



Postal 101: What You Need to Know

Our Founding Fathers had great foresight when they established a postal system in 1775. Nearly 250 years later, the United States Postal Service remains an invaluable and beloved institution: its heroic performance during COVID exemplified its value to every American in the 21st Century. Furthermore, the postal industry and network in our country is vast and contributes more than \$1.6 trillion to the U.S. economy every year and provides more than 7 million jobs.

Yet, the Postal Service remains financially challenged. Notwithstanding an unprecedented \$70 billion in cash and balance sheet adjustments from Congress in the last three years, USPS is on track to lose more than \$7 billion this year.

Here's what you need to know to help you advise your boss

- USPS delivers more than 420 million pieces of mail and packages every day, 6 days per week to every address in America – more than 160 million of them. It is overseen by 9 bipartisan Presidentially-appointed, Senate-confirmed Governors, serving seven-year terms. Together with the Postmaster General and Deputy PMG, whom the appointed Governors hire and fire, they form an 11-person governing board.
- USPS also is subject to a regulator, the Postal Regulatory Commission (PRC), comprised of 5 bipartisan Presidentially-appointed, Senate-confirmed Commissioners. The PRC, intended in part as a check on the USPS monopoly over mail and ensure rate increases conform with the law, while overseeing contracts for package deliveries and confirming mail does not subsidize package delivery, has limited powers.
- With the exception of the unique circumstances over the past three years, USPS receives next to no public funding; it's funded by the sale of postage and products to American consumers and businesses everywhere.
- Everyone in America, at some point, relies upon USPS. But the postal-reliant industry – mailers, shippers and a supply chain -- generates some \$1.6 trillion in sales (6% of GDP) and employs well over 7 million workers, more than 10 times the number (635,000) who work for USPS itself.
- The Postal Service is transforming itself through the Delivering for America Plan. An ambitious effort to upgrade its network and facilities, and attract more package business, it has been accompanied by relentless price increases for mail, cumulatively reaching 25%, and multiples of that in certain postal product categories, in just two years.
- The results so far are unfortunate. Rather than breaking even as predicted in 2021 for this year, or losing \$3.9 billion projected in a later update, USPS will lose upwards of \$7 billion, with no indication there will be improvement next year. Mail is declining, and the planned-for uptick in packages hasn't occurred. So far this year, USPS has lost an extraordinary 8.5% of its volume. And its expenses have increased considerably.
- Mailers are diverting to digital, or simply mailing less in large part because of these unpredictable and enormous price increases. This price squeeze is putting jobs at risk. Meanwhile, package shippers are not picking up the slack; there is a huge array of national, regional and local competitors of the Postal Service.
- Barring an unlikely turnaround, Congressional revisitation of the Postal Service seems inevitable. Here are several items that should receive serious consideration:
 - Expand options to invest funds to match those under the Thrift Savings Plan;
 - Return the many \$billions USPS has overpaid the Civil Service Retirement System;
 - Modernize the PRC – to help ensure affordable mail and reliable service.