 15, 2017, if the result is a supplemental  
11 liability, the Office shall establish an amortization sched-  
12 ule, including a series of annual installments commencing  
13 on September 30 of the subsequent fiscal year, which pro-  
14 vides for the liquidation of such liability by September 30,  
15 2043.

16 “(C) As of the close of the fiscal years ending Sep-  
17 tember 30, 2015, 2025, 2035, and 2039, if the result is  
18 a surplus, that amount shall be transferred to the Postal  
19 Service Retiree Health Benefits Fund, and any prior am-  
20 ortization schedule for payments shall be terminated.

21 “(D) Amortization schedules established under this  
22 paragraph shall be set in accordance with generally accept-  
23 ed actuarial practices and principles, with interest com-  
24 puted at the rate used in the most recent valuation of the  
25 Civil Service Retirement System.

1       “(E) The United States Postal Service shall pay the  
2 amounts so determined to the Office, with payments due  
3 not later than the date scheduled by the Office.

4       “(3) Notwithstanding any other provision of law, in  
5 computing the amount of any payment under any other  
6 subsection of this section that is based upon the amount  
7 of the unfunded liability, such payment shall be computed  
8 disregarding that portion of the unfunded liability that the  
9 Office determines will be liquidated by payments under  
10 this subsection.”.

11       (b) CREDIT ALLOWED FOR MILITARY SERVICE.—In  
12 the application of section 8348(g)(2) of title 5, United  
13 States Code, for the fiscal year 2007, the Office of Per-  
14 sonnel Management shall include, in addition to the  
15 amount otherwise computed under that paragraph, the  
16 amounts that would have been included for the fiscal years  
17 2003 through 2006 with respect to credit for military serv-  
18 ice of former employees of the United States Postal Serv-  
19 ice as though the Postal Civil Service Retirement System  
20 Funding Reform Act of 2003 (Public Law 108–18) had  
21 not been enacted, and the Secretary of the Treasury shall  
22 make the required transfer to the Civil Service Retirement  
23 and Disability Fund based on that amount.

24       (c) REVIEW.—

25               (1) IN GENERAL.—

1           (A) REQUEST FOR REVIEW.—Notwith-  
2 standing any other provision of this section (in-  
3 cluding any amendment made by this section),  
4 any determination or redetermination made by  
5 the Office of Personnel Management under this  
6 section (including any amendment made by this  
7 section) shall, upon request of the United  
8 States Postal Service, be subject to a review by  
9 the Postal Regulatory Commission under this  
10 subsection.

11           (B) REPORT.—Upon receiving a request  
12 under subparagraph (A), the Commission shall  
13 promptly procure the services of an actuary,  
14 who shall hold membership in the American  
15 Academy of Actuaries and shall be qualified in  
16 the evaluation of pension obligations, to conduct  
17 a review in accordance with generally accepted  
18 actuarial practices and principles and to provide  
19 a report to the Commission containing the re-  
20 sults of the review. The Commission, upon de-  
21 termining that the report satisfies the require-  
22 ments of this paragraph, shall approve the re-  
23 port, with any comments it may choose to  
24 make, and submit it with any such comments to

1 the Postal Service, the Office of Personnel  
2 Management, and Congress.

3 (2) RECONSIDERATION.—Upon receiving the re-  
4 port from the Commission under paragraph (1), the  
5 Office of Personnel Management shall reconsider its  
6 determination or redetermination in light of such re-  
7 port, and shall make any appropriate adjustments.  
8 The Office shall submit a report containing the re-  
9 sults of its reconsideration to the Commission, the  
10 Postal Service, and Congress.

11 **SEC. 803. HEALTH INSURANCE.**

12 (a) IN GENERAL.—

13 (1) FUNDING.—Chapter 89 of title 5, United  
14 States Code, is amended—

15 (A) in section 8906(g)(2)(A), by striking  
16 “shall be paid by the United States Postal  
17 Service.” and inserting “shall through Sep-  
18 tember 30, 2016, be paid by the United States  
19 Postal Service, and thereafter shall be paid first  
20 from the Postal Service Retiree Health Benefits  
21 Fund up to the amount contained in the Fund,  
22 with any remaining amount paid by the United  
23 States Postal Service.”; and

24 (B) by inserting after section 8909 the fol-  
25 lowing:

1 **“§ 8909a. Postal Service Retiree Health Benefit Fund**

2       “(a) There is in the Treasury of the United States  
3 a Postal Service Retiree Health Benefits Fund which is  
4 administered by the Office of Personnel Management.

5       “(b) The Fund is available without fiscal year limita-  
6 tion for payments required under section 8906(g)(2)(A).

7       “(c) The Secretary of the Treasury shall immediately  
8 invest, in interest-bearing securities of the United States  
9 such currently available portions of the Fund as are not  
10 immediately required for payments from the Fund. Such  
11 investments shall be made in the same manner as invest-  
12 ments for the Civil Service Retirement and Disability  
13 Fund under section 8348.

14       “(d)(1) Not later than June 30, 2007, and by June  
15 30 of each succeeding year, the Office shall compute the  
16 net present value of the future payments required under  
17 section 8906(g)(2)(A) and attributable to the service of  
18 Postal Service employees during the most recently ended  
19 fiscal year.

20       “(2)(A) Not later than June 30, 2007, the Office  
21 shall compute, and by June 30 of each succeeding year,  
22 the Office shall recompute the difference between—

23               “(i) the net present value of the excess of fu-  
24 ture payments required under section 8906(g)(2)(A)  
25 for current and future United States Postal Service

1 annuitants as of the end of the fiscal year ending on  
2 September 30 of that year; and

3 “(ii)(I) the value of the assets of the Postal Re-  
4 tiree Health Benefits Fund as of the end of the fis-  
5 cal year ending on September 30 of that year; and

6 “(II) the net present value computed under  
7 paragraph (1).

8 “(B) Not later than June 30, 2017, the Office shall  
9 compute, and by June 30 of each succeeding year shall  
10 recompute, a schedule including a series of annual install-  
11 ments which provide for the liquidation of any liability or  
12 surplus by September 30, 2056, or within 15 years, which-  
13 ever is later, of the net present value determined under  
14 subparagraph (A), including interest at the rate used in  
15 that computation.

16 “(3)(A) The United States Postal Service shall pay  
17 into such Fund—

18 “(i) \$5,400,000,000, not later than September  
19 30, 2007;

20 “(ii) \$5,600,000,000, not later than September  
21 30, 2008;

22 “(iii) \$5,400,000,000, not later than September  
23 30, 2009;

24 “(iv) \$5,500,000,000, not later than September  
25 30, 2010;

1           “(v) \$5,500,000,000, not later than September  
2           30, 2011;

3           “(vi) \$5,600,000,000, not later than September  
4           30, 2012;

5           “(vii) \$5,600,000,000, not later than Sep-  
6           tember 30, 2013;

7           “(viii) \$5,700,000,000, not later than Sep-  
8           tember 30, 2014;

9           “(ix) \$5,700,000,000, not later than September  
10          30, 2015; and

11          “(x) \$5,800,000,000, not later than September  
12          30, 2016.

13          “(B) Not later than September 30, 2017, and by Sep-  
14          tember 30 of each succeeding year, the United States  
15          Postal Service shall pay into such Fund the sum of—

16                 “(i) the net present value computed under para-  
17                 graph (1); and

18                 “(ii) any annual installment computed under  
19                 paragraph (2)(B).

20          “(4) Computations under this subsection shall be  
21          made consistent with the assumptions and methodology  
22          used by the Office for financial reporting under sub-  
23          chapter II of chapter 35 of title 31.

24          “(5)(A)(i) Any computation or other determination of  
25          the Office under this subsection shall, upon request of the

1 United States Postal Service, be subject to a review by  
2 the Postal Regulatory Commission under this paragraph.

3 “(ii) Upon receiving a request under clause (i), the  
4 Commission shall promptly procure the services of an ac-  
5 tuary, who shall hold membership in the American Acad-  
6 emy of Actuaries and shall be qualified in the evaluation  
7 of healthcare insurance obligations, to conduct a review  
8 in accordance with generally accepted actuarial practices  
9 and principles and to provide a report to the Commission  
10 containing the results of the review. The Commission,  
11 upon determining that the report satisfies the require-  
12 ments of this subparagraph, shall approve the report, with  
13 any comments it may choose to make, and submit it with  
14 any such comments to the Postal Service, the Office of  
15 Personnel Management, and Congress.

16 “(B) Upon receiving the report under subparagraph  
17 (A), the Office of Personnel Management shall reconsider  
18 its determination or redetermination in light of such re-  
19 port, and shall make any appropriate adjustments. The  
20 Office shall submit a report containing the results of its  
21 reconsideration to the Commission, the Postal Service, and  
22 Congress.

23 “(6) After consultation with the United States Postal  
24 Service, the Office shall promulgate any regulations the  
25 Office determines necessary under this subsection.”.

1           (2) TECHNICAL AND CONFORMING AMEND-  
2           MENT.—The table of sections for chapter 89 of title  
3           5, United States Code, is amended by inserting after  
4           the item relating to section 8909 the following:

“8909a. Postal Service Retiree Health Benefits Fund.”.

5           (b) REVIEW.—

6           (1) IN GENERAL.—

7           (A) REQUEST FOR REVIEW.—Any regula-  
8           tion established under section 8909a(d)(5) of  
9           title 5, United States Code (as added by sub-  
10          section (a)), shall, upon request of the United  
11          States Postal Service, be subject to a review by  
12          the Postal Regulatory Commission under this  
13          paragraph.

14          (B) REPORT.—Upon receiving a request  
15          under subparagraph (A), the Commission shall  
16          promptly procure the services of an actuary,  
17          who shall hold membership in the American  
18          Academy of Actuaries and shall be qualified in  
19          the evaluation of healthcare insurance obliga-  
20          tions, to conduct a review in accordance with  
21          generally accepted actuarial practices and prin-  
22          ciples and to provide a report to the Commis-  
23          sion containing the results of the review. The  
24          Commission, upon determining that the report  
25          satisfies the requirements of this paragraph,

1 shall approve the report, with any comments it  
2 may choose to make, and submit it with any  
3 such comments to the Postal Service, the Office  
4 of Personnel Management, and Congress.

5 (2) RECONSIDERATION.—Upon receiving the re-  
6 port under paragraph (1), the Office of Personnel  
7 Management shall reconsider its determination or  
8 redetermination in light of such report, and shall  
9 make any appropriate adjustments. The Office shall  
10 submit a report containing the results of its recon-  
11 sideration to the Commission, the Postal Service,  
12 and Congress.

13 **SEC. 804. REPEAL OF DISPOSITION OF SAVINGS PROVISION.**

14 (a) IN GENERAL.—Section 3 of the Postal Civil Serv-  
15 ice Retirement System Funding Reform Act of 2003 (Pub-  
16 lic Law 108–18) is repealed.

17 (b) SAVINGS.—Savings accrued to the Postal Service  
18 as a result of enactment of Public Law 108–18 and attrib-  
19 utable to fiscal year 2006 shall be transferred to the Post-  
20 al Service Retiree Health Benefits Fund established under  
21 section 8909a of title 5, United States Code, as added by  
22 section 803 of this Act.

23 **SEC. 805. EFFECTIVE DATES.**

24 (a) IN GENERAL.—Except as provided under sub-  
25 section (b), this title shall take effect on October 1, 2006.

1 (b) TERMINATION OF EMPLOYER CONTRIBUTION.—  
2 The amendment made by paragraph (1) of section 802(a)  
3 shall take effect on the first day of the first pay period  
4 beginning on or after October 1, 2006.

5 **TITLE IX—COMPENSATION FOR**  
6 **WORK INJURIES**

7 **SEC. 901. TEMPORARY DISABILITY; CONTINUATION OF PAY.**

8 (a) TIME OF ACCRUAL OF RIGHT.—Section 8117 of  
9 title 5, United States Code, is amended—

10 (1) by striking “An employee” and inserting  
11 “(a) An employee other than a Postal Service em-  
12 ployee”; and

13 (2) by adding at the end the following:

14 “(b) A Postal Service employee is not entitled to com-  
15 pensation or continuation of pay for the first 3 days of  
16 temporary disability, except as provided under paragraph  
17 (3) of subsection (a). A Postal Service employee may use  
18 annual leave, sick leave, or leave without pay during that  
19 3-day period, except that if the disability exceeds 14 days  
20 or is followed by permanent disability, the employee may  
21 have their sick leave or annual leave reinstated or receive  
22 pay for the time spent on leave without pay under this  
23 section.”.

1 (b) TECHNICAL AND CONFORMING AMENDMENT.—  
2 Section 8118(b)(1) of title 5, United States Code, is  
3 amended to read as follows:

4 “(1) without a break in time, except as pro-  
5 vided under section 8117(b), unless controverted  
6 under regulations of the Secretary;”.

## 7 **TITLE X—MISCELLANEOUS**

### 8 **SEC. 1001. EMPLOYMENT OF POSTAL POLICE OFFICERS.**

9 Section 3061 of title 18, United States Code, is  
10 amended by adding at the end the following:

11 “(c)(1) The Postal Service may employ police officers  
12 for duty in connection with the protection of property  
13 owned or occupied by the Postal Service or under the  
14 charge and control of the Postal Service, and persons on  
15 that property, including duty in areas outside the property  
16 to the extent necessary to protect the property and persons  
17 on the property.

18 “(2) With respect to such property, such officers shall  
19 have the power to—

20 “(A) enforce Federal laws and regulations for  
21 the protection of persons and property;

22 “(B) carry firearms; and

23 “(C) make arrests without a warrant for any  
24 offense against the United States committed in the  
25 presence of the officer or for any felony cognizable

1 under the laws of the United States if the officer has  
2 reasonable grounds to believe that the person to be  
3 arrested has committed or is committing a felony.

4 “(3) With respect to such property, such officers may  
5 have, to such extent as the Postal Service may by regula-  
6 tions prescribe, the power to—

7 “(A) serve warrants and subpoenas issued  
8 under the authority of the United States; and

9 “(B) conduct investigations, on and off the  
10 property in question, of offenses that may have been  
11 committed against property owned or occupied by  
12 the Postal Service or persons on the property.

13 “(4)(A) As to such property, the Postmaster General  
14 may prescribe regulations necessary for the protection and  
15 administration of property owned or occupied by the Post-  
16 al Service and persons on the property. The regulations  
17 may include reasonable penalties, within the limits pre-  
18 scribed in subparagraph (B), for violations of the regula-  
19 tions. The regulations shall be posted and remain posted  
20 in a conspicuous place on the property.

21 “(B) A person violating a regulation prescribed  
22 under this subsection shall be fined under this title,  
23 imprisoned for not more than 30 days, or both.”.

24 **SEC. 1002. OBSOLETE PROVISIONS.**

25 (a) REPEAL.—

1           (1) IN GENERAL.—Chapter 52 of title 39,  
2 United States Code, is repealed.

3           (2) CONFORMING AMENDMENTS.—(A) Section  
4 5005(a) of title 39, United States Code, is amend-  
5 ed—

6                 (i) by striking paragraph (1), and by re-  
7 designating paragraphs (2) through (4) as  
8 paragraphs (1) through (3), respectively; and

9                 (ii) in paragraph (3) (as so designated by  
10 clause (i)), by striking “(as defined in section  
11 5201(6) of this title)”.

12           (B) Section 5005(b) of such title 39 is amended  
13 by striking “(a)(4)” each place it appears and in-  
14 serting “(a)(3)”.

15           (C) Section 5005(c) of such title 39 is amended  
16 by striking “by carrier or person under subsection  
17 (a)(1) of this section, by contract under subsection  
18 (a)(4) of this section, or” and inserting “by contract  
19 under subsection (a)(3) of this section or”.

20           (b) ELIMINATING RESTRICTION ON LENGTH OF CON-  
21 TRACTS.—(1) Section 5005(b)(1) of title 39, United  
22 States Code, is amended by striking “(or where the Postal  
23 Service determines that special conditions or the use of  
24 special equipment warrants, not in excess of 6 years)” and  
25 inserting “(or such longer period of time as may be deter-

1 mined by the Postal Service to be advisable or appro-  
2 priate”.

3 (2) Section 5402(d) of such title 39 is amended by  
4 striking “for a period of not more than 4 years”.

5 (3) Section 5605 of such title 39 is amended by strik-  
6 ing “for periods of not in excess of 4 years”.

7 (c) TECHNICAL AND CONFORMING AMENDMENT.—  
8 The table of chapters for part V of title 39, United States  
9 Code, is amended by repealing the item relating to chapter  
10 52.

11 **SEC. 1003. REDUCED RATES.**

12 Section 3626 of title 39, United States Code, is  
13 amended—

14 (1) in subsection (a), by striking all before  
15 paragraph (4) and inserting the following:

16 “(a)(1) Except as otherwise provided in this section,  
17 rates of postage for a class of mail or kind of mailer under  
18 former section 4358, 4452(b), 4452(c), 4554(b), or  
19 4554(c) of this title shall be established in accordance with  
20 section 3622.

21 “(2) For the purpose of this subsection, the term  
22 ‘regular-rate category’ means any class of mail or kind of  
23 mailer, other than a class or kind referred to in section  
24 2401(c).

1       “(3) Rates of postage for a class of mail or kind of  
2 mailer under former section 4358(a) through (c) of this  
3 title shall be established so that postage on each mailing  
4 of such mail reflects its preferred status as compared to  
5 the postage for the most closely corresponding regular-rate  
6 category mailing.”;

7               (2) in subsection (g), by adding at the end the  
8 following:

9       “(3) For purposes of this section and former section  
10 4358(a) through (c) of this title, those copies of an issue  
11 of a publication entered within the county in which it is  
12 published, but distributed outside such county on postal  
13 carrier routes originating in the county of publication,  
14 shall be treated as if they were distributed within the  
15 county of publication.

16       “(4)(A) In the case of an issue of a publication, any  
17 number of copies of which are mailed at the rates of post-  
18 age for a class of mail or kind of mailer under former  
19 section 4358(a) through (c) of this title, any copies of such  
20 issue which are distributed outside the county of publica-  
21 tion (excluding any copies subject to paragraph (3)) shall  
22 be subject to rates of postage provided for under this para-  
23 graph.

1       “(B) The rates of postage applicable to mail under  
2 this paragraph shall be established in accordance with sec-  
3 tion 3622.

4       “(C) This paragraph shall not apply with respect to  
5 an issue of a publication unless the total paid circulation  
6 of such issue outside the county of publication (not count-  
7 ing recipients of copies subject to paragraph (3)) is less  
8 than 5,000.”; and

9               (3) by adding at the end the following:

10       “(n) In the administration of this section, matter that  
11 satisfies the circulation standards for requester publica-  
12 tions shall not be excluded from being mailed at the rates  
13 for mail under former section 4358 solely because such  
14 matter is designed primarily for free circulation or for cir-  
15 culation at nominal rates, or fails to meet the require-  
16 ments of former section 4354(a)(5).”.

17 **SEC. 1004. SENSE OF CONGRESS REGARDING POSTAL SERV-**  
18 **ICE PURCHASING REFORM.**

19       It is the sense of Congress that the Postal Service  
20 should—

21               (1) ensure the fair and consistent treatment of  
22 suppliers and contractors in its current purchasing  
23 policies and any revision or replacement of such poli-  
24 cies, such as through the use of competitive contract

1 award procedures, effective dispute resolution mech-  
2 anisms, and socioeconomic programs; and

3 (2) implement commercial best practices in  
4 Postal Service purchasing policies to achieve greater  
5 efficiency and cost savings by taking full advantage  
6 of private-sector partnerships as recommended in  
7 July 2003 by the President’s Commission on the  
8 United States Postal Service.

9 **SEC. 1005. CONTRACTS FOR TRANSPORTATION OF MAIL BY**

10 **AIR.**

11 (a) **DEFINITIONS.**—Section 5402(a) of title 39,  
12 United States Code, is amended—

13 (1) in paragraph (4), by striking “(g)(1)(D)(i)”  
14 and inserting “(g)(1)(A)(iv)(I)”;

15 (2) in paragraph (5), by striking “(g)(1)(D)(i)”  
16 and inserting “(g)(1)(A)(iv)(I)”;

17 (3) in paragraph (8), by striking “rates paid to  
18 a bush carrier” and inserting “linehaul rates and a  
19 single terminal handling payment at a bush terminal  
20 handling rate paid to a bush carrier”;

21 (4) in paragraph (11), by striking  
22 “(g)(1)(D)(ii)” and inserting “(g)(1)(A)(iv)(II)”;  
23 and

24 (5) in paragraph (13)—

25 (A) in subparagraph (A)—

1 (i) by striking “clause (i) or (ii) of  
2 subsection (g)(1)(D)” and inserting “sub-  
3 clause (I) or (II) of subsection  
4 (g)(1)(A)(iv)”;

5 (ii) by striking “and” after the semi-  
6 colon;

7 (B) in subparagraph (B), by adding “and”  
8 after the semicolon; and

9 (C) by adding at the end the following:

10 “(C) is not comprised of previously quali-  
11 fied existing mainline carriers as a result of  
12 merger or sale;”.

13 (b) NONPRIORITY BYPASS MAIL.—Section 5402(g)  
14 of title 39, United States Code, is amended—

15 (1) in paragraph (3), by adding at the end the  
16 following:

17 “(C) When a new hub results from a  
18 change in a determination under subparagraph  
19 (B), mail tender from that hub during the 12-  
20 month period beginning on the effective date of  
21 that change shall be based on the passenger  
22 and freight shares to the destinations of the af-  
23 fected hub or hubs resulting in the new hub.”;  
24 and

1           (2) in paragraph (5)(A)(i), by striking  
2           “(g)(1)(D)(ii)” and inserting “(g)(1)(A)(iv)(II)”.

3           (c) **EQUITABLE TENDER**.—Section 5402(h) of title  
4 39, United States Code, is amended—

5           (1) in paragraph (1), by inserting “bush” after  
6           “providing scheduled”;

7           (2) by striking paragraph (3) and inserting the  
8           following:

9           “(3)(A) Except as provided under subparagraph  
10          (C), a new or existing 121 bush passenger carrier  
11          qualified under subsection (g)(1) shall be exempt  
12          from the requirements under paragraphs (1)(B) and  
13          (2)(A) on a city pair route for a period which shall  
14          extend for—

15                 “(i) 1 year;

16                 “(ii) 1 year in addition to the extension  
17                 under clause (i) if, as of the conclusion of the  
18                 first year, such carrier has been providing not  
19                 less than 5 percent of the passenger service on  
20                 that route (as calculated under paragraph (5));  
21                 and

22                 “(iii) 1 year in addition to the extension  
23                 under clause (ii) if, as of the conclusion of the  
24                 second year, such carrier has been providing  
25                 not less than 10 percent of the passenger serv-

1           ice on that route (as calculated under para-  
2           graph (5)).

3           “(B)(i) The first 3 121 bush passenger carriers  
4           entitled to the exemptions under subparagraph (A)  
5           on any city pair route shall divide no more than an  
6           additional 10 percent of the mail, apportioned equal-  
7           ly, comprised of no more than—

8                   “(I) 5 percent of the share of each quali-  
9                   fied passenger carrier servicing that route that  
10                  is not a 121 bush passenger carrier; and

11                  “(II) 5 percent of the share of each non-  
12                  passenger carrier servicing that route that  
13                  transports 25 percent or more of the total  
14                  nonmail freight under subsection (i)(1).

15           “(ii) Additional 121 bush passenger carriers en-  
16           tering service on that city pair route after the first  
17           3 shall not receive any additional mail share.

18           “(iii) If any 121 bush passenger carrier on a  
19           city pair route receiving an additional share of the  
20           mail under clause (ii) discontinues service on that  
21           route, the 121 bush passenger carrier that has been  
22           providing the longest period of service on that route  
23           and is otherwise eligible but is not receiving a share  
24           by reason of clause (ii), shall receive the share of the  
25           carrier discontinuing service.

1           “(C) Notwithstanding the requirements of this  
2 subsection, if only 1 passenger carrier or aircraft is  
3 qualified to be tendered nonpriority bypass mail as  
4 a passenger carrier or aircraft on a city pair route  
5 in the State of Alaska, the Postal Service shall ten-  
6 der 20 percent of the nonpriority bypass mail de-  
7 scribed under paragraph (1) to the passenger carrier  
8 or aircraft providing at least 10 percent of the pas-  
9 senger service on such route.”;

10           (3) in paragraph (5)(A)—

11                   (A) by striking “(i)” after “(A)”; and

12                   (B) by striking clause (ii).

13           (d) PERCENT OF NONMAIL FREIGHT.—Section  
14 5402(i)(6) of title 39, United States Code, is amended—

15                   (1) by striking “(A)” after “(6)”; and

16                   (2) by striking subparagraph (B).

17           (e) PERCENT OF TENDER RATE.—Section  
18 5402(j)(3)(B) of title 39, United States Code, is amended  
19 by striking “bush routes in the State of Alaska” and in-  
20 sserting “routes served exclusively by bush carriers in the  
21 State of Alaska”.

22           (f) DETERMINATION OF RATES.—Section 5402(k) of  
23 title 39, United States Code, is amended by striking para-  
24 graph (5).

1 (g) TECHNICAL AND CONFORMING AMENDMENT.—  
2 Section 5402(p)(3) of title 39, United States Code, is  
3 amended by striking “(g)(1)(D)” and inserting  
4 “(g)(1)(A)(iv)”.

5 (h) EFFECTIVE DATE.—

6 (1) IN GENERAL.—Except as provided under  
7 paragraph (2), this section shall take effect on the  
8 date of enactment of this Act.

9 (2) EQUITABLE TENDER.—Subsection (c) shall  
10 take effect on December 1, 2006.

11 **SEC. 1006. DATE OF POSTMARK TO BE TREATED AS DATE**  
12 **OF APPEAL IN CONNECTION WITH THE CLOS-**  
13 **ING OR CONSOLIDATION OF POST OFFICES.**

14 (a) IN GENERAL.—Section 404(b) of title 39, United  
15 States Code, is amended by adding at the end the fol-  
16 lowing:

17 “(6) For purposes of paragraph (5), any appeal re-  
18 ceived by the Commission shall—

19 “(A) if sent to the Commission through the  
20 mails, be considered to have been received on the  
21 date of the Postal Service postmark on the envelope  
22 or other cover in which such appeal is mailed; or

23 “(B) if otherwise lawfully delivered to the Com-  
24 mission, be considered to have been received on the  
25 date determined based on any appropriate docu-

1       mentation or other indicia (as determined under reg-  
2       ulations of the Commission).”.

3       (b) **EFFECTIVE DATE.**—This section and the amend-  
4       ments made by this section shall apply with respect to any  
5       determination to close or consolidate a post office which  
6       is first made available, in accordance with paragraph (3)  
7       of section 404(b) of title 39, United States Code, after  
8       the end of the 3-month period beginning on the date of  
9       the enactment of this Act.

10   **SEC. 1007. PROVISIONS RELATING TO BENEFITS UNDER**  
11                   **CHAPTER 81 OF TITLE 5, UNITED STATES**  
12                   **CODE, FOR OFFICERS AND EMPLOYEES OF**  
13                   **THE FORMER POST OFFICE DEPARTMENT.**

14       (a) **IN GENERAL.**—Section 8 of the Postal Reorga-  
15       nization Act (39 U.S.C. 1001 note) is amended by insert-  
16       ing “(a)” after “8.” and by adding at the end the fol-  
17       lowing:

18       “(b) For purposes of chapter 81 of title 5, United  
19       States Code, the Postal Service shall, with respect to any  
20       individual receiving benefits under such chapter as an offi-  
21       cer or employee of the former Post Office Department,  
22       have the same authorities and responsibilities as it has  
23       with respect to an officer or employee of the Postal Service  
24       receiving such benefits.”.

1 (b) EFFECTIVE DATE.—This section and the amend-  
2 ments made by this section shall be effective as of the first  
3 day of the fiscal year in which this Act is enacted.

4 **SEC. 1008. HAZARDOUS MATTER.**

5 (a) NONMAILABILITY GENERALLY.—Section 3001 of  
6 title 39, United States Code, is amended—

7 (1) by redesignating subsection (n) as sub-  
8 section (o); and

9 (2) by inserting after subsection (m) the fol-  
10 lowing:

11 “(n)(1) Except as otherwise authorized by law or reg-  
12 ulations of the Postal Service, hazardous material is non-  
13 mailable.

14 “(2) In this subsection, the term ‘hazardous material’  
15 means a substance or material designated by the Secretary  
16 of Transportation under section 5103(a) of title 49.”.

17 (b) MAILABILITY.—Chapter 30 of title 39, United  
18 States Code, is amended by adding at the end the fol-  
19 lowing:

20 **“§ 3018. Hazardous material**

21 “(a) IN GENERAL.—The Postal Service shall pre-  
22 scribe regulations for the safe transportation of hazardous  
23 material in the mail.

24 “(b) PROHIBITIONS.—No person may—

1           “(1) mail or cause to be mailed hazardous ma-  
2           terial that has been declared by statute or Postal  
3           Service regulation to be nonmailable;

4           “(2) mail or cause to be mailed hazardous ma-  
5           terial in violation of any statute or Postal Service  
6           regulation restricting the time, place, or manner in  
7           which hazardous material may be mailed; or

8           “(3) manufacture, distribute, or sell any con-  
9           tainer, packaging kit, or similar device that—

10                   “(A) is represented, marked, certified, or  
11                   sold by such person for use in the mailing of  
12                   hazardous material; and

13                   “(B) fails to conform with any statute or  
14                   Postal Service regulation setting forth stand-  
15                   ards for a container, packaging kit, or similar  
16                   device used for the mailing of hazardous mate-  
17                   rial.

18           “(c) CIVIL PENALTY; CLEAN-UP COSTS AND DAM-  
19           AGES.—

20                   “(1) IN GENERAL.—A person who knowingly  
21                   violates this section or a regulation prescribed under  
22                   this section shall be liable for—

23                           “(A) a civil penalty of at least \$250, but  
24                           not more than \$100,000, for each violation;

1           “(B) the costs of any clean-up associated  
2 with each violation; and

3           “(C) damages.

4           “(2) KNOWING ACTION.—A person acts know-  
5 ingly for purposes of paragraph (1) when—

6           “(A) the person has actual knowledge of  
7 the facts giving rise to the violation; or

8           “(B) a reasonable person acting in the cir-  
9 cumstances and exercising reasonable care  
10 would have had that knowledge.

11          “(3) SEPARATE VIOLATIONS.—

12          “(A) VIOLATIONS OVER TIME.—A separate  
13 violation under this subsection occurs for each  
14 day hazardous material, mailed or caused to be  
15 mailed in noncompliance with this section, is in  
16 the mail.

17          “(B) SEPARATE ITEMS.—A separate viola-  
18 tion under this subsection occurs for each item  
19 containing hazardous material that is mailed or  
20 caused to be mailed in noncompliance with this  
21 section.

22          “(d) HEARINGS.—The Postal Service may determine  
23 that a person has violated this section or a regulation pre-  
24 scribed under this section only after notice and an oppor-

1 tunity for a hearing. Proceedings under this section shall  
2 be conducted in accordance with section 3001(m).

3 “(e) PENALTY CONSIDERATIONS.—In determining  
4 the amount of a civil penalty for a violation of this section,  
5 the Postal Service shall consider—

6 “(1) the nature, circumstances, extent, and  
7 gravity of the violation;

8 “(2) with respect to the person who committed  
9 the violation, the degree of culpability, any history of  
10 prior violations, the ability to pay, and any effect on  
11 the ability to continue in business;

12 “(3) the impact on Postal Service operations;  
13 and

14 “(4) any other matters that justice requires.

15 “(f) CIVIL ACTIONS TO COLLECT.—

16 “(1) IN GENERAL.—In accordance with section  
17 409(d), a civil action may be commenced in an ap-  
18 propriate district court of the United States to col-  
19 lect a civil penalty, clean-up costs, and damages as-  
20 sessed under subsection (c).

21 “(2) COMPROMISE.—The Postal Service may  
22 compromise the amount of a civil penalty, clean-up  
23 costs, and damages assessed under subsection (c) be-  
24 fore commencing a civil action with respect to such

1 civil penalty, clean-up costs, and damages under  
2 paragraph (1).

3 “(g) CIVIL JUDICIAL PENALTIES.—

4 “(1) IN GENERAL.—At the request of the Post-  
5 al Service, the Attorney General may bring a civil  
6 action in an appropriate district court of the United  
7 States to enforce this section or a regulation pre-  
8 scribed under this section.

9 “(2) RELIEF.—The court in a civil action under  
10 paragraph (1) may award appropriate relief, includ-  
11 ing a temporary or permanent injunction, civil pen-  
12 alties as determined in accordance with this section,  
13 or punitive damages.

14 “(3) CONSTRUCTION.—A civil action under this  
15 subsection shall be in lieu of civil penalties for the  
16 same violation under subsection (c)(1)(A).

17 “(h) DEPOSIT OF AMOUNTS COLLECTED.—

18 “(1) POSTAL SERVICE FUND.—Except as pro-  
19 vided under paragraph (2), amounts collected under  
20 subsection (c)(1)(B) and (C) shall be deposited into  
21 the Postal Service Fund under section 2003.

22 “(2) TREASURY.—Amounts collected under sub-  
23 section (c)(1)(A) and any punitive damages collected  
24 under subsection (c)(1)(C) shall be deposited into  
25 the Treasury of the United States.”.

1 (c) CONFORMING AMENDMENTS.—(1) Section  
2 2003(b) of title 39, United States Code, is amended—

3 (A) in paragraph (7), by striking “and” after  
4 the semicolon;

5 (B) in paragraph (8), by striking “purposes.”  
6 and inserting “purposes; and”; and

7 (C) by adding at the end the following:

8 “(9) any amounts collected under section  
9 3018.”.

10 (2) The analysis for chapter 30 of title 39, United  
11 States Code, is amended by adding at the end the fol-  
12 lowing:

“3018. Hazardous material.”.

13 (d) INJURIOUS ARTICLES AS NONMAILABLE.—Sec-  
14 tion 1716(a) of title 18, United States Code, is amended  
15 by inserting after “explosives,” the following: “hazardous  
16 materials,”.

17 **SEC. 1009. ZIP CODES AND RETAIL HOURS.**

18 (a) ZIP CODES.—Not later than September 30,  
19 2007, the United States Postal Service shall assign a sin-  
20 gle, unified ZIP code to serve, as nearly as practicable,  
21 each of the following communities:

22 (1) Auburn Township, Ohio.

23 (2) Hanahan, South Carolina.

24 (3) Bradbury, California.

25 (4) Discovery Bay, California.

1 (b) RETAIL HOURS.—Not later than 60 days after  
2 the date of the enactment of this Act, the United States  
3 Postal Service shall provide the same window service hours  
4 for the Fairport Harbor Branch of the United States Post  
5 Office in Painesville, Ohio, as were in effect as of Decem-  
6 ber 1, 2005.

7 **SEC. 1010. TECHNICAL AND CONFORMING AMENDMENTS.**

8 (a) REIMBURSEMENT.—Section 3681 of title 39,  
9 United States Code, is amended by striking “section  
10 3628” and inserting “sections 3662 through 3664”.

11 (b) SIZE AND WEIGHT LIMITS.—Section 3682 of title  
12 39, United States Code, is amended to read as follows:

13 **“§ 3682. Size and weight limits**

14 “The Postal Service may establish size and weight  
15 limitations for mail matter in the market-dominant cat-  
16 egory of mail consistent with regulations the Postal Regu-  
17 latory Commission may prescribe under section 3622. The  
18 Postal Service may establish size and weight limitations  
19 for mail matter in the competitive category of mail con-  
20 sistent with its authority under section 3632.”.

21 (c) REVENUE FOREGONE, ETC.—Title 39, United  
22 States Code, is amended—

23 (1) in section 503 (as so redesignated by sec-  
24 tion 601), by striking “this chapter.” and inserting  
25 “this title.”; and

1           (2) in section 2401(d), by inserting “(as last in  
2 effect before enactment of the Postal Accountability  
3 and Enhancement Act)” after “3626(a)” and after  
4 “3626(a)(3)(B)(ii)”.

5           (d) APPROPRIATIONS AND REPORTING REQUIRE-  
6 MENTS.—

7           (1) APPROPRIATIONS.—Subsection (e) of sec-  
8 tion 2401 of title 39, United States Code, is amend-  
9 ed—

10                   (A) by striking “Committee on Post Office  
11 and Civil Service” each place it appears and in-  
12 serting “Committee on Government Reform”;  
13 and

14                   (B) by striking “Not later than March 15  
15 of each year,” and inserting “Each year,”.

16           (2) REPORTING REQUIREMENTS.—Sections  
17 2803(a) and 2804(a) of title 39, United States  
18 Code, are amended by striking “2401(g)” and in-  
19 serting “2401(e)”.

20           (e) AUTHORITY TO FIX RATES AND CLASSES GEN-  
21 ERALLY; REQUIREMENT RELATING TO LETTERS SEALED  
22 AGAINST INSPECTION.—Section 404 of title 39, United  
23 States Code (as amended by section 102) is further  
24 amended by redesignating subsections (b) and (c) as sub-

1 sections (d) and (e), respectively, and by inserting after  
2 subsection (a) the following:

3       “(b) Except as otherwise provided, the Governors are  
4 authorized to establish reasonable and equitable classes of  
5 mail and reasonable and equitable rates of postage and  
6 fees for postal services in accordance with the provisions  
7 of chapter 36. Postal rates and fees shall be reasonable  
8 and equitable and sufficient to enable the Postal Service,  
9 under best practices of honest, efficient, and economical  
10 management, to maintain and continue the development  
11 of postal services of the kind and quality adapted to the  
12 needs of the United States.

13       “(c) The Postal Service shall maintain one or more  
14 classes of mail for the transmission of letters sealed  
15 against inspection. The rate for each such class shall be  
16 uniform throughout the United States, its territories, and  
17 possessions. One such class shall provide for the most ex-  
18 peditious handling and transportation afforded mail mat-  
19 ter by the Postal Service. No letter of such a class of do-  
20 mestic origin shall be opened except under authority of  
21 a search warrant authorized by law, or by an officer or  
22 employee of the Postal Service for the sole purpose of de-  
23 termining an address at which the letter can be delivered,  
24 or pursuant to the authorization of the addressee.”.

1 (f) LIMITATIONS.—Section 3684 of title 39, United  
2 States Code, is amended by striking all that follows “any  
3 provision” and inserting “of this title.”.

4 (g) MISCELLANEOUS.—Title 39, United States Code,  
5 is amended—

6 (1) in section 1005(d)(2)—

7 (A) by striking “subsection (g) of section  
8 5532,”; and

9 (B) by striking “8344,” and inserting  
10 “8344”;

11 (2) in the analysis for part III, by striking the  
12 item relating to chapter 28 and inserting the fol-  
13 lowing:

**“28. Strategic Planning and Performance Management .... 2801”;**

14 (3) in section 3005(a)—

15 (A) in the matter before paragraph (1), by  
16 striking all that follows “nonmailable” and pre-  
17 cedes “(h),” and inserting “under section  
18 3001(d),”; and

19 (B) in the sentence following paragraph  
20 (3), by striking all that follows “nonmailable”  
21 and precedes “(h),” and inserting “under such  
22 section 3001(d),”;

23 (4) in section 3210(a)(6)(C), by striking the  
24 matter after “if such mass mailing” and before

1 “than 60 days” and inserting “is postmarked  
2 fewer”; and

3 (5) by striking the heading for section 3627  
4 and inserting the following:

5 “§ 3627. Adjusting free rates”.

Passed the House of Representatives December 8,  
2006.

Attest:

KAREN L. HAAS,

*Clerk.*