

United States Senate

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STATEMENT OF UNITED STATES SENATOR MARK BEGICH BEFORE THE SUBCOMMITTEE ON FEDERAL WORKFORCE, U.S. POSTAL SERVICE AND THE CENSUS UNITED STATES HOUSE OF REPRESENTATIVES

March 4, 2014

Thank you for inviting the Alaska Delegation to make opening remarks today. As everyone knows, the Postal Service has an obligation to provide universal service to all areas of the nation. I am here today to shed some light on Bypass mail, a crucial system that allows the Postal Service to fulfill its universal service obligation to Alaska. I am also here to tell you the system is not broken.

Chairman Issa, I appreciate your visit to Alaska a couple years ago and the fact that you came to recognize the importance of the system after your visit. However, you continue to propose changes that would infringe on Alaska's right to universal service, or that would make the system more expensive and less effective for the Postal Service and my constituents. The changes you have proposed are unacceptable. Before making any changes to the system, this committee should fully understand their effects on universal service for Alaska and on the Postal Service's bottom-line in the context of broader Postal Reform legislation.

Alaskans are open to discussing ways to make the system more efficient, but we will oppose any changes that violate universal service or make the Postal Service worse-off. It might help if you come back to Alaska – and maybe this time the Alaska Delegation can have the opportunity to show you around and share our perspective. I also invite the Ranking Member and any other members of the Committee to see firsthand how this system works, and the people and communities it affects.

There is no doubt Alaska presents some unique challenges to the Postal Service when it comes to universal service. I appreciate the hard work Postal Service employees put in every day to deliver Alaska mail in a timely manner. In particular, I would like to thank Alaska District Manager Ron Haberman, who is testifying here today, for all of his hard work for Alaska.

In order to understand why Bypass mail is necessary to universal service, you need to understand its history. Before Bypass mail existed, Alaskans primarily used Parcel Post to make shipments of goods to rural communities. As 80 percent of Alaska communities

are off the road system, Alaskans are forced to ship groceries and other necessary items through the mail. When it became clear that postal facilities could not handle the high volume of Parcel Post, the Postal Service established Bypass mail. The system relieves the Postal Service of the need to pay for staff, facilities and equipment to process these shipments. Let me make that point very clear: Bypass mail saves the Postal Service money.

Last month, this Committee approved legislation on Bypass mail by voice vote without consulting either the Postal Service or the Alaska Delegation. The intent of Chairman Issa's proposed legislation, H.R. 4001, is to increase competition among mainline carriers that deliver Bypass mail to rural hubs. However, while the bill intends to increase competition, it would not save the Postal Service any money. In fact, it would make the system more expensive and less effective. In 2002 Congress enacted the *Rural Improvement Services Act*, which put into place the current criteria to become a mainline air carrier. The bill purposely limited competition in the system.

Before 2002, too many air carriers were providing mainline service, so the participating air carriers did not have an adequate share of the mainline market. The result was unreliable service for Alaskans and high operating costs for the Postal Service. The current requirements for mainline carriers were set up to improve service and save the Postal Service money. The interdependent relationship between mail and passenger service is absolutely necessary for the system to be cost-effective and reliable. Remember: Alaska is a quarter the size of the continental United States and has few roads. When you are covering that many miles, sometimes you need to kill two birds with one stone.

Let me be clear: the Postal Service has not asked for the changes Chairman Issa has proposed. Why is the Chairman pursuing changes that would increase costs for the Postal Service? Especially when the Postal Service has stated the current process is the most cost-effective way for it to provide service to Alaska. While the Chairman's proposed legislation might benefit air carriers that want to enter the mainline market, it would not benefit Alaskans or the Postal Service. Period.

Chairman Issa has suggested the current system helps air carriers and small businesses more than it does rural residents. Wrong again. The cost of living is very high in rural Alaska – plain and simple. If you charge air carriers and small businesses more to provide goods, those expenses will simply be handed down to communities in the form of higher grocery prices.

Chairman Issa has also proposed legislation disproportionately charging Alaskans higher rates than other Americans for their mail service. These proposals fly in the face of the Postal Service's universal service obligation. It is true Bypass mail is a unique system; but Alaska is a unique state, with unique challenges. The Bypass mail system gives the

Postal Service the tools it needs to provide universal service and handle the challenges of Alaska's geography. We should not have to pay more to receive the same service as other Americans.

Chairman Issa has criticized the cost of the program, but we must be sure to factor in the savings the Postal Service realizes through Bypass mail. Because of the Bypass system, the Postal Service does not have to pay for facilities, equipment and labor that would be needed to process the shipments. The savings from using Bypass mail have been estimated to be around \$45 million annually.

I urge this committee not to get sidetracked from the broader debate on Postal Reform legislation. This committee, so far, has failed to reach a bipartisan agreement on much-needed legislation to restore the Postal Service's financial solvency. Yet here we are today debating proposals that would actually cost the Postal Service more money and make the system less effective. These proposals are counterproductive to the overall postal reform effort. A couple weeks ago, as a member of the Senate Homeland Security and Governmental Affairs Committee, I participated in the markup of S. 1486, the *Postal Reform Act*. We debated a lot of important issues – some of them contentious – but in the end we were able to pass a bill with bipartisan support. We need to get comprehensive postal reform legislation done for the Postal Service and the American people right away.

Despite the title of this hearing, Bypass mail is not a broken system, far from it. While Alaskans are open to improving this system, I urge this committee to reject any changes that would violate universal service for Alaska or make the Bypass mail system more expensive for the Postal Service or my constituents. Finally, I urge the Committee to consult both the Alaska Delegation and the Postal Service to get a full and accurate perspective before proceeding with any proposed changes.