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**SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT
INFORMATION, FEDERAL SERVICES, AND INTERNATIONAL SECURITY**

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

HEARING: "The Future of the United States Postal Service"

Opening Statement of Senator Thomas R. Carper, Chairman

"My thanks to our witnesses and guests for joining us today. This hearing is the latest in a series that this subcommittee has held over the past several years on the Postal Service's struggles to adapt to an evolving mailing and communications industry and – more recently – to a deeply-troubled economy.

"As we all know, the economic crisis that our country has faced and, by some indications, is beginning to recover from, has impacted just about every family and business in our nation. I would argue, however, that it has damaged the Postal Service and some of its biggest customers far more than most.

"The Postal Service releases financial data every quarter. I've grown used to reading some pretty bad news in those reports. The latest report for the first quarter of fiscal year 2010 is largely, more of the same. In a period that coincides with the holiday season and is usually the Postal Service's most successful, mail volume was down compared to the previous year, resulting in a loss of just under \$300 million. And even these dismal results are, unfortunately, slightly better than many observers feared. The Postal Service tells me that while some sectors of our economy have shown signs of recovery, businesses and the public at-large are not rushing back to hard-copy mail – at least not yet.

"During the depths of the recession, the Postal Service hired some very well-respected consultants to look at its business model and the future of the mail. Their findings make it clear – at least to me – that we should not count on growing mail volume in the coming years to fix the Postal Service's financial difficulties.

"According to data released in early March by the Postal Service, even when the economy picks up steam, mail volume is expected to increase only slightly from where it is now. However, electronic diversion of the mail is expected to continually increase over the next decade or so. By 2020, I'm told that mail volume could be as low as 118 billion pieces. That is nearly 60 billion fewer pieces than the Postal Service handled in 2009 and 95 billion pieces fewer than we saw in 2006 – the busiest mailing year we've seen to date. This trend,

according to the Postal Service, will lead to more than \$230 billion in cumulative deficits between now and 2020.

"I know that this is just one group of consultants' estimate of where things are headed for the Postal Service. And in many ways, it's a worst-case scenario because it assumes that the Postal Service won't be able to attract significant new revenue through innovation and new products and services. It also assumes that Congress will not act to address certain key issues, such as the Postal Service's retiree health obligations.

"These dire predictions, of course, must be analyzed before we take dramatic actions to fundamentally change the nature of the Postal Service. That said, we would be foolish if we were to hesitate and hope for a return to the golden years of the 1990s and early 2000s.

"We need to face the reality of today. As technology advances, more and more Americans will take advantage of e-mail, electronic bill pay and other innovations to communicate, conduct business and even read periodicals that once arrived in their mail box.

"In addition, we need to realize that the day of reckoning for the Postal Service may not come in 2020 or some other distant date. It could come next year. I understand that if the Postal Service does not receive some sort of assistance from Congress in the very near future, it could run out of cash and borrowing room at some point in 2011. This would put the Postal Service's ability to meet payroll and deliver the mail our nation counts on in great danger.

"So it is imperative that Congress, the administration, the Postal Service and other stakeholders work together in the coming weeks and months to develop a package of reforms and adjustments that can get the Postal Service through this immediate crisis while setting the stage for longer-term changes. In doing this, we must set aside the old biases and parochial interests that influenced and, in some cases, hindered previous postal reform efforts. Instead, we must concentrate on preserving the service that postal employees provide to the American people.

"Some of the changes we should make are plain common sense. For starters, we should restructure the aggressive, front-loaded retiree health pre-funding schedule that was included in the 2006 postal reform bill. That payment schedule was developed when mail volume was high and was written into law long before the current recession began at a time when electronic diversion of the mail was expected to progress more slowly than it appears to be occurring today.

"We should also carefully examine the Postal Service Inspector General's contention that the Postal Service has significantly overpaid its obligations to the old Civil Service Retirement System. If his findings are accurate, fixing this error could go a long way towards addressing the Postal Service current and future challenges.

"I must point out, however, that addressing these retiree health and pension issues won't end our work. The savings that would be generated by those fixes would cover only a portion of

the Postal Service's long-term deficits. It would be irresponsible, then, to ignore or significantly delay the more difficult changes that will need to occur.

"One of these changes could be the elimination of Saturday delivery, which the Postal Service formally proposed doing at the end of last month. According to the Postal Service, moving to five-day delivery could save the Postal Service more than \$3 billion a year. We need to spend some time examining the details of what the Postal Service has put forward but I'm not aware of any changes, structural or otherwise, that would save this much money and help the Postal Service preserve the quality of service it provides throughout the week.

"The other difficult change that could come in the future is the transformation of the Postal Service's network of retail facilities. The Postal Service currently maintains more than 36,000 post offices and other retail units. Postal management envisions replacing a good number of these facilities with alternate retail options. This could involve increased Internet sales and the use of unmanned postal kiosks. It could also involve providing postal retail access in grocery stores or other businesses that are open longer hours and are more likely to be located in areas where postal customers – and potential postal customers – conduct their business and live their lives.

"I think this is a very interesting proposal that, if executed well, has the potential to actually expand retail access while saving money too.

"Both of these efforts – the move to five-day delivery and the restructuring of the Postal Service's retail network – will be hampered, unfortunately, by roadblocks that Congress places in the Postal Service's way. I've stated many times that Congress doesn't do a good job behaving like a 535-member board of directors for the Postal Service. In the 2006 postal reform bill, we tried to give the Postal Service the ability to operate more like a business – including allowing them to adjust delivery speed and frequency over time in response to changes in the market.

"We need to do our oversight and be certain that the Postal Service is on the right path. But it is long past time for us to get out of the way and allow postal management to take the steps that need to be taken to adjust to the new reality that the Postal Service faces."

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