

**OPENING STATEMENT
CHAIRMAN TOM DAVIS
HOUSE GOVERNMENT REFORM COMMITTEE
AND SENATE GOVERNMENTAL AFFAIRS COMMITTEE
“THE POSTAL SERVICE IN CRISIS: A JOINT SENATE-HOUSE HEARING
ON PRINCIPLES FOR MEANINGFUL REFORM”**

23 MARCH 2004

I would like to begin by welcoming the members of the Senate Governmental Affairs Committee to our hearing room, and thanking especially Chairman Collins and Senator Carper for their tireless work on this important issue. This joint hearing caps off a series of six hearings conducted by the Senate Governmental Affairs Committee and three hearings conducted by this Committee's Special Panel on Postal Reform and Oversight since the report of the President's Commission on the United States Postal Service was released last July.

I think that one thing we have learned from all these hearings, and from the work of the President's Commission, is that the current legal framework under which the Postal Service operates is outdated and unsuited for today's economy. It is putting the jobs of millions of Americans at risk.

Let me explain: under current law, the only response available to the Postal Service to declining volumes and revenues is to raise rates even further. As rates go up, even more volume leaves the system, contributing to what Comptroller General David Walker has called a "death spiral." First Class Mail volumes have been in decline for several years, even as the number of addresses the Postal Service serves increases.

I believe that without comprehensive postal reform this year, we face a time in the near future when the Postal Service will no longer be able to sustain itself with higher and higher rate increases. And many of the nine million Americans whose jobs rely on a stable, healthy postal system will be out of work.

But postal reform is not only a jobs issue, it is a consumer issue. Everyone gets mail, and everyone buys stamps. If we allow the Postal Service to continue its death spiral, it will hit every American in the pocketbook.

Last year, this Committee and the Senate Governmental Affairs Committee worked together, along with the Administration, to solve a potential overfunding of the Civil Service Retirement System by postal ratepayers. That reform delayed the next rate increase until 2006, providing much-needed relief for the Postal Service's customers. But it left several unresolved issues, which we must deal with as the legislation moves forward.

First, the legislation transferred responsibility for funding the military portion of retiree benefits to the Postal Service. I realize there are differences of opinion on whether that

change should be revisited, or left in place, and I look forward to the witnesses' perspectives on that.

Second, the legislation required the Postal Service to calculate, collect, and place into escrow the post-2005 savings caused by legislation. We wanted to get a clear sense of the Postal Service's plans for cost reduction and productivity-enhancing capital improvements before releasing all of the savings. I believe the Postal Service has fulfilled its requirements in this regard, and it's time to release the escrow.

Let me take a moment to explain the budget effects of the CSRS escrow, because there seems to be a great deal of confusion about it. When we took up the Administration's proposed Postal CSRS Reform Act last year, the bill as it was written by the Administration (and introduced with budget-neutral changes in the Senate as S. 380) had a CBO-estimated cost of \$17 billion between 2003 and 2008 and \$42 billion between 2003 and 2013.

In the House, H.R. 1169 as introduced, placed the savings to ratepayers (which counts as a "cost" to the unified budget) in escrow, by requiring the Postal Service to collect the savings from its customers beginning in 2006 and not spend it without prior Congressional approval. This bill, and the bill which eventually was enacted, had a CBO-estimated cost of only \$7.2 billion between 2003 and 2013. Compare that to the \$42 billion cost without the escrow. All we did was put off, temporarily, the majority of the budget hit from the Postal CSRS Reform Act as proposed by the Administration.

This year, the chickens are coming home to roost. Sometime in the late fall, shortly after the beginning of Fiscal Year 2005, the Postal Service will be filing a rate increase to take effect at the beginning of Fiscal Year 2006. If we have not released the escrow, that rate increase will likely include an extra 2 cent surcharge on the price of a First Class stamp, as part of an extra 5.4 percent rate increase across the board – solely to fund the escrow account. Releasing the escrow will be a crucial component of comprehensive postal reform legislation.

But the Administration, according to Secretary Snow's testimony today, says they are, and I quote, "willing to work toward a proposed modification of the Postal CSRS Funding Reform Act abolishing the escrow *that will not increase the deficit.*" Therefore, we expect the Administration to find the necessary offsets to accomplish this goal so that comprehensive postal reform legislation can move forward.

If we're going to prevent a postal meltdown from happening, this is the year. For the first time since the Nixon Administration, the White House has called for comprehensive postal reform. We are very fortunate to have Treasury Secretary Snow here today to present the Administration's case for postal reform. We also have the guidance of the President's Commission on the Postal Service, which did an extraordinary job in a very short amount of time. We can also build on the nine years of hard work Chairman McHugh has devoted to this issue. Last but not least, our colleagues in the Senate who join us today are as committed as we are to preventing the Postal Service from melting

down. I look forward to working with everyone in this room as we move comprehensive postal reform legislation forward.