

**OPENING STATEMENT  
CONGRESSMAN JOHN M. McHUGH  
CHAIRMAN  
SPECIAL PANEL ON POSTAL REFORM & OVERSIGHT**

**5 FEBRUARY 2004**

It is a pleasure to convene our meeting here in Chicago, the hometown of our Ranking Member, Congressman Danny Davis. The last time I had the honor of chairing a postal hearing in Chicago was in October 1996, when the subject was the dreadful mail service experienced in this city. Nearly seven and a half years later, while we are here to discuss the very future of the Postal Service itself, it is important to first note that mail service has dramatically improved in that time. The main reason for those strides in mail service are the hundreds of thousands of men and women represented by the witnesses here today.

Indeed, one thing I know for certain, and one thing that became clearly obvious to me even in that first Chicago hearing: the key to universal service, the key to our uniform pricing provisions for all Americans wherever they may live; the most important factor in American citizens enjoying the most affordable, reliable, and service-oriented mail system found anywhere in the world is the work of the professional postal employees in the facilities stretching to every corner of most every community in this great land.

As we undertake needed changes to the nation's postal laws, what I never want to take for granted – never forget – are those who not only make this system work, but understand, too, how important the mails are to every American....Even if every American, because of their busy lives, never gives it much thought themselves – have never really had to – because the postal employee has always been there, and I suspect, in the minds of many, always will – no matter what.

I welcome today two esteemed panels of witnesses for our second in a series of three hearings entitled, “Answering the Administration’s Call for Postal Reform.” The presidents of all four postal union and three management associations are represented.

I think it is important to stress the gravity and importance of the matter that faces us today. The Postal Service is the center of a nearly \$9 billion industry, employing 9 million workers nationwide, and representing more than 8 percent of the Gross Domestic Product. Our Postal Service is in trouble and requires reform legislation to prevent a meltdown. Indeed, there is a good reason why this is the first Administration since President Nixon’s to call on Congress to modernize our nation’s postal laws. I remain hopeful that as Congress did in 1970, we too in 2004 will answer the President’s charge.

Last week we heard from the Postal Service itself, the Administration, the Rate Commission, and the GAO that universal postal service is at risk and that reform is needed to minimize the danger of a significant taxpayer bailout or dramatic postal rate increases. While the Congress provided a bit of financial breathing room for the Postal Service last year when we reduced its payments for pension obligations, the fundamental problems remain unchanged. *The Postal Service’s current business model is not sustainable going into the 21<sup>st</sup> Century.*

Last week we heard that the Postal Service still faces about \$90 billion in liabilities and obligations despite the passage the pension bill last year.

Total mail volume declined last year for the third year in a row – a historical first for the Service, which has depended on larger mail volume to help cover rising costs and mitigate rate increases. First-Class mail volume declined by a record 3.2 percent in 2003 and is projected to decline annually for the foreseeable future. This is very serious because First-Class covers more than two-thirds of overhead costs.

And as the GAO noted, the Postal Service's revenues are budgeted for zero growth in 2004, which would be the first year since postal reorganization in 1970 that postal revenues have failed to increase.

These are just the highlights – or low lights – of the problems, which go on and on and on: changes in the mail mix, increased competition from private delivery companies, declining capital investment, insufficient increases in postal productivity, uncertain funding for emergency preparedness, and major challenges to continued cost cutting.

While the problems are dire, the Administration's principles for legislative change show us the path to some solutions. Fortunately, we have a strong bipartisan basis upon which to proceed, including the well-refined bill that Congressman Davis and I put together in the last Congress.

The Postal Service is too important an institution to our economy to await the full brunt of the crisis that is clearly upon our doorstep. Over the past 9 years, the structure of this congressional oversight body has changed. But through it all – whether full Committee or Subcommittee or Special Panel – my goal has remained constant: to try to address those issues that confront postal employees today, and plan for timely action on those challenges that lie ahead. And there's no greater matter confronting the Service than the future of our nation's postal system.