



**United States Senate**  
**Committee on Homeland Security and Governmental Affairs**  
Senator Susan M. Collins

**Statement of**  
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**The Impact of the Economic Crisis on the U.S. Postal Service**

**U.S. Senate Committee on Homeland Security and Governmental Affairs**  
**Subcommittee on Federal Financial Management, Government Information, Federal Services, and**  
**International Security**

**January 28, 2009**

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Thank you, Mr. Chairman. I commend you and the Subcommittee for conducting this important hearing, and I appreciate the opportunity to join you today.

A little more than two years ago, the Postal Reform legislation that I co-authored with Senator Carper was signed into law. The President's signature was the culmination of an arduous process that began in 2002 and included nine hearings and close consultation with experts and stakeholders. Senator Carper and I worked closely with the Postal Service, the Office of Management and Budget, employee unions, printers, publishers, non-profit organizations, and other members of the mailing community.

Although the issues that we confronted were many and complex, our purpose was straightforward. We wanted to help ensure the continuation of affordable universal service. We wanted to strengthen a crucial service that is the linchpin of a \$900 billion mailing industry that employs nine million Americans in fields as diverse as direct mailing, printing, catalog production, paper manufacturing, and financial services. We worked to strengthen the funding for health insurance for postal workers and retirees. Above all, we worked to position the Postal Service for the challenges of the rapidly changing 21<sup>st</sup> Century economy to avoid what GAO warned would otherwise be a "death spiral" for the Service.

We are in the midst of a deep recession that has put these issues before us once again. The Postal Service's response to the current economic crisis has not been to use the powerful tools provided by our legislation, but to use the crisis as an argument to unravel the intricate compromise of provisions, accommodations, and protections that made up our landmark Postal Reform law.

Specifically, the Postal Service is seeking relief from fully funding its retiree health benefits obligations. The 2006 postal reform law requires the Postal Service to prefund its retiree health care obligations by making annual payments ranging from \$5.4 to \$5.8 billion over a 10-year period. Two payments have been made to date, and the next is due on September 30th. The law also requires USPS to make a separate annual payment to OPM to cover current retiree health care premiums. When this payment schedule was enacted in 2006, USPS believed it was achievable. These payments were critical components of the compromise that led to Postal Reform and secured the support of the Bush Administration.

Now, with the Postal Service recording a \$2.8 billion loss for 2008 and with hard economic times for the entire mailing industry, the Postal Service argues that this requirement is unsustainable. The Postmaster General has requested eight years of relief from the obligation to pay current retiree health care premiums from operating

funds. Instead, the Postal Service has proposed to tap the reserve established to fund the future retiree health care benefits.

I have joined Senator Carper in supporting a two-year reprieve from the requirement, which would help the Postal Service weather the current economic crisis. But the Postal Service must be more proactive in addressing its long-term fiscal challenges. Depleting the reserve fund for eight years would further delay the management reforms the Postal Service should be making to promote its future viability.

Mr. Chairman, in November I joined you, Senator Lieberman and Senator Coburn in requesting from the Postal Service detailed information regarding the steps it plans to take in the near term to stabilize its financial situation. The Government Accountability Office was disappointed with the Postal Service's responses and does not believe the Service has made the case for urgent relief from the responsibilities imposed by the Postal Reform law. In particular, the GAO expressed frustration with the Postal Service's continued and growing lack of transparency.

Our Postal Reform law was crafted with great care and with the assessment of enormous amounts of information and viewpoints from myriad sources. Its fundamental purpose was to look beyond short-term fixes and to implement long-term solutions. Any measures taken now to address the Postal Service's current economic crisis must be crafted in the same way and with the same goal.

Thank you, Mr. Chairman.

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