

Statement of Senator Thomas R. Carper, Chairman

**Subcommittee on Federal Financial Management, Government Information,
Federal Services, and International Security**

Committee on Homeland Security and Governmental Affairs

“The State of the U.S. Postal Service One Year After Reform”

March 5, 2008

The subcommittee will come to order.

My thanks to both of our witnesses for taking the time to be with us again today. My thanks, as well, for all the work that both of you and your teams have done in moving swiftly to implement postal reform.

This is a very interesting time for those of us who have an interest in postal issues. The Postal Accountability and Enhancement Act has been the law of the land for more than a year now. And we're starting to see some real benefits as a result. The Postal Service is set to change prices this spring using the streamlined, cap-based rate system called for in the Act. It is my hope that the Postal Service can use this new rate system in the coming years to offer customers some level of predictability and to be more competitive in the advertising and mailing markets. And we also have a new set of service standards for most postal products that I hope will make the Postal Service more relevant and more valuable to customers that now have a lot of other communications options.

These developments – coupled with what appears to be an even stronger effort under the rate cap system to control costs – should have us celebrating. But these are difficult times for the Postal Service, just as they are for millions of families and businesses across the country.

During the last fiscal year, the Postal Service reported losses of about \$5 billion. This was largely due to a one-time accounting charge related to several provisions in the postal reform bill related to the disposition of the Postal Service's pension payments. However, this year – if things remain unchanged – the Postal Service could suffer real losses of up to \$2 billion.

I know that planned cost cutting and also the revenue that will be earned from the May price increases will bring that \$2 billion number down some. But the projected losses can tell us a lot about the current state of our economy. They can also, unfortunately, probably tell us a lot about the Postal Service's customer base.

The slowdown in the housing and credit markets has hurt some pretty big Postal Service customers pretty badly. I hope that some of that lost business will start coming

back over the next few months. But we can never know if some of the mail volume that has been lost to this economic downturn will ever be coming back.

As General Potter will point out, a lot of businesses that have counted on the Postal Service to communicate with customers are now encouraging their customers to move online. It seems that postal customers who'd rather not pay postage now have more options available to them, maybe even more than they had during the last major economic downturn that occurred when I first arrived in the Senate just a little more than seven years ago. So, it's important that the Postal Service make full use the tools available to it through postal reform. I've been pleased with what I've seen so far but there's a lot of work ahead.

I look forward to hearing from our witnesses about some of the challenges and opportunities out there. I'd also like to hear about how Congress can work with the Postal Service and the Postal Regulatory Commission to weather the current storm and maybe find a way to find new revenue and cost cutting opportunities.