

**Statement of Ranking Member Tom Carper:
“Laying Out the Reality of the United States Postal Service”**

Thursday, January 21, 2016

As prepared for delivery:

Let me first thank Chairman Johnson for holding this very important hearing. To our witnesses, welcome. I'm pleased that you're here today to join us in discussing not just the harsh realities facing the United States Postal Service, but also the bright future Congress can help the Postal Service realize through legislative reform.

As all of us are aware, the Postal Service has been struggling with serious and longstanding financial challenges for some time now. One of my top goals since I joined this committee has been to address these challenges and help the Postal Service to find a way to survive and thrive in the 21st Century.

The Postal Service operates at the center of a \$1.4 trillion mailing industry that employs 7.5 million people across our country. This industry provides 6 percent of the nation's jobs. It's on par when it comes to total jobs and revenue with the airline industry and the oil and gas industry.

And businesses both large and small depend on the Postal Service's one-of-a-kind 200-year-old distribution network – the only network that delivers to virtually every mailbox in America five or six days a week.

But as we sit here today, there are real questions about what the future holds for the Postal Service.

Despite having finished 2015 with an operating profit, the Postal Service continues to report billions of dollars in losses. On top of that, it has maxed out its \$15 billion line of credit with Treasury. This has left postal management with no other choice but to default on another \$5.7 billion health care payment last year, the fourth year in a row that the Postal Service has been unable to fulfill that statutory obligation. When the Postal Service closed its books on fiscal year 2015, it announced a \$5.1 billion loss, its ninth consecutive multi-billion dollar loss.

Complicating matters, is the fact that the emergency rate surcharge that went into effect in 2014 to compensate the Postal Service for its losses during the recession is set to expire in late March or early April. By all accounts, the income being generated by this increase is now the only thing keeping the Postal Service's head above water. When the surcharge expires, rates for the Postal Service's core products will decline, denting the Postal Service's revenue and liquidity and erasing the small operating profits its shown recently.

But I think we can still be optimistic about the future of the Postal Service. I say that because, despite what the Postal Service has been through, we've seen significant growth in package

delivery. The Postal Service's total volume for this line of business jumped more than 14 percent last year.

In addition, the steady decline of First Class Mail volume since 2006 is also beginning to level off, and by some accounts we may be starting to see new demand for this product that has always been the biggest money maker for the Postal Service. And this past holiday season was much stronger for the Postal Service than anticipated, with mail volume related to e-commerce reportedly exceeded expectations.

For the Postal Service to truly be successful in the Digital Age, however, Congress must enable it to take full advantage of the opportunities offered by the package boom and other recent successes. They can do it, but we need to help.

Nearly 10 years have passed since major postal reform legislation was last signed into law, although we've made several attempts at it in recent years without getting the ball into the end zone. It's time now for Congress to come off the bench and get in the game.

Absent legislative intervention, the Postal Service will continue twisting in the wind. It will remain unable to fully invest in its future, and its employees and customers will continue to be uncertain about what that future holds.

There are a handful of postal reform provisions we've debated on this committee for years now. Taken together, they would set the Postal Service and its leadership up to turn the agency's finances around and set it up to succeed in the years to come.

The most important of these provisions address health care costs at the Postal Service, and the fact that the agency is the single largest payer into Medicare yet can't get full value from the program. I've put forward legislation both last year with our former colleague Dr. Coburn and this year with Senators McCaskill, Moran, and Blunt that would allow the Postal Service to do what private business do when they coordinate their retiree health plans with Medicare. This has the potential to virtually eliminate the unfunded liability for retiree health benefits and save the Postal Service \$32 billion over 10 years.

Our proposal would also give the Postal Service significant savings when it comes to its pension costs, which OPM now determines using inaccurate data that doesn't account for the make-up of the Postal Service's workforce, among other important factors. Making OPM use the right data would also reap more than \$2.5 billion in savings in the next five years alone.

We also free the Postal Service to innovate and explore new business opportunities by removing dated restrictions in current law on the type of products and services they can offer. This part of our bill would let the Postal Service do some specific things, like join UPS, FedEx, and others in delivering beer, wine, and spirits. It would also push the Postal Service to test new innovations, much like it's used its existing authority to do things like Sunday package service and grocery delivery. Coupled with our proposal to make permanent the emergency rate increase currently set to expire, this part of our bill has the potential to bring in significant revenue in the coming years.

Finally, our bill also pushes the Postal Service to do what the last Postmaster General often told me was his top goal if we were able to get postal reform done – to put the “service” back in Postal Service.

Since 2002, the Postal Service has made great strides to be more efficient, cutting total work hours nearly 30 percent, yielding \$17 billion in savings. We’ve also seen the number of mail processing facilities cut in half from more than 600 to around 300 today.

But the solution to the challenges the Postal Service faces today can't just be about more cuts. Cutting costs was certainly necessary, concerns have been raised that further cuts will only degrade service and end up chasing customers away. We may already be seeing service suffer due to the deep cuts that have been made in some areas. In order to thrive in the coming years, the Postal Service actually needs to invest in its delivery vehicles, its plants, and its post offices. It needs to harvest new technology that can improve service rather than making cuts that will erode it further.

That’s why our bill would pause further service standards changes for 5 years and mail processing closings for 2 years. This pause will give the Postal Service and the Postal Regulatory Commission time to explore what the appropriate level of service should be, and hopefully return service to the level that was offered last year when service standards were set at the “modified 1-2-3-day delivery” standard I supported.

So in sum, I believe our bill represents real, lasting reform that can help the Postal Service be just as important for my sons’ generation as it was for my generation and my parents’ generation.

And it’s a bill that enjoys wide support among the postal stakeholders whose often widely diverging priorities and goals have made postal reform so hard in recent years. That’s because, after months of effort to find common ground, the Postal Service, its unions, and a large contingency of postal customers have finally succeeded in coming to an agreement on a number of key provisions that we feel need to be contained in any postal bill for the Postal Service to succeed. These key provisions are contained in our bill.

Working together, it’s important that Congress provide some certainty to both postal employees and customers, and to ensure that taxpayers — along with all of the fiscal challenges we face as a country — are not saddled with shoring up a failing Postal Service. We can’t afford to be here a year or more from now discussing how we can dig ourselves out of yet another postal crisis. I don’t believe any of us want to do that, to kick the can down the road one more time.

As it turns out, if we’re smart enough, and creative enough, and bold enough, we won’t have to and can do what needs to be done to actually fix this problem.

Thank you again for holding this hearing, Mr. Chairman. I look forward to working this year to see postal reform legislation enacted into law.