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(As Submitted to the Record)

Statement of Congressman Don Young before the Subcommittee of Federal Workforce,
U.S. Postal Service and the Census, House Committee on Oversight and Government
Reform

Hearing: Alaska Bypass: A Broken System
2157 Rayburn HOB

I want to thank Chairman Blake Farenthold and Ranking Member Stephen Lynch for providing me the opportunity to speak before the Committee. The topic of the hearing, the bypass mail system, is one that solely impacts my district, as it is an intra-Alaska system for mail delivery. Given the continued interest Chairman Darrell Issa has shown to legislate in my State, it is beneficial to give other members of the committee an opportunity to learn more about the topic. The title of the hearing itself is an indicator of the lack of knowledge of my State. Our mail system is not broken. One would expect a committee hearing to take place prior to reporting legislation directing massive changes, as occurred last month and as part of the last two postal reform bills, but better late than never.

A road system connecting communities throughout Alaska does not exist and is not feasible. Federal land ownership has carved up the State of Alaska such that it is nearly impossible to build terrestrial roads, thus the need to travel by air. This geographic reality requires the Postal Service to deliver mail by air in order to meet its Universal Service obligation.

The bypass mail system for delivery of Parcel Post was developed in the 1970s in order to provide relief to the Postal Service, as their operations could not keep up with the volume of mail going out to bush Alaska. This delivery system tenders pallets of Parcel Post mail directly from shippers to air carriers, bypassing USPS processing facilities, saving the Postal Service from the costs associated with infrastructure expansion and labor.

However, inefficiencies developed over time. Carriers delivering to bush communities were increasingly adopting mail-only business models, providing no passenger service, instead of supplementing standard operations with mail deliveries. The business plans were designed so that the return trips from these destinations were empty, which is inherently inefficient. Smaller carriers were also entering the mainline market

delivering mail between the origination points of Anchorage and Fairbanks and rural hub airports. Mail contracts were being spread thin, and were pushing the larger more efficient carriers to the point of financial instability. Bypass mail costs were increasing rapidly, due to the number of small, mail-only bush carriers operating at inefficient rates.

Congress addressed these inefficiencies through the Rural Services Improvement Act (RSIA) in 2002. In order to stabilize the market, and decrease mail rates, RSIA mandated carrier qualifications. Air carriers are required to transport a percentage of the passenger traffic or freight volume in order to qualify for mail contracts. These changes increased efficiencies in the market, led to lower rates and costs for the Postal Service, and improved the services provided to rural Alaska.

Chairman Issa has made it no secret of the origins of his interest in this topic. The Chairman met with Senator Ted Stevens when he was advocating on behalf of his friend's company, and discussed his perception that RSIA is noncompetitive. The intention to increase competition in the name of efficiency may seem valid in concept, however, introducing competition into this uniquely regulated market actually works against the purported objective of increasing efficiencies for the Postal Service, and puts us on a path back to the high costs, rate pressures, and degradation of service seen before the market was stabilized by RSIA.

Aviation fuel is expensive, and there is no getting around that fact. However, the argument that this is an unjustifiable subsidy flatly ignores the concept of Universal Service, and the corresponding duty bourn by the USPS. RSIA was drafted to specifically tie into Article I, Section 8 of the U.S. Constitution, which gives Congress the power to establish Post Offices and Post Roads. In Alaska, the bypass mail system is the equivalent of postal roads in the sky.

I like Chairman Issa personally, and appreciate the work of the Committee to hold the Obama Administration accountable, but the Committee is wrong to pursue changes to RSIA that will create no new efficiencies, be detrimental to the economy and air carrier market in Alaska, and potentially damage the quality of life to rural residents. This pursuit is assuredly counterproductive to the committee's goals.

Should legislation pass through the House that is detrimental to Alaska bypass mail, it will assuredly die in the Senate, along with most House items, be they good, bad or harmless. The junior senator from Alaska will assuredly have something to brag about

back to our Native communities and air carriers, and he will have this committee to thank for that talking point.