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JOINT HEARING ON CONTINUING TO  
DELIVER: AN EXAMINATION OF THE  
POSTAL SERVICE'S CURRENT FINANCIAL  
CRISIS AND ITS FUTURE VIABILITY  
Thursday, April 15, 2010  
House of Representatives,  
Committee on Oversight  
and Government Reform,  
joint with  
Subcommittee on Federal Workforce,  
Postal Service, and the District of  
Columbia,  
Washington, D.C.

***[Rep. Connolly excerpts]***

The Chair now recognizes the gentleman from Virginia, Mr. Connolly, for five minutes.

\*Mr. Connolly. I thank the Chair and I thank both of our panelists for being here this morning.

Mr. Chairman, I will, with your permission, enter my full statement into the record, but I must say I continue to be bothered by the fact that the approach to trying to deal with the issues of solvency and long-term viability of the Postal Service continue to be ad hoc. I must confess to some disappointment in the GAO report, in particular, that we are not looking at a more comprehensive new business model approach. Ad hoc cuts to delivery service may save money in the short run, at long-term cost in terms of customer base. I think Mr. Chaffetz raised some very legitimate concerns about going from six to five days a week.

I would note with historical interest that this discussion occurred in 1976, where a similar situation was faced and the Postal Service again said if we don't go from six to five we will never make it, and subsequently, of course, the Postal Service actually experienced some record profits without cutting service from six to five days.

I would like to ask the GAO rep, we keep on talking about this \$238 billion in cumulative losses, and I bring to your attention the thoughtful testimony of CRS which says you have to look behind that number. First, there are certain assumptions made about what will or will not happen in terms of economic growth and customer base for 238 billion. Secondly, you would have to ignore the statute that says there is a statutory debt limit actually in USPS, and then you would have to assume Congress does absolutely nothing for ten years and that you would borrow \$231 billion from the U.S. Treasury.

That is a little hard to believe, so I am a little concerned that in bandying about this \$238 billion number we are ignoring some obvious things that are going to happen, and it looks, frankly, a little bit like a scare tactic to get us to make some decision that may or may not be popular. And they may, in fact, be viable decisions, but how real really is that \$238 billion number? And would you care to respond directly to the Congressional

Research Service report, page 11, that lays out the flaws in this \$238 billion?

\*Mr. Herr. I appreciate the question. In looking at that number, we realize that is the number that says if nothing else changes. I agree, things will change. There is attrition that is expected. Given the drop in volume and revenue, the idea that the Postal Service would be self-financing, one would expect that that number was probably by far the worst-case scenario.

It is the number that is put out there to provide some context for what happens if nothing were to change, but it is understood that things would have to change in the interim.

\*Mr. Connolly. And we would do nothing for ten years.

\*Mr. Herr. I would assume that would not be the case.

\*Mr. Connolly. Right. So how real then is the \$238 billion number that has been bandied about in testimony here and in the press and -- I mean, one begins to conclude it has no basis in fact at all, other than to scare people.

\*Mr. Herr. Well, I think that it is a starting point. I mean, again, this is a number that the Postal Service came up with, but it is, I think, to provide an illustrative case of not doing anything. And if nothing is done, then you will face those kind of challenges.

\*Mr. Connolly. Could I ask Postmaster General Potter to respond to that?

\*Mr. Potter. Well, I agree with what he just said. It is what happens if nothing is done. We did lay out a way of closing \$123 billion of that gap, and, again, through aggressive management, focus on productivity. There is an element of growth that is built into that \$123 billion. However, there is a sizeable gap beyond that.

\*Mr. Connolly. Can I interrupt you for just one second there, Mr. Postmaster General, because you make a very good point. You would have to assume, for \$238 billion to be real, we do nothing, including you. You already said you are going to use the authority you have to make reductions totaling \$123 billion; is that correct?

\*Mr. Potter. That is correct.

\*Mr. Connolly. So the \$238 billion number is already not real.

\*Mr. Potter. It is a theoretical number.

\*Mr. Connolly. A theoretical number. Except that you have already announced here you are taking steps to make sure that theoretical number is never real.

\*Mr. Potter. Exactly.

\*Mr. Connolly. Thank you.

\*Mr. Lynch. I thank the gentleman.

The Chair now recognizes the gentleman from Indiana, Mr. Burton, for five minutes.

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The Chair recognizes the gentleman from Virginia, Mr. Connolly, for five minutes.

\*Mr. Connolly. I thank the Chair, and, gosh, I am surprised that my friend who is so concerned about personal conclusions would cite a bogus number, \$238 billion. We have already established in this hearing at best that is a theoretical number GAO admits, and the Postmaster General, himself, admitted under questioning by this Member that it assumes they are not going

to make the \$123 billion cuts he announced this morning they are going to make, and so it is a made-up number designed to scare us into breaking faith with communities across the United States, breaking faith with organized labor and the workforce, breaking faith with consumers in order to make decisions they have decided a priori they want to make, irrespective of whether there is an empirical basis to justify making those decisions or not. That is what that \$238 billion figure is -- it is made up. It assumes nothing will happen. Nothing will happen over ten years.

Mr. Kosar, you detailed this really well in the CRS report. Could you refresh our memories, going to page 11 of the CRS report? I assume that is your writing?

\*Mr. Kosar. Correct. Are there particular aspects on it, or is it the three main points? Are there particular aspects of the point I made, or just kind of generally encapsulate what I was getting at here?

\*Mr. Connolly. Well, if I recall your analysis, it says in order to believe \$238 billion, you have to believe, A, this Congress will lift the statutory debt ceiling limit, right?

\*Mr. Kosar. Correct.

\*Mr. Connolly. Which right now is \$15 billion?

\*Mr. Kosar. Correct.

\*Mr. Connolly. Secondly, you have to assume this Congress will take no action whatsoever for ten years with respect to any kind of fiscal red ink problem the Postal Service might experience; is that correct?

\*Mr. Kosar. Correct.

\*Mr. Connolly. Absolutely no action?

\*Mr. Kosar. Absolutely no action.

\*Mr. Connolly. Thirdly, you would have to assume that the \$123 billion of cuts that the Postmaster General announced today and said is already within his authority, he doesn't need new legislation or legislative authority to make those decisions, will, in fact, be rescinded, will not be made; is that correct?

\*Mr. Kosar. Absolutely correct.

\*Mr. Connolly. And then you would have to assume that everything goes to hell in a handbasket. Apparently, there is no economic recovery that could influence up or down the volume of mail, even though we know from history that, as a matter of fact, the opposite is true: economic conditions most certainly do influence whether mail goes up or down volume; is that not correct?

\*Mr. Kosar. That is correct.

\*Mr. Connolly. Other than that, the \$238 billion number is real.

\*Mr. Kosar. Depends how you define real, I suppose.

\*Mr. Connolly. Would you refresh our memory, Ms. Goldway, in terms of the statutory role of the Postal Regulatory Commission?

\*Ms. Goldway. The Postal Regulatory Commission is a regulatory body overseeing the activities of the Postal Service to ensure that it does provide universal service at a fair and efficient level for all citizens. We provide an annual compliance determination every year, and should we determine that they don't meet universal service obligations we can institute proceedings to require them to change their activities to meet universal service obligations.

\*Mr. Connolly. Apparently, because we don't like some of your testimony, we want to relegate it to the realm of personal opinion. Does the statute in any way invite the Postal Regulatory Commission to comment on

proposals with respect to quality of service or fiscal savings? Is that a role under the statute for the Postal Regulatory Commission?

\*Ms. Goldway. Yes. Our reports do that and we are asked to do studies, to report to Congress, to suggest legislation, and to make changes in -- suggest changes in the universal service obligation over a period of up to ten years.

\*Mr. Connolly. Were you invited here today in your capacity as chairman of that Commission?

\*Ms. Goldway. Yes, I was. Thank you.

\*Mr. Connolly. And did the Committee ask you to, in fact, share your views on the pending proposals, good, bad, and indifferent, with respect to savings and cost efficiencies?

\*Ms. Goldway. Yes, they were. Thank you.

\*Mr. Connolly. Thank you.

Thank you, Mr. Chairman.

\*Mr. Lynch. I thank the gentleman.

The Chair recognizes the gentleman from Illinois, Mr. Davis, for five minutes.

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