



Rep. Gerry
Connolly

House Hearing Raises Questions About Postal Plans and Numbers

Yesterday, the House Oversight and Government Reform Committee conducted a hearing that reinforced the need to find a legislative solution to Postal Service's overfunding of its retirement obligations. It also illuminated skepticism about the service reductions and the numbers being used to justify those cuts.

The Government Accountability Office's (GAO) latest Postal report was the catalyst for the hearing. The 2006 Postal Reform Act directed the GAO to submit a report concerning the USPS business model to the President and Congress by December 20, 2011; however, the GAO accelerated its submission. There was a general sense that the GAO failed to meet the mark on delivering an independent report, addressing the study criteria set forth in the statute. In general, the GAO report accepted much of the data and recommendations that were already disseminated by the Postal Service. Moreover, Rep. Gerry Connolly (D-VA) took the Postal Service and the GAO to task for relying on *worse-case-scenario* data. Under questioning, the GAO conceded that the \$238 billion shortfall, which has been heralded by the Postal Service, assumes that the Postal Service and Congress would do absolutely nothing to alleviate the financial pressure – not a likely scenario. Reps. Dan Burton (R-IN) and Carolyn Maloney (D-NY) queried the GAO on the Postal Service's retiree health pre-funding requirement. Prior to Postal Reform, the GAO argued in favor of postal prefunding. Maloney peppered the GAO witness with questions about what other agencies, government entities, or corporations prefund – the GAO could not identify any entity other than the USPS that prefunds retiree health benefits. Rep. Burton asked the GAO witness to predict the impact that prefunding would have on GAO's mission and operations, had GAO taken its own advice, that is to pre-fund at the level that the USPS is required. GAO could not answer the question.

The Committee also explored the USPS' proposal to reduce delivery days. Postal Subcommittee Chair Stephen Lynch (D-MA) asked whether such a change would result in layoffs. PMG Potter responded that, in the short-term, *career employees* would not lose their jobs; however, he noted that *non-career* letter carriers would face the ax. In addition, the PMG suggested that frequency reduction would reduce overtime costs. As an alternative to 5-day deliveries, Rep. Jason Chaffetz (R-UT) raised the possibility of a finite number of "Postal Holidays" during the low-mail periods. Rep. Maloney asked Potter about last month's testimony to the Senate Appropriations Committee, in which the PMG stated that the USPS would not have to reduce service if the Congress relieved the USPS of \$75 billion in pension overfunding. PMG Potter modified the USPS position stating that the pension correction would be a short-term solution to the problem and, therefore, he still wanted the authority

to reduce deliveries to 5 days.

Rep. Burton asked the PMG about plans to close Post Offices. Recent Gallup polling confirmed overwhelming public opposition to closing Post Offices (86%). Burton wanted to know that if the legal prohibition against closing a Post Office were lifted, how many Post Offices did the PMG plan to close and what would be the projected savings. Potter responded that there were no grand plans to eliminate small and rural Post Offices, and closings may occur over time. In response to a question raised by Rep. Jason Chaffetz (R-UT), who is contemplating a commission to make closure decisions, the PMG stated that "thousands of Post Offices are candidates to close." (NAPUS would strongly oppose such a commission, and so advised Members of Congress during the Leadership Conference.) Rep. Burton prefaced his question to the PMG by asking about the facilities for which there is no statutory restriction against closure. They are the thousands of stations and branches that have been studied over the past year. The Congressman wanted to know how many were closed; the PMG responded: "None." Burton also referenced the Congressional Research Service's, testimony, that despite the statutory limitation against closing a Post Office for solely economic reasons, the USPS reduced its Post Office inventory by 15% over the past 4 decades. Ironically, at the same time, privatized postal retail operations declined by over 47%, and stations and branches increased by over 25%. Rep. Darrel Issa, the Committee's ranking Republican, asked the PMG about whether the USPS has excess employees. The PMG responded, "Yes." Later, Rep. Jackie Spears (D-CA) asked the PMG if there are any plans to offer employees a financial incentive for early retirement. The PMG responded, "No."

At the hearing, the Office of Personnel Management (OPM) and the Postal Inspector General (IG) parried over the actuarial assumptions and legal responsibilities regarding prefunding health and retirement benefits. OPM believes that it is following a 1974 law that allocated pension liabilities to the disadvantage of the Postal Service. However, OPM ignores the fact that, in 2003, Congress recognized substantial Civil Service Retirement System overfunding, and repealed the 1974 language. At that time, OPM did not exercise due diligence in detecting a 41% overfunding error and correct it. Currently, the Postal Regulatory Commission (PRC), at the request of the USPS, is examining appropriate pension allocation.

PRC Chairman Ruth Goldway questioned the USPS' wisdom in reducing postal services. She suggested that such actions will exacerbate the march of mail to other communication platforms, and that such actions discriminate against those who rely on the mail-stream the most. Goldway also mused that the GAO and the USPS made their recommendations to reduce service without proper attention to the agency's statutory and constitutional responsibilities. In addition, Goldway decried the USPS for creating the impression that Post Office operations can be carried out by *Walmarts* or its employees. The PRC Chairman offered an 11-point plan for "Positive Change," which includes product and operational recommendations, which would enhance the value of and revenue generated by Post Offices. She closed her remarks by stating that the Congress should address the health and pension issue, prior to enacting sweeping operational changes.

The Senate will hear from many of the same witnesses on Thursday, April 22.

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