



TOM CARPER

UNITED STATES SENATOR • DELAWARE



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CONTACT: Emily Spain (202) 224-2441

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

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

HEARING: "Finding Solutions to the Challenges Facing the U.S. Postal Service"

Opening Statement of Senator Thomas R. Carper, Chairman

We've held a number of hearings over the years in this subcommittee and in the House that highlighted the numerous challenges facing the Postal Service. It is my hope that, with this hearing, we will soon get down to the hard work of actually addressing those challenges and clearing a way to enable the Postal Service to emerge from the toughest time it has faced since it was created four decades ago.

At many of these hearings, members and witnesses talk about how, despite hard times, the Postal Service is achieving its mission and will continue to achieve its mission. The Postal Service has done an admirable job in cutting costs, streamlining operations, and reducing through attrition the size of its workforce. They've managed to do all this while maintaining or even improving service, at least by some measures.

But the truth is that we're rapidly approaching a time when we may no longer be able to depend on the Postal Service. That time may come less than a year from now.

The Postal Service lost a record \$8.5 billion in fiscal year 2010. Postal management is projecting the loss of a further \$6.4 billion in the current fiscal year. As a result, by this time next year the Postal Service will likely have exhausted all of the \$15 billion line of credit it has with the Treasury and won't have sufficient cash to meet its obligations. In practical terms, this could mean that, during next year's holiday shopping and mailing season, the Postal Service may not have the resources necessary to open its doors.

There is some good news here. I take some comfort in the fact that the vast majority of the Postal Service's losses in recent years are attributable to the very aggressive retiree health care pre-funding schedule put in place in 2006. In fiscal year 2010, \$5.5 billion out of the Postal Service's \$8.5 billion loss could be attributed to the retiree payment it was required to make in September. Only \$500 million of the \$8.5 billion is an actual operating loss.

I take some comfort from the fact that there is a level of consensus here in Congress and amongst postal stakeholders that something must be done about the Postal Service's retiree

health pre-payments. But even if we were to completely eliminate the remaining payments, we would only be dealing with a portion of the Postal Service's projected long-term debt.

This is where the bad news comes in. This past spring, the Postal Service and a group of highly-regarded outside consultants conducted a study showing that – if nothing changed – the Postal Service would run up more than \$230 billion in cumulative debts between now and 2020.

Some of these losses could be stemmed by the Postal Service today without Congress taking any action at all. I'm sure that some steps have already been taken since the \$230 billion number was first discussed. But the enormity of the projected losses tells me that we need to go beyond just addressing retiree health payments by enabling the Postal Service to make several fundamental changes in the way it does business.

We live in a time when the Postal Service is competing not just with UPS or FedEx but with the Internet, e-mail, electronic bill pay, cell phones, and other advances in communication and commerce. Simply put, many businesses that in the past had to turn to the Postal Service to reach customers or ship their products have far more choices today. To make the Postal Service a viable choice, we need to give postal employees the tools they need to thrive in the coming years.

Coming together at the last minute a few months down the road and doing just enough to get the Postal Service through Christmas 2011 is not a viable option. Our federal government faces a sea of red ink as far as the eye can see. Adding another \$230 billion to our nation's debt is not a viable option as we seek to replace what I call a culture of spendthrift in Washington with a culture of thrift.

Going forward, the Postal Service cannot remain a part of the problem. It must become part of the solution. If we work together and think outside the box, that can happen.

In September, I introduced legislation – the Postal Operations Sustainment and Transformation Act, or POST Act – that I believe may be the only proposal out there now that deals comprehensively with the problems facing the Postal Service in both the short-term and the long-term.

The key part of my bill aims to permanently fix the postal pension and retiree health issues that have been debated for so long. The legislation does this by requiring OPM to revise the dated methodology used to determine how much the Postal Service pays into the Civil Service Retirement System. That change would likely show that the Postal Service has overpaid into that system by as much as \$50 billion. The POST Act would allow the Postal Service to use that money over the years to satisfy its retiree health payments. This would take \$5.5 billion or more off the Postal Service's books each year and prevent a catastrophic shutdown in the coming months.

My bill would also empower postal management to take additional steps to cut costs over time.

The Postal Service has been talking for several months now about saving as much as \$3 billion a year by eliminating Saturday delivery. They've submitted a proposal to the Postal Regulatory Commission and the Commission is preparing to report on the advisability of this change.

Unfortunately, Congress each year prevents the Postal Service from exercising its authority to change delivery frequency when it believes that doing so is necessary. And we do this despite the fact that the 2006 postal reform legislation explicitly gave the Postal Service the authority to change delivery frequency and other service standards to adjust to customers' changing needs.

I'm not an advocate of eliminating Saturday delivery. There are good arguments both for and against what the Postal Service would like to do. But I am an advocate of giving the Postal Service the freedom to manage, especially when our interfering in management decisions could prevent the achievement of so much in savings at such a critical time. The POST Act will ensure that, on this issue, the Postal Service, working with its regulator and its customers, will make the critical decision on Saturday delivery without political interference.

The POST Act also seeks to simplify postal management's decision-making process when it comes to transforming its retail network. As many in this room know, the Postal Service has tens of thousands of retail locations. Some of these locations are not ideal. Others operate with significant losses. My bill would remove several legislative restrictions that tie the Postal Service to an outdated retail network and free them to begin to expand to more cost-effective and more convenient retail outlets that I believe will ultimately enable the Postal Service to better serve its customers.

But the bill I've introduced isn't just about cutting. It also recognizes that, while customers may be moving away from hard-copy mail, the Postal Service's retail and delivery network remains extremely valuable. I propose in my legislation that the Postal Service be freed to better capitalize on the value of this network by experimenting with products and services not directly related to the mail. Among the things the Postal Service could do with this new authority would be to partner with state and local governments to provide government services such as license renewal or voter registration in postal facilities.

Finally, my bill addresses a flaw in postal labor law by requiring arbitrators to take the Postal Service's financial condition into account when rendering decisions during labor disputes, a proposal embraced by Senator Collins and other members of our committee.

I'd like to close by again reiterating how critical it is that Congress begin to move on a comprehensive postal bill in the near future. The Postal Service operates at the center of a massive mailing industry that employs millions of men and women in every state and congressional district across our country. These people don't just work at the Postal Service itself. They work at banks, at retailers, at newspapers, and in countless different sectors of our economy.

With all of the challenges we face as a country today, it would be a tragedy to add the loss of these jobs to the list of hardships we need to overcome just because we didn't allow

ourselves to come together around some additional commonsense reforms of the Postal Service.

We're long past the time of fighting the old battles that have hindered work on postal issues for so long, including during 2006 when we finished the most recent postal reform efforts. We're also beyond the point at which we should be satisfied with more reports and studies or with reforms that create pennies in savings when we really need billions. I look forward to working with our witnesses and with my colleagues to enact meaningful legislation.

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