### Statement of Senator Susan M. Collins

## The U.S. Postal Service in Crisis

Committee on Homeland Security and Governmental Affairs Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security

August 6, 2009

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I commend the Subcommittee for holding this important hearing, and I appreciate the opportunity to join you. I must say, however, that it is most disappointing to once again be discussing the dire financial condition of the U.S. Postal Service.

Just two-and-a-half years ago, Congress passed crucial reforms that rescued the Postal Service from the Government Accountability Office's "High Risk" list.

Today, the Postal Service is once again in a financial crisis, and once again, it is on the "High Risk" list.

## Page 2 of 6

In 2008, the agency lost \$2.8 billion; this year, it is projected to have a net loss of more than \$7 billion.

The Postal Service matters to our economy. It is the linchpin of a \$900 billion mailing industry that employs nine million Americans in fields as diverse as direct mail, printing, catalog production, paper manufacturing, and financial services.

Today's witnesses include the Chairman of NewPage, a paper company that has a large plant in Rumford, Maine. NewPage represents many other businesses, non-profits, and organizations whose operations are inextricably linked to the Postal Service.

If the Postal Service, for example, were to resort to excessive rate hikes or decreased delivery service, these companies may have to respond with their own business

## Page 3 of 6

changes, including layoffs, increased prices to consumers, or reduced services.

Any of those adjustments could contribute to an even more perilous condition for the Postal Service.

Why? Because when businesses reduce their costs, they also cut mailing expenses. And that leads to a further erosion of the Postal Service's shrinking mail volume, which will in turn prompt more proposals for postage rate hikes and renewed calls for truncated delivery services.

It is a vicious cycle that has no good outcome. We must break that death spiral. We all must put our shoulders to the wheel and accomplish the difficult task of transforming the Postal Service.

The Postmaster General has offered three major proposals for Congress to consider: adjusting payments

to the Retiree Health Benefits Fund; eliminating six-daya-week mail delivery; and closing or consolidating postal facilities.

The Postal Service is reviewing 677 of its 3,200 stations and branches nationwide for closure or consolidation. This proposal, like the Postal Service's plan to reduce delivery from six to five days a week, would result in reduced service to its customers.

Is that really the right response to this crisis? Will it make a real difference? The Postal Service cannot expect to gain more business if it is reducing service.

Moreover, the non-personnel costs of the facilities on the list account for around six-tenths of one percent (0.6%) of overall Postal Service operating costs. That's right: if the Postal Service closed all these facilities – which is not the plan – the non-personnel cost savings

would be less than one percent of the Service's overall costs. And while there may be some small gains associated with personnel costs, the Postal Service has not yet calculated the revenue that would be lost due to these closings.

Last week, before passing a bill to provide some relief to the Service from required payments to the Retiree Health Benefits Fund, our Committee adopted several amendments to address some of the cost drivers and to make the bill more fiscally responsible.

Although additional changes will need to be made on the Senate floor, these amendments represented real improvements. Still, the American people and the business community cannot continue to depend on short-term relief for the Postal Service.

# Page 6 of 6

Today, we are trying to rescue an institution dating to the early days of our nation. We simply cannot allow the Postal Service to fail.

It will take everyone - Postal Service employees and management, members of the mailing community, and Congress and the Administration - to contribute to the solution. We must work together to find that lasting, fiscally responsible solution.