



FOUR STEPS TO FINANCIAL SUSTAINABILITY FOR THE UNITED STATES POSTAL SERVICE

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House Committee on Oversight and Reform*

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The 200,000 current and retired members of the American Postal Workers Union, AFL-CIO, are encouraged to see Congress working to preserve the national treasure of our public U.S. Postal Service. The Postal Service, enshrined in the U.S. Constitution, is a viable business that offers a critical public service. The postal workers we represent are proud public servants. Every single one of your constituents is touched by the Postal Service in a positive way. For workers, retirees, students, businesses of all sizes, eCommerce users, voters, families, faith-based organizations, and charities, today's Postal Service is a key integrated network tying our economy and communities together.

The financial sustainability of the Postal Service is a realistic possibility if Congress takes immediate action. The three pressure points on postal finances that the Committee's staff have identified – the demands of Universal Service, declining first class mail volumes, and financial requirements from the Postal Accountability and Enhancement Act (PAEA) – can be relieved by four legislative steps Congress can take now. These steps will allow the Postal Service to adapt its operations and services without creating a tax burden on the American taxpayer. These steps open the possibility of postal innovation, investment, and growth.

- **Repeal the retiree health benefits pre-funding mandate in the PAEA.** The retiree health benefits pre-funding mandate Congress put in place in the PAEA is an obvious obstacle with an immediate obvious solution. This onerous mandate that is not required of any other private organization or public agency drives the Postal Service's three-pronged business approach: cut, cut, and cut some more. The uncertainty inherent in satisfying the PAEA pre-funding mandate is creating real instability in the Postal Service's operations. The postal employees we represent see the consequences of this instability in their work, their workplaces, and in the service they provide the public. We see a Postal Service driven to understaff and cut service below what is dictated by demand and Universal Service. We see degraded facilities and poorly conceived private-sector programs. The Postal Service's current reactionary business planning does little more than contribute to declining mail volume while preventing mail volume growth, especially in

packages and especially in serving the new communities being added to the national postal network.

- **Amend the investment options for the Postal Service Retiree Health Benefits Fund to permit investment in stocks and bonds.** Boosting investment returns by allowing the Fund to invest in private equity in addition to lower-yielding Treasury securities steadies the Fund and is a financial boost. The Fund's suppressed investment returns are already falling behind regular inflation and cost increases. Being locked into Treasury securities denies the Fund of future investment income to cover future costs, and further ties up money that the Postal Service could use for overdue capital investments and improvements that will grow postal revenue.
- **Permit the Postal Service to innovate by developing new products and services to support the U.S. economy and complement Universal Service.** These include expanded financial services; the delivery of beer and wine; and contracting to provide state, local, and tribal governments use of postal property and services. At the same time, Congress should direct the Postal Service to strengthen its core mission and services by facilitating vote-by-mail and providing postal resources to support the U.S. Census.
- **Restore the PRC-approved 2013 exigency rate surcharge.** The 2013 PRC-endorsed exigency rate surcharge of 4.3% was a measured and sensible solution to address the unexpected permanent changes to the cost of delivering the nation's mail caused by the Great Recession. Mailers and the public accepted the rate change for over two years with no extraordinary decline in mail volume attributable to the surcharge. Yet, as the PRC itself noted in announcing what it concluded was a legally-required sunseting of the surcharge, "[t]he impact of this action on the finances of the Postal Service will be felt for years to come." The PRC was correct. Congress should make the 2013 exigency rate surcharge permanent. With little likelihood of a downside, the positive impact will be obvious and immediate -- restoring rates to their proper and necessary place will restore revenue and stabilize postal finances.

The four steps outlined above offer Congress a path to increase the Postal Service's income and revenue, the first priority in achieving postal financial sustainability. We acknowledge other ideas that would lower the Postal Service's liabilities and support its ability to pay future retiree benefits, but they should not be confused as growth opportunities. Lowering the pre-funding mandate based on vested liabilities rather than eliminating it entirely; Medicare integration; and access to Medicare Part D (prescription drugs) discount benefits are ideas aimed at the possibility of longer-term changes in postal costs and finances. The idea of Medicare integration, in particular, must be designed and implemented thoughtfully so that it benefits both the Postal Service and its employees and retirees. Waiving the late-enrollment penalty for Medicare B, requiring Medicare integration prospectively only, and exempting postal employees who will not benefit from Medicare and those with special circumstances are the kind of key components required before Congress should even consider Medicare integration a necessary part of a financially-viable Postal Service.

From post offices across the country, we see a bright future for the United States Postal Service. The thousands of postal workers the APWU represents, and their families and friends and communities, strongly support Congress taking a step in the right direction on the Postal Service. Those first steps should be ones that lead to growth and a new era for public postal services – lifting the PAEA pre-funding mandate, allowing the PSRHB Fund to utilize TSP-like investments with strong oversight, permitting the Postal Service to develop new postal products and services, and restoring the 2013 exigency rate surcharge. Congress should not let another legislative session pass while the Postal Service is held back from regaining financial sustainability and fulfilling the best promises of Universal Service. These growth-minded first steps are the leadership our country demands to improve the financial condition of the Postal Service.