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March 4, 2014

The Honorable Blake Farenthold, Chairman
The Honorable Stephen Lynch, Ranking Member
Subcommittee on Federal Workforce, U.S. Postal Service, and the Census
House Committee on Oversight and Government Reform
2157 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Farenthold and Congressman Lynch,

Thank you for providing this opportunity for Members of the Alaska delegation to share our perspectives about the importance, cost savings, Constitutional issues, and proposed legislation regarding the "bypass mail" system. I especially appreciate your willingness to include my statement in the record of the House Committee on Oversight and Government Reform.

As you are aware, Congress expects the United States Postal Service to deliver mail to every community in America. As it is so elegantly stated at 39 U.S.C. § 101(a), "The Postal Service shall have as its basic function the obligation to provide postal services to bind the Nation together through the personal, educational, literary, and business correspondence of the people. It shall provide prompt, reliable, and efficient services to patrons in all areas and shall render postal services to all communities."

In furtherance of this mandate to provide universal service to every American, the United States Postal Service transports mail in a variety of unconventional ways, including by donkey to a community at the bottom of the Grand Canyon, by boat to islands off the coast of Maine, and by air to the 82 percent of Alaskan communities that are not accessible by road. As the Postal Regulatory Commission has stated, for many rural Alaskan communities, "Surface transportation, by road, rail or water, simply does not exist."

What is "bypass mail"? It is a process, not a type of mail, whereby 1,000 pound pallets of Parcel Post packages that meet certain requirements for size, shape, weight, and content literally bypass Postal Service facilities. These pallets are prepared by a shipper, tendered directly to a qualified air carrier, and delivered to an addressee—often a village store, tribal government, school district, or health clinic. It is an ingenious system first created in the 1970s when Parcel Post mail volumes began to exceed the Postal Service's operational and facility capacity.

I share your desire to save the United States Postal Service's ability to bind together all corners of our nation, and to maintain our historic commitment to treat each American equally through universal service. The bypass mail process contributes to that effort. It also contributes, as

currently constructed under the Rural Services Improvement Act, to the Postal Service's financial viability.

The bypass mail system saves the Postal Service an estimated \$13.4 million per year in operating costs alone by allowing a huge volume of qualifying Parcel Post mail to literally bypass postal facilities. The Postal Service pays only for transporting this volume, which they would be required to do under any circumstances. This estimate does not include the cost of processing and post office facility expansion that would be required if the Postal Service had to re-absorb this volume—a cost the Postal Service calls “prohibitive”.

Bypass mail also helps to make federally-funded programs more efficient and cost effective—clearly a goal that many of us share on both sides of the aisle. For example, bypass mail, because it is cheaper than regular air freight, saves the USDA money when the Food Bank of Alaska ships The Emergency Food Assistance Program (TEFAP) food aid to rural communities in Alaska. Since it is more cost-effective to fly planes that are full each way, the bypass mail system also incentivizes bypass mail air carriers to carry passengers. This has resulted in 40 fewer communities that qualify for Essential Air Service, thus saving the federal government millions of dollars.

Several proposals have been introduced over the last several years with the intention of saving money in the bypass mail process. Most recently, H.R. 4011, the Alaska Bypass Fair Competition Act was moved out of this Committee. While H.R. 4011 was introduced under the free-market theory that greater competition among mainline carriers would lower costs for the Postal Service, the bill would actually result in higher costs for the Postal Service. Adding carriers to fly a finite amount of mail would only serve to discourage them from investing in larger, more efficient aircraft. The larger and more efficient the aircraft, the more money the Postal Service saves in transportation costs.

Last Congress, legislation was introduced that would have required the State of Alaska to reimburse the Postal Service for the cost of transporting mail via the bypass mail system. I asked the Congressional Research Service to review this proposal. Their conclusion was that while the U.S. District Court for Alaska and the 9th Circuit Court of Appeals have found the Rural Service Improvement Act to be constitutional under both the Equal Protection Clause and the Due Process Clause, the proposed change would violate the Tenth Amendment of the U.S. Constitution by: 1) “commandeering” the state to enact a statute appropriating state funds to pay this cost; and 2) charging the State a tax or user fee for a disproportionate share of the cost of bypass mail.

In Alaska, we routinely figure out ways to overcome our challenges. The bypass mail process is one such example. In fact, the Postmaster General has said, “The current bypass mail process is the most cost-effective and efficient way for the Postal Service to handle the large Parcel Post volume for Alaska.”

Another important aspect of the bypass mail process is that it helps to keep costs down for Americans who must daily deal with some of the highest prices for food, fuel, electricity, goods and services in America. Rural store owners are paying exorbitant prices for fuel to heat their stores and keep the lights on. They must pay higher than average salaries to their employees because of the high cost of living in our villages, where prices for everything are often twice that of Anchorage and four times greater than in the Lower 48. Just imagine paying over \$90 for a case of bottled water in a community that has no other safe source of water to drink. That is reality in many Alaskan communities, and why it simply costs more to live and do business in rural Alaska.

The bypass mail process costs the United States Treasury absolutely nothing, and saves the Postal Service money. The bypass mail process—as it is currently constructed—is the most cost-efficient method for delivering mail to rural Alaska until Congress returns the vast swaths of federal lands to the state's control and assists us in building the kind of road networks that the Lower 48 enjoys. I strongly encourage this Committee to leave the Rural Service Improvement Act out of postal reform legislation. I appreciate your consideration of my comments. If you have any questions, I would be happy to assist you.

Sincerely,



Lisa Murkowski
United States Senator

cc:

The Honorable Darrell E. Issa, Chairman
The Honorable Elijah Cummings, Ranking Member
House Committee on Oversight and Government Reform