

**FINANCIAL SECURITY OF THE U.S. POSTAL
SERVICE**

HEARING
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE
ONE HUNDRED SEVENTH CONGRESS
FIRST SESSION

SPECIAL HEARING
NOVEMBER 8, 2001—WASHINGTON, DC

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FINANCIAL SECURITY OF THE U.S. POSTAL SERVICE

THURSDAY, NOVEMBER 8, 2001

U.S. SENATE,
SUBCOMMITTEE ON TREASURY
AND GENERAL GOVERNMENT,
COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10 a.m., in room SD-124, Dirksen Senate Office Building, Hon. Byron L. Dorgan (chairman) presiding.

Present: Senators Dorgan, Mikulski, Reed, Byrd, Campbell, DeWine, and Stevens.

UNITED STATES POSTAL SERVICE

STATEMENT OF JOHN E. POTTER, POSTMASTER GENERAL/CEO

ACCOMPANIED BY:

RICHARD STRASSER, CHIEF FINANCIAL OFFICER
THOMAS DAY, VICE PRESIDENT OF ENGINEERING
ROBERT RIDER, CHAIRMAN, BOARD OF GOVERNORS

OPENING STATEMENT OF SENATOR BYRON L. DORGAN

Senator DORGAN. The hearing will come to order.

The subcommittee meets today to receive testimony from John Potter, the Postmaster General, on the unanticipated financial needs now facing the Postal Service as a result of the September 11 terrorist attacks and also the incidence of anthrax exposure resulting from transmittal through the postal system.

The Postal Service is one of the few Government organizations which touches nearly every person on a daily basis in the United States, and it helps knit this Nation together through the concept of universal service. It is imperative, it seems to me, the Postal Service remain a viable and a robust institution.

Tragically, the Postal Service has become yet another front in this country's new war against terrorism. The men and women who daily wear the postal uniform and make their appointed rounds are on the front lines of this battle, and as in any battle, there are casualties. The Postal Service has lost two of its D.C. area employees to anthrax, while others are hospitalized and thousands are on antibiotics as a precautionary measure.

Mr. Postmaster General, one morning I was reading the newspaper here in Washington, D.C., and was reading about the postal workers who had lost their lives. I recall both stories were of wonderful public servants, one of whom had worked the night shift for

15 years and had not used one day of sick leave in 15 years. I think it is important for our country to understand the dedication of the men and women who work in the Postal Service. Our hearts go out to you and all the men and women in the Postal Service for this loss. We want to work with you to respond to these threats.

This new threat to our homeland has the potential to reach into every household and to undermine our collective belief in the security of our mail. This threat must be defeated and the national confidence restored.

Now, just as the airlines and others were unable to budget for the closure of the Nation's airports following the September 11 attacks, the Postal Service could not possibly have planned for the destruction of the major facility in New York City, much less a bioterrorist tainting of the mail.

There is a legitimate need for a Federal Government contribution to assist the Postal Service as it addresses this crisis. As one who firmly believes in the mission of the Postal Service, I will support that effort.

Since the Postal Service was created in 1970, the Federal Government's direct appropriation of funds has been reduced significantly. In fact, the last time Congress provided a specific appropriation to offset the Postal Service's deficits was in 1976 and 1977. Currently, we in Congress only appropriate funds to cover the loss of revenue associated with the cost of certain free mailings for the blind and overseas voting.

A direct appropriation to the Postal Service would be extremely unusual, but these are unusual times. And if the Congress and the Federal Government are to make any payment to the Postal Service, we need to be careful and clear on the exact items we will be paying for and the associated costs of those items.

The question for us—in my judgment, is not whether but how and how much, and we will explore those issues today.

I want to make an additional point before I call on my colleagues. This issue in many ways is at the top of the list with respect to homeland security. Every mail recipient in this country is nervous and concerned about the fact that terrorists have used the mail as an instrument of violence against the American people. So this is about homeland security.

We have a question here about funding. I know, Mr. Postmaster General, you are going to give us recommendations today about funding needs. You know from reading the newspaper in the last couple of days there have been discussions between the White House and Congress about what kind of resources are available, threats about vetoing appropriations bills with any additional money attached to them. We have appropriated \$40 billion for the purpose of responding to threats of terrorism and for the purpose of helping rebuild New York and responding to the terrible calamity of September 11.

Some of that money, a substantial amount, is dedicated to New York. A substantial amount is an amount the President has some discretion to use. My understanding is that the amount that is as of yet uncommitted is largely reserved for the Pentagon or military needs. So I think all of us have to try to think through, with especially what has happened in recent days about the threats of vetoes

of additional funding needs, we need to think through what are the needs, what are our priorities, and how do we find the resources to deal with the priorities. Is it something that is optional for us to deal with? Can we just today say, well, whatever the consequences of the mail, whatever the condition of the mail, whatever someone tries to do to deal with the mail in a manner that the terrorists did with respect to anthrax, let it happen and we will wait to see what the consequences are? The answer to that clearly is no. That would be unthinkable and unforgivable.

Every family in this country is affected by the threat of terrorists using the mail as an instrument of terror and of violence. And so we must, it seems to me, take the steps necessary to do what we can to respond to these issues, and that is the purpose of this hearing today.

Mr. Postmaster General, we welcome you today, and we want you to make the case that you feel you must make on behalf of the Postal Service as you address this current crisis. And, again, let me say as I conclude, our hearts go out to the families of those who have been affected by the anthrax crisis. We want to say how much we admire the men and women who work in the Postal Service, and we want to do what we can to protect them and protect the American people.

Let me call on my ranking member, Senator Campbell?

Senator CAMPBELL. Thank you, Mr. Chairman, and welcome, Mr. Postmaster. I want like to add my condolences to that of the chairman, too, for the postal workers. Almost everywhere out in ranch country where we both live, we know our postmasters, we know our postal workers. They are our friends and our neighbors. We know the people who deliver the mail and the letters to our houses every day, and it is not like just some unseen face that you see in the newspaper. For us, there is a real family involved when we hear postal workers that have unfortunately contracted anthrax and are under the threat of further attacks.

So thank you for being here, and in light of that, I want to tell you that I am very interested in finding out more about the additional requirements that you are going to need. I think we can all appreciate the situation you find yourself in. It is new to everybody. Obviously, there are no game plans; there are no previous rules that we can fall back on. But one thing we are learning very fast is that terrorism has a very hefty price tag, and it seems to be changing literally day to day.

I don't know what the bottom line is going to be. As the chairman mentioned, we have appropriated \$40 billion. I don't know, it might end up being the first installment because these things are going up. But certainly we have to do our best to work together to ensure the future vitality of the Postal Service, and I look forward to doing that. I know we will probably never get back to the day when the postman's worst fear was an angry dog when he was walking down the street, but clearly we can do better.

I know that you are under some duress from the postal workers themselves, who feel that they were not contacted early enough about the mail that was delivered to Senator Daschle's office and the media's office, too. I understand there are some lawsuits going on with that. I just hope we can get through all this and we recog-

nize that we have a long way to go in this war against terrorism. It is going to be something like we have never faced before.

But thank you for being here. Thank you for your testimony.

Senator DORGAN. Senator Campbell, thank you very much.

Next I will call on Senator Mikulski.

Senator MIKULSKI. Thank you very much, Mr. Chairman, and I want to thank you for holding this very timely hearing today. And I want to welcome the Postmaster General, Mr. Potter.

Mr. Potter, I would like to again express my deepest condolences to the families of the two Maryland postal workers who died because of anthrax. Mr. Morris and Mr. Curseen were residents of my State. By all accounts, they were good neighbors and great guys. And our heart goes out to those families.

Our heart also goes out to the thousands of people who work at Brentwood facility. I was over at D.C. General, walked the halls to see how they were being treated as they lined up to be able to get their Cipro. And our strength and our support also goes to them and the people in Linthicum and throughout all of the postal facilities in our Nation.

I really want to compliment the Nation's postal workers for staying on the job. We see them out there every day. The post offices are open. The mail is being delivered. I see them with their leather bags out in our communities. And I just really want to congratulate them for their steadfastness, their loyalty, their bravery, and really their patriotism, because they are showing confidence in the way our country is working.

But I believe that we need to be able to thank them not only with words but with deeds. And I believe we, as the United States Congress, need to move heaven, earth, and our budget to make sure that we ensure worker safety and mail safety; that the postal workers themselves and all who use the post office know that their highest elected officials are on their side. And I think we need to listen to you today on what it is that we need to do to help you make sure that the workers are safe, that the mail is safe, and all who come to those facilities are helped.

At the same time, we know that the postal workers themselves are under incredible pressure, and I know you have a great reputation for listening to your workers, and I thank you for that. But I think we have to agree that the postal workers themselves have a right to be heard, they have a right to know what is going on, and they have a right to be protected. This is what homeland security is all about.

I look forward to working with you on this because the events of last month were deeply troubling. On October 15th, there was the Daschle letter. This Capitol Hill campus responded quickly. I know that you tried to respond quickly to the Brentwood situation. But, alas and alack, you didn't get the information or the agency support that you needed. I am deeply troubled by that.

But now we have to look ahead to the future about the reopening of other facilities, the reopening of Brentwood. Just as we worry about the Hart Building, you worry about these other facilities. And I want to be sure that Brentwood gets exactly what we are getting from the Hart Building. So we want to work with you and we want to marshal the resources of the United States Government

to be sure that when our facilities are open and yours are, that they are as fit for duty as the people who will bravely walk into those doors.

God bless you and God bless the Postal Service, and I look forward to working with you and being on your side.

Mr. POTTER. Thank you, Senator.

Senator DORGAN. I am going to recognize members in order of appearance. Senator Reed?

Senator REED. Thank you very much, Mr. Chairman, and welcome, Mr. Potter. I want to join my colleagues in expressing my sympathy for the postal workers who have died, their families and their coworkers. This unprecedented attack upon America using anthrax through the mail has put tremendous stress on the postal service, and it has in an unbelievable way made anthrax an occupational hazard for postal workers.

But there are other occupational hazards that they face every day in buildings throughout this country, and I would hope that when you present to us your plans for the Postal Service they are not simply in terms of responding to this crisis, but also in terms of responding to all the occupational hazards that postal workers face each and every day.

I think one legacy for the sacrifice made by these two postal workers would be not only that we respond to this crisis but also that we provide a better working environment for all their coworkers. And we want to work with you to do that.

Thank you, Mr. Potter.

Mr. POTTER. Thank you.

Senator DORGAN. Senator DeWine?

Senator DEWINE. Thank you, Mr. Chairman.

Postmaster Potter, let me also join my colleagues in expressing to you and the Postal Service, and specifically to the families of Mr. Morris and Mr. Curseen, our deepest sympathy for their deaths. This is a great tragedy. It is a great tragedy that has affected this entire country.

Members of the Postal Service are our friends, they are our neighbors, they are literally the fabric of our communities, as Ben has indicated. So, we feel very deeply about this.

I think we have an obligation, as, of course, you do, to try to do whatever we can to make the changes that we can to ensure the safety of our postal workers and the sanctity and safety of our mail.

When it comes time for my questioning, I am going to be asking you about the contract that you have entered into with Titan, what your ideas are in regard to the sanitation of the mail, whether or not—what testing has actually been done that would indicate that the procedure that Titan is doing and will be doing in the future really has been tested and that we know that it will, in fact, work. So, that is where I will be going with my questions. I look forward to having the opportunity to talk with you in a few minutes.

Mr. POTTER. Thank you.

Senator DORGAN. Finally, we are joined by the chairman of the full Appropriations Committee of the Senate, Senator Robert Byrd.

Senator BYRD. Thank you, Mr. Chairman, and I thank the other members of the subcommittee.

The Continental Congress first met on September 5, 1774, and the next year, in the Second Continental Congress, in 1775, the Continental Congress appointed Benjamin Franklin Postmaster General. And so the Articles of Confederation, which became effective in 1781, mentioned the United States of America for the first time. It included those words. That was our first Constitution, the Articles of Confederation. And the United States of America, that splendid verbiage appeared for the first time in the first Constitution.

At that time, of course, the confederation was a weak confederation. It was a confederation of colonies that were scattered along the Eastern seaboard. And the new postal system that Congress created helped to bind our infant Nation together by supporting the growth of commerce and the free flow of ideas and free flow of information.

Anthrax today threatens to rip that bond apart. I am concerned that the fear of bioterrorism—and I share it with every other American, and I particularly have concerns for the people, the postal workers, and I share the concerns of my colleagues here who have spoken and who have been very close to this situation since it began, such as the Senator from Maryland, Senator Mikulski.

So I am concerned about that fear that grips this Nation. It is an atmosphere of fear. And I am fearful that it will send our economy into—hopefully not a free fall, but it is conceivable that that could happen.

I hope that in the weeks ahead, Mr. Postmaster General, we can work together to ensure that the free flow of ideas and information is not disrupted further by the threat of an unseen microbe. We must work to protect postal employees and the millions of American citizens who want nothing more than a letter or a package to arrive in their mailbox.

We are coming upon the holidays of Thanksgiving and Christmas and New Year's, and it would be a time when people will be receiving and will be hoping to receive packages and mail from loved ones and from friends across the Nation and from throughout the world. And we must do everything that we possibly can to make those packages and that mail safe, and most of all to give our people renewed confidence that their government is acting to secure them, the people.

And so remembering that a postal system existed in the Confederation of States before the United States existed when its birth was brought forward in 1787 with the writing of the U.S. Constitution, the current Constitution, that is a memorable history. And I salute you for the work you are doing. We simply cannot allow terrorists to destroy or further impede the mission of this important institution, the institution that you head.

Thank you very much, Mr. Chairman.

Senator DORGAN. Senator Byrd, thank you very much.

We are also joined by the ranking member of the full committee, former chairman of the committee, Senator Stevens.

Senator STEVENS. Well, thank you very much. I am sorry to be a little late. I just left the Library of Congress where we are dealing with the veterans history project, Mr. Postmaster General, and

I apologize for not having been properly briefed. They said, well, we mailed this to you almost a month ago.

It is somewhere stuck in the mail.

On the Constitution, I am not one to follow Senator Byrd in regard to the history of it, but it does provide that the Congress has the duty to provide post offices and post roads. We set up the United States Postal Service as a semi-government function. The ratepayers really support it now rather than taxpayers, but there is still a taxpayer obligation and a congressional obligation. I am pleased to be here to listen to your statement because I think you have a terrible problem on your hands right now.

Thank you very much, Mr. Chairman.

Senator DORGAN. Senator Stevens, thank you very much.

Postmaster General John Potter is accompanied by Richard Strasser to our right, who is chief financial officer, and Tom Day, Vice President of Engineering, to his left. We also have the Chairman of the Postal Service Board of Governors, Robert Rider, who is sitting directly behind the Postmaster General.

Mr. Postmaster General, why don't you proceed?

POSTMASTER GENERAL'S OPENING STATEMENT

Mr. POTTER. Thank you, Mr. Chairman, and good morning to you and to the members of the committee. I appreciate the opportunity to meet with you today to discuss the unanticipated financial burdens that have been placed on the Postal Service as a result of the terrorist attacks on September 11 and the subsequent use of the mail as a vehicle for bioterrorism.

Today postal employees find themselves on the front lines of a new war. It is not a role they have sought, but it is one that they have accepted. They have become quiet heroes simply by doing their jobs, serving the American public. We mourn the loss of two courageous members of our postal family. We pray for the health of seven others who have suffered from this attack.

I am grateful that the subcommittee acted quickly to convene this hearing. Your desire to hear from the Postal Service says a great deal about your collective and individual interest in protecting this basic and fundamental communications service provided for the American people by the Government.

The Postal Service is a critical element of the Nation's infrastructure. It is the one element of our National Government that has daily presence in every community in the Nation, from the smallest town to the largest cities. The Postal Service is the linchpin of the 9-million-person, \$900 billion mailing industry.

The Postal Service is coming off 2 years of negative net income for fiscal years 2000 and 2001, this despite record productivity increases during that same period. Expenses rose faster than our rate of growth as a result of serving an ever-growing number of delivery points, an additional 1.6 million new delivery addresses each year, combined with hikes in employees' salaries, hikes in energy costs, and increases in health benefit costs.

The fiscal year 2002 plan envisioned more of the same, with a planned loss of \$1.35 billion, despite our having just raised rates earlier this year.

The potential for a \$2.5 billion loss in fiscal year 2003 compelled the Board of Governors of the Postal Service to vote for a rate case filing with the Postal Rate Commission on September 10th this year for implementation of new rates in the fall of next year at the earliest.

Terrorism has exacerbated this bleak financial picture. The Nation has been subjected to two distinct attacks: the September 11 terror attacks and the subsequent anthrax attacks using the mail. Both were intended to kill and frighten Americans. The Postal Service has been the victim of both attacks.

Clearly, many Americans were concerned about what lay ahead in the future and the threat of anthrax in their mail. These concerns were reflected in significant losses in volume and revenue in September and October.

These months mark the start of the holiday mailing season, our busiest and most important time of the year. During this season, we generate a financial surplus which carries us through lower volume and revenue periods in the summer months.

While we are getting our hands around the short-term and long-term financial impact of the attacks, let me assure you that they are enormous. The financial impact falls into two categories: the first are costs directly related to the September 11 and anthrax attacks; the second category relates to the business impact of these incidents.

In the category of direct impact of the terror attacks, the Postal Service has and will incur costs for damage to facilities and equipment in New York City; disruption of facility operations and associated mail-handling costs; medical testing and emergency treatment of employees exposed to anthrax; protective equipment for our employees; environmental testing and, where necessary, decontamination of postal facilities; communication and education of employees and customers; implementation of new security procedures; detection technology; cleaning and filtration systems; and equipment to sanitize the mail.

The most significant of these expenses will be the purchase of equipment to sanitize mail and the costs associated with integrating this equipment into current operating systems. Three criteria have been established for selection of the appropriate technology for use nationally.

First, the technology must be capable of eliminating biochemical materials in the mail.

Second, the technology must be compatible with postal operations. It should enable us to treat the mail and maintain current service levels.

Finally, it should be the least costly, most effective technology when considering both initial purchase cost and ongoing operating cost.

A risk assessment is underway to determine the location and the amount of equipment to be purchased. With the assistance of Dr. John Marburger, Director of the President's Office of Science and Technology, we have been able to assemble experts from various Federal agencies, as well as research facilities throughout the United States. They have helped us to identify the available technologies that are compatible with our needs.

Over the coming months, we will be evaluating and testing these options. In the interim, we will use readily available technology and lease private sector facilities where there is existing effective equipment.

President Bush has made \$175 million available to the Postal Service from monies authorized by Congress for homeland security. We are using these monies to defray costs in the short run, including the initial purchase of sanitizing equipment.

Based on current information, we estimate our entire cost for terrorism and dealing with homeland security to be \$3 to \$4 billion. We will refine these estimates as we aggressively pursue our review of the technology and the modifications we have to make to our systems.

We are working on the premise that the leaders of the Nation want to ensure that all of the Nation's mail system is protected from this kind of terrorist threat in the future. We are proceeding with our plans and actions on this basis. While we need some funding soon to make this happen, just as important is the commitment to meet this challenge with full funding.

As I have noted, direct costs of responding to these terror attacks is only one of two types of financial consequences we are facing. The second is the large and negative impact on our business. This is reflected in significant declines in mail volumes and revenue that are related to and impacted by the terrorist attacks.

During September and October, mail volume was more than 2 billion pieces less than last year. Even with postage rates 6 percent higher, total revenues were below last year and \$634 million below what had been anticipated. Operationally, we have trimmed our cost by more than \$200 million beyond reductions we had already planned.

The bottom line for September and October put us \$418 million below where we should have been, which means we are already facing a \$1.8 billion deficit this fiscal year versus the \$1.35 billion we had forecast last summer.

With concerns about the mail system driving individuals and businesses to consider alternatives, we believe this could affect our bottom line by \$2 billion this fiscal year. However, it will take us a number of months to assess the full impact on the Postal Service.

Mr. Chairman, the financial impacts I have described are the consequence of terror attacks on the Nation. They should be considered costs of homeland security. Despite the leadership and support from our customers, our employees, our unions, our management associations, Health and Human Services Secretary Thompson, and Governor Ridge, the Postal Service requires financial help if we are to rebuild faith in the integrity of what is in the mail and maintain the level of service we have provided over the years.

From those small businesses who depend on the daily mail, to citizens who save money by receiving prescriptions by mail, to local newspapers and churches who rely on the local Post Office to deliver, Postal customers should not be burdened by extra costs of terrorism through the price of postage. This could quickly threaten the foundation of a universal Postal system serving all Americans.

We are doing everything that we can to reduce our expenses by streamlining operations and our administrative costs. We are also

moving forward to do everything we can to keep the mail safe. Both are imperative if we are to continue to maintain the levels of trust and confidence necessary to protect the viability of our national Postal system. We will deliver on this expectation. We will do everything possible to protect the lives and safety of employees and customers, and we will keep the mail moving. This is vital to the Nation, to our economy and to the men and women who work in the entire mailing industry that represents 9 million jobs and fuels 8 percent of the country's gross domestic product.

PREPARED STATEMENT

We will need your help, and I look forward to working with the committee.

Thank you very much, and we will be pleased to answer any questions you may have.

[The statement follows:]

PREPARED STATEMENT OF JOHN E. POTTER

Good morning, Mr. Chairman and members of the Subcommittee. I appreciate the opportunity to meet with you today to discuss the unanticipated financial burdens that have been placed on the Postal Service as a result of the terrorist attacks of September 11 and the subsequent use of the mail as a vehicle for bio-terrorism.

Mr. Chairman, with me today are Richard Strasser, the Postal Service's Chief Financial Officer and Thomas Day, Vice President of Engineering. I would also like to recognize Robert Rider, the Chairman of the Postal Service's Board of Governors.

Today, Postal Service employees find themselves on the front lines of a new kind of war. It is not a role they have sought, but it is one they have accepted. They have become quiet heroes simply by doing their jobs, serving the American public. We mourn the loss of two courageous members of our postal family. We pray for the health of seven others who have suffered from this attack.

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The fiscal year 2002 plan envisioned more of the same with a planned loss of \$1.35 billion despite having just raised rates earlier this year. The potential for a \$2.5 billion loss in fiscal year 2003 compelled the Board of Governors of the Postal Service to vote for a rate case filing with the Postal Rate Commission on September 10th this year for implementation of new rates in the fall of next year, at the earliest.

Terrorism has exacerbated this bleak financial picture. The Nation has been subjected to two distinct attacks—the September 11 terror attack and the subsequent anthrax attacks using the mail. Both were intended to kill and frighten Americans. The Postal Service has been the victim of both attacks. Clearly, many Americans were concerned about what lay ahead in the future and the threat of anthrax in their mail. These concerns were reflected in significant losses in volume and revenue in September and October. These months mark the start of the holiday mailing season, our busiest and most important time of the year.

During this season we generate a financial surplus which carries us through lower volume and revenue periods in the summer months.

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The financial impact falls into two categories. The first are costs directly related to the September 11 and anthrax attacks. The second category relates to the business impact of these incidents.

In the category of direct impact of the terrorist attacks, the Postal Service has and will incur costs for:

- Damage to facilities and equipment in New York City
- Disruption of facility operations and associated mail handling costs
- Medical testing and emergency treatment of employees exposed to anthrax
- Protective equipment for employees
- Environmental testing and where necessary, remediation of postal facilities
- Communication and education of employees and customers
- Implementation of new security procedures
- Detection technology -Cleaning and filtration systems, and
- Equipment to sanitize mail.

The most significant of these expenses will be the purchase of equipment to sanitize mail and the costs associated with integrating this equipment into current operating systems. Three criteria have been established for selection of the appropriate technology for use nationally.

First, the technology must be capable of eliminating bio-chemical materials in the mail. Second, the technology must be compatible with postal operations. It should enable us to treat the mail and maintain current service levels. And finally, it should be the least costly, most effective technology when considering both initial purchase cost and ongoing operating cost. A risk assessment is underway to determine the location and amount of equipment to be purchased.

With the assistance of Dr. John Marburger, director of the President's Office of Science and Technology, we have been able to assemble experts from various Federal agencies, as well as research facilities throughout the United States. They have helped us to identify the available technologies compatible with our needs. Over the coming months we will be evaluating and testing these options. In the interim, we will use readily available technology and lease private sector facilities where there is existing effective equipment.

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We are working on the premise that the leaders of the Nation want to ensure that all of the nation's mail system is protected from this kind of terrorist threat in the future.

We are proceeding with our plans and actions on this basis. While we need some funding soon to make this happen, just as important is the commitment to meet this challenge with full funding.

As I have noted, the direct costs of responding to these terror attacks is only one of two types of financial consequences we are facing. The second is the large- and negative-impact on our business. This is reflected in significant declines in mail volume and revenue that are related to and impacted by the terrorist acts.

During September and October, mail volume was more than 2 billion pieces less than last year. Even with postage rates 6 percent higher, total revenues were below last year and \$634 million below what had been anticipated. Operationally, we have trimmed our costs by more than \$200 million beyond reductions we had already planned.

The bottom line for September and October put us \$418 million below where we should have been, which means we are already facing a \$1.8 billion deficit this fiscal year versus the \$1.35 billion we had forecast last summer.

With concerns about the mail system driving individuals and businesses to consider alternatives, we believe this could effect our bottom line by \$2 billion this fiscal year. However, it will take a number of months to assess the full impact on the Postal Service.

Mr. Chairman, the financial impacts I have described are the consequences of terror attacks on the Nation. They should be considered costs of homeland security. Despite the leadership and support from our customers, employees, unions, management associations, Health and Human Services' Secretary Thompson, and Governor Ridge, the Postal Service requires financial help if we are to rebuild faith in the integrity of what's in the mail and maintain the level of service we have provided over the years.

From those small businesses who depend on the daily mail to citizens who save money by receiving prescriptions by mail, to local newspapers and churches who rely on the local post office to deliver, postal customers should not be burdened by extra costs of terrorism through the price of postage.

This could quickly threaten the foundation of a universal postal system serving all Americans.

We are doing everything to reduce our expenses by streamlining operations and administrative costs. We are also moving forward to do everything we can to keep the mail safe. Both are imperative if we are to continue to maintain the levels of trust and confidence necessary to protect the viability of our national postal system.

We will deliver on this expectation. We will do everything possible to protect the lives and safety of our employees and customers. And we will keep the mail moving. This is vital to the Nation, its economy, and the men or women who work in the entire mailing industry that represents 9 million jobs and fuels 8 percent of the country's gross domestic product.

We need your help, and I look forward to working with the Committee. Thank you very much. We will be pleased to answer any questions.

Senator DORGAN. Mr. Potter, thank you very much.

About 2 weeks ago I received a call from a county sheriff in North Dakota. A constituent of mine in North Dakota had received a letter from me that apparently my office had mailed just prior to the anthrax letter coming to the Hart Building, probably October 10th or 12th we had put a letter in the mail in response to a constituent. The letter found its way to southeastern North Dakota, and the recipient of the letter then called the county sheriff to ask if he could check to see if it was safe to open mail from Senator Dorgan.

People are worried all across the country about mail, not just mail that comes from Capitol Hill, but mail that comes from everywhere. We face a circumstance where some sick, twisted minds have decided to use the U.S. mail system to deliver terror, and that has changed a lot of things.

Now you have suggested to us some significant consequences for the postal system. We are obviously going to need much more detail. I understand you do not have all of the details today, but I want to ask some questions about that. We need to understand much more about the timing of the issues you have raised with respect to funding needs.

My understanding is the President has requested approval for the release of \$175 million from the \$10 billion emergency supplemental funds that are subject to 15-day notification. Apparently, these funds are for the Postal Service to purchase initial irradiation and remediation equipment, 4.8 million respirator masks, 88 million pair of plastic gloves for its 800,000 employees. Also, that money would be used to cover the medication costs for its employees, as well as a national communications effort to inform the public about the safety of the mail.

That \$175 million will be available to you soon, I expect, and I assume, based on your testimony, that will be used rapidly and is not part of what you are now addressing in your testimony today; is that correct?

MAIL SANITIZATION TECHNOLOGY

Mr. POTTER. That is correct. Yes, we will use that money rapidly. We have spent a considerable amount of that \$175 million already.

Senator DORGAN. Let me address the question of treating the mail, so that those who receive the mail do not have to worry that

there is some microbe or some spore or bacteria in it that is harmful to them. Those of us who are refugees from the Hart Building know that the best people in the country who think about this have not yet exactly concluded how they would deal with the spores that exist in the Hart Building.

How confident are you that the technology exists and that the technology will be decided upon will give you and the American people an assurance that we have treated this mail in a manner that makes it safe?

Mr. POTTER. Obviously, we will conduct extensive tests of this equipment to assure that it works. Today we are treating mail from the Washington, D.C., area in Lima, Ohio, and we have conducted extensive tests on that mail to make sure that any bioagents that are in the mail are eliminated. I would like to turn to Tom Day, who can probably give a lot more detail about how that is being done.

Mr. DAY. Senator, we have worked with Dr. John Marburger, who has been very gracious in assembling the group of experts we need to appropriately assess the technology and then make sure we are using it in the right way and then getting the appropriate results.

The facility in Ohio has been tested extensively, not just theoretically as to what should happen, but we've actually run tests, and it was not just the Postal Service. We have gotten assistance from the Department of Energy, the EPA, and the Food and Drug Administration. One particular part of the Department of Defense that has done extensive research with this is the Armed Forces Radiobiology Research Institute. We have relied greatly upon them as well.

We did extensive testing in Ohio, not only to assure that it had the right dose, the right level of energy to kill the anthrax spores, but we also ran biosimulants through an environment with mail, in with the mail that we are processing, and we had a 100-percent kill rate. No spores grew at all from that biosimulant. So we are at the highest possible level of confidence from a broad group of experts that this technology indeed works and is very reliable.

Senator DORGAN. Mr. Day, when fully implemented, is it your intention to deal with all of the mail and treat all of the mail in this country?

Mr. DAY. Our concept, as we look at it now, is that we would capture mail at origin. Our concern is, as we saw with this threat, mail that you are not sure who sent it. It is anonymous, to some extent.

There are other processes that we have used for many years to accept mail in bulk quantity from known mailers. The machine would be capable of handling that, the technology would, but our thought is we need to concentrate on the threat. So we would scope out a system that handles what we believe will be the threat, but it is capable of doing more if it was needed.

Senator DORGAN. Would the Postal Service be considering using one technology or multiple technologies?

Mr. DAY. We have kept open, very much open, the option on technology. I think, as has been widely reported, we are using the electronic beam technology in Ohio. We have another facility under

contract now in New York that has both electronic beam and X-ray technology. We will use both of those, and we are also looking at some gaseous treatments.

Again, using Dr. Marburger as a great resource, we are pulling together the experts. If there are ways to effectively sanitize mail, we will keep all of those options open.

Senator DORGAN. My understanding is that the use of chlorine dioxide, once dissipated, leaves a powdery white substance on whatever it has sanitized; is that the case?

Mr. DAY. Senator, I would have to check on that. We have had some discussion, quite a bit of discussion, actually, about chlorine dioxide. I was not aware that there would be a white powdery substance. That is not my understanding, but I could check into that.

Senator DORGAN. Just a quick question. I will come back and ask my questions at the end. I have more questions. But some would say, if you have problems, and you do, how about just increasing Postal rates? I mean, all of our colleagues will get questions like that from constituents. What about just increasing postage rates to cover the costs?

Mr. POTTER. Obviously, that was a consideration that we had, but in light of the fact that we had just raised rates last year, that we had filed for a rate increase at the end of September this year, and we understand that it has put a tremendous burden on the ratepayer. So our concern is that pushing or adding these costs on to the ratepayers will do some significant damage to the economy in the short run, given the pressure that everybody is under, and it may do some serious damage to the Postal Service in the long run.

So our concern was that we not increase the burden on the ratepayer such that we make the long-term viability of the Postal Service something less than it already is.

Senator DORGAN. Is it the case in a new age of technology, where people use instant messaging and e-mails, that this anthrax attack, coming at a time when you have already seen decreased use of the mail and coming at a time with a soft economy perhaps persuading people to use the mail less, that there has been permanent damage done to the Postal Service and that you may not recover, in the long term, the load that you were accustomed to and that produced the revenue that you were accustomed to?

Mr. POTTER. Well, certainly that is a fear of ours, but only time will tell. Our hope is that the mail would bounce back, but certainly there are alternatives to the mail and each and every American will make those decisions based on their own needs, and businesses will make decisions regarding that.

We do not want to encourage them to leave the mail, and we would love for everyone to mail a lot of Christmas cards this year because now, more than ever, I think we need to stay in touch with one another. But, certainly, that is a fear that we have.

Senator DORGAN. Mr. Potter, I will ask you specific questions about the specific amounts of money you mentioned in your testimony at the conclusion of my colleagues' questions.

Senator Campbell?

Senator CAMPBELL. Thank you, Mr. Chairman. I assume you are going to do this in rounds.

Senator DORGAN. Yes.

Senator CAMPBELL. Then I will save a few of my questions if you are going to do a second round.

Since you did talk somewhat about the apparatus for sanitizing the mail, and I understood you to say that point of origin is where you are going to try to install these, correct?

Mr. POTTER. Yes. Yes, Senator.

Senator CAMPBELL. What is the cost of one of these machines that I read about in the newspapers that you are using now in some of the bigger distribution centers?

Mr. POTTER. Currently, we do not have sanitizing equipment in our centers.

Senator CAMPBELL. You do not have any? I thought there was some being installed.

Mr. POTTER. We did procure eight machines at a cost of about \$5 million per machine, but we are not committed to that technology as the production technology.

Senator CAMPBELL. With 38,000 Post Offices, we probably are not going to put one in every Post Office.

Mr. POTTER. No, we are not, sir.

Senator CAMPBELL. There must be, as you mentioned, avenues for looking at alternative methods. Is it true that a microwave, if you leave an envelope with some bio chemical in it long enough will actually do that too? Of course, that is after you have touched, but I mean in theory would a microwave kill those spores and the things that you are worried about?

Mr. POTTER. The scientists tell me that that is not the case.

Senator CAMPBELL. You say that that is not the case.

Senator MIKULSKI. You mean like microwave at your home?

Senator CAMPBELL. It seems like I heard that or read that.

Senator MIKULSKI. Yes, I have read that.

Senator CAMPBELL. But that is not true, he is saying.

Mr. POTTER. There is another one out saying that you should iron your mail. But, again, scientists tell me that is not the case.

Senator CAMPBELL. I cannot even iron my shirts.

The President recently asked all citizens to try to help in any capacity that they could, and I am sure that the other people on this dias are getting the same kind of response we are getting, and that is everybody with a plan or a gizmo wants to notify the Postal Service how it would fix all of your problems. I am sure some of them are very well-meaning and some of them just want to sell gizmos, I guess.

I received got a letter from a man. I read the letter, and it sounded very good to me. I am not a technical person, but the apparatus that he developed, he is sure that it is inexpensive, and easy to use and could be put in all Post Offices. I noted with interest, though, he said he has written to you several times and never received an answer. That is not surprising. The mail is not running very efficiently now.

I want to know if you are looking at all of those different alternatives, and who is actually doing the testing and the looking for you?

Mr. POTTER. Well, we are looking at all alternatives. Some are redundant, some are not effective, for example, ultraviolet light

was something that initially we started to take a look at. When we found out that it only might be effective on surface spores, as opposed to penetrating an envelope, we obviously looked in other directions.

Tom Day is coordinating this effort. I think he is one of the most popular men in America right now in that industry, and if you would like, I will ask him to comment some more.

Senator CAMPBELL. We are going to build a statue for him.

Mr. DAY. I hope not, Senator.

What we have done, in fact, I was just discussing this morning on how do we set up the process to review this because we have been swamped, through the mail, and, actually, it is getting through quite effectively. I have gotten e-mails and then just telephone calls. We are trying to put all of this together.

I think there is a lot of well-meaning intent out there. What has happened is people do not necessarily understand the application for which we need it. And so there are people with ideas on how you kill an anthrax spore or any type of biohazard. They are not at all familiar with the type of process that we need to incorporate it into. As I have gotten into discussions with some of these people, as you describe the environment we need to bring it into to effectively kill anthrax, they then come to understand the difficulties we face.

So we are sorting through the technology. In fact, what I went over this morning with my staff is we need to categorize this, and we owe these people a response. So there are some that we have quickly determined are not effective technologies. We will respond to them and let them know it. There are some that pose some interest, and we need to do further exploration. We will respond as such. And then, finally, there are ones that have the appropriate technology, but as Mr. Potter has already indicated, some of it is redundant, things we already have pursued.

So we will get those answers back to those people.

Senator CAMPBELL. My own hope is that you will eventually have some kind of standard procedure. I think one of the problems we are facing with the airline security now is that in one airport you go through, they take away your nail clippers, and then you go through another, and guns have gone through without any observation. I would hope that people in the small towns, like where I come from and where Senator Dorgan comes from, have the same kind of faith in being secure that a person in the big cities would have when we get this apparatus set up.

Let me just say one thing, Mr. Chairman, before I yield the floor, and that is, we are going to deal with two issues here. Obviously, one is going to be loss to revenue which we probably are not going to cover, as you probably know. I do not know what you are going to do about that. You may have to have another raise in the Postal Service rates, and the other one is going to be security. I know some of us are already in disagreement with the President about how much more we have to add to a supplemental.

So I just wanted to tell you, from my standpoint, I am certainly going to do the best I can to help you, but I have been around here long enough to know that supplementals are like flypaper—the longer they hang out there, the more things seem to stick to them.

After a while, you have got all kinds of things that are sometimes described as pork that are stuck in those packages, and you end up with just a huge mess to try to address a much smaller problem. I hope we are going to be able to get through that in a good fashion without it deteriorating into a great big mess or, worse yet, into some kind of a partisan thing.

I read, with interest, Roll Call this morning about how a veto threat may divide the Hill and some are already seeing it as a campaign issue. My God, if there was ever a time we ought to get away from the partisanship and the campaign issues it ought to be now in trying to protect American people. I just wanted to say that for the record.

Thank you, Mr. Chairman.

Mr. POTTER. Thank you, Senator.

Senator DORGAN. Senator Mikulski?

Senator MIKULSKI. Thank you, Mr. Chairman.

Mr. Potter, I think you are the right guy for the right time. I really am impressed, as I look at your biography and know that you have come up through the ranks, you have got graduate degrees from MIT in management, you know this capital region well, and you have won awards for your labor management relationships. And if ever there is a time where we need excellent labor management relationships and a trust by the workers with the boss, it is really now. So we are pleased that you are on the job.

Let me go to the issues related to worker safety. Because if the workers are not safe and the facilities that they work in are not safe, then the mail is not going to be safe. Let me go then to the Brentwood issue and also the fact that you have turned to Dr. Marburger, the President's Science and Technology Adviser to help you.

Here is my question: First, why did you turn to him and not EPA? We are using EPA. Did you know who to turn to for the evaluation of the technology for worker safety, facility safety, and mail safety?

Mr. POTTER. We turned to Governor Ridge for support. As you know, the Postal Service is quasi-Government, so we do not have, and have not had, the type of relationships with the rest of the Federal Government that an agency would have. So we had to learn how the organization worked.

So we worked through Governor Ridge's office to contact all of those agencies. We have the Army Corps of Engineers, EPA, anybody who could help us we reached out to. Dr. Marburger, because of his position, was a natural person to coordinate that effort.

Senator MIKULSKI. So was it Governor Ridge who told you to go to Dr. Marburger?

Mr. POTTER. It was Governor Ridge who suggested that we bring the right people together. I do not know who in the organization suggested specifically Dr. Marburger.

Senator MIKULSKI. Mr. Chairman, this is exactly my point, and I am a greater admirer of Governor Ridge and what he is trying to do, but we are all going into different directions. We are going to EPA, and then EPA is the coordinator of the coordinators. I understand they have got a trailer at Brentwood where they are doing this experimentation on what works. So we are meeting with EPA

Administrator Whitman. Then, after they tell us it was okay to gas the Hart Building, then they alter their plans and say we should not fumigate, we should go to another procedure.

I am not faulting EPA, what I am faulting for is the mess we have on our hands about who do we turn to and who is in charge of giving us the best information on decontamination. And right now I am looking for the best information on the decontamination for Brentwood, as we look for it here.

Now I have no idea why we are not turning to Dr. Marburger or why you did not use it this way. But you went one track; we went another track. I am pleased that—I am not being critical—I am pleased that Dr. Marburger is doing that for you, but that is my whole point. There is nobody in charge. There is no clarity. There is no consistency. There is no uniformity as we look to decontaminate any facility. So we are kind of bumping into each other with that.

I look forward to hearing how you are going to decontaminate Brentwood. I think one of the most important parts of your testimony is to say that you want to assess the use of beam irradiation and other techniques on how to deal with this, but I do not want workers to go into Brentwood, any more than I want to go into the Hart Building, until we really know that the facilities are safe not only from anthrax, but the consequences of decontamination. I know you are worried about that too.

So how do you feel that it is going? Mr. Day has talked about the process, but who is in charge of the process? Is it Dr. Marburger? Is he doing the evaluation of the technologies or did he kind of put a group together and you are on your own?

Mr. POTTER. They are working very closely with us on the testing. We are using Government facilities to evaluate these tests. I will let Tom talk, but before I do—

Senator MIKULSKI. But who is in charge?

Mr. DAY. Senator, what Dr. Marburger does, and it is a unique position, the Office of Science and Technology Policy, he has the ability to pull together the appropriate experts. Now, depending upon the technology, you find there are different groups of experts. So, as we have sought to use irradiation to decontaminate mail, there is a set of experts that we pulled together. We are also looking at chlorine dioxide not only for building contamination, but the mail.

Ultimately, what it comes down to, Dr. Marburger pulls people together, he has advice and tries to craft policy, but it does come down to the Agency, as he gets them connected with the appropriate experts, to make—

Senator MIKULSKI. Is he in charge of the evaluation of these different technologies?

Mr. DAY. I do not know that you can say that “in charge” is the right terminology. He is pulling people together to try to find the right group of experts to—

Senator MIKULSKI. This is a new name, I know, to this—it is not a new name about Dr. Marburger. His office is in my appropriations, and we admire him.

They are telling him I have one minute left, but can you see where I am heading with this?

Mr. DAY. Senator, I see where you are going, and I want to give full credit to Dr. Marburger for the efforts he has made over the last couple of weeks. What we have done in polling the appropriate experts, and understand that it is experts that have done different types of research, and you are trying to blend it together to face an entirely new situation, we have erred on the side of caution to be absolutely sure that what we say we are doing actually will be done. When we say we sanitize the mail, we are sure, and it is safe for people to handle. So we are erring on the side of caution, and collectively, as a group of experts, and with the Agency, in this case the Postal Service's knowledge of the operation to say, yes, this will work.

Senator MIKULSKI. My time has expired. Let me say one thing in conclusion.

First of all, I think you have got a process underway, but you should know the way I feel. I really was very reluctant to go back into Hart Building over this gas, chlorine dioxide. It has never been tried in a civilian facility. I was worried about me and I was worried about Brentwood. What was I worried about? The consequences of the decontamination. I was sure that they were going to kill anthrax, but I did not know if when killing anthrax, they would set me up for other respiratory and other consequences. This is what we need to be standing sentry over. I really want to work with you. We have bipartisan support here.

Last, but not at all least, I would also urge you to bring into your process, through Dr. Marburger, the retired people at Fort Detrick, the retired workers at Fort Detrick who worked on anthrax decontamination, and I am going to give you an article from the Baltimore Sun about who they are.

Mr. POTTER. Great.

Senator MIKULSKI. But these were the guys who worked with it. But, again, God bless you, and we look forward to working with you.

Mr. POTTER. I appreciate your support, Senator.

Senator DORGAN. Senator Reed?

Senator REED. Thank you very much, Mr. Chairman.

Mr. Potter, thank you for your testimony today, you and your colleagues. It is good to see Tom Day here, formerly from the Providence Post Office.

You have several serious challenges. One is to protect the health of your workers and also to, once again, inspire confidence in the mails. Sanitizing the mails is one approach, but even if that works extremely well, are you still contemplating having a regular testing of Postal facilities on an ongoing basis, not just for anthrax, but for other occupational problems?

Mr. POTTER. Yes. One of the things I listed was the placement of detection equipment throughout our facilities. We are taking a number of steps and have taken a number of steps to reduce any risk from anthrax or dust, and one of the things that we are going to do is put detection equipment throughout our system. We are modifying our operations to eliminate dust in the air. At our machines, we are going to have vacuums. We are going to create down-drafts on machines. We have changed a lot of our cleaning

agents so that if there is an incident of anthrax, it will be cleaned in the normal process of doing business.

So we are looking at everything, and we would like to be a model for the rest of America, when all is said and done.

Senator REED. Now your focus is, as it should be at this point, on anthrax, but I presume that you are also obviously interested in other occupational hazards that are in the workplace in the Postal offices. Are you planning more generally than just counteracting anthrax?

Mr. POTTER. The type of equipment we are talking about will take care of any biochemical agents. As I said, we are looking at the environment within the Postal Service and making modifications as we speak to assure that our employees are not subjected to threats in the mail.

We had just completed this past summer a review of our hazardous material instructions and had just gone through a retraining of our employees and our safety teams around America. So this is something we give constant attention to, have constant concern about, and certainly, as we go through this process, we are looking at anything that is a threat to our employees.

Senator REED. At the conclusion of your proposed plans, will you have tested all of the Postal facilities in the United States and installed detection devices in every facility?

Mr. POTTER. We are in the process of testing all of the main processing plants throughout America. Over 250 facilities will be tested, not for any other reason than just as a precaution. We are going to test them specifically for anthrax.

We have no plan right now to test all 40,000 locations that we have. However, if, in these hub facilities, because all of the mail comes into our plants and then moves out from those plants to Post Offices that you are familiar with, the stations and the branches, if we detect a problem there, then we would proceed to test other facilities.

Senator REED. Now my question follows on the comments that Senator Mikulski made. Is this plan to test based upon advice from the CDC, from experts in the field or this simply is kind of what your gut tells you to do right now?

Mr. POTTER. Every day at 10 o'clock—in fact, I am missing the meeting today—we meet with the leadership from our unions and management associations to discuss all of the issues around what we are dealing with. We are talking about protocol, about closing facilities, and they are concerned obviously for their membership. And they wanted to take, and suggested that we take, some precautionary measures. One measure that they suggested, not only to test for anthrax, but just to reassure those people in areas that are not affected or have not been affected that their facilities are safe, they suggested that we go beyond the East Coast and those where we have problems, but look at the entire country, again, as a precautionary measure, as a means of reassuring our employees that they are in a safe workplace.

Senator REED. I understand that, but my question, getting back to it, goes to the level of ongoing scientific and technical advice you are getting now by the experts—presumably, CDC, Public Health Service—and looking ahead to the extent that you are going to in-

ternalize, as an ongoing process, this type of collaboration with these other agencies because we all hope and pray that this is the only incident of this kind, but if it happens in the future, I do not think anyone here wants you to go back to square one and start coordinating again. Can you give us an idea?

Mr. POTTER. We are very much up the learning curve. All that we have learned in the Florida, New Jersey, Washington, D.C., and New York areas, that is shared throughout the country.

Again, we are building protocol on what should occur if and when anthrax appears either in somebody's office or at somebody's home. We have an immediate procedure so that we can back up, and we now know that, you know, if there is a threat, in terms of where that mail moved through the system.

We have gone through a systematic approach of analyzing those pieces, determining what information on those pieces is available to us so that we can plot the path of the mail and take the appropriate measures, in terms of closing facilities, making sure employees are appropriately medically treated, and so we have a game plan around that, and we are ready to go with that game plan. We are all praying, though, that October 9th was the last anthrax letter that we will see.

Senator REED. So do I. Thank you, very much, Mr. Potter.

Senator DORGAN. Senator DeWine.

Senator DEWINE. Thank you, Mr. Chairman.

Postmaster Potter, let me again wish you well. We appreciate your leadership. We know you have a very tough and difficult job. I appreciate the comments that the panel has made in regard to how effective the procedure will be and is at Lima, the Titan procedure. Though, for the record, I would like to get a couple of things clarified, if I could. I would like for you to make some comment on this.

There was an article in the Chicago Tribune, a person by the name of Ashkoff Chopra, a professor of microbiology and immunology at the University of Texas, was quoted as saying that Sure-Beam—and this is Titan's—technique for cleaning the mail in Lima may kill only 50 to 60 percent of the spores. Any comment about that?

Mr. POTTER. Well, again, we had and conducted an extensive test, and it did kill 100 percent of the spores that we put in to be tested.

Senator DEWINE. This was not anthrax, of course, though?

Mr. POTTER. No, it killed everything. It killed any living organism. I will let Tom—

Senator DEWINE. Excuse me. But that was irrespective of the package, size of the package, what was in the package, the configuration of the package, et cetera?

Mr. DAY. Senator, I do not want to get too specific on—

Senator DEWINE. We do not want you to get too specific.

Mr. DAY. Okay. I would just say that I think—and I am not aware of the article you are referencing or the doctor—the person who is speaking may have referenced food irradiation technology and the dosing levels used there. What they may be unaware of is what we are doing in Ohio and exactly the level of irradiation being

applied. Again, I can provide you a copy of the test documents. We clearly have shown it to be effective.

Senator DEWINE. Well, I would like that. I would appreciate that very much. And, I would just ask you to at least check the article and get your comments on that.

When I first contacted your office, I was told about the study that was conducted by your office. And, this actually was a—we found out it was a joint study conducted by the Titan Corporation, itself, in partnership with the University of North Carolina, at the AFRI facility.

According to AFRI, multiple errors remained in the draft version, and AFRI will not approve the study until corrections are made. Furthermore, despite statements by Titan and your office, the participants in the study from AFRI and the University of North Carolina informed my staff that they did not test the effectiveness of electronic-beam radiation on actual contaminated mail.

Now, maybe you are well beyond that, but when I contacted your office, they said and said, “Oh, no. This test shows that this can be done on mail.” And, when we got into it and we looked at what the Government said, the Government comes back and says, “No, we did not test mail, and in fact the study is not complete. There were some errors in the study and we have not signed off on the final draft.” So, I just want to make sure, that is not what we are relying on for this. Is that correct?

Mr. POTTER. Absolutely not. We were concerned—

Senator DEWINE. Because that is—excuse me—but that is what your office told me when we called.

Mr. POTTER. Right. We had some concerns about some initial studies. That is why the movement of mail to Lima did not move out as quickly as it did, because we wanted to make sure that that technology worked. So we did put biochemical agents in the mail. They were not anthrax. And we actually tested the equipment. We also have quality control checks being placed on this mail. They put a meter into trays of mail to determine whether or not sufficient energy hits the center of the mail that is being treated.

Senator DEWINE. Good.

Mr. POTTER. So we have done actual tests on mail. We have the results of those tests, and we have an ongoing quality effort to assure that what we treat is successfully treated.

Senator DEWINE. And you are convinced that even though you did not use anthrax, what you did use is, from a scientific point of view, is the equivalent in the sense of eradication, testing the eradication?

Mr. DAY. Yes, Senator.

Senator DEWINE. That is fine. I see my time is almost up. And, I appreciate it. This does in fact clarify this.

One final question. Tell me about the contract with Titan, because when I contacted Titan, they could give me a little information, but they said, “We really cannot tell you much because we have a nondisclosure contract,” which I found, quite candidly, to be rather strange, that the Post Office would enter into a contract and Titan could not tell me much about it, could not tell the public much about it because you had insisted that they had a nondisclosure statement.

Mr. POTTER. Well, we were concerned that people might assume that that was the technology of choice as we described earlier. It is certainly technology that we can get off the shelf, but not necessarily technology of choice.

Senator DEWINE. And, I appreciate that. I understand that. What is the contract then? Just briefly as my time is up.

Mr. DAY. Senator, with Titan we have done two basic things. First we have brought under contract the processing capability of their facility in Ohio. We have full capacity, 24 hours a day, 7 days a week.

Senator DEWINE. You bought the operation?

Mr. DAY. We bought the whole thing for 6 months.

In addition, we bought available technology systems that they could sell to us, eight systems that we are deploying. We are looking at a location here in the D.C. Metropolitan area. We are also looking to get a site in the New York/New Jersey Metropolitan area.

Senator DEWINE. That was in the statement you gave us earlier.

Mr. DAY. Yes, it is.

Senator DEWINE. And, what is the figure for the 6 months in Lima?

Mr. DAY. I believe it is \$2.4 million.

Mr. POTTER. I will provide it for the record.

Senator DEWINE. Yes. If it is any different than that, just let us know. Thank you very much.

Thank you, Mr. Chairman.

Senator DORGAN. Senator Byrd?

Senator BYRD. Mr. Chairman, I understand that my colleague, Senator Stevens, has another engagement. At this point I would be happy to have him go ahead of me if he wishes.

Senator STEVENS. Thank you very much, Senator. I canceled that to stay here and I will be here till 11:30. Thank you.

Senator BYRD. All right. Mr. Postmaster General, we laugh about it here, ironing your mail like my wife used to iron my shirts—I have about worn them all out by now—spraying your mail with Lysol as a disinfectant, putting your mail in a microwave. Why are the American people doing these things? Why are they asking these questions? Because there is an atmosphere of concern and fear that permeates this country.

You are here today to ask the Congress for money. Cicero said, “There is no fortress that money cannot take.” You are up against a very impregnable fortress in dealing with this concern that permeates the country.

That is our business, is to help you at this point. Now, you have asked for—you have estimated your cost to be \$3 to \$4 billion, and you have listed certain major elements, one of which, and I see eight items on that list shown in your speech, purchase of equipment to sanitize mail entering our system. That is what we have been talking about mainly here. You have been allocated \$175 million to date. How much of that has been spent? You said a lot of it had been spent already. How much of it has been spent?

Mr. POTTER. \$100 million of the \$175 million was identified for sanitizing equipment. We have spent some \$40 million of that amount. The monies for gloves, medication, et cetera, I think the

last tally we had was somewhere in the neighborhood of \$60 million has already been spent.

Senator BYRD. All right. Now, you mention costs to be \$3 to \$4 billion, and I take it that this purchase of equipment to sanitize mail entering your system is probably going to constitute the major portion of that overall cost. We have already passed our bill dealing with the Postal Service. The last train out of the station is the Defense appropriations bill. Of course, there is that appropriation that we have already agreed upon, the \$40 billion appropriation, about \$30 billion of that which is, I think, possibly a way to help fund this need.

When you talk about \$3 to \$4 billion, over what period of time are you contemplating spending \$3 to \$4 billion, if Congress appropriates?

Mr. POTTER. Senator, I hope to spend it as quickly as possible, but in reality, it is going to take several years to spend that type of money.

Senator BYRD. When you say "several years" what are you talking about, 2 years?

Mr. POTTER. Two, maybe three. It is all going to be a function of the type of technology that we choose, Senator, and the ability of those that provide it to manufacture the numbers of equipment that we need. So I wish I could be more specific, Senator, but until we have the technology selected and until we understand the production capability of those who would provide it, I cannot give you a better answer.

Senator BYRD. All right. As I understand it, the x-ray irradiation and the electronic beam irradiation are the two—or one of those two that you have most confidence in—and then there is the chlorine dioxide, which I understand you are still testing.

Mr. POTTER. Right.

Senator BYRD. Well, now, of those three which is the most sure, which would cost the most, which would cost the least, and which can be put into place the earliest?

Mr. POTTER. The one we are most sure about right now is electron-beam x-ray. It is the most expensive technology, but it can be made, and it would be compatible with our operations as I described earlier, allow us to maintain current service levels.

Senator BYRD. I am reading the words. Electronic-beam irradiation, x-ray irradiation. Is that one or two items?

Mr. POTTER. There are two different technologies, Senator. One is electron beam and the other is electron-beam radiation. And the electron beam radiation is the better technology. It is more compatible. It is more productive, allow us to again meet current service standards.

Senator BYRD. What would that cost as compared with the chlorine dioxide?

Mr. POTTER. My estimate is about twice as much, but I will turn it to Tom Day, if I could.

Mr. DAY. Senator, let me just clarify. On the x-ray, typically what an x-ray technology is—

Senator BYRD. You do not need to be too specific along that line. I am interested in the dollar figure, and that is why you are here.

Mr. DAY. Okay. Either electronic beam or the x-ray version, we do not have specific figures, but I would tell you on order of magnitude that if—and I emphasize if chlorine dioxide were to be effective on the treatment of mail, and we do not know that now, that is why we are still testing.

Senator BYRD. All right.

Mr. DAY. If it were to be effective, it would be at substantially lower cost than either electronic beam or x-ray.

Senator BYRD. When do you think, when will you know?

Mr. DAY. I am working with several companies right now to build prototypes to put into a live mail environment or at least—let me rephrase that—use live mail as a test means, again, working with the Armed Forces Radiobiology Research Institute to test the biosimulants, so as to get past theory, and test that this technology really works. I am moving forward with that over the next couple of weeks to get at least preliminary results to decide is this worth pursuing or are we simply not getting the effectiveness that is necessary?

Senator BYRD. How lengthy is the period of time when you will know that, 6 months?

Mr. DAY. On the negative side, I think in a matter of weeks we could know that it may not work, and I do not mean to be pessimistic, but we would know that quicker. If we get favorable results, then we need some very strict tests and research protocol that I think collectively the scientific community could say reliably to the American public, that, yes, this is a safe technology that truly does the job. That could take months.

Senator BYRD. 6 months?

Mr. DAY. I think we could get an answer in 6 months.

Senator BYRD. It is conceivable then, you do not want to wait 6 months. You need to be doing something, I assume, to deal with this. The something that you could do within that period would be perhaps what you are doing, the installation of the electronic beam irradiation technology medium, whatever that is. Is that right?

Mr. DAY. Yes, sir.

Senator BYRD. That would be something.

Mr. DAY. In a short term, that is why we have contracted for irradiation and gotten some systems because we do know at this point that that technology works.

Senator BYRD. Yes. Now, the \$3 to \$4 billion figure, I assume that is contemplating the use of the more expensive approach; is that a fair assumption?

Mr. DAY. Yes, Senator.

Senator BYRD. Now, I believe you said it would take 2 years probably, or 3, to spend the \$3 to \$4 billion. Conceivably, you are going to have a mixed approach, at least in the beginning, and you may discard the chlorine dioxide approach all together, you may at some point depending upon your tests. How much of this \$3 to \$4 billion are you asking for, Mr. Postmaster General, now? Let us say we have the last train out of the station. We have two trains here. We have the \$40 billion train that we have already agreed upon, and perhaps at least the initial cost, in addition to the \$175 million that you have already gotten from that approach. If we meet the total need, if we would say this money, okay, you are going to get

your \$3 to \$4 billion. Now, how much of that do you need Congress to give or to allocate in the next 6 months?

Mr. POTTER. In the next 6 months? There are a number of things that are in there that we are going to have to have and not just electron beam. We are changing all of our vacuum cleaning systems to go to HEPA vacs, so that we do not spread dust. We are modifying our ventilation systems in our facilities so that if a spore were to become airborne, it would be captured by that system. So in the next 6 months I think we are talking on the order of \$750 to a billion. Again, we will provide more detail for the Committee as we plow through the numbers, but we are working feverishly to identify suppliers, and identify specific costs. So, again, I hesitate to be so general about it, but you can understand, this is a work in progress.

Senator BYRD. Yes. You have been very helpful. If I have further questions, I will await Senator Stevens and the others. I will await the next round. Thank you very much.

Mr. POTTER. Thank you, Senator.

Senator MIKULSKI. Senator Stevens, could I ask where this Army Radiology—is this in Aberdeen or is it Fort Detrick?

Mr. DAY. Senator, it is in Maryland. It is in Bethesda.

FINANCIAL CONSEQUENCES OF TERRORISTS ATTACKS

Senator DORGAN. Senator Stevens.

Senator STEVENS. Thank you very much, Mr. Chairman. I want to follow up for the same purpose as Senator Byrd. We have to figure out what kind of freight goes on that train as it leaves the station, and in which car we put the money for your request. We have a defense bill, and we have a bill to deal with the \$20 billion that is available to the President. We have got a request for allocation of that money completely, and we have the possibility of adding emergency money, which in the last couple of days has been very seriously challenged, and I seriously question whether we are going to be able to add any emergency money. So we are going to have to figure out what of the money that you need must be made available to you before, say, May of next year at the earliest. I assume we will probably get a supplemental out by May to June next year, and we will still be dealing with 2002 money, but the question is, what do you need—and this is what Senator Byrd and I are thinking about right now—what must you have before we leave town for Christmas so that you can do the things that you must do to protect your people and the American public, and assure that the mail will continue and the system will be set up as rapidly as possible.

I have got to add, you know, I have not been home since September 11. I have not received a letter from my State. Unfortunately all of my mail was addressed to the office since we travel so often. I think most of us get all of our mail at the office. I am waiting for my water to be turned off and other things around here, because even the bills came to the office and they are somewhere in your system. So I have a parochial interest in getting that system up and running and make sure my water is not turned off.

Senator STEVENS. But beyond that, we really need to know, what do you need to have in the bank so you can draw against it be-

tween now and June 1st? But we have to have that by Tuesday, Postmaster General.

Mr. POTTER. You will have that by Tuesday, and I am not trying to be evasive. I just—

Senator STEVENS. I am not trying to be overly demanding either, but that is our time frame.

Mr. POTTER. Well, we heard it. He has got it.

Senator STEVENS. If we do not have it by then, we will not be able to get the bill done by Thursday, and hopefully, we are trying to get the bill done before we leave for Thanksgiving.

So I do not have any other questions other than to emphasize that we need to assure you that we are going to do something to get you the money you need. The only question I have is the \$175 million part of the billion dollars?

Mr. POTTER. No, no, it was not part of the—

Senator STEVENS. It is in addition to 175 million?

Mr. POTTER. Yes, Senator.

Senator STEVENS. Well, be sure you have some people with awfully sharp pencils, because if we give you a billion dollars, someone else is going to lose a billion dollars, other people who have convinced the President's people that their needs have the highest priorities are in that list now, and we will have to determine that your priority is higher than theirs, and take out something and put it in. So I hope you have real sharp pencils.

Mr. POTTER. We will, sir.

Senator STEVENS. Thank you, sir.

Thank you, Mr. Chairman.

Senator DORGAN. To underscore what Senator Stevens and Senator Byrd have said, if the money is not made available in the immediate time period ahead with the stimulus or economic recovery package or Homeland Security piece, if it is not part of that, it would likely be part of the next fiscal year's appropriation in some form or another, which would be available to you next October 1st. And I assume from your testimony today that there is an urgency here that is significant.

Now, you are talking about two different requests. One is a request that deals with security of the postal system, and the second deals with your financial losses. And I want to talk about both of them just for a moment. But first I want to ask a question about safeguarding the mail. You indicated that you wanted to treat the mail at its origin, but it seems to me, you have a mail system at the present that has a blue postal box on the corner of a street someplace, and you have got a postal worker that picks the mail out of that box and takes it to a distribution center and then sends it downstream from the distribution center, finally to the mailbox of the customer, and there is an upstream from the distribution system to where it is gathered from all the various boxes.

Mr. POTTER. Right.

Senator DORGAN. How does one safeguard the upstream portion of this collection? That is the point I do not understand.

Mr. POTTER. Well, we are working on a number of methodologies. We have that same concern. We are looking at a number of different options that we might have to do that. It may require that we modify the mailbox, but the idea would be that our employees

would not come into contact with any dust that might be generated as the mail is collected.

Today what we have, we have provided employees with masks and with gloves to protect them from anything that might become airborne there. But in the future we are looking at redesign of the mailbox such that we could collect mail from that box without having employees come into contact or be exposed.

Once it got to the facility, that same device would be then introduced. The first thing we would do when we got it to a processing plant would be to treat that mail.

Senator DORGAN. You say that you had predicted a loss of \$1.35 billion as you entered this fiscal year, and what has happened since September 11 and then subsequently the anthrax attacks, may affect your bottom line by as much as \$2 billion additionally. Tell me how much of that \$2 billion is annualized, because we are talking about a relatively short period of time.

Mr. POTTER. Well, we just extrapolated the \$418 million in terms of our shortfall in the first two accounting periods of the year, and we projected out. So it is an annualized number, the \$2 billion.

Senator DORGAN. All right. So the \$2 billion is an effect from September 11 forward?

Mr. POTTER. Forward.

Senator DORGAN. On a full-year basis.

Mr. POTTER. Right, through next September. The reason we couched it in the terms that we did is that we are hopeful, very hopeful that that projection is high. You know, we do know that we have the \$418 million effect, and, you know, we can't accurately predict what the behavior of our customers or the mailing public is going to be moving into the future. But, again, it was just a rough projection.

Senator DORGAN. Are you delivering this same request to the White House, Mr. Potter?

Mr. POTTER. I have had discussions, yes, with Governor Ridge about our situation. In fact, those early discussions are what led to the White House authorizing the \$175 million that they did.

Senator DORGAN. And the testimony you have provided here today suggests that on the issue of security you expect you will need \$3 billion or more, quote-unquote, according to the testimony. Senator Byrd, I think, in probing a bit, elicited information that suggested certain technologies might cost less than that \$3 billion. Is that correct?

Mr. DAY. Yes, sir, that is correct.

Senator DORGAN. Can you tell us how much less? Instead of \$3 billion or more, what would the best case be if you were to use a less expensive technology that you discovered to be effective?

Mr. DAY. I couldn't give you an exact number, Senator. I would just say that we do know it would be significantly less. We are looking at different technologies. If it was chlorine dioxide, the major component is it requires far less construction, although we haven't fully scoped out the level of venting and filtration systems that would be needed for chlorine dioxide. So we still need to work out the scale, but I would tell you it would be substantially less.

Senator DORGAN. From your testimony, I didn't understand completely. You are not questioning whether chlorine dioxide kills anthrax spores, are you?

Mr. DAY. No.

Senator DORGAN. It does, right?

Mr. DAY. Chlorine dioxide clearly kills anthrax spores, as I understand it. The question is its penetration capability. If it is inside a sealed envelope, how long do you need to expose the mail to chlorine dioxide in order to achieve the kill.

Senator DORGAN. I understand. Now, the \$3 billion or more, which may be less, is for security. The \$2 billion is what you say you need to continue operations and to make up for the loss that you are experiencing as a result of the diminished use, and interrupted use, I might say, of the postal system because of the terrorist attacks. Is that correct?

Mr. POTTER. Yes. Yes, that is the case.

Senator DORGAN. The \$2 billion is something that Congress is going to have to come to grips with. Does it feel it has an obligation to make the Postal Service whole? Should that be made up with respect to increased postal rates and so on? It is different than the \$3 billion. The \$3 billion, either more or less, I think Senator Byrd and Senator Stevens both asked the questions about the security piece of the \$3 billion with respect to timing. You have been relatively non-specific, and I understand why with respect to both the amount and the timing today. And I think the quicker that you are able to get that information to us, the better for our planning.

But with respect to the \$3 billion, plus or minus, on security issues, did you indicate that \$1 billion of that you think is needed in a time certain prior to—the period between now and next summer? Is that what you are testifying to?

Mr. POTTER. Yes. And—

Senator DORGAN. And what are the consequences of your not getting that in that time period?

Mr. POTTER. Well, the consequences are that obviously it will put the Postal Service in a weaker financial position. And depending on whether or not we get those monies, we would probably be bumping up against our ability to borrow money. We would probably exhaust that ability. That would happen in the next September time frame.

Do you want to add to that?

Mr. STRASSER. Yes, Senator, our ability to finance the security as well as the business impact is extremely constrained. Even before the attacks, coming into this fiscal year we saw structural changes in the growth of mail that we have counted on historically to cover the increased costs. For example, in October we delivered to 1,270,000 locations that we didn't deliver to last October. And so when we talk about our revenues being below last year, we are trying to cover the costs of the universal service delivery network as well as cover the normal increase in costs like health benefits.

So we are severely constrained. If, in fact, this \$400 million shortfall in net income continues for a number of months and approaches the \$2 billion and we exceed \$3 billion in deficits—we already have frozen all facilities construction. We haven't constructed

facilities since last February. So we have done everything possible from a financing point of view.

If we have a \$2 billion business impact, we will be at the maximum borrowing level that we can be at. We will be talking about concerns of severe service reductions because we won't be able to finance payroll or the payments to OPM for our retirement liabilities.

Senator DORGAN. Well, let me conclude by saying we need for you to get us good information as quickly as is possible. We do not have the option, in my judgment, of saying that what has happened here with respect to anthrax and the discovery of some pathetic human beings to use the U.S. mail service as an instrument of delivery of terror, we can't say that this doesn't matter and that we are not concerned about security and we are going to do nothing about it. The question is not whether we are going to do something about it. The question is how and when. And so we really need information and good information from you in a very timely way.

Let me, before I call on my two colleagues for additional questions, tell you that I grew up in a town of 300 people, and the post office was the center of our social life. I mean I remember as a kid and growing up in my hometown the post office was the center where people came and visited and exchanged views about things. I had a town meeting in Glenburn, North Dakota one day and a fellow said to me—and town meetings are often complaints about things that are going wrong, and a fellow stood up and he said I want to tell you, Mr. Senator, a good thing about the U.S. mail system. And I said gee, that is interesting, you have got some good news. He said yes. He said I received a letter that was addressed to Grampa, Glenburn, North Dakota, and I received it from the local post office here in Glenburn, and it was a letter that was intended for me.

I said, well, how on earth could that have happened? He said, well, the postmaster is right over there. The postmaster had stopped in at the meeting. And I said to the postmaster, how did that happen? Well, he said, we had this letter come in that says Grampa, Glenburn, North Dakota, and the postmark was Silver Spring, Maryland, and we knew that Ernie had some relatives out in Silver Spring, Maryland, so we sent it to him and it turns out to be his grandson writing Grampa in Glenburn, North Dakota.

That probably can only happen in a very small community, but it is a wonderful thing to know it does happen around our country. I am a big believer in the U.S. postal system. You sometimes do things in the system that gives me heartburn. I clench my teeth and grind my teeth sometimes when I read the news about one thing or another, bonuses and so on, but despite all of that, this system is important to this country. This Congress has an obligation to make this system work and help you make it work. These terrorist attacks were things that you could not have anticipated. They are not something you are responsible for, and this country must respond as a country to these threats.

Senator Byrd has talked a lot about homeland security with respect to the economic recovery package. Clearly, homeland security, in my judgment, also means security of America's mails, and so I want to thank you for your testimony. I am going to call on my

ranking member, and then Senator Byrd, for additional questions. Senator Campbell.

Senator CAMPBELL. Thank you, Mr. Chairman. You mentioned the mail in your small hometown. We compare small hometowns very often. I got a letter that there was no ZIP code and no post office box that was delivered to me. It just said Senator S.O.B. Campbell, Ignacio, Colorado.

And, darn it, they delivered it.

Let me make just a couple of general observations that clearly Senator Byrd has alluded to, and Senator Dorgan, too, that this is going to be some tough decisions. And from my perspective, security has got to take priority over lost revenues, at least at first.

I wanted to just ask one question, though, and that is I was looking at an article in The Washington Post, and a gentleman by the name of Robert McLean, executive director of the Mailers Council, noted that the operating costs of these machines would be about \$1 billion a year. Have you factored that into your request, too?

Mr. STRASSER. No, Senator, not entirely. The ultimate system design that we determine to use and the design of the equipment would affect that figure. There have been estimates that the operating costs could run as high as an extra billion dollars a year.

What we have factored in, and we are attempting to factor in once we get the configuration and understanding, is the training for the employees and the phasing in of the necessary security equipment.

Senator CAMPBELL. I see. And maybe just one last question, Mr. Chairman, because I see some friends in the audience from the Letter Carriers and the Postal Workers.

Mr. Postmaster General, you talked about the flow of tracking letters that could be contaminated and you—I think part of my potential question was already answered when you said the mailboxes, the drop boxes that are on the street corners in many cities and towns after the post offices closed, you are trying to devise some kind of a system where the people who pick that mail up would not actually touch the letters. Is that not correct?

Mr. POTTER. Well, they would be protected from it, yes, Senator.

Senator CAMPBELL. Some kind of a thing that is sealed or something, where they take the whole bag in and then in turn it goes through a sanitizing machine?

Mr. POTTER. Yes.

Senator CAMPBELL. I think that is my last question, Mr. Chairman. Thank you.

Senator DORGAN. Thank you, Senator Campbell. Senator Byrd?

Senator BYRD. Thank you again, Mr. Chairman.

The 6-day rural free delivery got its start where?

Mr. POTTER. West Virginia.

Senator BYRD. Right.

Senator DORGAN. That was not a lucky guess, I know.

Senator BYRD. I have a little horse-drawn buggy, first rural free delivery sitting right in my office. I will show it to you if you ever get over there.

Senator CAMPBELL. That is when you get your whole request.

Senator BYRD. What year was that?

Mr. POTTER. I don't know.

Mr. STRASSER. 1893.

Mr. POTTER. I thought it was 1896, but, anyhow.

Senator BYRD. And where did this rural delivery start in West Virginia? Charles Town, Halltown, and Uvilla. Write that down.

Mr. POTTER. I am going to study up on West Virginia history before I come back.

Senator BYRD. Also I would say, Mr. Postmaster General, for several years I have insisted on there being language in the committee report that goes to the Floor with the bill making appropriations for the Postal Service, that there be language providing for 6-day mail service. I come from a rural area where the flag means something, and in many little communities there is the flag at the post office, and that represents the Federal Government. That represents the man in the striped pants, Uncle Sam.

The first letter that my two daughters wrote to me to congratulate me on my 36 birthday, is the first year I came to Congress, had three one-cent stamps on it. Three cents. I was 36 years old. And within 12 days, I will be 84 years old, but I am still young.

Now let me ask you just a couple of questions. Suppose you do not get this money. Suppose Congress were to be unresponsive to your request. Then what will your option be? Will you only sanitize mail that goes in and out of the service where you have machines in New York and Washington? Will you have to limit the sanitization to two or three of your largest post offices, largest cities? You will get some of this, I am sure. But how are you going to live within your means if you do not get this \$2-\$3 billion?

Mr. POTTER. Well, Senator—

Senator BYRD. And still protect as many people as you can protect?

Mr. POTTER. Certainly that is one of the things that we have thought, I would not say long and hard because we have only been dealing with this for a short period of time, but it has been on the forefront of our thinking. Certainly, as you described, one option that we would have is to look at risk and only use these systems where the risk might exist today, and we would use our Inspection Service and the FBI and other law enforcement agencies to help us to assess that risk.

I have a concern about that because if you have a system that does not cover the entire width and breadth of the United States, you have a vulnerability. So we would like to shore up and eliminate any vulnerability in our system.

Certainly then if we made a commitment to do that, one option is again to deploy equipment based on risk and extend deployment over a number of years, which leaves us vulnerable. We might have to look at service because the key here for the Postal Service is the confidence that the American public has in the mail. You know, a lack of confidence in the mail is very detrimental to our system, and it really is going to take away one of the freedoms that the American public enjoys today.

Senator BYRD. What will be the impact? I know you cannot set a dollar figure on this. Just comment on this question. What will be the impact on the American economy if we do not act together to provide the kind of confidence that people have a right to expect in the safety to themselves and to their loved ones of the U.S. mail?

Mr. POTTER. Well, as I described in my testimony, the mailing industry is not just the Postal Service, you know. We are a \$68 billion organization with some 800,000 employees, but we just recently went through an exercise with leaders in the mailing community, and what we have determined was that the mailing industry employs some 9 million Americans. The mailing industry is a \$900 billion entity, 8 percent of the gross domestic product. So a lack of confidence in the system that carries trillions of dollars of payments through the mail certainly would disrupt this economy and at a time when the economy, is challenged. Having the mail system, losing credibility would exacerbate the economic downturn that we have seen.

Senator BYRD. I have only one final comment, Mr. Chairman. We talk about waiting until next year on a supplemental. Bin Laden is not going to wait for a supplemental if he decides to strike. I assume that you can make this money that you are requesting work more effectively, and it can give a more effective protection to the postal workers and to the American people if it is provided to you earlier rather than later. I guess you would like to have this billion dollars you are talking about, at least that much, up front.

Mr. POTTER. Yes, sir.

Senator BYRD. Rather than spread throughout the first year.

Mr. POTTER. Yes, sir, we would like to have the ability to know that it is there so we can aggressively spend. Now, to be very candid with you, we would not spend it on the day we got it. It would be spent over a period of months.

You heard from Mr. Day about all the analysis that is currently under way. There are things that we do not need analysis on. Vacuum cleaning systems, the HEPA vacs, that would capture the spores. Ventilation systems. We want to move out as aggressively as we can with those, and yes, and we would spend that money over the course of the next few months.

Senator BYRD. Mr. Chairman, thank you. I think this has been a very informative hearing, as far as I am concerned, and I think your witnesses have been good and among the best that I have heard.

Senator DORGAN. Senator Byrd, thank you very much. I think the point that you made is critically important for all of us to understand, and that is terrorists will not wait for Congress. Terrorists commit acts of evil on their own time frame, not ours. We must, it seems to me, take action as quickly as is prudent and as we are capable of taking to try to provide the security for the American people, the postal workers and others.

Let me ask two additional questions. You indicated that going into the fiscal year—now this is about not the security piece, but the other \$2 billion with respect to operational costs—you had a \$1½ billion expected deficit in the Postal Service going into the fiscal year, and you think the consequences of the terrorist acts will add \$2 billion to that. That is \$3½ billion. You have implemented some cost-cutting and streamlining and consolidation measures which will reduce that some.

Assume for a moment that Congress does nothing with respect to that piece of your request, we do what we need to do with respect to security, but do nothing on the operational side. Can you

tell us what kind of postal increase would be required to make up the difference in the Postal Service financing?

Mr. STRASSER. Senator, that is a multi-dimensional question. Due to the nature of the process that we set, we are already in a process to raise postage rates from 34 with a recommended rate of 37 cents. That assumed that we would break even in 2003.

The issue is more along the lines if in fact we start this spiral that the old Post Office Department was in, where the constant raising of rates caused a diminution of volume growth, what we have been able to see in the 30 years since the Congress and the president enacted Postal Reorganization is an ability on the part of the Postal Service to cover its expenses and the addition of some 50 million addresses to the universal delivery system through postage revenues, for the most part.

As you mentioned yourself in 1976 and 1977, we were increasing rates rapidly during a poor economic period, and the delicate balance of raising rates during that time was problematic. If we in fact lost \$3 billion and had to go further into debt, we would have to have some mechanism to substantially change our current rate situation. Moving forward, depending on how much mail volume decline we saw, we could be—if we saw a 10 percent mail volume decline, for example, that has to make up \$7 billion in revenue, which very roughly would translate into postage rates that would be in the order of 15 to 20 percent across the board, which would then further threaten the volume and the mail business that counts on moderate rates. And that is why it is very, very difficult—it is not just the First Class stamp, it is the entire effect on the industry.

Senator DORGAN. Well, I understand a couple of things. One is the uncertainty about what this does to the long term use of the mail by the American citizen and, therefore, what it does to your demand.

Second, the only way for you to deal with a loss is to try to increase your revenue, which is a postal rate increase, or diminish service. I want to say that Senator Byrd's discussion about 6-day mail delivery service, you should understand that he is the general of a very large army on that issue. We are not about to allow folks to go to 5-day delivery in this country. I have signed up as a corporal, I guess, or whatever service I can be, but I was pleased to work with him to include that language again in our appropriation bill.

Let me make one final point. I mentioned the grampa from Glenburn, but I do this only because I think it is important for the American people to understand what the mail system means, especially the Postal Service.

I was last weekend with a man named Les Snavelly in Bismarck who is a long-time friend of mine. He is from Bowman, North Dakota, and some while ago, a couple of years ago—he collects antique motorcycles and restores them and he is well known for that. And someone from Kentucky wrote him a letter and he addressed it to the man who collects antique motorcycles in southwestern North Dakota. That is even more non-specific. But somehow it got to western North Dakota and one of the postal workers or letter carriers or postmasters happened to know that it was Les Snavelly

down in Bowman, a high school teacher who is the man who collects antique motorcycles, and he got a letter addressed to the man who collects antique motorcycles in southwestern North Dakota.

CONCLUSION OF HEARING

Again, one more piece of good news, it seems to me, for a postal system that sometimes has some problems, but in most cases works well for this country. I hope you will pass our commendation on to those postal workers and letter carriers and the rest of the folks in the system that every day in every way go out and provide public service; service that has been deemed now to be more dangerous in recent weeks, but service that we nonetheless very much appreciate as American citizens.

This hearing is recessed.

[Whereupon, at 11:51 a.m., Thursday, November 8, the hearing was concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]

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