Statement for the Record

"Tracking the Postal Service: An Update on the Delivering for America Plan"

Coalition for a 21st Century Postal Service

Before the Government Operations Subcommittee

Committee on Oversight and Accountability

U.S House of Representatives

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We thank Congress again for the PSRA, and especially its instruction to run mail and packages together through one network six days per week. The integrated network should afford USPS an opportunity for real efficiencies of scope and scale, enabling cost savings, and benefitting everyone around the country. But we are very concerned about how well that opportunity can be seized given the ominous data on mail revenues and volumes.

Businesses that are postal-reliant understand that some elements of the Delivering for America Plan are positive, but they are overshadowed by relentless, twice-yearly, postage rate increases endangering the Postal Service's mail business and destructive to small and medium-sized businesses and consumers often considered the backbone of American employment.

Many of the assertions made at the hearing about the causes of the Postal Service's current condition are incorrect and counterproductive to the cooperative effort necessary for USPS to recover.

We must all look to the future and start to develop the base for determining whether additional and, if so, what changes to the law will permit the Postal Service and its customers to both succeed in this new environment, while benefitting the public by preserving this historic and still relevant institution for future generations of Americans.

The Coalition for a 21st Century Postal Service[1] (C21) views the Delivering for America Plan (DFA) as perhaps the most consequential transformation of the Postal Service since postal reorganization. It deserves close, and ongoing, scrutiny from Congress, especially since there are serious concerns about the accuracy and characterization of the events that brought USPS to the DFA, and the likely profound and negative impact on mail. Yet until now, more than two years after it was implemented, there has been no hearing in either the House or Senate. We hope that this hearing can be the beginning of a series to look at the plan and its impacts on the health and sustainability of the customer base.

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[1] C21 consists of business mailing associations and companies – newspapers, advertisers, catalogers, e-commerce, parcels, greeting cards, financial services, telecommunications, insurance, small businesses of every kind, paper, printing, technology, envelope manufacturing, mail services, who understand the essential role of USPS and want it sustained for the future. It broadly represents an industry generating $1.6 trillion in sales and supporting 7.3 million private sector jobs. *See* Chapman and Johnson, EMA Foundation's US Mailing Industry Jobs & Revenue Study, pp. 8-9 (2019). https://www.envelope.org/emaf/wp-content/uploads/sites/3/2020/04/04062020EMA2019U.S.MailingIndustryEconomicJobStudy5B52725D-1.pdf

C21 represents a broad cross-section of a vast postal-reliant industry that generates $1.6 trillion in sales and employs more than 7 million workers nationwide[2]. That amounts to roughly 5% of GDP. USPS, as all Committee Members know, is an organization designed to be self-funded, which means it is dependent upon its customers, and particularly upon the business community which generates more than 90% of its revenues. Given that pivotal impact, Members' oversight of the DFA would benefit from the views of the business community on their use of the Postal Service and reactions to the DFA.

It is important to state for the record what most Americans and policymakers believe: the Postal Service is critical to the economic and social health of our nation. Whether sending bills, receiving payments, marketing through catalogs, shipping with retailers, sending greeting cards to loved ones, or delivering eagerly awaited newspapers and magazines, mail and packages create value for our economy and businesses and in the lives of Americans. Nonprofits, including critically to the nation's social fabric, charities, also heavily depend upon USPS. Together these products provide a high-quality experience at the mailbox and keep mail viable. And if anyone had any doubt about the ongoing importance and necessity of the Postal Service, it was erased by the heroic performance of the institution and its working men and women throughout the depths of the pandemic. Critical infrastructure indeed.

Members of C21 include businesses of every size. There are large businesses that send tens of millions of pieces of mail each year, marketplaces that enable consumer shopping, mail service providers, and many other businesses in every state in America. There are small and mid-sized businesses everywhere that are part of our coalition which depend heavily on USPS, and especially so in rural areas of the country.

The views and experiences of these businesses we believe should be valuable to Members of Congress. Not just from their impact – the aforementioned 90% or more of postal revenues they generate – but because of their experience with and insights into the system, including: the challenges of dealing with the Postal Service in 2023; how have rates and service impacted business decisions on using USPS? and do rates and service prompt decisions to leave the mail for digital, when businesses might otherwise mail?

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[2] Chapman and Johnson, *Id* at n1.

Since the consensus remains that USPS should continue to be self-sufficient, meaning businesses, nonprofits and consumers sending mail and packages pay for the USPS, America cannot afford a nationwide network for mail delivery without package revenues and profits; likewise, it cannot have a profitable package business without the integrated mail and package network. The economies of scale and scope make the USPS possible.

Transforming and modernizing the USPS service network may prove an overdue upgrade, but it is not a panacea. Relentless increases of price, twice per year, are having a predictable and deleterious effect on mail. Since the beginning of the fiscal year, mail volume is off more than 8%, and revenues are barely above break even[3]. Competitive services, a bright spot for USPS, are relatively stable on volumes and revenues, although not growing at this juncture.

C21 continues to be grateful to this Committee and the Congress as a whole for enacting the Postal Service Reform Act of 2022 (PSRA). One of its key provisions mandates that mail and packages be moved through one network six days per week. We believe this is very constructive and are hopeful that that joint network will yield serious operating efficiencies that will benefit the Postal Service, its business and nonprofit customers and the general public.

America's postal network needs both mail and packages to be successful in the future, but today we have a tale of two pathways:

Packages are holding their own. Volumes remain well above 2019 levels, with revenues declining only slightly. Package sorting and distribution have improved. Packagers are generally pleased with the significant steps USPS is taking not only on improving the network, but reorganizing product categories such as USPS Ground Advantage and taking steps to be more competitive on pricing. At the same time, volume growth for competitive products is not meeting projections and cannot overcome the volume destruction in mail.

Mail, the old monopoly classes of the Postal Service (redesignated as Market Dominant {MD}), on the other hand, is in rough shape. Volumes are off substantially and revenues are falling short of expectations and in comparison to the same period last year as well as the USPS integrated financial plan for this year. The general trend line is down. Here is a chart that shows the increases in prices – nearly 25% in less than two years, and more in categories that

[3] A key construct of USPS pricing strategy: raise rates, anticipate losing some volume in response but come out ahead on revenues.

USPS asserts may not be covering their costs. Those include nonprofits and charities, magazines, newspapers and other periodicals, and catalogs. It should be noted these disappointing outcomes have been taking place well before the scheduled next increase of more than 5% in July. That will only make the situation worse.

Authorities	**August 2021 Increase**	**July 2022 Increase**	**January 2023 Increase**	**July 2023 Increase**	**Compounded Increase**
CPI	1.244%	5.135%	4.200%	3.406%	**14.691%**
Density and Retirement	5.562%	1.368%	N/A	1.972%	**9.116%**
Total	**6.806%**	**6.503%**	**4.200%**	**5.378%**	**24.904%**

The density requirement is particularly problematic[4]. Its incentives are completely the reverse of what they should be: rewarding the Postal Service for losing business rather than providing incentives for maintaining mail volumes. As it is, through a complex formula, if postal volumes go down and delivery points go up, USPS can add "rate authority," or additional rate increase percentages, in order to collect postage to make up that difference. That requirement exacerbates the problem: if mail is leaving at inflation-level increases, then raising the price beyond inflation will cause mail to leave even faster. It is also troubling that density authority only works in one direction. If in some year mail volume were to go up, rates would still not decline. And all of these increases compound. In short, if USPS loses business, it can raise rates to offset the losses; if USPS gains business, mailers receive no benefit despite being the reason for that gain.

[4] Order 5763, Postal Regulatory Commission Docket 2017-3, at 72, *et. seq.*

It is important to note that if measured starting with the last increase before changes, including for density, to the rate setting system in January, 2021, those increases range up to 66%, depending upon category[5].

On volume, mail is off more than 8% through the first seven months of fiscal year '23 compared to the previous year. And that is before the July increase of another 5+%. And even packages are off some 3.6%. Market Dominant revenues are down 1.7%, trending down more steeply since the last rate increase took effect in January. In April, MD revenues were down 4.5%. Package revenues appear stable, off only 0.1% for the year, but April was a minus 1.7%.[6]

Moreover, punishing increases are being imposed on customers while USPS is not progressing on another key construct of DFA, so-called "self-help." Both Total Factor and Labor Productivity were off in 2022[7], making these increases even more difficult to absorb and accept. And in 2023, even though volume through April is down 8%, workhours year-to-date are only down 2.8% (although down 5% in the month of April).[8]

Underscoring how worrisome this decline in efficiency is, in FY '2012, mail and package volume of about 160 billion pieces was delivered by 528,000 career employees.[9] Notwithstanding additional technology and automation and a career work complement only slightly smaller at approximately 517,000 in FY'22, efficiency in delivering a considerably lower number of pieces at just over 127 billion, has plainly and unfortunately dropped over the past ten years[10]. It also

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[5] Quad Inc./American Catalog Mailers Association compilation

2021-2023 Impact Quad ACMA

CLASS	Jan 2021 Quad Live Analysis Average Percentages	Aug 2021 Quad Live Analysis Average Percentages	July 2022 Quad Live Analysis Average Percentages	Jan 2023 Quad Live Analysis Average Percentages	Jul 2023 Quad Live Analysis Average Percentages	Compounded Price Change Jan 21 - Jul 23
First Class						
Letters	4.500%	7.500%	6.300%	3.300%	5.880%	30.609%
Flats	6.130%	15.470%	7.630%	13.000%	11.590%	66.320%
Marketing Mail						
MM Letters - Reg	1.020%	7.630%	6.700%	4.150%	5.020%	26.893%
MM Letters - NP	2.000%	7.400%	4.220%	3.430%	4.150%	22.988%
MM Flats Reg Piece	3.270%	9.000%	8.730%	6.370%	6.220%	38.285%
MM Flats - Reg Piece/Lbs	3.370%	7.970%	7.000%	6.760%	7.650%	37.247%
MM Flats NP Piece	0.110%	13.450%	12.710%	9.850%	8.570%	52.670%
MM Flats - NP Piece/Lbs	1.750%	12.060%	9.720%	8.660%	8.180%	47.058%
Periodical						
In-County	0.700%	8.000%	7.750%	7.760%	8.800%	37.391%
Outside County	1.500%	7.740%	9.000%	3.870%	8.250%	34.026%
Package Services						
BPM Flats	0.000%	7.000%	4.750%	0.000%	2.250%	14.604%
BPM Parcel	0.000%	5.670%	10.420%	3.800%	5.610%	27.909%

Quad

6 Source for all numbers in this paragraph: USPS Financial Information (Unaudited), April, 2023. April 2023 United States Postal Service Financial Report.

7 Postal Regulatory Commission, Annual Compliance Review 2022, Docket # ACR2022, USPS-FY 2022-17, Tables 52 and 53.

8 USPS Financial Information (Unaudited), April, 2023. Id at n6.

9 https://about.usps.com/who/profile/history/employees-since-1926.htm and https://about.usps.com/publications/annual-report-comprehensive-statement-2012/annual-report-comprehensive-statement-2012.pdf, respectively.

[10] https://about.usps.com/what/financials/annual-reports/fy2022.pdf at 33 and 29, respectively. It also should be noted that USPS had fewer non-career/pre-career employees and a lower total headcount in 2012 than in 2022.

should be noted that USPS had fewer non-career/pre-career employees and a lower total headcount in 2012 than in 2022.[11]

In our view, based on the anecdotal reactions of a broad range of USPS customers, the prices have become too steep. Today, postage can account for up to 60 - 70% of the cost of creating and distributing a mail piece – with the other 30% comprised of paper, printing and creating content. Postage used to be as low as 30% of the cost of a piece, but has gone up inexorably for many years. As a result, a very large number of customers are endeavoring to reduce their exposure to the mail through several strategies:

- Ramping up diversion to electronic – email and social media in particular -- and other alternatives, such as broadcast if it's affordable.
- Simply reducing mailing. For many companies, a budget is set months, and sometimes more than a year, in advance for spending on postage. If the cost exceeds the budget, these companies reduce or even stop mailing when their budget limits are hit; it is too late to change those budgets, and may be unaffordable anyway.
- Leaving the mail altogether.
- For intensely mail-dependent businesses, ending lines of business or closing altogether

While numbers for seven months, and in particular the first four months of this calendar year, are not enough to make an absolute judgment, clearly something different is happening. Given current declines and the imposition of yet another increase in two months' time, there is a strong current of concern in the community that a tipping point, where revenues will not make up for, let alone exceed, the loss of volume, may indeed have been reached. If so, that is ominous for the Postal Service, the industry that relies upon it, and the general public.

Several assertions have been made to the Subcommittee that do not accord with the industry's experience or perspective. It is important to point out some corrections for the record:

<u>The Postal Accountability and Enhancement Act's (PAEA) Market Dominant Pricing Model was a Disaster for USPS: Incorrect</u>

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[11] Id at ns 8 and 9.

For thirty-six years after the passage of the Postal Reorganization Act, postal ratemaking was complex, costly, uncertain and unpredictable. Based on a cost-of-service model, rate increases happened at no specified time, but usually on a three-year cycle that featured administrative litigation that racked up litigating fees in the $ millions for USPS, as well as other parties intervening. Increases took a full year to be decided and implemented.[12] There were few incentives for cost-savings by USPS. The cost was the cost. The only question was how to divide the burden among mailers.

USPS had no nimbleness to respond to market conditions on pricing. It also was subject to a Postal Rate Commission (the Postal Regulatory Commission's predecessor) with effective final say on which category or product got charged what, except if the Postal Governors, unanimously and in writing, overruled the Commission's decision, which the Governors extremely rarely did. Those rates were neither predictable nor certain, leaving customers at a serious disadvantage for planning. It is also important to note that prior to PAEA, the Postal Service's record on cutting costs was dismal and sporadic.

After thirteen years of consideration, Congress passed and the President signed into law PAEA in 2006, providing a revised rate setting model[13]. USPS was moved to a rate cap process whose cap was set at CPI-U. This provided certainty and predictability for mailers. Packagers were moved to a competitive pricing model. And it guaranteed, so long as inflation did not get out of hand, moderate increases. It paralleled the pragmatic business constraints on pricing in the private sector.

But this was no one-way deal. PAEA virtually guaranteed USPS an increase every year at inflation. The Commission, despite having a name change to "Regulatory," had its powers affecting Market Dominant mail diminished: it could only determine whether a USPS increase complied with the law. If it did, the increase was granted.

Litigation before the Commission was eliminated as the system went to a notice-and-comment process. USPS could obtain new rates in as little as 45 days. The requirement from the PRA that the Postal Service break even was removed and USPS permitted to "retain earnings." That

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[12] *See* 39 USC §3622, *et. seq.* (2005).
[13] 39 USC §3622 (2007)

is, if the second purpose of a rate cap – cost cutting – were fulfilled, USPS could keep any additional money it generated by cutting those costs.

Plus, USPS was provided a safety valve: in an emergency, the Commission could grant USPS an "exigent" increase. The Postal Service successfully used this process to make up for $ billions in losses suffered during the great recession.

Though USPS is tasked with functioning in a businesslike manner, it is no business. Few private sector businesses in America could raise prices annually as easily as USPS in the aftermath of the Great Recession. Or, for that matter, twice a year as is being done currently. And no private sector business could impose a "look back" increase to make up for losses during a severe economic downturn. USPS remains a public service, with special treatment that enables it to keep functioning in a quasi-business manner. (The most recent special treatment: the $120 billion in relief and cash provided by Congress over the past three years.)

<u>The Postal Service is not a Monopoly: Incorrect</u>.

Yes, it is. For Market Dominant Mail, the monopoly continues[14]. While it is true that mailers can divert and have diverted substantial messaging to electronic means, if any business or member of the public wishes to communicate on paper, there is no alternative to the Postal Service. Fines and criminal penalties enforce the Postal Service's ability to keep competitors out of mail delivery[15]. Packages are in a competitive environment, although even they face some pricing restrictions such as ensuring they cover their costs and contribute to the institutional costs (overhead) of the Service. I.e., no options for packaging loss leaders.

<u>Inflation is a Major Cause of USPS Red Ink: Incorrect</u>.

While we understand that USPS' costs have been going up substantially from inflation, so have everyone else's, certainly including its customer base. Since USPS is virtually guaranteed an inflation increase in every year for mail, and effectively guaranteed inflation increases from packages (see above), the impact of inflation is largely or fully offset and should be nearly a non-factor.

Relatedly, USPS has identified a decline in spending for advertising as a cause for reduced marketing Mail. It is not that clear. After dipping during part of 2022, advertising was up for the

[14] 39 USC Chapter 6; 18 USC §1696.
[15] 18 USC §§1693, 1694, 1696 and 1697. The Postal Service also enjoys a related monopoly over the mailbox, created and backed by another criminal statute. 18 USC §1725.

full year 2022, and is continuing to increase in 2023[16] . Marketing Mail is simply not a part of that increase, even though it was forecast to grow; in fact, quite the contrary. In our view, this can be substantially attributed to the unprecedented postage increases making alternative forms of advertising much more attractive and cost-effective, and/or forcing cutbacks in mailed advertising. However, we do acknowledge that the decline of political mail in an election off-year also may factor in to the overall drop in this category.

The Impact of Retiree Healthcare Prefunding is Hardly Mentioned: Incorrect.

In the litany of concerns expressed about how the Postal Service ended up in its current condition, one critical cause seems to have largely disappeared. The obligation imposed in PAEA to prefund retirees' healthcare costs was ill-advised from the start. The industry remains, as we stated, grateful to Congress for repealing it. But, in the flurry of other non-USPS factors supposedly at fault for its financial condition, it would be well to recall that prefunding accounted for the vast majority of USPS accumulated annual debt until repealed, and accompanied by integrating postal retirees into Medicare who had previously selected it, in the PSRA. This was an obligation imposed by law. While failing to pay it for years, and not being penalized for those defaults, USPS nonetheless carried the obligation on its balance sheet making its situation seem far worse than it was (which was bad enough).

It is important to note that while $57 billion in unpaid obligations, and another $50 billion in future installments of those obligations, were removed by PSRA, there has been no visible effect upon postal rates. To the contrary, USPS has relentlessly pushed those prices up, with no let-up in sight.

As detailed above, this price squeeze is having an impact on volumes and revenues, and is a particularly heavy and challenging burden for small businesses, especially in rural areas. It demonstrates why there must be a check upon USPS to block exploitation or even abuse of its statutory monopoly.

Mailers Shared Responsibility for Creating a Rate Regime that Hamstrung USPS: Incorrect.

Mailers exercised their First Amendment rights to petition the government in working with Congress to try to improve the rate setting system. And in fact, the system adopted in PAEA by

[16] *See, e.g., https://www.marketingcharts.com/advertising-trends/spending-and-spenders-228567 ; https://www.hollywoodreporter.com/business/business-news/us-advertising-2023-forecast-cut-magna-1235359903/;*

Congress was a distinct and major improvement on the prior rules with benefits for USPS, its customers and the public. (See discussion above.)

Our coalition regrets that blame and aspersions are being cast in every direction for the condition in which USPS found itself by the advent of the pandemic. In fact, the three major causes of its financial predicament were beyond USPS control and two of them were beyond anyone's control. They were: 1) prefunding of retirees healthcare; 2) the advent of the iPhone and social media; and 3) the Great Recession. Had these financial earthquakes not happened, USPS would have been and was in solid position to respond to and manage any decline in its business, while maintaining and upgrading its operations. But they did happen, and USPS was unable to make sufficient cost cuts to respond effectively.

<u>The Postal Regulatory Commission Fiddled While the Postal Service Burned: Incorrect</u>.

No, it did not. Limited as a regulator by the extraordinarily broad authorities granted to the Postal Service and its Board by the law, the Commission nonetheless approved every single Market Dominant increase proposed by USPS since the enactment of PAEA. The Commission also granted an exigency increase (see above), and changed the rate cap to allow USPS to collect monies well beyond inflation when it reviewed the rate setting system as mandated in PAEA. Most recently, it has granted a USPS request to treat the $57 billion in obligations wiped away by PSRA as simply irrelevant to raising rates, and ignored conventional accounting principles for an organization running on an accrual system that mandate that costs be booked when they occur. These so-called healthcare "normal" costs will not be accounted for until they are billed from OPM in several years' time. (That is what happens in a cash accounting system.)

In addition, the Commission has ensured that USPS is competing fairly against private sector companies in packages, and contributing an "appropriate share" of USPS overhead in its rates, just as it has created a glide path for the USPS on mail rate requests. It has certainly not been standing idly by or been complacent during the past 17 years.

On the other hand, the Commission had no power to interfere in operational or related decisions by the Postal Service. In other words, it could not provide meaningful oversight of the Postal Service as it changed services offered, made equipment and technology decisions (e.g., the failed Flats Sequencing System, which cost $5 billion), on rates and more. The Commission had a very small, if any, role in digging the hole in which the Postal Service found itself. If anything, the Commission has been too permissive and too reluctant to use the authority

Congress provided in the 2006 and 2022 legislation to protect captive ratepayers. Instead, it has met and granted the requests of the entity it regulates, USPS, regardless of impact on its customer base or the general public.

In short, Postal Service customers are at least as unhappy with the Commission's decisions as USPS purports to be. Congress, in its wisdom for sound reason, established an independent regulator as a check on the monopoly it granted to the Postal Service. Mail and package senders need the PRC to stand up for the businesses, nonprofits and consumers that rely on the network.

While the PSRA was a highly beneficial legislative act, more remains to be done. The need is becoming acute, warranting further inquiry and oversight leading to solutions to ensure that a transforming postal network provides affordable, predictable, and stable rates and service to American businesses and consumers.

<u>The Postal Regulatory Commission</u>

The PSRA focused on the Postal Service, as well it should have. The Postal Service's needs were urgent and severe. The PSRA did not consider, however, the Postal Regulatory Commission, its mission and the tools it has to conduct that mission. Because there is a monopoly over mail, a strong, independent regulator is essential.

The Commission's mission and the philosophy behind it deserve scrutiny. Its structure, the scope of its responsibilities, its powers, requirements for Commissioner appointees[17], its resources and more should all be reviewed to determine whether they sufficiently support its mission.

Our coalition, and the business mailing community more broadly, therefore, believe the time has come for Congress to review the Commission's structure and authorities with a view toward strengthening its regulatory role. We urge this Subcommittee and Committee to conduct in-depth oversight of the Commission in order to determine whether and how to update, modernize and expand its authority in order to be able to be a genuine check on the USPS monopoly.

[17] The qualifications for Commissioners, 39 USC §502(a) should be updated. One template could be more specificity à la those for Postal Governors in 39 USC §202(a)(1).

Investing Postal Service Funds

USPS is required by law to invest its funds in U.S. Treasury Securities, unless the Secretary of the Treasury agrees to other investments recommended by USPS[18]. Treasury has not ever so agreed which keeps funds from the Postal Service, its third largest creditor (after Japan and China), tied up in securities paying 2 – 3%. Investing in private sector equities in a measured, moderate and controlled manner could yield a huge rate of return without putting those funds at unjustified risk. The Postal Service Inspector General's Office recently found that sensible investment since 1972 would have led to $1.2 trillion in USPS retirement funds[19].

C21 supports the concept of legislation that would expand the Postal Service's ability to invest some of its retirement funds conservatively in equities and other investments beyond those of the U.S. Treasury through a professionally managed, tightly overseen fund. In this, it might follow the investing strategies employed by the U.S. Government's employee Thrift Savings Plans, and the examples of Amtrak, the Tennessee Valley Authority and the Railroad Retirement Board.

Another unfortunate misdirection of funds is persistent overcharges for funding for the Civil Service Retirement System Fund. Depending upon the study, overpayment estimates total from $70 to $130 billion. This is Postal Service money that should be returned to the USPS for financial stability, to ease the burden on ratepayers, and for strategic modernization purposes. And, because they fund the Postal Service, those overpayments amount to overcharges in those staggering sums to postal customers – businesses, nonprofits and consumers.

Oversight of the DFA and the Assets and Costs of the USPS

The subcommittee's hearing on May 17 was a solid first step toward the ongoing oversight a transformation of the magnitude envisioned in DFA requires. Such a review we submit must provide major focus on the results of the plan. In this case, that means the disturbing trends in volumes, revenues and costs that the Postal Service is currently experiencing, and what they imply as we look forward. With these results, does DFA need adjusting?

USPS costs, including for labor, have risen noticeably this year. Some of that is inflation, the rest are strategic choices by USPS. The Postal Service's plan to insource much more of the

[18] 39 USC §2003(c)

[19] *See, e.g.* Historical Analysis of USPS Retirement Fund Returns, USPS Office of Inspector General, White Paper RISC-WP-23-005, April 26, 2023.

task of moving mail and packages within the system, rather than focus on the first and final miles should undergo scrutiny. Making over 100,000 additional USPS employees permanent means those sending mail and packages will underwrite their salaries and benefits far into the future. Currently, USPS benefits from more efficient public private partnerships in mail and packages. There is no value in making the USPS larger. History tells us when USPS strays from its mission and tries to displace private sector businesses, the results are higher costs and slower service. That is not what Americans want in their USPS.

Relatedly, postal real estate is valued at “original cost less depreciation.” 39 USC §2002(a)(1). Since a substantial amount of that real estate was purchased in the 19th and 20th centuries, with some likely going back to the 18th century, the book value of some of the most valuable real estate in the nation is nominal. We urge the subcommittee to consider whether that section of title 39 should be revised to permit more realistic valuation, at market or some other approach modernizing the valuation as we near the end of the first quarter of the 21st Century.

Once again, C21 and its members are grateful for Congress’ success in passing the PSRA. As helpful and as much of a milestone as it has been, current financial results regrettably demonstrate it has not fully solved the problems confronting USPS. Given the clear and immediate threats to mailing, the millions of jobs which depend upon a healthy Postal Service, and the risk to packages from a system where mail can no longer do its financial part, continuing work is needed. Under the circumstances, the role of Congress on postal affairs remains central.

C21 thanks the subcommittee for accepting this statement for the record.