Prepared Statement of
Senator Thomas R. Carper
September 6, 2011

For some time now, my subcommittee and I have been sounding the alarm about the dire financial situation facing the Postal Service. Unfortunately, while a number of bills have been put forward, Congress – including this committee – has been unable to reach consensus on the kind of dramatic and likely painful reforms that will be needed to avert a looming Postal Service shutdown. In addition, the proposals put forward by the administration to date have proven insufficient.

Today, just a few weeks after narrowly avoiding the first-ever default of the federal government, we may be just a few weeks away from the first-ever default of the Postal Service. That default, if permitted to happen, would be embarrassing and dangerous. In fact, it would pave the way for postal insolvency by this time next year, if not sooner.

While the Office of Management and Budget unfortunately declined to testify at this hearing to discuss administration's plans for preventing the Postal Service from failing, it is my hope that the discussion we have here today 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.

Postmaster General Patrick Donahoe will testify today that the Postal Service's finances continue to deteriorate. He is projecting a year-end loss for the Postal Service of $10 billion – nearly $2 billion more than he projected when my subcommittee last held a postal oversight hearing in May. It will not be able to make the $5.5 billion retiree health payment due on September 30th. Come October, it will have exhausted its line of credit with the Treasury and will only have enough cash on hand to just get by.

Then, under what is likely the best-case scenario, cash will be completely exhausted by next summer and the Postal Service- absent any lifeline from Congress or the administration – will likely be forced to close its doors.

If the Postal Service were to fail, the impact on our economy would be dramatic. As Postmaster General Donahoe and other have pointed out, the Postal Service operates at the center of an industry that employs millions of people. These men and women don't just work at the Postal Service. They work at magazines, at banks, at printing companies, and in businesses large and small. They work in every state and congressional district in the country and generate more than $1 trillion in sales and revenue each year.

At such a difficult time for our economy, we can't afford to put those jobs and productivity in jeopardy. In fact, it's our job to do what needs to be done to save this industry, even if doing so involves making decisions that might be difficult politically.

Like it or not – and in a number of ways I don't like it very much myself – the Postal Service needs to rightsize to reflect the decreasing demand for the products and services it offers. It needs to shed employees. It needs to downsize its network of processing facilities to reflect that there's less mail to process and that technology has made getting mail to its destination much easier to do. It needs to close or re-locate post offices, too.

The Postal Service has put forward a plan to eliminate a further 120,000 positions on top of some 100,000 that will be lost through attrition. They've also begun studying 3,000 post offices for closure and are expected to propose similarly dramatic changes to its processing network in the next week or so.

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 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, can be a vital part of any effort 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. To anyone taking an honest look at the numbers, it should be clear that more will 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.

But I don't just focus on cost-cutting. My bill also aims to give the Postal Service new authority to leverage its nationwide retail, logistics, transportation, and delivery network to attract new business. In addition, it gives the Postal Service more flexibility to work with existing customers to keep them in the mail and to partner with state and local governments to find new, potentially profitable uses for the retail facilities it needs to keep.

I mentioned at the beginning of my statement that there have been a number of bills introduced this Congress to address the Postal Service's financial condition. Senator Susan Collins has one. Congressman Darrell Issa has another. There are parts of both bills that I don't agree with, but also parts of both that I support or that overlap with provisions in my bill. Starting with this hearing, we need to focus on the areas of agreement and from there, with input from the administration, build a package that can prevent postal default and insolvency and set the Postal Service on track towards stability.

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