



TOM CARPER

UNITED STATES SENATOR • DELAWARE



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

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

**HEARING: "Having Their Say: Customer and Employee Views on the Future of the
U.S. Postal Service"**

Opening Statement of Senator Thomas R. Carper, Chairman

"This is the second hearing I've chaired this year on the financial crisis currently facing the Postal Service and the proposals postal management and GAO have made to address that crisis.

"We're joined at this hearing by our colleagues from the House Oversight and Government Reform Committee's Subcommittee on the Federal Workforce, Postal Service and the District of Columbia. To Chairman Lynch, Ranking Member Chaffetz and your colleagues – welcome. I look forward to working with you as we try to come to a consensus on the reforms necessary to help the Postal Service respond to both the short- and long-term challenges it faces.

"As we all know, the economic crisis that our country continues to face has impacted just about every family and business in our nation. It has been especially traumatic, I would argue, for the Postal Service and its customers.

"The Postal Service ended fiscal year 2009 with a 13 percent decline in mail volume compared to fiscal year 2008. This resulted in a year-end loss of some \$3.8 billion, up from \$2.8 billion a year before. This loss came despite heroic efforts on the part of the Postmaster General and his team to achieve more than \$6 billion in cost savings over a very short period of time.

"And the loss would have been significantly higher – a total of \$7.8 billion, to be exact – if Congress and the President has not acted at the last minute to reduce the size of the Postal Service's overly-large retiree health pre-funding payment.

"Unfortunately, the projections for the current fiscal year look no better than these results for fiscal year 2009. Despite an expected recovery in at least some areas of the economy, the Postal Service is anticipating a further decline in mail volume. This, coupled with the fact

that savings will likely be harder to come by this year, will result in the kind of massive, \$7 billion or \$8 billion loss we were expecting right up until the end of fiscal year 2009.

“On top of this news, the Postal Service recently hired a group of three outside consultants to look at its business model and future prospects. They came back with findings showing that the Postal Service will continue to lose mail volume even when the economy recovers. They even pointed out that the Postal Service can be expected to lose more than \$230 billion over the next decade if major changes are not made.

“So we have our work cut out for us. At the Postal Service, it is imperative that postal management not let up in their efforts to streamline operations and cut costs. The processing, delivery, and retail network the Postal Service uses today was built, for the most part, with the thought that mail volume would continue to grow forever.

“Based on work I’ve seen over the years from GAO, the Postal Service’s Inspector General and others, we likely have some overcapacity and too large of a workforce. This must be confronted head on. Postal customers – including those we will hear from today – still depend on the Postal Service. But at a time when the pace of electronic diversion is likely picking up, we probably can’t rely for very much longer on customers’ willingness to continue paying for a postal system that seems in many ways to be much larger than we need.

“Congress also has a role to play. All too often, we criticize the Postal Service for various management and service problems but then stand in the way when the Postmaster General puts painful but necessary changes on the table.

“We’ve also failed recently to address the financial constraints that have worsened the Postal Service’s problems. There is growing evidence that the formula created in the 1970s to determine how much the Postal Service must pay into the old Civil Service Retirement System has resulted in significant overpayments. In addition, it’s become evident that, in the 2006 postal reform legislation, we saddled the Postal Service with an overly aggressive retiree health pre-funding schedule that has pushed postal finances into the red in recent years.

“These two issues need to be resolved sooner rather than later – and in a comprehensive manner – so that postal management can be freed to address the long-term structural problems that threaten the Postal Service’s survival in the coming years.

“Following this hearing, I plan to work with my colleagues begin the process of putting together legislation to help the Postal Service execute the reform plans Postmaster General Potter put forward at our last hearing. This bill won’t be another attempt at postal reform. It is my hope, however, that it will remove the obstacles that prevent postal management from cutting costs while dealing once and for all with the pension and retiree health issues we’ve spent so much time discussing recently.

“This committee reported out legislation last summer to address the 2006 retiree health payment schedule. It also touched on labor costs through a provision requiring arbitrators to take the Postal Service’s financial condition into account during labor disputes. Following

the Postal Service's announcement this spring regarding its long-term deficit projections, however, it's become clear to me that this legislation does not go far enough.

"So I look forward to working with all postal stakeholders -- including those in the room today -- to put a meaningful, effective bill together. In doing so, I plan to urge everyone to put aside the biases and political battles that made postal reform so difficult in 2006 and that have prevented us from making progress on the pension and retiree health issues so far. It's long past time that those interested in the Postal Service -- whether they be unions, mailers, or even members of the House and Senate -- recognize that we all need to make some sacrifices in order to preserve the vital services the Postal Service provides."

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