

**OPENING STATEMENT
CONGRESSMAN JOHN M. McHUGH
CHAIRMAN
SPECIAL PANEL ON POSTAL REFORM & OVERSIGHT**

28 JANUARY 2004

I welcome today an excellent panel of witnesses to kick off our first in a series of three hearings entitled, “Answering the Administration’s Call for Postal Reform.” Brian Roseboro, Acting Under Secretary at the Department of Treasury is with us to explain the Administration’s call for reform, and he is joined by the Chairman of the Postal Service’s Board of Governors David Fineman, the Postmaster General Jack Potter, the Postal Rate Commission Chairman George Omas, and the Comptroller General David Walker.

Before we hear from our witnesses, however, I think it is important to stress the gravity and importance of the matter that faces us today. The Postal Service is the center of a nearly \$9 billion industry, employing 9 million workers nationwide, and representing more than 8 percent of the Gross Domestic Product. Our Postal Service is in trouble and requires reform legislation to prevent a meltdown. Indeed, there is a good reason why this is the first Administration since President Nixon’s to call on Congress to modernize our nation’s postal laws. I remain hopeful that as Congress did in 1970, we too in 2004 will answer the President’s charge.

My longstanding belief, shared by the Presidential Commission on the U.S. Postal Service, the Postal Service itself, the Administration, and the GAO is that universal postal service is at risk and that reform is needed to minimize the danger of a significant taxpayer bailout or dramatic postal rate increases. The Congress provided a bit of financial breathing room for the Postal Service last year when we reduced its payments for pension obligations. But the fundamental problems remain unchanged: as the President’s Commission found, *the Postal Service’s current business model is not sustainable going into the 21st Century.*

Our witnesses' testimony will make the case quite clear, but let's review some of the bigger problems:

- Major financial liabilities and obligations:

The Postal Service still faces about \$90 billion in liabilities and obligations despite the passage the pension bill last year.

- Declining mail volume:

In a historical first for the Postal Service, total mail volume declined last year for the third year in a row. Another unsettling milestone was achieved as First-Class mail volume declined by a record 3.2 percent in 2003 and is projected to decline annually for the foreseeable future. This is a very serious problem because First-Class mail is the bread and butter of the Postal Service, paying for more than two-thirds of its institutional costs.

- Anemic Revenue:

The Postal Service's revenues are budgeted for zero growth in 2004, which would be the first year since postal reorganization in 1970 that postal revenues have failed to increase. However, even the zero-growth target will be challenging; in the absence of revenue generated by increasing volume, the Service must rely even more on rate increases. Indeed, if it weren't for the postal pension legislation of last year, ratepayers would likely be facing yet another double-digit increase in rates.

And these are just the highlights of the problems, which go on and on and on: changes in the mail mix, increased competition from private delivery companies, declining capital investment, insufficient increases in postal productivity, uncertain funding for emergency preparedness, and major challenges to continued cost cutting.

While the problems are dire, the President's Commission and his subsequent articulation of principles for legislative change show us the path to some solutions. Fortunately, we have a strong bipartisan basis upon which to proceed, including the well-refined bill that we put together in the last Congress.

The Postal Service is too important an institution to our economy to await the full brunt of the crisis that is clearly upon our doorstep. As a resident of rural America, I know only too well the importance of the Postal Service's presence and operation in our daily life. I look forward to continuing the bipartisan work with my colleagues in the Committee, with the collaboration of our witnesses today, to respond to the President's call for action. We must preserve universal postal services. That is our challenge and we cannot fail.