



Congressman

**John M. McHugh**

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**GAO DATA SHOWS CONGRESS MUST PASS POSTAL REFORM LEGISLATION**  
***McHugh: E-Commerce Could Force Massive Postal Cuts Unless Congress Acts***

WASHINGTON – Rep. John M. McHugh (R-NY), Chairman of the Government Reform Committee’s Postal Service Subcommittee, said testimony presented to the panel Thursday by the General Accounting Office (GAO) shows the urgent need for legislation to modernize and reform our nation’s outdated postal laws.

According to the research presented by the GAO, the Postal Service is facing a massive drop in revenue due to competition from electronic commerce and electronic communication. Electronic diversion from the traditional mail stream is expected to cause an “unprecedented” drop in first-class mail beginning in 2003. First-class mail is the core of the USPS business, representing 60 percent of its \$62 billion in annual revenue. Postmaster General William Henderson’s testimony indicated the exponential growth in electronic communication could result in the erosion of the USPS’s total revenues. He said, “We believe nearly \$17 billion is at risk.”

“The GAO’s testimony is quite alarming. Although many observers knew the Postal Service would soon be facing this problem, those who watch such trends did not know they would be facing this crisis in just three years,” Rep. McHugh said.

“No private business in the world would sit and wait while 30 percent of its revenue evaporates without making some changes in the way they operate. The good news is, Congress has the opportunity to make significant changes in our postal system so we can avoid a crisis. Congress owes it to the American people to face this problem head-on. It would be irresponsible to wait,” Rep. McHugh said.

Rep. McHugh is the author of a bill, H.R. 22, designed to modernize and reform our nation’s postal laws to help the USPS adapt to the changing communications marketplace. The bill would provide the USPS with the tools necessary to operate while protecting the public interest by ensuring universal mail service continues at affordable rates. The bill also provides protection to USPS competitors by prohibiting the agency from unfairly using its government status for competitive advantage.

U.S. postal laws were last reformed in 1970 when the USPS was formed out of the Post Office Department. The 1970 reforms ended the annual taxpayer subsidy of the mail system.

“It reminds me a little of the Y2K crisis. We’ve known the problem was out there for years, but government agencies and a number of businesses failed to adequately address the situation and are now scrambling to make sure they are ready. Let’s not allow the Postal Service to die from the e-commerce ‘bug’.”

According to Postmaster General Henderson, the Postal Service would be forced to try to make up for the projected \$17 billion drop in revenue in several areas. Various scenarios would include: service reduction (fewer days of mail delivery), closure of postal facilities, significant increases in postal rates, or taxpayer-subsidy of the postal system. The Postmaster General warned that such scenarios would be “traumatic” for the American people. “You cannot wait until the thing crashes,” he said.

The Postal Service Subcommittee approved H.R. 22 by voice vote April 29, 1999. The bill is currently pending before the Government Reform Committee. Detailed information and a summary of the bill can be obtained from the Subcommittee’s website:

<http://www.house.gov/reform/postal/hearings/hr22.htm>

