
**Hearing before the Subcommittee on Financial Services
and
General Government,
Committee on Appropriations
House of Representatives**



Oral Statement

Postal Service Inspector General Budget Hearing

February 11, 2011

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Madam Chairwoman and members of the subcommittee, the Postal Service's situation is serious, its leadership anticipates running out of money in September, mail volume has dropped by 20 percent since 2006, and the monopoly no longer finances universal mail service for the nation. This situation is the product of oversized Postal Service networks, crippling payments for benefit funds, the lingering recession, and the disruption of the digital age. Lastly, the Postal Service's mission to bind the nation together through a common communication infrastructure is evolving faster than the Postal Service can adapt.

Burdensome and flawed benefit payments have contributed to almost 90 percent of the \$20 billion loss in the past 4 years. This has raised the cost of the infrastructure, postage rates, and forced the Postal Service to incur debt. My office has produced a series of reports highlighting the exaggerated estimates, enormous overcharges, and excessive prefunding levels that plague the retiree pension and health care systems. To continue contributing to funds that now appear to exceed the 100 percent funding levels is even more egregious when compared against benchmarks in the public and private sector and OPM's levels. I agree with Senator Susan Collins' call in September 2010 for the OPM to change, under current law, its calculation of Postal Service CSRS pension fund payments.

- In the near term, the Postal Service and Congress should consider halting further payments to benefit funds until the surplus is used, funds

restructured, and mistakes corrected. The Postal Service can use this time to learn how to live below or within the Consumer Price Index, shed its debt, and find its role in the digital age.

The Postal Accountability and Enhancement Act incentivizes the Postal Service to adopt a leaner volume driven infrastructure to assure readiness for the 21st century. This will require:

- Optimization of the network of post offices and plants;
- Conversion to evaluated letter carrier routes to allow effective management;
- Flexible work rules to match the ebb and flow of mail;
- A comprehensive delivery point strategy that maximizes curb side delivery and cluster boxes;
- Simplification of mail acceptance and pricing; and
- Evaluating the need for 74 districts, 7 Areas, and two law enforcement agencies.

I mentioned earlier the disruption of the digital age as contributing to the Postal Service's instability. The digital age and globalization have put America on the cusp of a new age. Technological advances have given America low cost instant communications, sophisticated data organization, search engines, hyper links, impressive mobility, and more.

However, the twin forces of the digital age and globalization grew at an unbridled pace and as they leave their infancy we see:

- Insecure platforms for financial transactions,
- A lengthening trail of American digital refugees,
- Lack of confidentiality for communication content,
- Predatory practices in the conversion of digital cash to currency,
- Patterns of invasive digital profiling by infrastructure operators,
- Emerging issues associated with net neutrality; and
- A shocking loss of privacy.

These practices and others are unwelcome by many Americans. The nation has not fully explored the respective roles of the private sector and governmental entities in addressing these issues. Additionally, substantial elements of the nation's communications infrastructure have passed from governmental to corporate hands. This transition has important positive aspects, but such sweeping change suggests the need for thoughtful examination to ensure that segments of society are not excluded and America's leading edge continues to advance.

Postal products and technological solutions are imperfect, but joining the two together might address the short comings of each, provide a set of solutions, and serve as a bridge to the 21st century.

I have outlined the need for substantial change to increase readiness and recognize the Postal Service's role in positioning America in the communications revolution. The engine for this transformation is innovation and the Postal Service needs to strengthen its systems for innovation. Innovators collaborate with customers, take risks, make mistakes, stop failures quickly, and replicate successes. The Postal Service's success depends on embracing this environment.

Federal financial raids on the Postal Service have to be halted; and the Postal Service should be taken back off-budget as originally designed, and the benefit funds restructured. We will need strong collaborative efforts to enable the Postal Service to serve Americans in the 21st Century.