

S.662, The Postal Accountability and Enhancement Act of 2005

**Hearing Statement
For Submission to the Record
Joe Lieberman
April 14, 2005**

Madam Chairman, thank you for convening this hearing and for crafting the reform legislation we will discuss today, and more generally, for your faithful commitment to guiding the postal service toward a more solvent future. You and Senator Carper have shown great determination in trying to repair the financial condition of the U.S. Postal Service, and all of America is indebted to you for your hard work.

The Postal Service is one of our nation's oldest public functions. In fact, Section 8. of the United States Constitution gave Congress the power to establish post offices BEFORE it granted the authority to create a judicial system, declare war, or raise an army. The founding fathers recognized the importance of connecting a diverse and dispersed people through long distance communication, and 230 years later, the Postal Service remains essential to our economy and way of life.

In the past year, mail carriers delivered over 200 *billion* pieces to 142 million homes, offices, and other delivery points. More than 707,000 career employees work directly for the Postal Service, and it sustains a \$900 billion mailing industry. In short, nearly every American depends upon it.

The existing legislative charter for the Postal Service, the Postal Reorganization Act of 1970, has served us well for many years. But technological and other advances over the last few decades have altered the business model of most American companies, and while the Postal Service has worked hard to keep up, there is only so much it can do. Now, it needs our help.

E-mails, faxes, the web, and inexpensive long-distance telephone services have become increasingly popular substitutes for conventional mail. Even in the more traditional markets of overnight express and package delivery, intense competition has rendered the USPS a secondary player in most parts of the country.

The Postal Service is unable to challenge this formidable competition, effectively partly because it operates under a cumbersome system that prevents quick rate adjustment to meet the changing needs of customers and the changing strategies of competitors. To make matters worse, use of the mails to deliver bio-terror agents B anthrax in 2001 and ricin in 2003 B has imposed significant, unexpected costs on the Service.

On top of these challenges is the impending burden of large financial liabilities and obligations, including pension and retiree health obligations. The Postal Service=s pension obligations were addressed temporarily in 2003 after we discovered the USPS was substantially overpaying its pension obligations and, without legislation, would have overpaid the U.S. Treasury by over \$70 billion.

The Postal Civil Service Retirement System Funding Reform Act, authored by the Chairman and Senator Carper, fixed the situation temporarily by allowing the Postal Service to use those savings for mail delivery through 2005 and avoiding a rate increase. Next year, however, it must begin paying the Treasury again, this time into an escrow account, until Congress decides how the money should be used.

Already, the Postal Service Board of Governors is seeking a rate increase for next year to meet the \$3.1 billion escrow requirement. That increase could bump postal rates up by approximately 5.4 percent.

The fear is that we are approaching what those in the postal community call the economic death spiral,² which occurs when falling mail volume and unreasonable financial obligations force postal rate increases that lead to further drops in volume. The way out of the death spiral is through focused leadership. And Chairman Collins and Senator Carper have provided that in the form of S. 662.

Your bill provides a sound framework for reform. It would hold down rates by eliminating the escrow requirement and allowing the Postal Service to use much of the savings for delivering the mail. The bill would also return to the Treasury the obligation to pay for postal worker= retirement costs related to their military service. Other provisions would establish a more flexible and streamlined process for setting postal rates, and help establish a viable business model.

Not all issues have been resolved, but this hearing is an opportunity to hear from knowledgeable witnesses who can help us understand and address those that remain outstanding. Thank you for participating, and I look forward to your testimony.

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