

STATEMENT OF SENATOR SCOTT BROWN, RANKING MEMBER

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GOVERNMENT INFORMATION, FEDERAL SERVICES AND
INTERNATIONAL SECURITY**

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

“Addressing the U.S. Postal Service’s Financial Crisis”

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Senator Carper, thank you for holding this hearing today on the future of the U.S. Postal Service. I share your concerns over the Postal Service’s failing financial health, and believe that some tough choices need to be made without further delay.

Once again, the Postal Service is facing an estimated \$8 billion loss at the end of this fiscal year. It will draw down its remaining \$3 billion from its \$15 billion line of credit with the U.S. Treasury, yet it will be so strapped for cash that it will not be able to make both retiree health benefit trust fund payments and meet October’s payroll.

There has been little disagreement for some time now that the Postal Service’s past business model was unsustainable. The evolution of electronic communications and the lingering effects of an economic recession have caused mail volumes to drop at unprecedented rates not expected to rebound in the future. These declines combined with enormous labor costs and statutory mandates have left the Postal Service financially crippled. During these times of runaway government spending and soaring federal deficits, a taxpayer bailout of the Postal Service is not an option. The Postal Service, its employees, and Congress must make some tough choices over the next year if the guarantee of universal service to all Americans is to be maintained.

The Postal Service must redouble their efforts to reduce excess capacity, streamline operations, and adapt to the information age. I’m encouraged by the various cost cutting measures that have saved over \$12 billion in the last three years, but it is clear there is more to be done.

Labor costs account for 80% of total expenses. During collective bargaining negotiations, Postal management and employee unions must continue to ensure a sustainable cost structure and flexible workforce rules for the Postal Service in the future.

The Postal Service can only do so much without some help from Congress. A number of well-intentioned regulatory and statutory mandates have further complicated the Postal Service's ability to adapt to the changing times. If the Postal Service is going to make further progress, Congress must remove some of these roadblocks, provided universal service can be guaranteed and communities are not adversely affected.

There is relative agreement that the Postal Service has significantly overpaid into its pension funds. Addressing these overpayments and allowing the postal service to transfer these funds to pay into its retiree health benefit obligations would help its cash position in the near term. Additionally, the Postal Service must be given the flexibility to manage its operations effectively and close unneeded facilities -- as long as this is done in a responsible manner.

The long term sustainability of other mandates, such as six-day service, has been questioned and requires thoughtful consideration. The Postal Service should have the flexibility to make operational changes where necessary, but we must ensure that the public service role of the Postal Service and its key role in a trillion dollar mailing industry is maintained. Both Senators Carper and Collins have worked hard to reform the Postal Service over the years, and I look forward to working with them to find a comprehensive solution to these important issues.

Lifting some of these legislative restrictions will give the Postal Service a substantial financial boost in the near term. There is no doubt, however, that declining mail volumes will continue to place significant fiscal strain on the Postal Service in the future. The Service must continue to find new ways to adapt its business model to ensure its financial survival and maintain the level of service so many Americans and businesses rely on.

I thank the hundreds of thousands of dedicated postal employees for the great work they do every day and the witnesses for their testimony today. Thank you Mr. Chairman.