



**Consumer Alliance  
for Postal Services**

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## PREPARED STATEMENT OF THE HONORABLE BILL CLAY BEFORE THE PRESIDENT'S COMMISSION ON THE UNITED STATES POSTAL SERVICE

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Chairmen Johnson and Pearce, my former colleague Congressman Bob Walker, and Members of the Commission, I appreciate the opportunity to provide testimony on this important issue on behalf of the Consumer Alliance for Postal Services. First, let me tell you a little about my background, and then I will talk about CAPS, its members, its mission, and its concerns.

As many of you know, I was a Member of Congress representing the First District of Missouri for 32 years. During that time, I served as Chairman of several subcommittees and the full Committee on Post Office and Civil Service, so these issues are something I have been closely involved in for much of my career.

The Consumer Alliance for Postal Services was created earlier this year to keep a close eye on legislative initiatives that may affect how, when, and where Americans get mail—as well as how much we pay for it. Our members represent a broad range of consumers across the political and economic spectrum. They include Consumer Action representing low and moderate income consumers, the National Farmers Union representing rural Americans, the National Committee to Preserve Social Security and Medicare representing older Americans, the American Postal Workers Union and the AFL-CIO representing workers, the A. Phillip Randolph Institute representing African Americans, the Women's Research and Education Institute, the American Diabetes Association, and a number of other organizations.

Our mission is to insure that the Postal Service's mandate to provide universal service at uniform rates—that is, affordable, accessible, and dependable mail service—is not weakened. The Postal Service has a rich history of providing a public service that has connected people, communities, and businesses with one another for more than 230 years. CAPS' members speak on behalf of individuals from all walks of life. But they all have one thing in common—they depend on regular and affordable mail service to deliver prescription drugs, checks, important business and financial documents, cards and letters from family and friends, magazines, catalogues, and everything else that helps keep us healthy, informed, entertained, and in touch. We do not want to see that disappear.

We especially appreciate the Commission's invitation this morning because, quite frankly, I have been disappointed that consumers have generally not been heard from at your hearings. Prior to today, of the dozens of witnesses that have appeared before the Commission's three field hearings, only one—Consumer Action—has spoken on behalf of consumers. Another witness from Hallmark Greeting Cards even suggested that he was representing consumers better than any other witness before the Commission. You have heard from vendors, large mailers, marketers, union representatives, and the Postal Service itself, but the voices of individual Americans who rely on the mail during the course of their daily lives have been missing.

On behalf of those individual American consumers that CAPS and its members represent, I have a simple and straightforward message for this Commission: We are opposed to any efforts that would weaken universal mail service at uniform rates. That includes any recommendations that would make it easier to close local Post Offices without significant input from local communities, including any base-closing model that does not involve the community in the decision. We oppose cutting back on how often mail is delivered. We oppose postage rate increases that are not absolutely necessary, do not affect all Americans equally, and do not require all classes of mailers to pay their fair share of overhead costs.

We are delivering this message because we firmly believe that the United States mail is more important now than ever. There is a common perception, for example, that the explosive growth of e-mail over the past decade has somehow made mail service unnecessary. But not every home, small business, community organization or even school is wired to the Internet. The Postal Service aids commerce and communication for all Americans in a way that the Internet cannot.

For some individuals, and it's anyone's guess how many, the Internet has taken the place of some regular mail. But a larger number of Americans do not use e-mail. For them, a dependable and affordable mail service is essential to maintaining the present status of their living. A study released by the Pew Internet and American Life Project on April 16 of this year found that 42 percent of Americans do not use the Internet. I would refer you to that study because it has some extremely important information de-bunking the common myth that technology is making mail service obsolete.

For example, 62 percent of Americans with disabilities do not use the Internet. Older Americans are far less connected than younger Americans. The employed have much better access to the Internet than the unemployed. White Americans are more wired than African-Americans and Hispanics. Suburban and urban residents are more plugged in than rural residents. Well-educated Americans use the Internet more frequently than those who only completed high school.

None of this should come as a surprise. But it's important to understand that there are significant segments of the public for whom the Internet has not replaced regular mail service, and it never will. Unfortunately, the witnesses who have appeared before the Commission have not represented those Americans. We urge you not to forget the basic concerns of these individuals as you develop your recommendations.

I would also like to briefly address another myth—that the current financial situation of the Postal Service is sufficient cause to make drastic changes to the way it serves the American public. I know that this commission has heard that from some of the witnesses. It simply is not true. For the first half of the current fiscal year, the Postal Service has run a budget surplus of \$1.65 billion. The Postal Service announced the surplus on April 1, with Chief Financial Officer Richard Strasser attributing the good financial news to gains in productivity, reduced expenses, and rate increases even at a time when mail volume has declined.

In addition, the recently passed Postal Civil Service Retirement System Funding Reform Act of 2003 will save the Postal Service \$5.5 billion over the next two years, permitting the Postal Service to maintain stable postage rates until at least 2006. The new law was the result of a government analysis of the Postal Service retirement account that found it would have been vastly over-funded if contributions had continued at the old rate. The large account balance, projected to be more than \$70 billion, was primarily a result of higher-than-expected growth from pension fund investments over the past 30 years. Under the new law, the Postal Service can only use the billions of dollars in savings to help pay down its debt and to delay rate increases.

I think these facts demonstrate that the U.S. Postal Service is not in the dire financial shape that some folks believe. And it is hardly in desperate need of the radical changes that some witnesses before the Commission have suggested.

Finally, I would also like to point out that CAPS is concerned with the subsidies that the Postal Service gives to industrial mailers, the big corporations that send discounted first class business mail and bulk advertising mail—some would say “junk mail”—at heavily discounted postage rates. These discounts are given because the mail is pre-sorted by these corporations, and in theory they are discounted their share of overhead costs. It seems that the Postal Service is discounting more than it would cost if they did the work of sorting the mail in-house. If this is true, the least this Commission should do before recommending drastic reorganization of the Postal Service is to conduct an in-depth review of materials available to determine to what extent the bulk advertising mailers aren't paying their fair share.

The discounted rates mean the Postal Service may be passing substantial costs along to others. For example, consumers who pay the full 37cents for a first class stamp end up subsidizing business. The Postal Service serves all of America, individuals as well as businesses large and small, not just the giants of the mailing industry. To the extent that the Postal Service needs to raise additional revenues, it should start by making these large business mailers pay their fair share.

In conclusion, the members of CAPS are committed to preserving universal mail service. We are concerned about any significant or even subtle changes to the way the United States Postal Service operates if those changes would result in a lessening of universal service.

Postmaster General John Potter recently said it best; “Mail service in this country is a national treasure, and therefore a national responsibility... We all have a stake in maintaining and

preserving universal mail service for every American, regardless of where they live, where they work or their economic circumstances.”

I thank the Commission, and I look forward to answering any question you might have.