

**Opening Statement of
Senator Susan M. Collins**

**U.S. Postal Service in Crisis:
Proposals to Prevent a Postal Shutdown**

September 6, 2011

★ ★ ★

Thank you, Mr. Chairman. First, Mr. Chairman, let me thank you for holding what is truly an urgent hearing to examine possible remedies for the Postal Service's dire and rapidly deteriorating financial condition. The drumbeat of news about accelerating losses at the Postal Service underscores the need for fundamental changes.

The Postal Service is seeking far-reaching legislation to allow the Service to establish its own health benefits program, administer its own retirement system, and lay off its employees. This is a remarkable turnabout from its previous proposals. I appreciate that the Postal Service has now come forth with several "Big Picture" ideas, although many details remain unclear.

As we search for remedies, we must keep in mind a critical fact: The Postal Service plays an essential role in our national economy.

If the Postal Service were a private corporation, its revenue would rank just behind Boeing and just ahead of Home Depot on the Fortune 500 list. But even that comparison, or the one used by the Chairman, understates the economic importance of the Postal Service. The Postal Service directly supports a \$1.1 trillion mailing industry that employs approximately 8.7 million Americans in fields as diverse as direct mail, printing, catalog companies, paper manufacturing, and financial services. Many of these businesses can't return to readily available alternatives. They depend on a healthy, efficient Postal Service.

But as vital as a stable Postal Service is to our economy, its current financial status is abysmal. The most recent projections are that the Postal Service will lose \$9 billion this year. That is \$700 million more than the deficit the Postal Service was projecting just at the beginning of this year. This hemorrhaging comes on top of \$8.5 billion in red ink last year, and \$3.8 billion lost in 2009.

Unfortunately, there is little cause to believe that an improvement in the overall economy will stop this slide. The fact is that Americans are unlikely to abandon email and text messaging and return to first-class mail. The Postal Service's own projections now assume declining revenue all the way out to the year 2020.

The losses in mail volume are even more dramatic. Last year, the Postal Service handled 78 billion pieces of first-class mail. That number is now projected to fall to 39 billion pieces in 2020. This represents a 50 percent decline in first-class mail volume over 10 years.

I want to give the new Postmaster General great credit for coming forth with more creative proposals to stem this crisis. At times, however, the Postal Service's responses in the past have been inadequate and even counterproductive. Some would cut directly into the revenue that the Postal Service so desperately needs, while leaving customers with diminished and insufficient service. Consider, for example, the debate over post office closings. Now, let me be very clear. There are undoubtedly some Post Offices in Maine and elsewhere that can be consolidated or moved into nearby retail stores. But this simply is not an option for many rural or remote areas. In some communities, closing the Post Office would leave customers without feasible alternatives and access to postal services. That would violate the universal service mandate that is the justification for the Postal Service's monopoly on the delivery of first-class mail.

Let me give you a couple of examples from my home state of Maine. The Matinicus Island and Cliff Island Post Offices in Maine are good examples. Matinicus Island is 20 miles off the coast of Maine. It receives mail five rather than six days a week, and only in good weather. Closing this post office or moving it into a large retail facility is simply not realistic.

For the residents of Cliff Island, closing their Post Office would mean more than a two-hour roundtrip by ferry in order to send parcels or conduct all but the most simple of postal transactions. The fact is that maintaining all of our nation's rural post offices costs the Postal Service less than one percent of its total budget. That's not where the problems lie. That doesn't mean that there shouldn't be consolidations—and, indeed, I believe that closing some post offices and moving them into the local grocery store or pharmacy would work very well.

Similarly, the Postal Service's plan to move to five-day delivery is not without significant downsides. It would harm many businesses, unless the Postal Service can mitigate the impact. It would force industries ranging from home-delivery medication companies to weekly newspapers to seriously consider other options. And once these private firms leave the Postal Service behind, they won't be coming back, and the Postal Service will suffer yet another blow to its finances.

The major solution to the financial crisis should be found in tackling more significant expenses that do not drive customers away and lead to further reductions in volume.

Two actuarial studies have found that tens of billions of dollars have been made in overpayments by the Postal Service to the federal retirement plans. Regrettably, to date the Administration has blocked the bulk of this repayment. I proposed last year a new, more gradual amortization for the Postal Service's annual payments to reduce the unfunded liability for retiree health benefits, but that too is no longer adequate.

More than 80 percent of the Postal Service's expenses are workforce-related. The failure to rein in these costs threatens not only the viability of the Postal Service, but also the livelihoods of Postal Service workers themselves. The worst possible outcome for these workers would be for the Postal Service to be unable to meet its payroll – and that is a very real possibility for next year if we do not all act together to achieve reforms. In my judgment, the most recent contract agreement with the Postal Service's largest union, by and large, represents a missed opportunity to negotiate a contract that reflected the financial realities facing the Postal Service.

The Postal Service has to preserve the value and the service it provides to its customers, while significantly cutting costs and streamlining its operations, and that is no easy task. Senator Carper and I have each introduced our own bills to try to avert this crisis, but I am the first to admit that worsening conditions clearly require far more significant reforms. So again, Mr. Chairman, thank you for calling this hearing. We do face an urgent task and that is to save this icon of American society and this absolute pillar of America's economy.

#