



TOM CARPER

UNITED STATES SENATOR • DELAWARE



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CONTACT: Bette Phelan (202) 224-2441

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

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

HEARING: "The U.S. Postal Service in Crisis"

Opening Statement of Senator Thomas R. Carper, Chairman (as prepared)

My thanks to our witnesses and guests for joining us today for the latest in a series of hearings this subcommittee has held on the Postal Service's struggles to adapt to the changing mailing and communications industry and, now, a troubled economy.

As we all know, the economic crisis our country is currently struggling through has had an impact on just about every family and business. I would argue that it has impacted the Postal Service and some of its biggest customers harder than most.

The financial data the Postal Service released yesterday for the third quarter of the current fiscal year bear this out. They also tell me that the title of this hearing is accurate and the Postal Service is, indeed, in crisis.

According to the Postal Service, mail volume was down more than 14 percent when compared to the third quarter of last year. This led to a loss of some \$2.4 billion, an amount that nearly equals the Postal Service's total loss for all of fiscal year 2008. This brings the Postal Service year-to-date loss to \$4.7 billion. Current projections point to a record loss of more than \$7.1 billion by the end of the fiscal year. And this projected loss takes into account some \$6 billion in savings the Postal Service is expected to achieve by the end of September.

These numbers are sobering. Alarming, even. But I should point out that the Postmaster General has said, and I'm sure will say again today, that the mail will continue to be delivered as it always has been and postal employees will continue to be paid. I would also add that the path out of this situation we find ourselves in is clear, at least in my estimation.

First, it is imperative that the Postal Service be given some sort of financial relief.

I mentioned the Postmaster General's assurances that the mail will continue despite the dire financial projections we'll be discussing today. Absent some action from Congress in the very near term, however, I cannot promise that that will always be the case.

In recent months, many of us have come to conclusion that the way to give the Postal Service immediate financial relief is to restructure the aggressive retiree health pre-funding schedule that was imposed on it in 2006. That schedule has the Postal Service paying massive payments of more than \$5 billion per year through 2016 to pre-fund its future health care obligations to its retirees. This is on top of regular payments of \$2 billion or more for current retirees' premiums. The combination would probably be enough to sink any business in the economy we've had in recent months.

Senator Lieberman and I have introduced legislation – S. 1507, the Postal Service Retiree Health Funding Reform Act – that would restructure the Postal Service's retiree health payment schedule to give it the financial breathing room to get through the next several years. It works much like a mortgage renegotiation would for a family in which someone has lost a job and needs to find a way to keep the family home.

Our bill or something very similar to it must pass and be signed into law before the current fiscal year ends in September.

That said, our bill is not a silver bullet. It does not solve all of the Postal Service's problems. It merely sets the stage for the work that needs to be done in a number of areas to streamline postal operations and bring back at least some of the business that has been lost.

Much of the cost-cutting discussion since our last hearing in January has focused on the Postal Service's proposal to move from six-day to five-day delivery, probably by eliminating Saturday delivery.

The Postal Service estimates that making this change could save it upwards of \$3 billion per year. Based on recent polling, the vast majority of the American public would be supportive of the elimination of Saturday delivery. And Congress unanimously passed endorsed language included in the postal reform bill in 2006 that gave the Postal Service the authority to make the business decision to reduce delivery frequency if it felt like it needed to do so.

But Congress every year through language included in an annual appropriations bill has decided to prevent the Postal Service from exercising this authority. With the situation the Postal Service is facing now, it's time for us to re-evaluate this prohibition.

Congress also needs to re-evaluate the position it often takes on facility closures. The Postal Service currently maintains more than 35,000 retail outlets and more than 400 processing plants around the country. This network was developed for a time before e-mail, before electronic bill pay, before any number of communications revolutions in our society. We simply don't need all of those facilities in this day and age. But, all too often, Congress puts up roadblocks whenever the Postal Service even mentions that it might be time to close or consolidate some facilities. We just can't afford to do that anymore.

The Postal Service itself needs to find ways over time to make the products and services it offers more relevant and increase demand for them. We did give the Postal Service some new commercial flexibility back in 2006. They've been able to take advantage of them in some areas. The "flat-rate box" promotion I'm sure many of us have seen commercials for on television has been successful. And I understand that the response has been good for the so-called "summer sale" that the Postal Service hopes will bring additional advertising and other commercial mail back into the system in the coming week. But I'm certain that more can be done and we'll need to explore that today.

Finally, I would be remiss if I didn't mention labor costs. All four major postal unions' contracts are set to expire in 2010 and 2011. It is my hope that the unions continue to work constructively with the Postal Service through those negotiations to adjust pay, benefits and work rules to reflect the reality that the Postal Service faces in the mailing and communications market today.

I look forward to today's discussion and hope it can give us the momentum we need to tackle the work ahead of us.