

Statement of Senator Thomas R. Carper, Chairman
Committee on Homeland Security and Governmental Affairs
“Nomination of Robert McGowan to be Governor, USPS”

November 17, 2008

The committee will come to order.

Today, we'll be considering the nomination of Robert McGowan to be a member of the Postal Service's Board of Governors.

Mr. McGowan, I'm certain that you've learned pretty quickly that your nomination comes at a difficult time for the Postal Service. The economic slowdown we've found ourselves in has hurt a number of families businesses. It hit the Postal Service early and hard.

The Postal Service reported just last week that it lost \$2.8 billion in fiscal year 2008. Things are projected to get even worse in the current fiscal year. I've been told that losses could more than double. The number \$7 billion has been thrown around. A loss that high would be devastating to the Postal Service. It could mean significant cuts in service. It could force the Postal Service – which is limited in how much it can borrow – to seek additional borrowing authority or even direct financial assistance from Congress. No matter what happens, the Postal Service we see a year from now will probably be pretty different from the one we know today.

The Postal Service's current financial difficulties might be at least a little less troubling if we could guarantee that a significant portion of the mail volume we're seeing disappear today would come back once the economy recovers. Every report and study I have seen, however, tells me that the mail volume the Postal Service has lost as a result of the slowing economy could be lost for good. The number of communications options available to postal customers just continues to grow - and grow easier to use, as well.

The Postmaster General and the Board of Governors have a tremendous record in recent years of doing what they need to do to cut costs and streamline in order to get through tough times. The leadership and management skills they've devoted to this task have rescued the Postal Service from financial catastrophe on more than one occasion since I began my service in the Senate and on this committee. But, from here on out, things get tougher. The scale of the challenges the Postal Service faces today as a result of the economy and the natural movement away from hard-copy mail are unlike any they have faced in recent years. The decisions postal management will have to make over the next year or so will not be popular. They also may, for the first time, have a noticeable impact on the level of service Americans expect from the Postal Service on a daily basis. They will also likely have a significant impact on the postal workforce, a workforce that has already been shrinking over the years.

The Postal Service does have some options available to them other than cost-cutting to help close their budget gap in the coming year. The Postal Accountability and Enhancement Act has been the law of the land for more than a year now. My colleagues and I on this committee and in the House drafted that bill to help the Postal Service respond to the market and to change its prices using a streamlined ratemaking process.

It was my hope that this new rate system could be used to make the Postal Service more competitive in the advertising and mailing markets. Now, there may not be much in the way of an advertising or mailing market for the Postal Service to exploit at the moment, but I want to see the Postmaster General and the Board of Governors get creative and find some innovative ways to bring in more mail volume.

I think that the Postal Service can also make good use of the new service standards it has developed through postal reform. Standards may need to change as a result of the Postal Service's

financial problem. But I hope that the Postmaster General and the Board of Governors realize that the standards they set – if they consistently meet them – can help make the Postal Service more relevant and more valuable to customers who have a lot of other communications options available to them.

All of this – the challenges and the opportunities the Postal Service will face in the coming year – make it vitally important that we have strong, experienced leadership on the Board of Governors.

Mr. McGowan, you will have some big shoes to fill if you are confirmed. You would be taking a seat held by Alan Kessler, a very well-respected member of the Board who has recently been elevated to the position of Chairman. He has a decade of experience helping run the Postal Service, experience that will be hard to replace. That said, I appreciate your service to the people of the state of Nevada and also your willingness to take on this tremendous challenge.