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Postmasters—Proudly Serving America

National Association of Postmasters of the United States

Testimony of

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National President

Hearing

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Chairman Carper, Ranking Member Coburn, and Committee members: I am Robert Rapoza, President of the National Association of Postmasters of the United States and Postmaster of the Honokaa Post Office in Hawaii. Thank you for inviting me to testify on behalf of our nation's Postmasters, the managers-in-charge of America's post offices.

NAPUS has testified before this Committee about how the Postal Service is valiantly struggling against a series of formidable obstacles that are impeding to its ability to remain a viable universal public service. We have also testified about the importance of post offices and Postmasters in providing essential postal services and ensuring center of gravity, particularly, to rural areas and small towns. Finally, NAPUS has shown that closing these post offices would net minimal savings.

Last year, NAPUS joined with the Chairman and members of this Committee in promoting S. 1789, the bipartisan and consensus postal relief bill. It is a credit to this committee that the legislation earned strong bipartisan support, both within the committee and on the Senate floor. Nonetheless, we recognized that the legislation was imperfect; however, it offered the best opportunity to provide the Postal Service with essential breathing room. As you know, NAPUS worked with committee members and other Senators in the past and will continue to work with this committee to ensure that the Postal Service continues to offer the American public a universal government-run communications and parcel service.

Regrettably, a number of key statutory barriers endure that threaten our universal Postal Service's long-term viability, despite last year's aborted efforts to enact relief legislation.

Notwithstanding contemporary postal prophets who have asserted the Postal Service is a relic, the agency still accepts, transports, and delivers about half of the world's mail.

The Postal Service has responded to those challenges that are within its control – some of which have caused Postmasters huge anxiety. Since 2006, the agency has cut its workforce by about 193,000 positions, including 60,000 full-time jobs over the past two years. Moreover, approximately, 4,100 Postmasters left postal employment over the past year, and about 13,000 post offices will have reduced hours of operation. These cuts, particularly those that impact Postmasters and rural and small communities, represent extraordinary sacrifices on the part of Postmasters and the communities they serve. Continuous and debilitating cost-cutting, combined with maintaining unsustainable and unfair financial obligations, is not a formula for the agency's resurgence or durable sustainability. The important question is how do we resolve the fundamental differences among postal policymakers. Tragically, without prompt, responsible, and constructive legislative relief, we may witness the demise of the Postal Service and the essential services it provides to America. The inability to enact constructive postal legislation during the 112th Congress has negatively impacted the image of our lawmakers, and the image of the Postal Service. Failure of this Congress to promptly pass such legislation condemns an entire industry to catastrophe.

There are those who would permit the Postal Service to "wither on the vine"; however, they fail to appreciate the vital role the agency and its post offices play in our economy – not just in rural communities. A much-overlooked fact is that the postal industry does not simply employ Postal Service workers, but provides a work environment for about 8.4 million Americans. Postal

Service employees account for only about 8% of the postal industry's total workforce. Yet, I would add, this 8% provides the high quality of service the American public recognizes, as documented in poll after poll.

Postmasters are on the frontline, working with delivery point customers, the business community, and the agency itself, ensuring that postal operations are effective, efficient and responsive. Postmasters essentially manage the market, from mail acceptance to mail delivery.

What differentiates the Postal Service from privatized postal providers is its essential mission to provide a universal and uniform service at an affordable price. One of the major problems the Postal Service must tackle is declining volume and revenue, as our delivery points expand. The growth in small businesses further accelerates the number of delivery points. Delivery point growth will continue as our population and business opportunities inflate. Moreover, Americans entrust Postal Service employees with their mail, as a trusted third-party. Universal access at the entry point to the delivery point, with a trusted government employee, is a hallmark of our postal system.

Over the past four decades, the Postal Service has attempted to harmonize its universal service obligation and provide affordable, accessible and uniform mail services to all Americans, while supporting itself on declining revenue. Nevertheless, the universal obligation, which has bound this nation together, is undermined by Congress' failure to act expeditiously to address the many challenges facing the Postal Service.

One of the most damaging impediments to postal sustainability is the failure to address the unfair statutory requirement that the Postal Service prefund, within a limited 10-year period, 75 years of retiree health benefits. No other entity, public or private, is under such an obligation; nor would any private sector company permit such a requirement to be imposed upon it. Rather, organizations that elect to prefund health benefits ordinarily amortize their liabilities over a 40-year or more period. It is important to note that the accelerated USPS 10-year prefunding schedule was not adopted as an assurance of retiree health benefits; rather, it was enacted to provide a new revenue stream into the federal treasury – at the expense of the U.S. Postal Service, its customers, and it employees.

At the time of the provisions adoption, in 2006, the Postal Service and the economy were humming along, so the contribution rate may have been defensible at that time. Postal revenue and mail volume was rising; however, since that postal highpoint, a recession-driven mail decline, combined with accelerated mail diversion, has rendered retiree health prefunding unfeasible and potentially fatal. Indeed, about 70% of the Postal Service's recent losses are tied to this pre-funded requirement. In fact, according to the Postal Service's most recent quarterly financial report, the agency would have reported a $100 million surplus had it not been required to pay the prefunding levy.

The failure to help alleviate the financing crisis confronting the Postal Service has already caused serious damage to the postal infrastructure and impairs the agency's capability to provide the service that Americans expect and deserve. Postmasters already have made painful sacrifices that have affected their families, quality of work life, and their futures as the Postal

Service attempts to drive down the cost of doing business. Through the implementation of various USPS initiatives, the number of career Postmaster positions has been reduced, and with the full implementation of the initiative known as POStPlan, more than 50% of the nation's post offices will offer the public reduced hours. These reductions have a disproportionate impact on rural areas and smaller communities and represent an alternative to an outright post office closure. With POStPlan, many potential closures have been averted – at least for now. Nevertheless, creating part-time post offices, having less than six hours of retail operations in communities accustomed to eight hours of service, is currently the best option to avoid closing thousands of rural post offices. POStPlan post offices render access to postal services based on earned workhours, rather than convenience and accessibility. The reduction diminishes opportunities for post offices to expand their menus of services to include other services, such as identity verification and licensing. In sum, 13,900 communities will lose access to full-time post offices.

Revenue generation must be a primary focal point of legislative relief. Partnerships should be fostered and the USPS should continue to aggressively focus on revenue growth in all areas to help retain its viability. It is clear the small-parcel market is expanding and the Postal Service must not simply ride the wave of this accelerating growth in the parcel market, but must capture a significant share of it. In the not-too-distant future, it is quite likely that parcel volume could surpass letter volume. The explosion of e-commerce fuels this development and the cost of mailing small parcels through the USPS is highly competitive. Post offices and their Postmasters must be able to adapt and innovate to meet this growing segment of the mail market. Indeed, post offices are uniquely situated to provide a secure, affordable and accessible point for parcel preparation, acceptance and delivery – not only for domestic shipping, but also to exploit the Postal Service's global reach. Moreover, post offices provide an extensive and convenient network for parcel returns. The physical presence of post offices provides a major competitive advantage for the Postal Service's participation in the parcel market.

NAPUS believes it is crucial that the Postal Service be able to more effectively partner with other federal agencies and municipal governments in delivering essential governmental services, and it should be the preferred shipper of government publications and products. For example, we understand that the Social Security Administration is encouraging beneficiaries to opt for direct-deposit of their annuities, or making available Social Security "cash cards", rather than paper checks. In addition, in the wake of natural disasters that impact specific communities, post offices could be the distribution point for FEMA cash cards to assist in relief efforts. The local post office could easily verify identity and could be the location where such cards could be reloaded. Post offices could also be the venue for retrieval of licenses, vehicle registrations, payments for governmental levies, and local utilities. Financial services and partnerships with local or national merchants should also be more aggressively explored. Finally, Congress should enable the expansion of the types of products that can be mailed to include wine and spirits.

Another area that legislation should address is providing the Postal Service more pricing flexibility within its market-dominant classes or mail. Under existing law, the only means of adjusting rates outside the prescribed consumer-price-index rate cap is through the limited criteria of an "exigent rate case." The Postal Service should be provided with more latitude to rebalance rates based on volume share, and a more postal-specific adjustment index.

NAPUS understands that the Postal Service continues to push for a health benefits plan, separate and apart from the Federal Employees Health Benefits Program. As I have stated in the past, any movement in this direction must reflect the unique health issues of postal retirees, and, at a minimum, involve the employee organizations in its development. S. 1789 established a credible framework for such a discussion; however, a postal health plan cannot be imposed by the Postal Service alone.

It would be a sad day for the American public if we reach the end of this fiscal year without meaningful legislation to address the fiscal difficulties that confront the Postal Service that are not of its making. Some view the Postmaster General's recent actions as acts of desperation, which are doomed to backfire; others see it as part of a bold calculated plan for the survival of the Postal Service, an organization of which I have been an employee for the past 46 years. In either case, my fear is that if this Congress does nothing to resolve their fundamental differences, the integrity of our nation's universal postal system will be irrevocably compromised.

Consequently, NAPUS urges this Congress to act responsively and responsibly to assist the U.S. Postal Service, the greatest and most efficient postal service in the world, to continue to provide the products and services that Americans expect and deserve. I pledge that during the remaining months of my term as President of NAPUS, our organization will assist the Chairman and this Committee to that end. The future of the Postal Service is in your hands.

Thank you.