

STATEMENT OF SENATOR JOHN MCCAIN, ACTING RANKING MEMBER

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GOVERNMENT INFORMATION, FEDERAL SERVICES AND
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COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL
AFFAIRS

“The Future of the U.S. Postal Service”

April 22, 2010

Senator Carper, thank you for holding this hearing today on the future of the U.S. Postal Service. Let me also thank our witnesses for being here today to help identify a comprehensive solution to the Postal Service’s continuing fiscal crisis.

The Postal Service is experiencing déjà vu, once again facing an estimated \$7 billion loss at the end of this fiscal year amid a continuing, steep decline in mail volume. It will draw down another \$3 billion from its line of credit with the U.S. Treasury, yet still be so strapped for cash that it will not be able to both make retiree health benefit trust fund payments and meet October’s payroll. It also continues to face huge obstacles in reducing excess capacity and labor costs, which account for an astronomical 80% of overall expenses.

There is no doubt the Postal Service’s current business model is unsustainable. The evolution of electronic communications and the effects of an economic recession has left it financially crippled. If the Postal Service, its employees, and Congress do not make tough choices, taxpayers will end up picking up the tab. In these times of runaway government spending and soaring federal deficits, another taxpayer bailout is simply not an option.

The Government Accountability Office recently issued a comprehensive report on options for Postal Service reform. Strategies include reducing compensation and benefits costs; reducing other operations and network costs

while improving efficiency; and generating revenues through product and pricing flexibility. Aggressive implementation of these strategies and options will allow the Postal Service to make considerable strides toward financial viability. Unfortunately statutory, regulatory, and collective bargaining barriers prevent it from moving full speed ahead.

Currently, the Postal Service is statutorily required to pay wages and benefits comparable to the private sector, yet it does not have the workforce flexibility of the private sector. It cannot layoff employees during business downturns. It is restricted in its outsourcing capabilities. It cannot assign idle employees to perform tasks outside their designated craft. And, the Postal Service must pay for health and life insurance benefits greater than those offered by other federal agencies.

Moreover, in attempting to reduce operating and network costs by closing unneeded facilities and adjusting delivery standards, the Postal Service has hit major roadblocks. Since 1983, Congress has mandated that mail be delivered six days a week regardless of mail volume. Additionally, Congress has prevented the closing of certain postal facilities for no other reason than to maintain jobs in certain Members' districts.

The Postal Service is at a critical crossroads. Projections indicate an accumulated deficit of \$238 billion over the next 10 years if the Postal Service continues down its current path. Congress cannot simply grant another waiver for the required payment into the retiree health benefit trust fund and defer the issue until next year.

I call on the Postal Service take more aggressive action to reduce costs and increase revenue. I call on the employee unions to be flexible in collective bargaining negotiations. And I urge my colleagues to lift legislative restrictions that prevent the Postal Service from reaching maximum operating efficiency.

Thank you again, Mr. Chairman.