

**TESTIMONY OF
MARK STRONG**

**PRESIDENT OF
THE NATIONAL LEAGUE OF POSTMASTERS**

**BEFORE
THE**

**SENATE COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS SUBCOMMITTEE ON FEDERAL
FINANCIAL MANAGEMENT, GOVERNMENT INFORMATION,
FEDERAL SERVICES, & INTERNATIONAL SECURITY**

May 17, 2011

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President, National League of Postmasters
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Chairman Carper, members of the Subcommittee, thank you for inviting the National League of Postmasters (LEAGUE) to testify here before you today. It is a pleasure to be here.

My name is Mark Strong and I am the President of the LEAGUE. I am also the Postmaster of Sun City, Arizona, an unincorporated area in the northwest portion of the Phoenix, Arizona, metropolitan area. I have served in that capacity since 1992. In addition to Sun City, my post office includes Sun City West, and Surprise, Arizona. I am originally from Montana and have served in many small rural post offices.

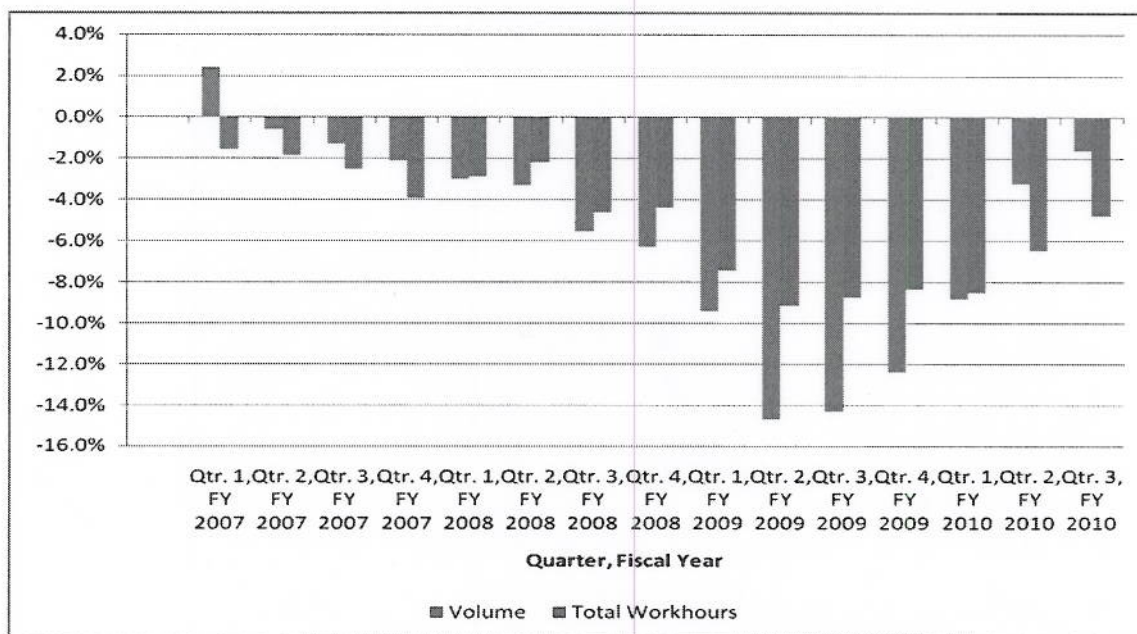
Founded in the late 19th Century, the LEAGUE is a national trade association representing postmasters throughout the United States. Postmasters are the field managers of the Postal Service. We manage not only the carriers who deliver the mail in every city town and village in the country, but also the clerks that operate the windows in every one of the offices owned by the Postal Service. Rural postmasters are a significant part of our membership.

At the outset, the LEAGUE would like to commend the Chairman, the Subcommittee members, and staff for undertaking this very important hearing on the Postal Service's financial crisis. The mailing industry is a very important entity, a \$1.139 trillion impact on the American economy, employing over 8.4 million Americans, according to an Envelope Manufacturing Association study.

The Postal Service's Current Financial Crisis

We believe that the current financial crisis of the Postal Service was caused by two factors.

The first factor was the serious recession of the last several years. Much of the Postal Service's revenue comes from advertising and marketing mail. Advertising and marketing budgets are always some of the elements of business that are hardest hit during a recession. Thus, predictably, postal revenues drop precipitously during recessions and in this decline, postal revenues dropped greatly. One can tie the fall in postal revenues directly to the fall of the nation's economy, as the following figure from a recent PRC decision illustrates. This chart tracks, quarter by quarter, the drop in postal revenues from the first quarter of FY 2007 to the third quarter of FY 2010.



Postal Regulatory Commission, Order 546 in Docket R 2010-4 at p. 83 (Source: USPS Form 10-K Quarterly Financial Statements, Quarter 1, FY 2007 – Quarter 3, FY 2010).

One can clearly see that the Postal Service's drop in volume bottomed out in the Second and Third Quarters in 2009. That is just about when the recession bottomed out, according to the *Wall Street Journal's* Market Watch. <http://www.marketwatch.com/story/leading-indicators-show-recession-bottoming-out-2009-09-21> . Further, as the chart shows, postal volumes have started to recover as the

economy has recovered. We have not yet fully recovered, but then again, neither has the economy.

The second factor leading to the current economic woes of the Postal Service is the overpayment that the Postal Service was forced to make into its pension funds, and the fact that this pension surplus cannot be used to pre-fund the Postal Service's retiree health benefit obligation, thus saving the Postal Service some \$5 plus billion per year. Forcing the Postal Service to pay billions per year into a retiree health benefit fund when it has already overfunded its pension plan is the epitome of irresponsibility, and truly a "stamp tax" of the worst sort.

This issue has been discussed at length in prior Congressional hearings by a variety of parties, including the LEAGUE, and we will not revisit that ground in great detail. Suffice it to say that this issue, more than anything, is responsible for the current financial condition of the Postal Service, as the PRC found in its exigency case last year.

The LEAGUE strongly supports efforts, such as those of Chairman Carper and of Senator Collins, to rectify this injustice by allowing the Postal Service to use its overpayments to prefund its retiree health benefits obligation. Without substantial relief in this area, the Postal Service cannot continue as a viable entity for the long term, *no matter what one does*. No business of any type, in any part of the country, could afford to pay a \$5+ billion supplemental annual income tax—which is what the Postal Service is doing—and remain viable.

In terms of electronic diversion, some suggest that this has been a major factor contributing to the Postal Service's woes in recent years. We simply disagree with that. Electronic diversion of bill payments and bill presentation has been with us for decades. It was a factor thirty years ago in the postal world, was a factor present during the recession, and will be a factor for years to come. The Postal Service planned for it, and executed those plans well. It is

and has been a fundamental factor of postal life. Those that stretch the strength of the immediate impact of electronic delivery for hyperbole's sake do so to the detriment of everyone.

The key to the future is increased operational flexibility, increased pricing flexibility for the Postal Service and its customers, decreased management bureaucracy, and a flattened management structure. The seven remaining Area offices of the Postal Service deliver no mail, sell no stamps, serve no customers and yet they cost \$1.5 billion a year, nearly three times the cost of the 10,000 smallest post offices. These changes would all add value to the mail and add value to the experience of the postal customer.

Closing of Small Post Offices

There appears to be renewed interest in some sectors in closing small rural post offices, an interest that is too often simplistically tied to the notion of closing excess facilities to drive excess capacity out of the system. This interest has arisen despite the fact that small rural post offices are the keystone of many rural communities, and the fact that closing post offices saves the Postal Service very little money. According to PRC data the total net cost of the 10,000 smallest Post Offices—more than one-third of all Post Offices in the United States—is less than seven tenths of one percent (0.7%) of the total cost of the United States Postal Service. The League just recently re-verified that data with the Commission's staff.

Thus, closing post offices is not a cost savings measure of any serious import, no matter how anyone spins it. It is one of those “cost saving” measures that is popular with senior postal managers who wish to “look good” and give the impression that they are driving costs out of the

system, without really doing so. In order to drive costs out of the system, one needs to focus on increasing efficiency in the administration of the system (less reports, more hands-on work) and on driving out any excess capacity in the processing and transportation network. The breadth and scope of the delivery network turns more on the number of delivery points in an area, rather than on the number of pieces delivered. The number of pieces delivered goes to the number of routes that exist, and our members have worked with their carriers in very productive ways throughout the recession, in order to consolidate and increase productivity in that area.

Moreover, closing post offices to save money is not popular with the American public, and they would prefer any number of other cost-saving measures, as polls have consistently shown, the most recent of which was done by Gallup just about a year ago, in March 2011. The poll reported that 86% of Americans oppose closing post offices. This overwhelming nationwide endorsement of post offices was consistent with a 2009 Gallup Poll which showed that 88% of

the public opposed closing post offices. Its findings are reproduced below.

As you may know, the U.S. Postal Service recently announced that it is anticipating billions of dollars in losses this year. Please tell me whether you would strongly favor, favor, oppose, or strongly oppose each of the following as a way to help the Postal Service solve its financial problems. How about ... ?

	Favor	Oppose
	%	%
Reduce the number of days your local post office is open from six days a week to five	71	28
Reduce the number of mail delivery days from six days a week to five	68	31
Have the federal government provide funding for the Postal Service	47	50
Raise stamp prices	39	60
Close your local post office branch	12	86

Gallup poll, March 16, 2010

GALLUP

The Gallup poll may be found at <http://www.gallup.com/poll/127013/americans-back-five-day-per-week-mail-delivery.aspx>.

Few other government services rank this high in importance in the public's mind, according to the Harris poll. Moreover, the few that do rank as high or higher—Medicare (90% support), Crime Fighting and Prevention (88% support), Social Security (86% support), Defense (83% support), and National Parks (83% support)¹—cost 10 to 100 times more than small rural post offices, and are paid for by tax dollars.

That Gallup data concerning the support for small rural post offices is consistent with the findings of our postmasters when they visited hundreds of Congressional offices during the

¹ http://www.harrisinteractive.com/vault/Harris_Interactive_Poll_Politics_Gov_Services_2010_01.pdf

LEAGUE's Legislative Forum earlier this year. The support for small rural post offices was near universal, and expressed in no uncertain terms.

Not surprisingly, many in Congress reflect that sentiment, since they often reflect the sentiment of their constituents. Some cynics——usually urbanites——find this difficult to understand. They often suggest that rural communities really don't depend upon their post offices that much, and can do without them if they just receive good mail service. Those that hold this view suggest that Senators and Congressmen who oppose closing rural post offices are just trying to save the one or two local jobs that might be lost to the town if their post office was closed. Nothing could be further from the truth. One or two jobs in a community are not the issue here. Community service is.

Support for rural post offices stems from the role these institutions play in their community and the cohesive function they serve in their communities. The Congressional concern about closing rural post offices has always focused not so much on the quality of mail delivery, but on the Congressional concern with the impact that the closing or consolidating of post offices has on the affected rural communities, particularly in small towns and rural areas, including the nonpostal effects of those closings. Indeed, in the early 1970s, in reaction to the Postal Service going too far in closing small post offices and harming rural America, Congress—

specifically the Senate—pulled the Postal Service back out of concern for the nonpostal effects of small post office closings. That is why the post office closing statutes were added in 1976.

In adding those provisions, Congress wanted to force the Postal Service to give a community notice when it made a decision—not a decision to close a post office but a decision *to consider* closing a post office—so that the local citizenry could be informed and intelligently discuss with the Postal Service how their communities would be affected. This would allow the Postal Service, in its public interest role, to balance the effects to the community against its own interests. Thus, the Postal Service, with the data obtained from an informed citizenry, could make an informed decision that would do no harm to rural America. Where communities had truly disappeared and post offices were no longer needed, it could close them. Where communities were teetering on the brink of extinction, and the post office was desperately needed, it could be kept open. In this capacity, the Postal Service was to act in the public interest—not its sole interest—in these matters, taking into account *all the interests* of the community. See *In the matter of Bill, Wyoming*, Postal Rate Commission Docket No. A 79-22 (October 18, 1979) at 9.

When those laws passed in 1976, Senatorial concern with the nonpostal effects of closings and consolidations was broad and bipartisan. This concern was expressed during the 1976 floor debate about whether post office closing provisions should be added to the bill that

was before the Senate in order to rectify the problem that the Postal Service had created. These provisions were adopted and the bill passed the Senate, ultimately becoming the 1976 amendments to the Postal Reorganization Act of 1970.

The 1976 floor debate in support of the Randolph amendments was definitive, bipartisan, and broad. For instance, Senator Randolph (D-WV), the architect of the post office closing provisions said:

... I look on those offices ... as representative of the Federal Government from the standpoint of actual day-by-day service, not just for the patrons of the offices, but also for the people of those communities who are helped by the postmaster.

* * *

These postmasters--men and women--are, in a sense, counselors to so many people. They help, in many ways with the filling out of forms and reports, and they represent what I believe is the human side of the Government ... They strive daily to help citizens generally across a broad front.

122 Cong. Rec. 27092 (August 23, 1976).

Likewise, Senator Ted Stevens (R-AK), who helped craft the 1970 Postal Reorganization Act, said:

We are aware that the U.S. Postal Service and its local post offices perform many functions which in reality have nothing to do with delivering the mail. No other Federal agency touches the lives of every American every day like the U.S. Postal Service does. For millions of Americans, the U.S. Postal Service is the only Federal agency with which they come in contact. The USPS to them is a government symbol and an important part of the Federal Government. In rural America there are hundreds and thousands, indeed GAO maintains there are 12,000, of post offices which in fact do not need to exist in order for the U.S. Postal Service to carry out its function of delivering the mail. On the other hand, they are needed for economic, social, and cultural benefits

of rural America . . . Post offices provide a public service which I do not feel should be eliminated. These examples point up the need to maintain post offices even when mail can be delivered through another method.

Id. at 27128.

Senator Ernest Hollings (D-SC) strongly supported Senator Randolph:

I say to the Senator from Alaska that you only have to see a State of that kind to appreciate what the Senator from West Virginia [Sen. Randolph] is trying to get to. They are all out there, little fishing villages hither and yon, and the central gathering point is our little post office. That jells them together into a community. I think that is valuable to America

Id. at 27107.

Senator Robert Packwood (R-OR) echoed that sentiment:

I believe that small post offices serve a necessary social function. They are a hub of small communities, and are often the only Federal agency in town to give needed information on taxes, social security, civil service, and other public service materials. These rural post offices are necessary services.

122 Cong. Rec. 27427 (August 24, 1976).

Congress determined back then that the post office closing laws protect a public interest much broader than the provision of postal services. It is a public interest of the most fundamental kind, and one that is difficult for urban residents to understand as it does not really exist in urban areas. The Postal Regulatory Commission has recognized this broader interest in its case law, which most clearly articulated and incorporated into its jurisprudence in the seminal *Lone Grove* case:

There is nothing inherent in the broad term “effect” which would limit its application to consequences directly connected with a change in postal Service patterns. . . If Congress had intended to limit the consideration of community effects to those caused by changes in mail service patterns, it could have omitted § 404(b)(2)(A) altogether and rested on the provision just quoted. . . . We think that the structure of § 404(b) as a whole thus supports the view that § 404(b)(2)(A) was intended to encompass effects on the community other than those causally linked with the change in postal service patterns. . . .In view of this legislative history, it seems to us incontestable that the Service was intended to consider community effects not connected with the rendering of postal Services.

In the Matter of Lone Grove, Docket A79-1, May 7, 1979 at 10, 13, 16.

See also *In the Matter of Woolsey, Georgia*:

In *Lone Grove* . . . the Commission concluded that the Postal Service is required, as a matter of law, to make an independent inquiry into nonpostal effects of closings or consolidations and its determination to effect such a closing or consolidation must demonstrate that such an inquiry was made. We specifically pointed to several examples involving business, economic and social effects which we believed were necessary areas for Postal Service inquiry.”)

In the Matter of Woolsey, Georgia, Docket A82-1, May 14, 1982 at 7.

Finally, the point Senator Stevens made back in 1976 about the importance of post offices and postmasters being the visible face of the government and of government services, is still with us today, just as much as it was 35 years ago. The electronic revolution that has occurred since then has not affected this interest to any significant degree, as the testimony of the LEAGUE and its sister organization NAPUS have shown over the last several years. Indeed, there is a video made by the Postal Service a number of years ago that visually documents a current example of this very phenomena in Horatio, South Carolina. The video is entitled Post

Roads, and it may also be found at: <https://www.postmasters.org/legislation/rural%20post%20offices.wmv> .

We highly recommend that the Committee watch it. The rental for the Horatio post office, by the way, is \$125 per month, including electricity, and the Committee should note that the Horatio post office is co-located with a general store and has been since it was founded.

Closing post offices, like the closing of Borders Bookstores or Blockbuster outlets, can seem like a fast way to cut costs, but it carries significant hidden costs. First, unlike other stores, post offices are not just retail outlets; they are part of a nationwide receipt and delivery network. This receipt and delivery network depends upon the existence of these rural offices, and without them there will be gaps in coverage of delivery and postal services.

Second, any extensive closings of small rural post offices and the associated withdrawal from serving rural America fosters an image of an organization in retreat from its mission. It erodes confidence, reliance, investment, and support. In short, despite its “quick fix” appeal, it paves the path for both the Postal Service and the communities which lose their post offices to slowly dry up and fade away.

Finally, there is always a big political price to pay for closing a town’s small post office. Not only does it deeply insult the local community by giving the impression that the federal government has abandoned them, but there is a certainly finality about it that often ends up killing that community. As Senator Hubert Humphrey put it on the floor of the Senate years ago,

“I cannot imagine that [the President] will want to deliberately go about the country insulting community after community by saying, “take down the American flag from in front of your post office and close up the post office.”” 122 Cong. Rec. 27424 (August 24, 1976).

Small post offices should not be closed, and indeed cannot be closed without doing serious damage to rural America and the image of the federal government in those areas.

Thank you for considering our views.