

Senate Homeland Security and Governmental Affairs Committee
A Path to Sustainability: Recommendations from the President's Task Force on the
United States Postal Service
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Testimony Submitted for the Record
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Chairman Johnson, Senator Peters, I am Daniel Heins, President of the United Postmasters and Managers of America (UPMA). UPMA represents more than 24,000 active and retired postmasters and senior managers for the United States Postal Service (USPS). We are in every state and every Congressional district, including 618 members each in Wisconsin and Michigan.

UPMA applauds the Committee for holding this hearing to begin the 116th Congress's discussion of the issues facing the United States Postal Service. It is not hyperbole to say that the USPS touches every single American and that it serves an irreplaceable role that is as critical today as it was at the founding of our country.

UPMA members help supervise the delivery of over 500 million pieces of mail every day to 159 million households and small, medium and large businesses in the United States, and that number continues to grow. We are a direct link, and the Postmaster General has called our members "the chief marketing officers" of the USPS.

Over the history of the USPS we have witnessed major changes in how Americans communicate and in what they expect of their Postal Service. In the past, letters were the primary form of communication between people, bills were sent through the mail, and receiving a package likely meant you were getting a gift. Today, much of the nation's communication is via email or text, many of our bills are paid electronically, and the package you are expecting is more likely than not a household staple ordered from a private company on the internet, not a cherished gift.

The USPS and the employees who have worked for the USPS throughout its history have always managed change. From stagecoaches to planes to automated sorting and being "the last mile delivery" for many other shipping

companies, the Postal Service has adapted to serve American businesses and consumers. As a Postmaster I can tell you that I like a challenge, and I know the folks at L'Enfant Plaza can adapt to almost anything. But the challenge the Postal Service is facing now is unprecedented.

A world of email, online retail and online bill payment would be challenging enough, but the United States Postal Service is facing those marketplace challenges while also facing severe economic demands.

It is not the requirement that the USPS be self-sustaining that has caused this economic distress, but additional requirements that Congress has imposed, most importantly the requirement that the USPS pre-fund its retiree health benefits.

The 2006 Postal Accountability and Enhancement Act (PAEA) required that the USPS pre-fund the entire sum of its future retiree health benefits. Congress imposed this requirement solely on the USPS and not on any other Federal agency or private companies. This requirement is the leading cause of the fiscal challenges faced by the USPS today. Without this requirement, the Postal Service would operate at even or a small net loss, rather than the record losses we have been seeing every year.

The USPS is required to pay \$5.4 billion annually to pre-fund future retiree healthcare costs, and this sum comprises more than 90 percent of the Postal Service's annual loss.

The Postal Service's ability to move forward and thrive in a changing marketplace requires that this albatross be removed from its neck. We must think strategically and creatively about how current and future retirees access health benefits, and modify the prefunding mandate.

A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service

I want to speak specifically about the President's Task Force report. UPMA applauds President Trump and Secretary Mnuchin for the thoughtful analysis and stakeholder engagement that they brought to the challenges of the USPS. To right the ship and get the USPS on a solid, sustainable course will require the kind of strategic thinking laid out in the Secretary's report.

The report includes a number of provisions to applaud. First and foremost is that the Task Force did not recommend privatization of the USPS. This is worth noting, because while the USPS has a monopoly on first class mail, the USPS competes on package delivery with FedEx, UPS, and a host of other companies. While privatization has its advocates, it would come at a cost—a cost in the price to mail a letter and a cost to the universal service requirement that Americans have come to expect. UPMA and our allies in the postal and federal community strongly oppose privatization. We are glad to see that the report agreed with us and did not recommend privatization as a path forward.

The report also highlighted challenges USPS faces in responding to delivery trends and customer needs and opportunities for streamlining. No one wants to see a post office closed, especially a Member of Congress. But the USPS is sitting on a large property portfolio that can be better managed and right-sized. These improvements would reduce costs and improve efficiency, creating a real estate footprint more appropriate for our Postal Service in the 21st century.

The report also discusses potential ancillary services and new products that the Postal Service might offer. UPMA believes Secretary Mnuchin got this part right. While many people talk about the Post Office doing everything from offering retail banking services to being a quasi-community center, the report states that the Postal Service should not expand into areas where they do not have a competitive advantage or an inherent awareness of the business model. UPMA agrees with this. The USPS does one thing well—exceptionally well, we would say—and that is delivering mail and packages to American households and businesses. The USPS should look first to enhancing performance in areas where it already has a competitive advantage. An easy first step would be to allow the USPS to deliver beer and wine through the US mail system, which federal law does not currently permit. This would not only generate additional revenue for the USPS, but would also provide micro-breweries in Wisconsin and elsewhere with access to a national market.

I want to be clear: mail delivery is already a net revenue generator for the USPS. Our core business, which is delivering letters and packages, is already efficient, effective, and profitable. Expanding the markets in which the USPS can provide these services would generate new revenue without creating any

significant new risks. This type of change is preferable to authorizing entirely new services, such as banking, that would require the USPS to create new infrastructures before generating any new net revenues.

UPMA is concerned about the report's recommendation that the USPS should continue its pre-funding mandate and its conclusion that while payments should be re-amortized, the USPS should pay a further \$43 billion to pre-fund benefits. \$43 billion is an obligation so large it is bound to shape the USPS's path forward. At a minimum, we recommend a new accounting of the USPS's current and future obligations for pre-funding retiree health benefits, and the creation of a realistic payment schedule that extends any outstanding obligation over a longer period of time, as proposed by HR 6076.

The bipartisan path forward

Last Congress, the House Government Reform and Oversight Committee passed bipartisan Postal Reform legislation that would address key principles of the Task Force Report. This legislation was not perfect, and everyone had to give up something. UPMA and our colleagues in the postal community recognized that a severe operation had to be performed to save the patient. We compromised, and I can honestly tell you a number of my members didn't like it, especially when it came to retiree healthcare benefits. But UPMA's members do feel passionately about the USPS and the careers it provides. We want to ensure that the Postal Service remains viable and we were willing to give something up to see it succeed.

The plan outlined by now-Chairman Cummings and Congressman Meadows would make much-needed reforms that would dramatically change the fiscal outlook for the USPS, including retiree and health benefit changes for current and future postal retirees, innovations in delivery service, and fundamental changes in the USPS's business practices.

UPMA was a proud supporter of the Postal Reform Act of 2018. We are working closely with Chairman Cummings and Congressman Meadows on its reintroduction and hope to see its passage in the United States House of Representatives. On the Senate side, we are working with Senators Tom

Carper and Jerry Moran, who continue to lead this chamber's effort on comprehensive postal reform.

UPMA wants to be a partner in reform

Chairman Johnson, UPMA recognizes your skepticism about the approach proposed by Chairman Cummings and Senator Carper, and we commend both your business acumen and your stewardship of the public's purse. That said, we urge you not to let the perfect be the enemy of the good.

The USPS is in not only a critical time but also a historic time. Last year the House Government Reform Committee made significant progress by winning agreement from all stakeholders. December's Treasury report made important recommendations about the framework for reform and highlighted the thinking of the President and his advisors. Momentum for postal reform is building as shippers, advertisers, large companies, and others have joined the group of advocates for change.

Chairman Johnson, Senator Peters and other members of the Committee, on behalf of the United Postmasters and Managers of America, I look forward to working with you to forge compromise and consensus so that we do not miss this opportunity to see postal reform signed into law by President Donald J. Trump.

The history of the Postal Service is the history of the United States. We have the opportunity to preserve and improve this fundamental national service. The time for reform is now, and we believe that this can be done. We urge you and the Committee to take up the postal reform legislation being led by Senators Carper and Moran and help develop the sustainable business plan that the USPS needs.

Thank you for this opportunity to testify. I would be happy to answer any questions the Committee may have.