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**U.S. SENATE COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS**

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

HEARING: "Addressing the U.S. Postal Service's Financial Crisis"

WASHINGTON – Today, Sen. Tom Carper (D-Del.), Chairman of the Senate Subcommittee on Federal Financial Management, convened the hearing, "Addressing the U.S. Postal Service's Financial Crisis." For more information or to watch a webcast of the hearing, please click [here](#). A copy of Sen. Carper's opening remarks, as prepared for delivery, follows:

"I'd like to welcome our witnesses and guests to the latest in a series of hearings that this subcommittee has held in recent years to examine the Postal Service's serious financial problems.

"While the witness list at this hearing is full of familiar names and organizations, the hearing today is likely to be different from those we held in the past. It needs to be different because the crisis the Postal Service faces is more urgent now than it ever has been. Absent prompt and dramatic action on the part of Congress, our next postal hearing may well be about how we pick up the pieces from a shutdown in operations.

"It is my hope that this hearing will jumpstart the process of developing a bipartisan, bicameral consensus around the reforms necessary to restructure the Postal Service's finances and transform its operations to reflect the uncertain future it faces.

"Just last week, the Postal Service's Board of Governors released some sobering data on the Postal Service's financial performance in the second quarter of this fiscal year, which ended on March 31. The Board also released numbers summarizing mail volume and revenue for the fiscal year to date. These data show that, as those of us who follow postal issues feared may happen, the Postal Service is not recovering along with the economy as a whole. Rather, the continued electronic diversion of the mail is likely to permanently

reduce mail volume despite the Postal Service's best efforts to bring in new customers and preserve those that it has today.

"In the period between the beginning of January and the end of March, mail volume declined by just more than 2 percent versus the same period last year. This follows two quarters of modest growth. At the same time, the Postal Service's most important product – First Class Mail – actually lost 6 percent of its volume, continuing its pattern of years of steady decline.

"These developments are contributing to further record losses by the Postal Service. Midway through the current fiscal year, the Postal Service has booked losses totaling \$2.8 billion. Its projected losses for the year now stand at \$8.3 billion, nearly matching the record \$8.5 billion in losses it experienced last year.

"These volume and revenue numbers are all worse than the Postal Service initially projected. And if the losses at the end of the year are truly as bad as we're now being told they will be, I understand that the Postal Service will have exhausted all of its \$15 billion line of credit from the Treasury by the end of September and will limp into fiscal year 2012 with just enough cash on hand to get by.

"It gets worse from there. Getting by in 2012 will likely mean that the Postal Service will not be able to make its \$5.6 billion retiree health prefunding payment and could even have difficulty making other normally routine pension and workers compensation-related payments. On top of that, a major crisis that occurs over the next year or so, such as a further economic slowdown or a terrorist attack, could well push the Postal Service over the edge into insolvency and result in a shutdown of its operations.

"If the Postal Service were to shut down, the impact on our economy would be dramatic. As Postmaster General Donahoe will testify to today, the Postal Service operates at the center of an industry that employs some 7 million people and generates more than \$1 trillion in sales and revenue each year. At such a difficult time for our country, we can't afford to put those jobs and that kind of productivity in jeopardy.

"In recent years, the Postal Service has done its share to respond to the declining demand for hard-copy mail and to better align its costs with its revenue. Total costs have been reduced by \$12 billion in recent years. A big contributor to that success has been the elimination more than 113,000 Postal Service jobs since 2007 and more than 200,000 over the past decade. These savings are continuing with the Postal Service's new contract with the American Postal Workers Union, which includes wage and benefit concessions and significant new workforce flexibilities. In addition, the Postal Service has introduced and successfully promoted a number of new products such as the Flat Rate Priority Mail box.

"We are rapidly reaching the point, however, at which the Postal Service no longer has the authority under current law to do what it needs to do to get by. That's why I've introduced legislation today that aims to clean up the Postal Service's finances and help it implement the ambitious reorganization plan it announced last spring.

"The main provision in my bill – the Postal Operations Sustainment and Transformation Act, or the POST Act – aims to permanently address the various pension and retiree health-related issues that have plagued the Postal Service for years.

"The Postal Service, the Postal Service's Inspector General, the Postal Regulatory Commission, and two independent actuaries have all come to the conclusion that the Postal Service has overfunded its obligations to the Civil Service Retirement System by between \$50 billion and \$75 billion. In addition, numerous observers and even the Office of Personnel Management have pointed out that the Postal Service has paid \$7 billion more than it owes into the Federal Employees Retirement System.

"My bill would give the Postal Service access to the funds it has overpaid. It would be able to use them to make its required retiree health prefunding payments, taking upwards of \$5 billion off its books each year for the next several years. Once those payments are satisfied, the funds this bill would free up could be used to pay workers compensation obligations and to retire debt owed to the Treasury.

"These reforms, or something very similar to them, will need to be a vital part of any efforts to improve the Postal Service's financial condition in both the short- and long-term. But stopping with these reforms and avoiding further, potentially more difficult changes will simply not be enough.

"The Postal Service is projecting cumulative losses of more than \$230 billion between now and 2020. The savings generated by the pension and retiree health reforms in my bill and in others that have been introduced in both chambers would only address about a third of these losses.

"In addition, the Postal Service's latest financial data shows that, even if the retiree health prefunding payment is not made this year, the Postal Service would still face the risk of insolvency and shutdown in 2012. And even if the 2012 retiree health payment is also not made, the Postal Service would enter 2013 with no cash and no borrowing room at all.

"More will clearly need to be done. That is why my bill takes important steps towards truly giving the Postal Service the flexibility those of us in Congress always say we want to give them to adapt to new realities and operate more like a business.

"No business facing the kinds of difficulties the Postal Service faces would survive for very long if it were told how many retail outlets they should have and where they should be located. Or if it were prevented from making operational changes or taking full advantage of the resources and expertise it has at its disposal. Yet that's what Congress does to the Postal Service.

"My bill aims to address these problems and to take Congress out of the day-to-day management of the Postal Service. Assuming that the Postal Service can continue to build on its recent cost-cutting efforts, these changes could help set the Postal Service on a more

solid footing in the years to come.

"The report GAO is releasing today on the state of the Postal Service's vehicle fleet provides a valuable case study. The report clearly details the negative impact that financial uncertainty and well-meaning but sometimes harmful dictates from Congress have on postal operations.

"GAO found that, due at least in part to the Postal Service's dire financial situation, postal management currently has no plan in place to replace its very large fleet of delivery vehicles, some of which were first put on the streets a generation ago. The costs of operating and maintaining these vehicles are increasing and, in at least some cases, it's having a negative impact on operations.

"I believe it's unacceptable that the Postal Service has no plans to date to begin replacing its aging fleet, perhaps with more fuel efficient vehicles, the purchase of which in large numbers could help commercialize important new technologies. But it's also unacceptable that the Postal Service has been placed in this position financially, in part due to acts of Congress.

"I look forward to hearing from our witnesses today about these and other pressing issues facing the Postal Service."

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