UNITED STATES POSTAL SERVICE

STATEMENT OF
POSTMASTER GENERAL AND CHIEF EXECUTIVE OFFICER
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BEFORE THE
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
UNITED STATES HOUSE OF REPRESENTATIVES

JULY 17, 2013

Good afternoon, Mr. Chairman, Ranking Member Cummings and members of the Committee. Thank you, Chairman Issa, for calling this important hearing to discuss imminent postal reform legislation. I testified before this Committee exactly three months ago. My message remains the same, and our financial losses continue to mount. Since my testimony three months ago, the Postal Service released its Fiscal Year (FY) second quarter financial results, posting a six-month loss of $3.1 billion. Since the introduction of H.R. 2309, the *Postal Reform Act of 2011*, in the 112th Congress, the Postal Service has reported net losses of $19.0 billion in 18 months.

We also appreciate the effort that has gone into the creation of draft legislation from you, Chairman Issa and from Ranking Member Cummings. Both pieces of legislation help to continue the conversation on comprehensive postal reform. The Postal Service has laid out a path forward, detailed in my testimony today, to set up our organization for future growth and stability. The plan we developed will allow us to succeed without highly undesirable measures, such as large price increases, which would serve to dampen demand. Our plan addresses unfunded liabilities head on, such as a USPS-sponsored health plan which eliminates the need for Retiree Health Benefits (RHB) prefunding by integrating with Medicare as most private sector firms have done for years. Why debate amortization periods for unfunded balances when we should attack the root problem of high costs? We further address the unfunded liability issue through our proposal to create a defined contribution retirement plan for future employees, which eliminates the need to fund the Federal Employees' Retirement System (FERS) for those employees. Now is the time for bold and sweeping action, which will let us move forward with a solution that will last for years to come, instead of piecemeal efforts that will only bring us back here again, pursuing legislative reform in a few years. We need to act now to implement strategies designed not for the Postal Service of today, but for the Postal Service of ten, twenty, and even fifty years into the future.

The Postal Service continues to make great strides in adapting to the country's changing mailing and shipping needs. However, our efforts are severely limited by a statutorily-mandated, restrictive business model, and by excessive, bureaucratic oversight that prevents the Board of Governors and postal management from effectively running the business. We have the responsibility to provide and to fund universal service for our nation, but we do not have sufficient authority or flexibility to carry out that mandate, and be profitable. Postal reform legislation is urgently needed. In its absence, continued significant net losses are inevitable, and the business is simply not sustainable.

If provided the ability to make needed changes, the Postal Service has a bright future. We could again be a model of self-sufficiency. I look forward to the swift passage of legislation and the end to Congressional hearings discussing the Postal Service's financial losses. Then, we can finally shift our full attention back to what is really important to the men and women of the United States Postal Service - delivering for the American people.

USPS FINANCIAL CONDITION

The Postal Service faces tremendous financial challenges. For the first half of FY 2013 we recorded a net loss of $3.1 billion. Last year, the Postal Service recorded a net loss of $15.9 billion. We defaulted on Retiree Health Benefits (RHB) prepayments to the United States Treasury of $11.1 billion, and will default on an additional $5.6 billion due on September 30, 2013. The Postal Service has already reached its debt limit of $15 billion and continues to contend with serious liquidity challenges. As of June 30, it had just 10 days of cash on hand and has significant unfunded liabilities. In addition, the Postal Service owes an estimated $17 billion for future workers' compensation payments. Our retirement, workers' compensation and debt obligations, which total $96 billion, combined with continuing losses highlight the need for immediate legislative reform. To be clear, the Postal Service does not have the authority or the tools to manage these massive obligations without legislative action.

At one point last October, the Postal Service had less than four days' worth of cash on hand to fund operations. For an organization the size of the Postal Service – which has revenues of $65 billion and a workforce of close to 500,000 career employees – that is a razor thin margin. By way of comparison, most private sector companies usually have at least two months of cash on hand to fund operations.

The Postal Service cannot continue along this current path. *[Figure 1]* We are weighed down financially by the increasing burden of our healthcare obligations and are projecting continuing financial losses unless significant changes are made to our business model.

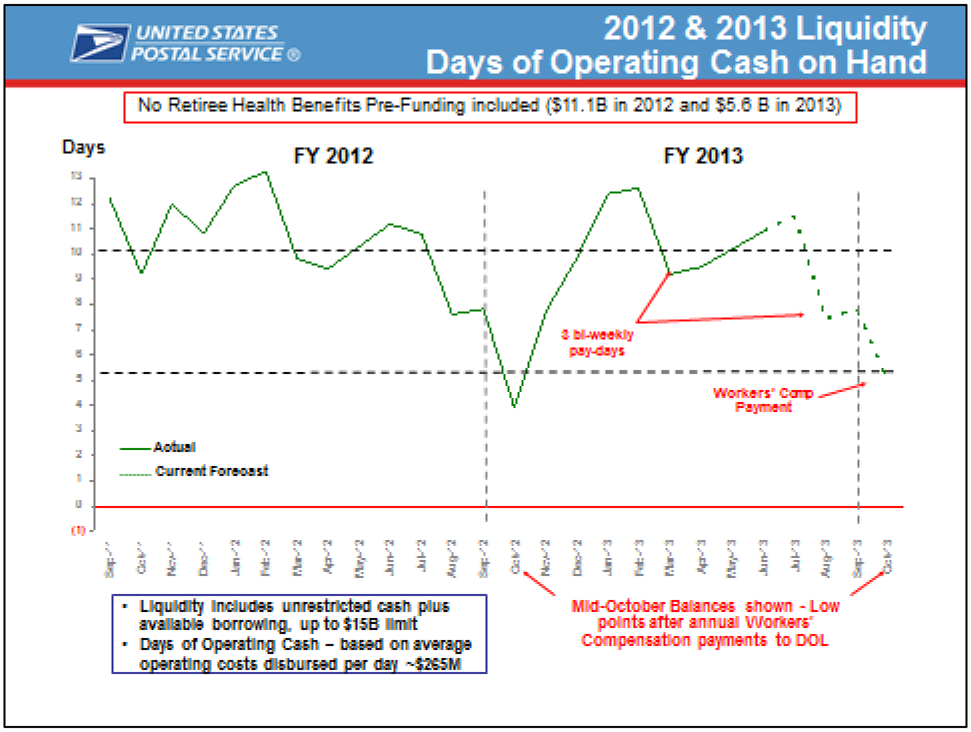


Figure 1

The results from the most recent financial quarter show a decline in total mail volume, including First-Class Mail, our most profitable category. The most significant factor contributing to the ongoing decline is the migration toward electronic communication and transactional alternatives. While the shift to electronic communication alternatives has a pronounced negative effect on First-Class Mail volume and revenue, the growth of e-commerce and successful marketing campaigns grew our Shipping and Package business. However, the growth in Shipping and Packages does not provide enough profit to offset the decline of First-Class Mail.

As one potential approach to address the Postal Service's financial situation, the Postal Service's Board of Governors has asked postal management to examine a possible exigent price increase. The Postal Service is currently in an information-gathering phase to determine revenue and volume impacts, as well as analyzing the long-term implications of such. To be sure, the Postal Service would much rather pursue legislative reforms to stabilize our business, than to enact price increases which could hurt demand. No decision has been made at this time, regarding an exigent price increase.

LEGISLATIVE REQUIREMENTS

Returning the Postal Service to solvency requires the comprehensive approach reflected in our Five-Year Business Plan, which was updated in April 2013 and is available for public viewing on our website. It has also been submitted, along with this testimony, to the Committee for the record. The plan provides a roadmap to restore financial stability and preserve affordable mail service for the American public. The major elements of the Plan must be executed within a short window of opportunity to avoid continued unsustainable losses which could become a long-term burden to the American taxpayer.

The Postal Service needs to save $20 billion annually by 2017. Much of the savings cannot be achieved without legislative action. The legislative requirements put forward by the Postal Service constitute a fair and thorough way to stabilize the Postal Service as a platform for future growth. The requirements include:

1. Require USPS Health Care Plan (Eliminates Need to Prefund RHB)
2. Refund FERS Overpayment and Adjust Future FERS Payment Amount
3. Adjust Delivery Frequency (Six-Day Packages/Five-Day Mail)
4. Streamline Governance Model (Eliminate Duplicative Oversight)
5. Provide Authority to Expand Products and Services
6. Require Defined Contribution Retirement System for Future Postal Employees
7. Require Arbitrators to Consider Financial Condition of Postal Service
8. Reform Workers' Compensation
9. Right to Appeal EEOC Class Action Decisions to Federal Court

Each of the Postal Service's legislative requirements is explained in further detail below.

A. FIX THE UNAFFORDABLE BENEFITS SYSTEMS IN A RESPONSIBLE MANNER

Require USPS Health Care Plan:

One of the most important proposals contained in our plan, and one which represents tremendous cost savings, is a change in the way we provide health care to our employees and retirees. More than 20 cents of every revenue dollar the Postal Service takes in goes toward health care costs. *[Figure 2]* The cost of this large component of our total operating costs, second only to wages, is largely outside of our control. To put it simply, the Postal Service would already be fully-funded in our retiree health benefits obligations if we could fully integrate with Medicare. Significant health benefits savings are created by integrating the plan for current and future retirees with Medicare in exactly the same way it is almost universally done in the private sector, and in state and local government plans. After a retiree reaches age 65, Medicare becomes the primary insurance, and the employer plan is secondary. With Medicare responsible for paying first, that makes the employer sponsored plan much more affordable. This would eliminate the need to prefund retiree health benefits.

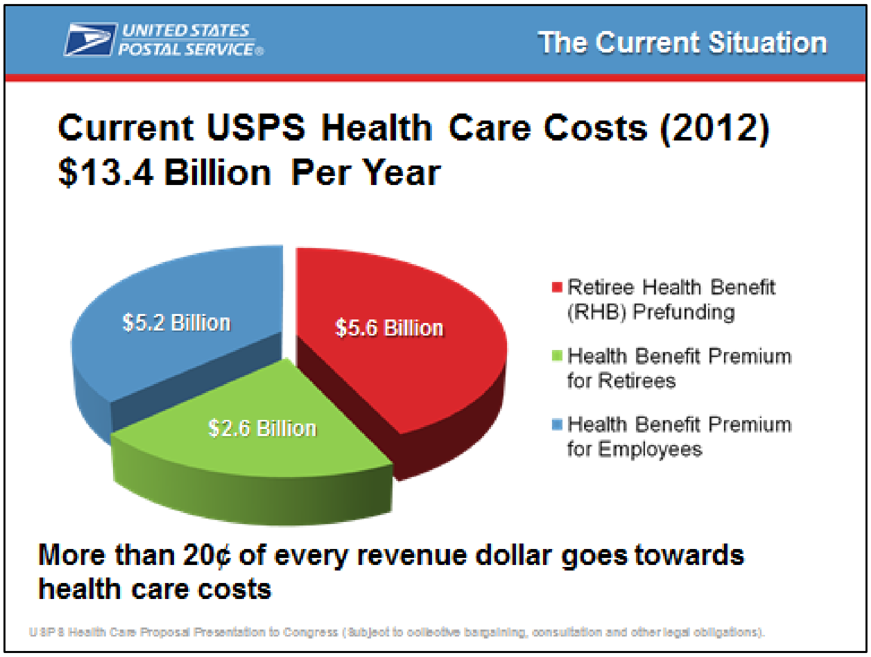


Figure 2

There is a substantial opportunity for savings – approximately $8 billion each year through 2016 – by moving to a more modern, responsive and customer-focused system. This would be accomplished by allowing the Postal Service to sponsor its own healthcare plan, either within the Federal Employees' Health Benefits Plan (FEHBP) or outside of it. By moving away from the current system, nearly all of our employees and retirees would reap the benefits of getting equivalent or better healthcare coverage and paying less for it.

A Postal Service sponsored health care plan is critical. Without addressing the cost issue in a responsible way, the Postal Service may be unable to afford to provide health benefits to retirees. In its proposal, the Postal Service would sponsor its own health care plan for employees, as well as current and future retirees. Congressional action to allow this fundamental change would dramatically reduce health care spending, and help the Postal Service take a significant step toward financial stability.

Our health care plan proposal provides savings and benefits in a variety of ways:

- Helps return the Postal Service to financial stability. Preliminary estimates indicate cash savings for the first year would be approximately $2.1 billion, in addition to savings from the elimination of the prefunding. A savings of approximately $660 million in reduced premiums for employees and annuitants (about $700 annually per participant) is also projected.

- Eliminates the need for future scheduled RHB pre-funding payments (ranging from $5.6 billion to $5.8 billion annually) under the *Postal Accountability and Enhancement Act* and eliminates the unfunded liability.
- Leverages the tremendous buying power of more than one million employees and retirees to obtain better pricing.
- Achieves significant savings for the Postal Service, employees and retirees.
- Maintains the Postal Service's commitment to provide quality health care coverage to our dedicated workforce and retirees, as the cost of current FEHB plans is not sustainable.
- Implements best practices such as improved prescription drug coverage, integrated care and disease management, wellness incentives, and integrated Medicare and Employer Group Waiver Plans (EGWP) for retiree health benefits.
- Enables better choices with simple, more understandable options, as well as additional enrollment options.

The Postal Service's white paper on its proposed health care plan has been submitted, along with this testimony, for the record.

Refund FERS Overpayment:

Postal Service employees participate in one of three Federal government pension programs. These programs are administered by the Office of Personnel Management (OPM). OPM has determined that the Postal Service has overfunded its obligation to the Federal Employees' Retirement System (FERS) and that a surplus exists. According to the most recent actuarial estimate from OPM, the Postal Service has overfunded its FERS obligation by $2.6 billion, as of September 30, 2011. This estimated surplus is less than amounts previously reported, due to changes in the government-wide economic and demographic assumptions made by OPM. OPM's most recent calculation (before adjustments using postal-specific assumptions and demographics) shows that the surplus is projected to have grown to approximately $3.0 billion by September 30, 2012.

In December 2012, the US Postal Service Office of the Inspector General (OIG) issued an update to a previously released paper on the causes of the FERS surplus. The Postal Service agrees with the major conclusions in the OIG's report. First, the distinctive characteristics of the Postal Service workforce, including lower salary increases than the rest of the Federal government, indicate that our FERS surplus is larger than the OPM's current calculation, and OPM should use Postal Service specific data to calculate the surplus. Second, in order to prevent excessive surpluses from accumulating in the future, OPM should adjust the future USPS FERS contribution rate. The current FERS charges are too high, as evidenced by 20 years of surpluses, and contribute to the Postal Service's financial crisis. Third, once calculated, the current surplus should be refunded to the Postal Service. The Postal Service, using postal-specific demographics and assumptions, estimates the FERS overfunding amount to be approximately $6 billion. Directing OPM to utilize postal-specific demographics and assumptions in calculating the correct amount of the FERS surplus and returning the full amount of that surplus to the Postal Service is important, and needs to be completed this year. The Administration agrees with this approach, as evidenced in its 2014 budget request, which requires OPM to calculate FERS costs using actuarial assumptions and demographics specific to the Postal Service workforce.

Require Defined Contribution Retirement System for Future Postal Employees:

The Postal Service's current employees participate in one of three federal government pension programs, all of which include defined benefit plans. But the Postal Service is changing. Employees coming in now have a much different future than current employees. We should provide a retirement system that benefits both the employee and the Postal Service. The Postal Service proposes this new retirement system for four main reasons, including:

1. The ability to meet obligations under the Postal Reorganization Act (PRA).
   The Postal Service is required to provide wages and benefits comparable to those provided in the private sector. The FERS system is not comparable to the private sector and is more costly. Permitting this move would allow the Postal Service, like the private sector, to adjust to market conditions by modifying plan design, portability, provider services, employee engagement and other factors.
2. The Postal Service's employee base is changing.
   Our emerging workforce is younger and less likely to stay with one employer for their entire career, as most of our established employees have done. This type of portable and flexible retirement program holds a greater appeal for the younger demographic.
3. Permits a reduction in labor costs.
   Benefit costs constitute roughly 48 percent of total labor costs, including RHB prefunding. Even if the RHB prefunding requirement were removed, benefit costs would still make up nearly 43 percent of the Postal Service's labor costs. As has been well reported, approximately 80 percent of the Postal Service's total costs are labor costs. We cannot resolve our fiscal issues without addressing these costs.
4. Separates Postal Service retirement system from the rest of the Federal Government.
   There continue to be ongoing debates regarding Postal Service funding of both the CSRS and FERS retirement systems. These tensions will continue and will likely escalate, given that the Postal Service has funded substantially more of its pension obligations than the remainder of the federal government. Allowing the separation of the Postal Service's retirement obligations would resolve these disputes.

5. Protects the American taxpayer.
   A defined contribution retirement system for future employees would ensure the Postal Service can fulfill its obligations not only to future employees, but to retirees and current employees as well. This, in turn, provides an added level of protection for taxpayers, as it significantly lessens the possibility that taxes would have to be used to fund these payments.

A defined contribution retirement system for future employees would be a triple win. It would be a win for employees, who would have more portability in their retirement plan; it would be a win for the Postal Service, freeing it from having to fund a defined benefit plan; and, it would be a win for the taxpayers, as it protects them from having to step in and fund any liabilities for these future employees. It should be noted that this change would not impact existing retirement systems for current employees.

B. ELIMINATE DUPLICATIVE OVERSIGHT AND UNNECESSARY BUREACRACY

Streamline Governance Model:

In order to meet the challenges it faces both today and in the future, the Postal Service must be given the tools to become a more nimble, streamlined organization, better able to respond quickly to the needs of a dynamic marketplace and to adjust our operations as demand for products and services evolves. The Postal Service does not need any additional bureaucracy to slow us down. We urgently need the flexibility to implement our Five-Year Business Plan.

The Postal Service Board of Governors should have the clear authority to make structural changes that reduce the costs of the retail, processing and delivery networks. Currently, the Governors must submit operational changes to the Postal Regulatory Commission (PRC) for an advisory opinion following a lengthy, litigious, administrative proceeding that does not promote timely and effective implementation of necessary, efficient cost reduction decisions. The current process imposes substantial costs on the Postal Service, delays savings and should be eliminated. At a minimum, PRC procedures should be substantially streamlined.

Another facet of restoring financial sustainability is the growth of revenue through product and pricing innovation, both with respect to existing lines of business and other lines of business. Giving the Board greater authority to exercise business judgment in this area does not mean the end of oversight by an external entity. A more nimble and well-defined regulatory approach is required to minimize unnecessary bureaucracy, recognize the Postal Service faces intense competition with respect to all of its products, and allow the Board to respond effectively to changing conditions. Even the PRC recognized in its Annual Report that the current system of regulation is not achieving the objective of financial stability.

Giving the Postal Service greater flexibility over pricing and product innovation would further advance the goal of providing universal service in a financially sustainable way. The Postal Service faces competitive pressures, and has strong commercial incentives to be efficient and responsive to its customers' needs. Extensive price and product controls are not necessary. Governors' decisions on new products and pricing should be subject to after-the-fact reviews (like the current Annual Compliance Determination) or handled through the complaint process. Pairing much greater flexibility over pricing and product innovation with additional flexibility to address network costs would put the Board in a position to create a multi-faceted and balanced approach to restoring financial stability. The Postal Service's white paper, detailing these streamlined governance proposals is submitted, along with this testimony, for the record.

Adjust Delivery Frequency (six-day packages/five-day mail):

In February 2013, the Postal Service put forward a proposal to move to a six-day package/five-day mail delivery schedule. Savings projected from this move (net of the cost of Saturday package delivery, primarily by non-career carriers, are estimated to be approximately $2 billion annually when fully implemented. The proposal provides mail delivery to street addresses Monday through Friday. Mail addressed to P.O. Boxes would continue to be delivered on Saturdays. Post Offices already open on Saturdays would not be affected by this proposal. Packages would continue to be delivered six days per week, and our Express Mail offering, currently delivered seven days per week, would not be impacted. The proposal was designed to serve a dual purpose: to respond effectively to the increase in package growth, a 14 percent volume increase over the last two years, and to address the realities of the public's changing mailing habits. By continuing to deliver Express Mail, Priority Mail, and most other packages on Saturday, the modified plan responds to many of the concerns expressed by the Postal Regulatory Commission (PRC) and others about the impact of 5-day delivery on certain customer segments, such as recipients of medicine.

We believe the timing is right to implement this change, especially in light of overwhelming continued support for five-day mail delivery by a vast majority (over 70 percent) of the public. Additionally, in his FY 2014 budget proposal, released on April 10, the President again included a provision to allow the Postal Service to move to a five-day mail delivery schedule.

Authority to Expand Products and Services:

The Postal Service must be allowed authority to establish new revenue sources and respond to a changing marketplace. Provisions contained in both draft House bills will be helpful in providing flexibility to the Postal Service to offer products and services that would improve our net financial position. Both bills, for example, grant additional authority to the Postal Service to provide certain nonpostal services.

Such changes are vital to our ability to grow additional revenue and leverage our strengths. The Postal Service is fully engaged in exploring all options available to us under the existing structure. For example, we are currently focused on ensuring our presence in the digital world, through the work done by our Secure Digital Solutions group. Potential product offerings and services include identity and access management services and secure messaging. The Postal Service is confident it can leverage critical brand components, such as trust, convenience, security and privacy. The Postal Inspection Service, the law enforcement arm of the Postal Service, plays an important part in our efforts to move into the digital realm. The Postal Service has been named the Most Trusted Government Agency for seven years and the fourth Most Trusted Business in the nation by the Ponemon Institute. We value that trust and we intend to build upon it, in both the physical mail and the digital mail worlds. Our return to financial viability is dependent on finding innovative ways to use the mail. A critical part of that is obtaining legislative change that will enable the Postal Service to offer additional products and services and improve our financial condition.

C. CHANGES NECESSARY TO PUT THE POSTAL SERVICE ON A LEVEL PLAYING FIELD

<u>Require Arbitrators to Consider the Financial Condition of the Postal Service:</u>

More than 85 percent of the Postal Service's career employees are covered by collective bargaining agreements. The Postal Service requests that Congress enact provisions that instruct interest arbitration panels to consider the financial condition of the Postal Service in interest arbitration awards. Although some argue that interest arbitrators do this already, they cannot function like bankruptcy courts under Chapter 11 in the private sector. The panels cannot restructure the Postal Service's regulatory or business models. They do not have the authority to look at the entirety of the Postal Service's finances—indebtedness, pricing, operations, service standards, capital sources, debt relief, etc.

All the arbitration panels can do is address wages and benefits for a particular bargaining unit. Even there the panel's power is limited, because they cannot alter or modify statutory benefits like retiree health care or defined benefit pension plans. Given these inherent limitations (which were explicitly recognized by the panels in the two most recent awards involving the National Rural Letter Carriers' Association and the National Association of Letter Carriers), we believe it is especially important for Congress to make certain that the arbitration panels take into consideration the Postal Service's financial condition in the areas they do have authority to address - wage rates, leave, health care contributions, workforce mix, job protections and related matters - and to make that legislatively explicit. The Postal Service needs legislative language requiring arbitrators to consider the Postal Service's overall financial health. The Chairman's discussion draft bill includes this provision, which the Postal Service supports.

Reform Workers' Compensation:

Postal employees injured on the job are covered by the Federal Employees' Compensation Act (FECA), administered by the Department of Labor's (DOL) Office of Workers' Compensation Programs (OWCP), which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service has made tremendous strides in reducing its accident and injury rate, as measured by the Occupational Safety and Health Administration (OSHA). Since 2003, the rate of reported injuries has dropped by over 50 percent. Despite the declining level of accidents and injuries in our workforce, our workers' compensation costs and liabilities continue to grow. We pay approximately $1.4 billion per year to the DOL, and our workers' compensation liability is currently approximately $17 billion, which is an extreme financial burden on the Postal Service. The OWCP program is also flawed because it does not allow cases to be settled, which makes it extremely difficult to remove participants, and allows participants to continue receiving payments after reaching retirement age.

We currently have around 17,000 employees on the workers' compensation periodic rolls, being paid for wage losses. Some of these employees have been on the workers' compensation rolls since before postal reorganization in 1971. Although one of the current draft measures would provide some flexibilities with regard to workers' compensation, specific provisions are still needed, such as providing the Postal Service with the ability to settle federal workers' compensation claims, as is done in the private sector. We urge that any future legislation include specific provisions to address this costly area of the Postal Service's total operating expenses.

Right to Appeal EEOC Class Action Decisions to Federal Court:

The Postal Service has seen a reduction in Equal Employment Opportunity Commission (EEOC) formal complaints of 40 percent since FY 2004, and continues to focus on ensuring compliance with the law. Today, however, despite these strides, the Postal Service has no right to appeal decisions of the EEOC administrative judges outside of the EEOC. To illustrate why this is problematic, the Postal Service is subject to class actions that we believe have been improperly certified in the EEOC process. Defending against these class actions is extremely costly and burdensome, regardless of their merit. We believe we should have a broader right to appeal to federal court the final class action decisions of the EEOC. This is similar to the Postal Service's existing authority to appeal decisions of the Postal Regulatory Commission (PRC).

POSTAL SERVICE ACTIONS

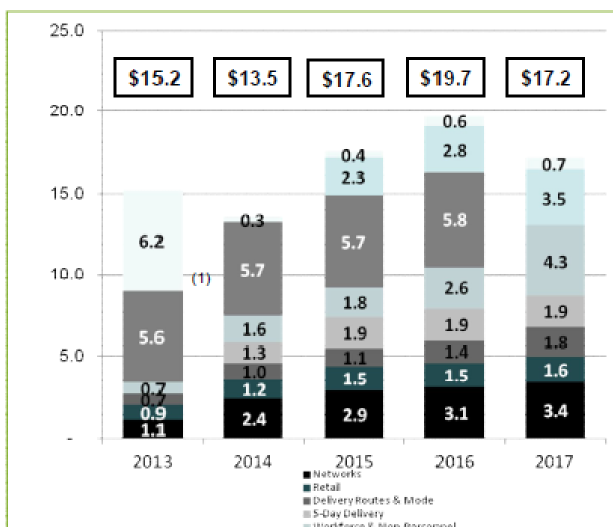
On April 17, 2013, the Postal Service released its updated comprehensive Five-Year Business Plan, which details the implementation of our targeted program to eliminate nearly $20 billion of annual cost from the business by the year 2016. *[Figure 3]* This plan continues the Postal Service's efforts to aggressively pursue strategies to increase operational efficiency and to improve our liquidity position. By carefully managing what is within our control, the Postal Service is currently running ahead of plan in FY 2013 for revenue. In addition, cost reductions are ahead of schedule. But our actions alone are not enough to return us to profitability, and we continue to pursue all avenues for change, as detailed in the updated Five-Year Plan. The Plan requires a combination of operational realignment, aggressive cost reductions, and comprehensive legislation, as described earlier, to reform the Postal Service's current business model. Several key provisions include better alignment of network size and cost with reduced mail volumes, revenue management and increased growth, the implementation of a USPS sponsored healthcare plan for active and retired employees, and business model changes, including implementation of a new delivery schedule.

Savings by Strategic Initiatives

Strategic Initiatives ($ Billions)

	2016 Savings
Operational Initiatives	
Networks	$ 3.1
Retail	1.5
Delivery	1.4
Total Operational Initiatives	6.0
Workforce & Non-Personnel	2.6
Legislative Initiatives	
5-Day Mail Del. + Saturday Pkgs	1.9
Postal Health Plan	8.6
FERS & Other	0.6
Total Legislative Initiatives	11.1
Total 2016 Savings	$ 19.7

Savings by Strategic Initiative ($ Billions)



(1) Includes $6B estimated refund of FERS overfunding.

Figure 3

Alignment of network size and cost with reduced mail volumes:

Operational measures taken to achieve this goal include the accelerated consolidation of mail processing, retail, and delivery networks in order to better align them with mail volumes, and a reduction in hours at 13,000 Post Offices, accompanied by an expansion in alternate retail access. These extensive operational changes are being executed while the Postal Service continues to deliver high levels of service to communities throughout America. This realignment of mail processing, retail, and delivery operations is expected to generate nearly $6 billion in annual cost reductions by the year 2016.

In conjunction with the operational realignment, the Postal Service continues to implement efficiency measures, and continues its actions to better align staffing levels with projected mail volume. These staffing level reductions will be achieved largely through attrition, as approximately one-half of career employees are eligible for optional retirement or voluntary early retirement. As a result of a special Incentive and Voluntary Early Retirement (VER) offer, approximately 22,800 eligible employees represented by the American Postal Workers' Union (APWU) retired or separated from the Postal Service in the second quarter of fiscal year 2013. This followed 4,275 eligible postmasters and 2,925 eligible mail handlers who retired or separated from the Postal Service in fiscal year 2012.

Recent contractual agreements with major postal unions allow for increased utilization of lower cost non-career employees, which will facilitate the realignment of staffing and workload levels and the reduction of costs. The number of career employees decreased by approximately 25,000 in the second quarter and by 46,000 in the last year. These reductions have been accomplished primarily through attrition and separation incentives. The Postal Service now has the lowest number of career employees since 1966. The Postal Service has increased its use of non-career employees, who currently comprise approximately 20 percent of the total workforce, improving workforce flexibility and better aligning pay scales with the organization's financial realities.

Revenue Generation:

The Postal Service also continues to introduce new service offerings to generate additional revenue and to slow the migration of existing revenue streams to electronic alternatives. Expanded use of digital technologies to enhance the mail experience, using connectivity to various websites, social media, and points of purchase is a focus in enhancing the mail experience. However, legislative action is also required to give the Postal Service authority to generate new revenue and adapt to changing business conditions, as the scope of products and services that the Postal Service can offer is currently limited by law.

CONCLUSION

Simply put, the enactment of comprehensive postal reform legislation cannot wait. The Postal Service has exhausted its borrowing authority, faces massive unfunded liabilities, and is constrained in how far it can go to right its financial ship. In no uncertain terms, the Postal Service does not want to become a burden on the American taxpayer. The successful implementation of strategic initiatives included in our Five-Year Plan would bring tremendous results, allowing for increased net profits and elimination of existing debt. *[Figure 4]* We cannot get there by our actions alone, however. There exists no scenario where the Postal Service returns to financial stability without enactment of postal reform legislation. Comprehensive and wide-ranging postal reform legislation, as opposed to narrow piecemeal efforts, is desperately needed. The sense of urgency I expressed when I last testified before this Committee three months ago has only deepened. We must avoid a situation where the Postal Service's financial crisis causes mailers to seek out alternatives. Mr. Chairman, we look forward to continuing to work with you and the rest of the Committee to accomplish meaningful postal reform legislation.

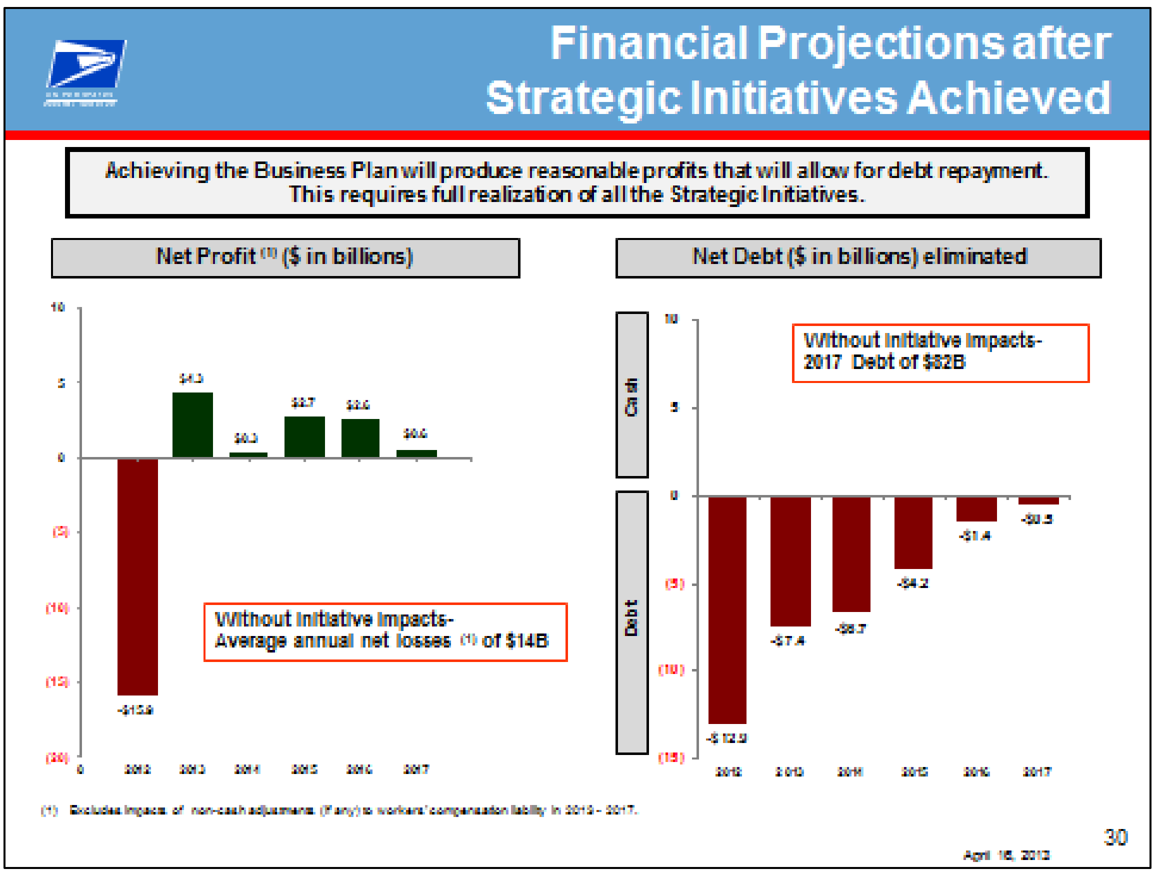


Figure 4