



**STATEMENT OF
HON. RON A. BLOOM
CHAIRMAN
U.S. POSTAL SERVICE BOARD OF GOVERNORS
before the
House Committee on Oversight and Reform
“Legislative Proposals to Put the Postal Service
on Sustainable Financial Footing”
UNITED STATES HOUSE OF REPRESENTATIVES
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Chairwoman Maloney, Ranking Member Comer, and Members of the Committee, thank you for inviting me to appear before you today.

My name is Ron Bloom, and I am honored to serve as Chair of the Board of Governors of the United States Postal Service. I became a member of the Board in November 2019 and was elected Chair by my fellow Governors at our most recent meeting on February 9.

The Postal Service Board of Governors is charged with important responsibilities and they are taken seriously by me and my fellow Governors, each of whom brings significant relevant experience to our task. The Board consists of Democrats and Republicans, but we function strictly in a non-partisan fashion.

We have each traveled different roads and our discussions are often spirited. But to date we have operated by consensus and we are completely united in our commitment to a vibrant Postal Service as a critical part of our Government's essential public infrastructure. The key question undergirding all of our deliberations and decisions is this – what is best for the United States Postal Service, its workers, and the American people?

The Board of Governors functions in a manner similar to the Board of Directors of private entities. We are not day-to-day managers, but we are involved with critical decisions and in setting the long-term vision for the organization.

Serving on the USPS Board of Governors is not my first involvement in public service. From 2009 to 2011, I served the Obama Administration, first as a senior advisor to the Secretary of the Treasury, helping to lead the U.S. auto industry restructuring following the 2008 recession. After that restructuring, I led the Treasury's Oversight of GM and Chrysler, including GM's Initial Public Offering – at the time the largest IPO in U.S. history. In 2011, President Obama appointed me to serve as Assistant to the President on Manufacturing Policy. In that role, I directed policy development and strategic planning for the Administration's agenda to revitalize the American manufacturing sector.

In my 40-year career, I have worked in both the public and private sectors, held leadership roles for both labor unions and financial institutions, and have specialized in restructuring and revitalizing large complex organizations

I spent 13 years as an Assistant to the President of the United Steelworkers where I helped lead the union's efforts to restructure the North American steel industry. My work with the Steelworkers also included responsibility for collective bargaining in the union's core jurisdictions and coordinating union relationships with both public and private investors.

My experience with the Postal Service began a decade ago as an advisor to its largest union – the National Association of Letter Carriers.

That experience – along with my involvement on the Board of Governors – has only deepened my appreciation for the dedication and service of the more than 645,000 women and men of the United States Postal Service.

Throughout this pandemic, these employees performed with distinction. This was most evident during last year's election, as we delivered 4.6 billion pieces of election and political mail and ensured that 99.89% of mailed ballots were sent back to election officials within our timeframe guidance to voters. The average delivery time for ballots was 1.6 days.

Our peak season began immediately thereafter and while the Postal Service delivered 1.1 billion packages over the holidays, we fell far short of our service targets.

With COVID sidelining thousands of our employees and delivery partners, many Americans -- including your constituents -- experienced significant delays in the delivery of mail and packages.

This level of service is acceptable to no one at the Postal Service. The Postmaster General and Postal Service management, with the full support of the Board, are working hard to urgently address this issue.

But as we improve service – and we are, and we will – we must face some hard truths. As presently constituted, the Postal Service's ability to serve its legally mandated role of

binding the nation together, coupled with our congressional mandate to be financially self-sufficient, is profoundly threatened.

The challenges facing the Postal Service are greater than just this pandemic and stretch back much further than this past year. For too long, the Postal Service has been burdened with unsustainable liabilities and its own failure to adapt to the changing needs of its customers.

As we look ahead, if we continue on our current path, we are projected to lose \$160 billion over the next ten years.

But for the Postal Service to succeed in the long-term, we can't just throw money at the problem. We must address the systemic issues plaguing its outdated model.

As *The Washington Post* recently editorialized, "...the Postal Service faces structural challenges that a massive cash infusion alone would not abolish. A bailout that postpones the need for another later on is not in the public interest."

Recognizing the need for bold changes in the Postal Service, in April of last year, the Board completed and unveiled a new mission statement for the institution.

The Board identified the Postal Service's mission as follows:

- To serve the American people and, through the universal service obligation, bind our nation together by maintaining and operating our unique, vital and resilient infrastructure.
- To provide trusted, safe and secure communications and services between our Government and the American people, businesses and their customers, and the American people with each other.
- To serve all areas of our nation, making full use of evolving technologies.

To meet that mission, the Postal Service will:

- Remain an integral part of the United States Government, providing all Americans with universal and open access to our unrivalled delivery and storefront network.
- Maintain and enhance our reputation and role as a trusted face of the federal government in every community and provide all levels of government with access to our network and services.
- Provide frequent, reliable, safe and secure delivery of mail, packages and other communications to all Americans.
- Use technology, innovation and where appropriate private sector partnerships, to optimize and adapt our network, operations and business model to meet the changing needs of our customers and delivery recipients, while maintaining our core mission.
- Operate in a modern, efficient and effective manner that allows us to minimize what we charge for our services, consistent with meeting, in a fair way, our obligations to our current and retired employees and other stakeholders.
- Remain an employer of choice, able to attract retain and develop high quality employees that possess the skills necessary to excel in a rapidly changing business environment

This mission statement has guided our decision-making on the Postal Service, and it has served as the foundation for the Board of Governors and Postal management's work on a bold and comprehensive plan – a plan that will allow us to invest in and revitalize the Postal Service.

This plan is still being finalized, so I am not in a position to reveal more than the high-level overview that the Postmaster General will provide. But I can tell you that its focus is on ensuring that the Postal Service is able to perform its essential public service mission and meet our universal service obligation in a reliable and affordable manner,

and we will continue to deliver to 161 million American households six and seven days each week.

This plan will require tough choices. As I mentioned earlier, I have significant experience in revitalizing and restructuring large complex enterprises – including the integrated steel industry, GM and Chrysler and dozens in between. And if I have learned one thing it is that the single largest impediment to achieving a successful outcome is that stakeholders will support the abstract need for change, but will seek to avoid changing anything that impacts their particular interest. Successful restructuring simply cannot work that way. We must all be ready to do our part.

Congress has a vital role to play.

A large part of the Postal Service's present challenges comes from legislation known as the Postal Accountability and Enhancement Act of 2006. This legislation required the Postal Service to fully prefund retiree health benefits (RHB), despite the fact that such a policy is not required of any similar government or private-sector entity. This requirement has contributed significantly to the Postal Service's losses, and our comprehensive plan calls on Congress to remove it.

We also need Congress to fully integrate postal retiree health plans with Medicare. Unlike other retirees in the private and public sector, postal retirees are not required to enroll in Medicare at age 65, with some using Federal Employee Health Benefit (FEHB) plans as their primary insurer. At the same time, postal employees continue to pay into the Medicare trust fund, despite some workers getting little or no Medicare benefits. Since 1983, the Postal Service and its employees have paid more than \$34 billion in Medicare taxes.

Integrating our retiree health plans with Medicare would be good for postal workers, good for our retirees, and good for the United States Postal Service. The program can be structured so that current retirees will have a choice about whether to obtain the benefits of integrating their current coverage with Medicare. Current workers can look forward to full retirement health coverage while paying lower premiums. At the same time, the Postal Service benefits from being put on a sustainable financial path.

Finally, Congress must allow the Postal Service to use more reasonable assumptions in calculating its Retiree Health Benefits liability, such as by counting only the liabilities for retirees and eligible employees who have vested in the plan, and by utilizing claims rather than premiums for calculating the liability.

In total, the legislative changes we are proposing will save us over \$40 billion or more than 25% of the hole we are trying to fill.

We will also be asking the Biden Administration to calculate our obligation to the Civil Service Retirement System (CSRS) Pension Plan using modern actuarial principles that more fairly apportion our responsibility, which will save an additional \$12 billion.

After a decade of working on postal issues and 15 months as a Governor, I am convinced that the Postal Service has never faced greater challenges – or more significant opportunities.

What happens next is up to us.

We can continue to ignore these challenges and demand that nothing changes while this great organization rapidly dies, or we can come together and do something really important for the Postal Service and the people we serve.

Thank you for your interest in this vital issue, for holding this hearing today and for allowing me to testify before you.

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