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House of Representatives

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April 24, 2012

The Honorable John A. Boehner
Speaker
United States House of Representatives
H-232, The Capitol
Washington, D.C. 20515

The Honorable Nancy Pelosi
Minority Leader
United States House of Representatives
H-204, The Capitol
Washington, D.C. 20515

Dear Speaker Boehner and Minority Leader Pelosi:

We write in regard to the recent letter Representative Adrian Smith and 16 others wrote to you concerning the fate of rural post offices at a time when Congress is working to address the solvency crisis facing the United States Postal Service (USPS). We agree with Representative Smith's arguments in his letter and commend him for bringing much needed attention to this important issue.

Today, the Postal Service stands on the brink of insolvency. Patrick Donahoe, the Postmaster General, readily admits USPS lacks sufficient cash on hand and will default on a \$5.5 billion payment due to the U.S. Treasury on August 1, 2012, and on a second \$5.6 billion payment also due to the U.S. Treasury September 30, 2012. Both of these payments are intended to reduce the unfunded liability the Postal Service has already amassed for retiree health coverage for its current workforce. Should Congress fail to act on comprehensive reform in the coming months, USPS will reach its \$15 billion statutory debt limit and will ultimately be unable to meet employee payroll and other obligations in the near future. The primary driver of the Postal Service's fiscal crisis is our nation's ongoing transition from a paper-based society to digital. This transformation in the way we communicate has led to a \$9.2 billion decline in USPS revenues since 2008. Quite simply, if we are to save the Postal Service from insolvency, we must enact reforms to recast the Postal Service in a way that enables it to adjust to diminishing demand while protecting service for those most reliant on continued mail usage.

To enable the Postal Service to achieve that goal, we authored H.R. 2309, the Postal Reform Act. This legislation makes a number of sensible and necessary decisions that will help the Postal Service bring expenses into line with revenue. We understand, however, that cost-cutting decisions need to be undertaken with an eye toward both costs and benefits. And we firmly agree with Representative Smith and his co-signers that the potential closure of small and rural post offices begs for such analysis.

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In the aggregate, the smallest 10,000 of the 32,000 USPS post offices account for \$500 million of the approximately \$4-5 billion the Postal Service spends annually on retail operations. In other words, the cost of operating the smallest post offices accounts for only ten percent of the cost of running all post offices. To put the issue in the context of potential savings measures available to USPS, if all postal employees simply paid the same percentage of health insurance premiums as that now paid by other federal employees, the Postal Service would save virtually the same amount of money as if it closed all 10,000 of the smallest post offices.

In many small towns the post office is the center of the community and is an important link to the rest of the nation. If that facility were to close, there would be no nearby alternative for local residents to turn to for postal services. Recognizing this, we welcomed during the committee markup of H.R. 2309 an amendment from Representative Ann Marie Buerkle severely restricting the number of small post offices subject to closure by the Commission on Postal Reorganization (CPR) that the bill creates. Specifically, Ms. Buerkle's amendment, which is now part of the bill, ensures that no more than ten percent of closures or consolidations made by the CPR concern the 10,000 smallest postal facilities.

We will work with Representative Smith to enable him to offer an amendment during floor consideration of H.R. 2309 that builds on the protections proposed by Ms. Buerkle and further protects small post offices. A potential amendment could place a permanent restriction in law stating that the Postal Service is barred from closing no more than five percent of the total number of post offices defined within Cost Ascertainment Group (CAG) K and L in any calendar year. CAG K and L are the Postal Service classifications for the smallest post offices and together represent 10,000 post offices. Mr. Smith's potential amendment would ensure that no more than 500 small rural post offices could be closed in any given year -- far fewer than the 3,652 post offices currently under review by the Postal Service right now. In addition to this closure restriction, we would actively support additional provisions requiring the clear extension of reasonable postal access options in rural communities where the Postal Service ultimately decides to close or consolidate a post office.

We believe Mr. Smith's approach constitutes a substantial additional protection that would ensure the continuation of universal service in small and rural communities while still allowing the USPS to responsibly address its fiscal crisis. We look forward to working with you and others who care deeply about this issue.

Sincerely,



Darrell Issa
Chairman



Dennis Ross
Chairman, Subcommittee on Federal
Workforce, U.S. Postal Service and
Labor Policy