

**Opening Statement of Chairman Tom Davis  
Government Reform Committee Business Meeting  
H.R. 4341, "Postal Accountability and Enhancement Act of 2004"  
May 12, 2004**

Each year, the United States Postal Service processes and delivers 208 billion pieces of mail to more than 130 million addresses in the United States. More than 9 million American jobs, \$900 billion in commerce and 8 percent of the nation's Gross Domestic Product are dependent upon mail and package delivery. The Postal Service is vital not just for our national communication network, but as an important cog in our economic engine.

But, because it is hampered by a legal framework that is outdated and unsuited for today's competitive environment, the Postal Service is facing a bleak and uncertain future. First-class mail volume is declining while the number of addresses is increasing, and the Postal Service has but one mechanism – raising rates – to make up the difference between its falling revenues and rising costs. Observers have likened this to a "death spiral," where declining business leads to higher rates, which in turn leads to a further decline in business, and so on, and so on, and so on. We simply cannot fail to act. Postal reform is not a luxury we cannot afford – it is a necessity we can no longer avoid.

The legislation we are considering today, Postal Accountability and Enhancement Act of 2004, is the culmination of years of hard work and study – much of it led by the bill's chief sponsor, Congressman John McHugh of New York – on the issue of postal reform. It represents our best chance at solving the structural, legal and financial constraints that have conspired to bring the Postal Service to the brink of catastrophe.

Let me to take a moment to highlight some of the key pieces of the legislation:

- First, it preserves universal service: the guaranteed delivery, six days a week, to every address in the United States.
- Second, it returns responsibility for funding the military cost of Postal retirees' pensions to the Treasury Department. This liability was shifted to USPS last year – quite frankly, this was nothing more than an accounting gimmick, but it is one that must be reversed if we are serious about fixing the Postal Service's long-term balance sheet.
- It frees up the \$73 billion in civil service retirement savings that have been held in escrow for USPS, allowing the Postal Service to use this money – which rightly belongs to USPS – to defray rate increases, among other options.
- The legislation also modernizes the way postal rates are established, switching from a cumbersome, costly scheme of rate cases to a modern system designed to ensure that rate increases generally do not exceed the annual change in the Consumer Price Index.

- The legislation would change the name of the Postal Rate Commission to the “Postal Regulatory Commission” and enhance the role of the Commission by giving it subpoena power and a broader scope for regulation and oversight.
- This bill places limitations on postal monopoly – revising the authority of USPS to regulate competitors – while also requiring the Postal Service to offer only “postal services.” The bill also, for the first time, defines what “postal services” consist of.
- Finally, the Act sets the stage for future reform by mandating several studies, including a comprehensive assessment of the scope and standards for universal service.

Before I conclude, I want to thank Congressman McHugh, who chaired our Special Panel on Postal Reform and was the right leader to undertake this daunting task, the Committee’s Ranking Member, Henry Waxman, and Congressman Danny Davis, the Ranking Member on the Special Panel, for their dedication to this subject and their willingness to do this in a bipartisan manner. It is only through bipartisan cooperation that we have gotten this far, and why we have been able to keep all the interested parties at the table in productive discussions while crafting this bill.

Let me just say: This is not a perfect bill. I think probably each of the groups with a stake in postal reform see things in here that they like, and things they dislike. But, guess what? There is no magical solution to postal reform that is going to be ideal to everyone. If there were, this legislation would have been done long ago.

Let’s remember just how long it is since Congress tackled comprehensive postal reform – 1970. That’s long before the Internet, before the de-regulation of the airline industry, before FedEx even existed. The last time USPS was reformed, the cicadas were invading D.C. *Two cicada life cycles and 34 years later*, we are once again bracing for the cicada invasion, and it is once again high time to re-write the out-of-date laws that govern the U.S. Postal Service.