

Testimony of Anthony W. Conway  
Alliance of Nonprofit Mailers  
Before the  
Subcommittee on Federal Workforce, Postal Service and the District of Columbia,  
Committee on Oversight and Government Reform  
U. S. House of Representatives

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Chairman Lynch, Ranking Member Chaffetz, and members of the Subcommittee, my name is Anthony Conway. I am the Executive Director of the Alliance of Nonprofit Mailers. Thank you for inviting me to testify on behalf of the Alliance about rightsizing the Postal Service network.

The Alliance is a coalition of nonprofit organizations dedicated to the preservation of affordable postage rates and dependable mail service. Established in 1980, the Alliance includes over 300 nonprofit organizations and commercial service providers with an interest in nonprofit mailing issues. Our members include many of the Nation's best-known charitable, religious, educational, scientific and other nonprofit organizations. These members rely heavily on Nonprofit Standard Mail and Nonprofit Periodicals Mail to generate necessary support from and communicate with existing and potential members, beneficiaries, and other stakeholders.

This hearing is timely. The deterioration of the Postal Service's finances is accelerating. The Postal Service lost \$2.8 billion in fiscal year 2008 and has lost \$2.3 billion in the first six months of fiscal year 2009. The total loss for the entire fiscal year is projected to exceed \$6 billion. The projected loss for fiscal year 2010 is at least as large.

These losses have pushed the Postal Service to the brink of insolvency. Two weeks ago, the Postal Service announced in its Form 10Q report for the first half of fiscal year 2009 that it is experiencing negative cash flow and does not expect to have enough cash to make required retiree health benefit and workers' compensation payments in September. Even with an anticipated \$3 billion borrowing from the Treasury, the projected cash shortfall on September 30, 2009, is \$1.5 billion.

The causes of this crisis are well known. The decline in mail volume caused by the current economic downturn has merely accelerated the long-term decline in hard copy correspondence and the diversion of bill payments and other transactions to electronic media. When the economy stabilizes, some mail volume will return to the system, but

not enough to fund the Postal Service network cost structure. The result is that even aggressive cost-cutting efforts have not enabled the Postal Service to shrink its costs fast enough to keep pace with declining mail volume and revenue.

The Postal Service's stakeholders have proposed a number of solutions to these problems. Perhaps the most urgently needed short-run remedy is passage of H.R. 22. Introduced in the 110<sup>th</sup> Congress and reintroduced in the 111<sup>th</sup> Congress by Subcommittee members John McHugh and Danny Davis, the legislation would allow the Postal Service to extend the period for prefunding the health care benefits of future Postal Service retirees. Relief from the crippling burden of the current funding schedule is crucial to the Postal Service's near term solvency.

Other worthwhile short-term and medium-term remedies include (1) increasing worksharing to allow mailers and third-party vendors to perform functions when they can do so at a lower cost; (2) expanding the use of automation when this is cost effective; and (3) more innovative pricing such as the current "summer sale" discount proposal. Reductions in the number of days of mail delivery must be considered when necessary and cost effective.

One option that would be devastatingly counterproductive would be an emergency rate increase. As the Postal Service has recognized, this strategy would accelerate the flight of mail volume from the Postal Service and hurt society as a whole. It certainly would hurt the beneficiaries of nonprofit organizations. The current economic crisis has forced layoffs and program cuts throughout the nonprofit community. Revenues have dried up just when society needs most urgently the good work of nonprofit organizations. Further postal rate increases would only mean further reductions in mission-related programs, and greater burdens on national, state and local governments.

None of the remedies discussed above, however, is likely to succeed without a thorough pruning of the Postal Service's massive cost structure. The Postal Service's infrastructure and capacity, built over many years with the assumption of ever increasing mail volume, far exceed the needs of today's postal customers. Comprehensive streamlining of this excess capacity is desperately needed. Unless this painful course is taken, the remedies suggested above will offer only a brief detour from the road to insolvency.

The 2003 final report of the President's Commission on the Postal Service included a chapter on the Postal Service's workforce. As the report noted, "the level of success achieved by the Postal Service will hinge on its ability to successfully deploy and motivate a talented, capable, nimble workforce of a size appropriate to the future postal needs of the nation and to give its employees a personal stake in the success of the institution's ambitious goals."

The Commission's report went on to say that management and labor must "work constructively together to determine the right size of the postal workforce and to ensure appropriate flexibilities in its deployment. This is *the* critical issue when it comes to

controlling the future costs and capabilities of the workforce. Far more than individual benefits, the *size* of the workforce determines the *costs* of the workforce.”

The United States Postal Service is the greatest postal system in the world. It handles over 40 percent of the world’s mail and maintains a delivery network that is second to none. It has been the Cadillac of postal systems for many years but, unfortunately, the nation’s needs have changed. Instead of the big V-8, the nation now needs a mid-sized model with greater efficiency. If it cannot attain such an affordable size, the Postal Service could end up like some of the automakers in Detroit. We do not want that to happen, and we hope that necessary change comes quickly for an organization that means so much to American society.

That concludes my written testimony. I will be glad to answer any questions you may have.