



**Comments of
Chairman Ruth Y. Goldway
Postal Regulatory Commission**

**Submitted to the U.S. Senate Homeland Security and Governmental Affairs Committee's
Subcommittee on Federal Financial Management, Government Information, Federal Services, and
International Security**

"Addressing the U.S. Postal Service's Financial Crisis"

May 17, 2011

Chairman Carper and Ranking Member Brown, thank you for the opportunity to submit my comments as Chairman of the Postal Regulatory Commission for inclusion in today's hearing record. I regret being unable to testify in person.

We all know that in four months, the United States Postal Service will conclude its fiscal year and it will not have sufficient cash or borrowing authority to pay all of its bills.

Commission analysis has found that the Postal Service's financial crisis derives from an overly ambitious requirement for the Postal Service to prefund its future retiree health benefit premiums. Over the past four years, the Postal Service has paid \$21.9 billion to prefund these benefits. All other things being equal, the Postal Service would have achieved a small net profit over that time, except for the prefunding requirement – rather than losses exceeding \$20 billion. The Commission's objective analysis shows that the Postal Service has essentially overpaid as much as \$55 billion into the Civil Service Retirement System, and those funds could be used to help address the current crisis.

I reiterate the Commission's continuing support for the fundamental approach outlined in your bill to address the financial crisis and long-standing issues related to Postal Service funding of its employee pensions, as well as its future retiree health benefit fund. The Commission wishes to be of assistance to the Committee so that legislative reform in this area proceeds quickly and successfully.

Your bill also provides for regulatory oversight of non-postal products and services that may be proposed to the Commission under new flexibilities to be provided to the Postal Service. The Commission believes this will promote postal growth and innovation while protecting the public interest, as is currently the case with postal products and services.

The Commission supports modernization of the Advisory Opinion process. Your proposal requiring the Postal Service to respond specifically to the issues and recommendations in the Advisory

Opinion is an important improvement, which would be further strengthened by requiring its response prior to implementation of the proposed changes.

The Commission has not yet agreed upon whether a fixed time frame for the Advisory Opinion process would be beneficial. It is not clear whether 90 days would be sufficient in all cases for the facts to be fully set forth or for adequate public input. We hope an accommodation can be found.

The Postal Service has said that it plans to request an Advisory Opinion within months related to the closing of a large number of post offices nationwide. It is apparent, however, from the volume of news reports and customer inquiries received by the Commission from around the country that the Postal Service is already taking substantial action to close post offices or evaluate them for closure. The Postal Service has not provided details of this activity to the Commission.

I am concerned that the Postal Service should not be undertaking nationwide service changes without first requesting an Advisory Opinion. Their suggested timing of such a request may obfuscate the purpose and intent of Congress in requiring such Advisory Opinions.

The Commission has provided comments to the Postal Service's Federal Register filing regarding changes to the closings process, as well as in an Advisory Opinion on Station and Branch Closings. I am concerned the public's rights to notification and participation in the closing process are now ignored. The Postal Service is a government monopoly with obligations to all its citizens, not only a delivery service for business mailers -- as important as that may be to our nation's economy.

Effective regulatory oversight is especially vital when the entire mail system faces major changes. The Commission ensures transparency, accountability and adequate service levels and supports positive changes needed to keep the Postal Service vital and relevant.

In closing, I was heartened by Senator Carper's recent editorial promoting the "triple happiness" of wiser energy policies that protect our environment, reduce costs, and create jobs. In my view, moving to electric vehicles could result in environmental and financial dividends if the Postal Service's financial difficulties can be resolved.

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