

Statement of Ranking Member
Susan M. Collins

**“Finding Solutions to the Challenges Facing
the U.S. Postal Service”**

December 2, 2010

★ ★ ★

The Postal Service’s announcement that it lost \$8.5 billion during fiscal year 2010 was only the latest in a series of disappointments. Significant reductions in mail volume and revenue over the past several years have underscored the urgency of re-engineering the Postal Service business model to adapt to the information age.

The Postal Service is the linchpin of a \$1 trillion mailing industry that employs approximately 7.5 million Americans in fields as diverse as direct mail, printing, catalog companies, paper manufacturing, and financial services.

Postal Service employees deliver mail six days a week to hundreds of millions of households and businesses. From our largest cities to our smallest towns, the Postal Service is a vital part of our national communications network.

But facing an unprecedented shift to electronic communication and rapidly evolving technology, the Postal Service has been unable to keep pace. It is no wonder, then, that the Postal Service's current fiscal condition is abysmal.

At this defining moment in its history, the Postal Service must embrace change and take aggressive steps toward a structural reinvention. It must enhance its service and value to customers, rather than looking to drastic cuts in service and sharp increases in price. At the same time, it also needs to scrutinize its internal

operations and redouble its efforts to be leaner and more cost-effective.

The Postal Accountability and Enhancement Act of 2006, which I co-authored with Senator Carper, provides the foundation for many of these changes. The Postal Service has been slow to use the flexibilities afforded by the law. But, to be fair, other problems not of the Service's making, such as the severe recession, have also intruded.

Today, I am introducing the "U.S. Postal Service Improvements Act of 2010." This legislation would help the Postal Service achieve financial stability, produce additional cost savings, and improve customer services. These are the strong fundamentals from which the Postal Service must rebuild.

First, the bill would direct the Office of Personnel Management to use its existing authority to allow the Postal Service to access the more than \$50 billion that the Postal Regulatory Commission estimates the Postal Service has overpaid into the Civil Service Retirement System. The bill would also provide OPM the authority to allow the Postal Service to access the nearly \$3 billion it has overpaid into the Federal Employees Retirement System pension fund. It is simply unfair – both to the Postal Service and its customers – not to refund these overpayments.

Second, the legislation would improve the Postal Service's contracting practices and help prevent the kind of waste and ethical violations recently uncovered by the Postal Service Inspector General.

Several months ago, I asked the Inspector General to review the Postal Service's contracting policies. The findings of this audit were shocking. The IG found stunning evidence of costly contract mismanagement and ethical lapses.

My legislation would help remedy many of the contracting issues the IG identified. The bill would:

- direct the Postmaster General to establish a Competition Advocate, responsible for reviewing and approving justifications for noncompetitive purchases and for tracking the level of agency competition;
- improve competition, transparency, and accountability by requiring the Postal Service to publish justifications for noncompetitive contracts above \$150,000 on its website;

- limit procurement officials from contracting with closely associated entities; and
- require the Postal Service's ethics official to review any ethics concerns that the contracting office identifies *prior* to awarding the contract.

Third, the legislation also would require the Postal Service to create a comprehensive strategic plan to guide consolidation of its regional and district offices. In a separate review that I requested, the IG found that the Postal Service's eight area offices and 74 district offices leave significant room for consolidation. These offices cost approximately \$1.5 billion in fiscal year 2009. The strategic plan required by my bill would provide a road map for future savings.

The bill also would:

- **allow information on the financial health of the Postal Service to be considered by the arbitrator when rendering decisions about collective bargaining agreements;**
- **require the Postal Service and Postal Regulatory Commission to work together to increase the use of negotiated service agreements, which reduce costs to mailers who agree to help the Postal Service process their mail;**
- **reduce government-wide workforce costs by converting retirement eligible postal and federal employees on long-term workers' compensation to retirement annuities when they reach retirement age. There are 132 employees age 90 and over who are on workers' compensation; and**

- require the Postal Service to develop a plan to increase its presence in retail facilities, or co-locate, to better serve customers.

I want to point out that *before* co-location decisions could be made, the bill would direct the Postal Service to weigh the impact of any decisions on small communities and rural areas and solicit community input. The bill also would require that co-location does not diminish the quality of service.

I want the Postal Service to survive and thrive. This valuable American institution with roots in our Constitution must be put back on steady course. I look forward to working with the incoming Postmaster General Patrick Donahoe and all postal stakeholders to achieve these vital reforms.

###