

Statement of Senator Thomas R. Carper

Committee on Homeland Security and Governmental Affairs

June 10, 2010

Nomination of Dennis Toner

The committee will come to order.

Today, we'll be considering the nomination of Dennis Toner to be a member of the Postal Service's Board of Governors.

Mr. Toner is no stranger to those of us who worked with him during his many years of service in Vice President Biden's Senate office. I'm pleased that he is willing to now put in the time and effort necessary to help steer the Postal Service out of the difficulties it currently finds itself in.

As anyone watching this hearing certainly knows, this is a very difficult time for the Postal Service.

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 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.

Congress must address this situation first by finishing the work we began last September and permanently restructuring the Postal Service's retiree health obligation.

The payments the Postal Service is required to make under current law are simply unaffordable, especially during such a difficult economic time when the Postal Service is already losing customers to electronic forms of communication. I'll also note that those payments are not related at all to what the Postal Service owes its future retirees. I've introduced legislation to address this problem. It's been reported out of this committee and I hope it can be considered in the full Senate in the near future.

We also need to look at the Postal Service's pension obligations. According to an analysis conducted by the Postal Service's Office of Inspector General, the formula used to determine how much the Postal Service must pay into the old Civil Service Retirement System may have actually resulted in an overpayment of as much as \$75 billion. The Postal Regulatory Commission is currently examining these findings and should be finished with that work sometime this summer. It is my hope that any overpayment that did occur can be used to provide the Postal Service immediate relief and to prevent or delay potentially damaging service or other cuts that might be on the table during this difficult time.

Another thing Congress can do to help in this environment is leave the day to day management of the Postal Service to the Postal Service. Too often, those of us here in the Senate and the House stand in the way of the Postal Service's efforts to streamline operations and remove excess capacity, especially when it comes to closing or consolidating retail and processing facilities.

We also, unfortunately, are preventing the Postal Service from changing delivery frequency to adjust to the changing mailing economy. Studies have shown that the elimination of Saturday delivery alone could save the Postal Service upwards of \$3 billion per year. In addition, about 75 percent of the public would support such a move according to a number of polls.

In many ways, then, we need to let postal management do what it needs to do to manage its way through the crisis it currently faces.

Mr. Toner, you have decades of experience in public policy, in management, and – perhaps most importantly – in listening to a variety of views and finding consensus. I look forward to learning more today about how you would apply that experience and those skills to the crisis currently facing the Postal Service.