



The McHugh Report

News From North Country Congressman John McHugh

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POSTAL SERVICE: FLYING LIKE AN EAGLE OR HEADING FOR DISASTER? *McHugh Subcommittee to Examine Postal System's State of Affairs*

WASHINGTON – Rep. John M. McHugh (R-NY), Chairman of the House Postal Service Subcommittee, will review the uncertain future of the U.S. Postal Service at an oversight hearing featuring testimony from the Postmaster General and America's two postal watchdogs: the Service's Inspector General and the General Accounting Office (GAO). The hearing is scheduled for Tuesday, September 19, at 1:00 p.m. in Room 2154 Rayburn House Office Building.

"The Postal Service is facing shaky times and formidable challenges," Rep. McHugh said. "The crisis is, indeed, upon us. In the past year, the Postal Service has encountered increasing financial difficulties as mail volumes have grown more slowly than expected and as costs of postal delivery have proven difficult to restrain. It is no surprise that the Postal Service is seeking innovative approaches to dealing with these problems, as evidenced by its possible strategic alliance with Federal Express."

Confirming trends presented to the Subcommittee last year by the GAO, the Postal Service is now facing a \$300 million loss for fiscal year 2000, due in part to significant electronic diversion. For example, according to Tuesday's GAO testimony, of the 880 million Social Security checks, tax refunds, and other payments sent by the Treasury Department in 1999, 68 percent were sent electronically rather than mailed – resulting in \$180 million in lost First-Class Mail revenue. Moreover, based on data from the American Bankers Association presented by GAO, banks reduced their mail volume in 1999 by nearly 18 percent compared with 1996 levels.

GAO highlights the key policy challenges facing Congress and the American people as it poses the following questions in its testimony: Can the Postal Service maintain and, where necessary, improve on the quality of mail delivery service? Can the Service continue to provide affordable postal rates? Can the Service remain self-supporting through postal revenues? Can we expect the current level and scope of universal mail service to continue on a long term basis?

In order to preserve universal mail service in the face of such challenges, Rep. McHugh has worked for the past six years to modernize the nation's outdated postal laws, which were last changed in 1970. Rep. McHugh's bill – H.R. 22, the Postal Modernization Act – would provide the Postal Service the pricing incentives and management tools to adapt and survive in the dynamic communications environment of the 21st century, while at the same time strengthening the law to protect the public interest from unfair competition.

Rep. McHugh said, "My fear is that rather than undertaking reasoned and gradual change as we have tried to accomplish through H.R. 22, Congress will await a crisis situation and be left with desperate choices in its duty to provide affordable universal mail delivery that binds the nation together. It is imperative that we deal with this issue now."

H.R. 22 is a well-refined bill that is currently pending before the House Government Reform Committee. It is supported by several legislators in both houses of Congress, including Senate Democratic Leader Tom Daschle, and it is endorsed by, among many others, the Postal Service, Federal Express, American Express, Time Warner, America Online, the National Rural Letter Carriers Association, Pitney Bowes, the National Newspaper Association, the Alliance of Nonprofit Mailers, the Direct Marketing Association, the Parcel Shippers Association, and the Magazine Publishers of America. Detailed information on H.R. 22, as well as other legislative and oversight activities, may be found on the Subcommittee's website (<http://www.house.gov/reform/postal>).

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