In the Committee for Homeland Security and Governmental Affairs
United States Senate

Hearing on Oversight of the United States Postal Service

Statement for the Record of
Coalition for a 21st Century Postal Service

April 26, 2024

Summary

The Coalition for a 21st Century Postal Service (C21) respectfully submits that:

- **the Postal Service remains vital to the country in general and to the mailers, shippers and supply chain we represent;**
- **the results of the Postal Service's Delivering for America Plan to date on service and prices are unfortunate;**
- **there must be a temporary pause to reassess the DFA, repair service and reconsider the unsustainable pace and size of rate increases;**
- **changes in the law are necessary to liberalize USPS investments, return CSRS overpayments, and strengthen the role of the Postal Regulatory Commission; and**
- **a bailout or a radical downsizing of the Postal Service, neither of which the industry supports, may become inevitable if action is not taken.**

Introduction

The Coalition for a 21st Century Postal Service (C21) appreciates this opportunity to provide our views to the Committee as it engages in its work to oversee the United States Postal Service (USPS). C21 represents a broad cross-section of the business ecosphere surrounding and reliant upon USPS; mailers of every kind, shippers and our supply chain in paper, printing, mail services providers and more. These businesses (along with nonprofits) generate $1.9 trillion in annual sales[1] employ nearly 8 million workers nationwide[2], and range from the smallest to the largest in size. They generate 90% or more[3] of the postage sales that sustain USPS.

---

[1] That is more than 7% of 2022 US GDP – larger, for example, than the US automobile industry at $1 trillion, about 3% of GDP in 2023 (www.statista.com); or the airline industry at $1.37 trillion and 5% of 2023 GDP (Airlines for America data www.airlines.org).

[2] Chapman and Johnson, *EMA's 2023 US Mailing Industry Economic Job and Revenue Study,* https://www.envelope.org/emaf/wp-content/uploads/sites/3/2023/11/EMA-Foundation-Jobs-and-Revenue-Study-11-1-23.pdf

[3] USPS Household Diary Study, FY '22, https://prc.arkcase.com/portal/docket-search/advanced/filing-details/125573

We believe the Postal Service must be robust, ubiquitous, reliable and affordable, and that to achieve that it must retain and serve both mail and packages together, per historical practice and as Congress required in the Postal Service Reform Act of 2022, which C21 strongly supported, and remains very appreciative. At stake here is the still invaluable role USPS plays as a public service to every citizen and business in America, including our postal-reliant industry and the vast number of jobs it supports. In other words, much more than the Postal Service itself must be considered. Our current membership list is attached.

C21 is grateful to Chairman Peters for having called this hearing at this time. The Postal Service is three years in on a transformative plan called "Delivering for America" (DFA). Ambitious and aggressive, DFA is intended to upgrade and modernize USPS' physical plant and network, an admirable goal in the abstract. We fully understand the plan's intent and certainly do not overlook the hard work by USPS executives and personnel, as always, to develop and execute it.

Yet, these three years on, the results are unfortunate: poorer service for unprecedentedly higher postage rates, with a resulting breathtaking drop in business: 9% in FY '23[4], a USPS forecast nearly as high for this FY and next, while productivity drops and costs rise. DFA was created in a largely insular manner, and C21 is deeply concerned about the plan's continuing to move forward without additional scrutiny of the type exemplified in this hearing.

As an industry, then, we believe a temporary pause is necessary to reassess the plan, repair major service problems, and relieve some pressure on rates. We join the Chairman and other Members in calling on the Postal Governors to begin one.

Serious Service Concerns are Buffeting the Industry

Member after Member at the hearing spoke of substantial service disruptions for their constituents, whether in Richmond, Atlanta, Houston, Manchester, Michigan's Upper Peninsula or other places, citing delays in delivery of vital prescription medicines, checks and payments, and more. Many Senators on and off the Committee have also sent letters to USPS raising serious service (and pricing) concerns, at least thirty-seven by our count.[5] Overall service is dramatically below USPS targets, let alone standards. And this is after some of those standards – established days of delivery – had been lengthened.

C21 shares these concerns about service: members of every type are experiencing the impact of the slowdown in service. Whether it is getting newspapers to subscribers before

---

[4] USPS 10K for FY '23, https://about.usps.com/what/financials/10k-reports/fy2023.pdf; matches the drop during the worst COVID year - 2020

[5] Letters available upon request.

their content is stale, small businesses receiving remittances in time to pay their staff and vendors, including small online sellers taking and fulfilling orders, or numerous other situations for businesses small and large, our industry is being buffeted.

Pushing Prices Up is Pushing Mail Out

For that decline in service, prices have gone up in unprecedented fashion. In six increases (including the one projected for July of this year) in less than three years, mail prices will have risen a cumulative 37%, as shown in the below chart. For categories "under water," i.e., not covering their costs according to USPS, such as newspapers, magazines, nonprofits and charities, and catalogs, there is an extra 2% paid with each increase, leading to cumulative price rises of 50 – 60% or more in that same amount of time. That is an existential threat to many small businesses. At the same time, large mailers draw serious pressure from financial executives to reduce mail driven by the size and frequency of rate increases, and suppliers close plants because business is down as more mail leaves. That means not only mail losses and business losses, but also job losses. All of this is unaffordable and simply unsustainable.

And, of course, the price of the stamp is going up 5¢ in July to 73¢ -- matching the largest previous rise on record, and increasing the pressure on households – especially in rural areas – which must rely on the mail,[6] or choose to.

[6] There are still more than 40 million Americans without broadband service "*Millions Of Americans Are Still Missing Out On Broadband Access And Leaving Money On The Table—Here's Why*," Forbes, May 26, 2023, https://www.forbes.com/advisor/personal-finance/millions-lack-broadband-access/#:~:text=Currently%2C%20some%2042%20million%20Americans,of%20at%20least%203%20Mbps.

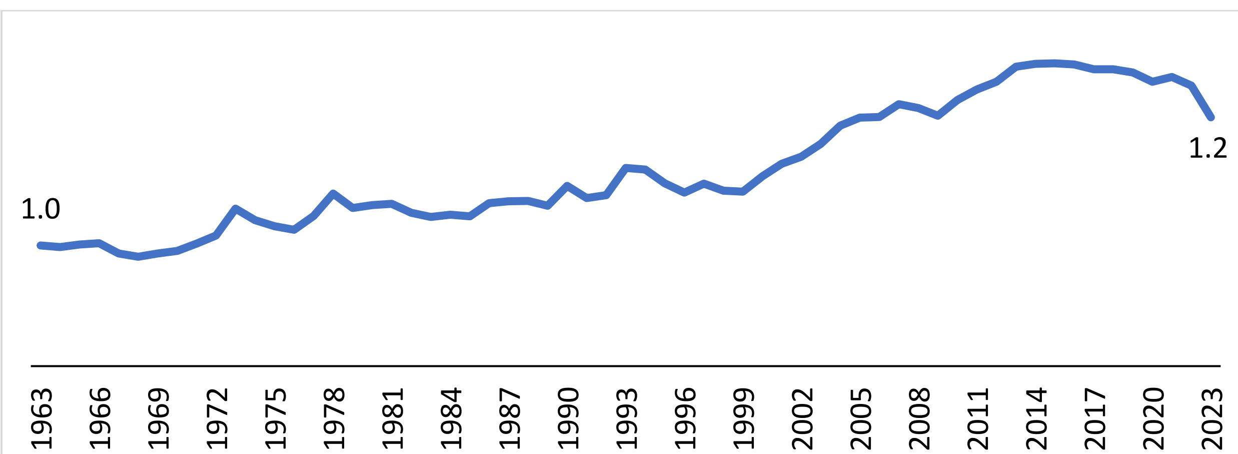
Rate Increase Compounding Since August 2021

Authorities	Aug 2021	Jul 2022	Jan 2023	Jul 2023	Jan 2024	Jul 2024	Compounded Increase
CPI	1.244%	5.135%	4.200%	3.406%	1.959%	1.622%	**18.835%**
Density and Retirement	5.562%	1.368%	N/A	1.972%	N/A	6.132%	**15.807%**
Compensatory Total	**6.806%**	**6.503%**	**4.200%**	**5.378%**	**1.959%**	**7.754%**	**37.225%**
Non-Compensatory Total	**8.806%**	**8.503%**	**4.200%**	**7.378%**	**1.959%**	**9.754%**	**47.817%**

Sources: USPS Notices of Market-Dominant Price Changes filed at the PRC for five increases

At the same time, with a drop of 12 billion pieces in two years (FYs '22 and '23), and some 26 billion since 2019, which would rationally set an expectation of more efficiency with far fewer pieces to process and deliver, USPS productivity dropped 4% in FY '23 – the largest drop since the Postal Service started tracking productivity ("Total Factor Productivity" or TFP) in 1963, continuing a three-year slide.

TFP Declining - Biggest Single-Year Decline in FY 2023 (4.0%)



Source: PRC Docket No. ACR2023, USPS-FY23-17

Finally, a key strategy of the DFA is to concede that mail is departing, while focusing on package growth to make up the difference. And packages are growing this year by about 4%, after two years of modest downturns, which is commendable. But in order to make up even the Postal Service "controllable costs," a non-GAAP approach that excludes contributions to retirement funds and other costs beyond USPS' control, losses of $2.3 billion in FY '23 would require a 33% increase in packages. To make up the entire $6.5 billion FY '23 loss would require more than a 100% increase in packages. Both numbers are unrealistic.

How Many Parcels Are Needed to Offset the FY 2023 $6.5 Billion Loss?

Priority Mail ($2.53 Contribution per Piece)	Ground Advantage & Parcel Select ($1.49 Contribution per Piece)
2.6 billion	4.4 billion
FY 2023 Volume: 1.1 billion	FY 2023 Volume: 4.2 billion

Source: PRC Docket No. ACR2023, USPS-FY23-1

C21 Suggestions to the Committee

The above leaves USPS in a perilous situation: its volume is plummeting as service has deteriorated, while it has become less efficient. This regrettable situation is at the base of several suggestions we respectfully offer to the Committee.

First, we reiterate that it is vital to pause the changes temporarily, including the counterproductive rate increases, in order to reassess the DFA and determine what remediation is necessary.

Second, while the hearing on the 16th was highly useful, we respectfully suggest that more hearings are necessary to hear from other stakeholder voices: GAO, think tanks, postal unions, mailers, shippers and suppliers, consumer groups, and to stay current on USPS progress or lack thereof.

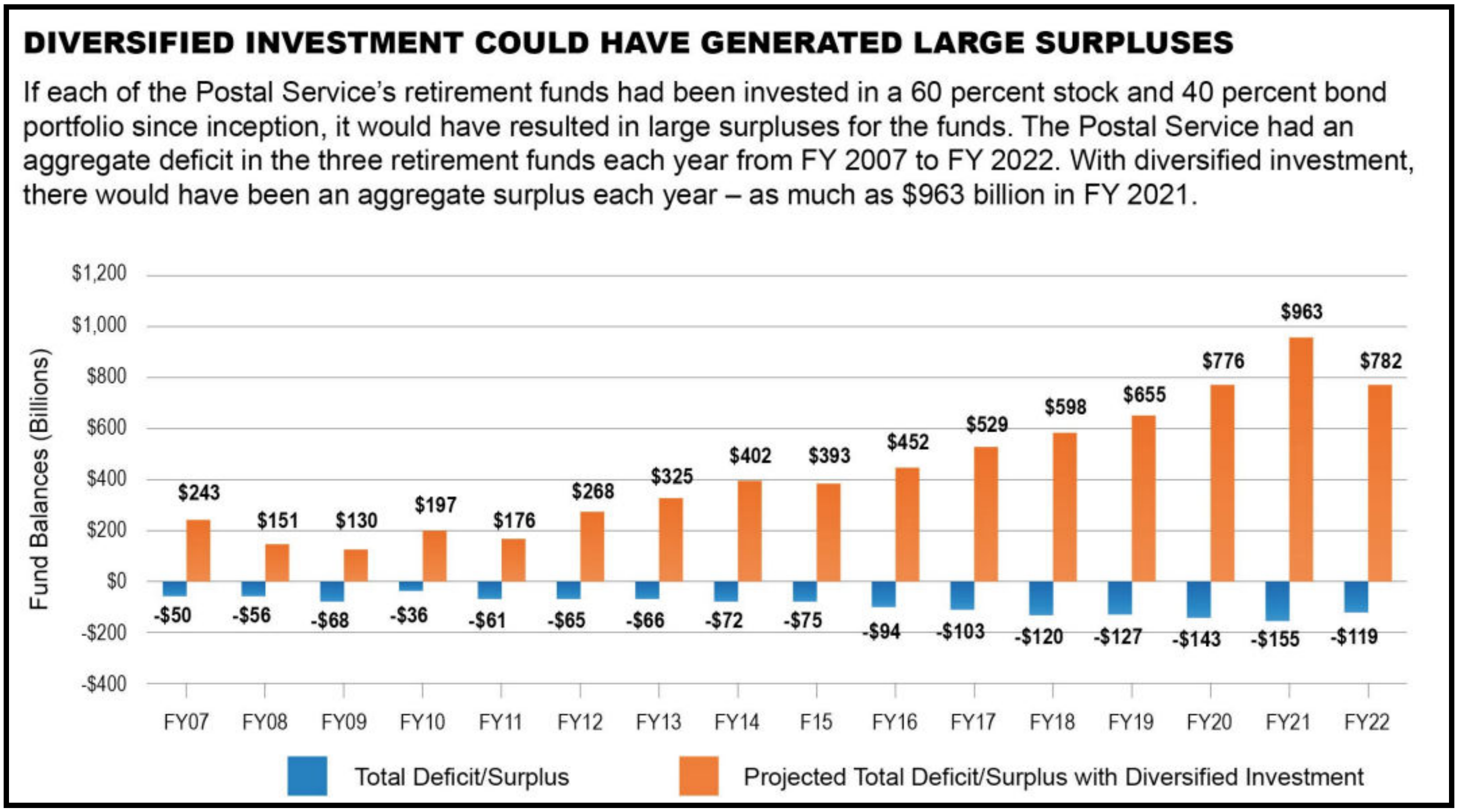
Third, we respectfully urge the swift confirmation of Marty Walsh to be a Postal Governor. Secretary Walsh's stature and experience would bring some much-needed visibility as well as his wealth of experience to the Governors.

Fourth, USPS should be permitted to invest its monies more broadly. Current law restricts USPS to investing in Treasuries, which substantially limits its returns, unless the Secretary of the Treasury approves investing in non-governmental securities.[7] To our knowledge, no Secretary has approved such investing. However, following a plan modeled on the highly successful Thrift Savings Plan (TSP) managed by the government, would yield annual returns double or more than from Treasuries. Historical investment in a TSP-like mix would have had USPS hundreds of billions of dollars ahead. (See chart next page.) As part of this and recommendation Fifth below, C21 would urge an allocation of some portion of the

[7] 39 USC §2003(c)

higher returns specifically to defray rates and keep them affordable for everyone. Without such a direction, USPS may simply apply the funds to other priorities, as they did in the wake of the PSRA.

Better Investing Would Improve Finances



Source: USPS OIG Report RISC-WP-24-002, Figure 2

Fifth, overpayments by the Postal Service to the Civil Service Retirement System on the order of $60 – 110 billion over 40 years should be returned to the system. Found by a number of studies conducted by both the Commission and the Postal Service Inspector General[8], those overpayments also meant price overcharges to businesses and the general public. We are, of course, not requesting refunds; rather, we believe those overpayments should be returned to USPS. There has been a dispute about whether the Office of Personnel Management (OPM) should simply return those funds. OPM insists a change in the law would be necessary, and now the Department of Justice has agreed with

[8] Postal Regulatory Commission, Segal Study, https://www.prc.gov/docs/68/68679/Report%20on%20CSRS%20Cost%20and%20Benefit%20Allocation%20Principles_1126.pdf; USPS OIG Summary of its work on CSRS overpayments and other retiree liabilities https://www.uspsoig.gov/focus-areas/focus-on/usps-oig-work-on-retiree-liability-issues.

OPM, through an opinion by its Office of Legal Counsel.[9] So, we respectfully urge the Committee to consider making that change.

Sixth, we believe the Committee should consider strengthening the authority of the Postal Regulatory Commission (Commission).

> On service, the Commission is limited to an advisory opinion on any national change in standards, which USPS is free to ignore. Given the current disappointing state of service, a more active oversight role over service should be fashioned for the Commission.
>
> On price, the law requires the Commission to approve CPI increases, now with density and retirement "adders"[10] that have almost doubled inflation over the past three years, if they hit statutory benchmarks. The Commission should be accorded more authority to determine if an increase is fully warranted and justified.
>
> On the mail monopoly, in general, the Commission should be strengthened to serve as a genuine check and balance. Congress had determined that the Postal Governors should functionally serve as that check on the plans of management. However, the Governors have approved not only the size of mail price increases – virtually all rate authority available for any increase – but their frequency: an unprecedented and counterproductive twice per year.

Conclusion

In sum, the business community is very concerned about the widespread problems with service, not only for mailers and shippers alike, but also for the general public, in the face of repeated large rate increases that, in the Postal Service's view, are "uncomfortable" for mailers. This seems to us to be sacrificing mid- and long-term stability for short-term gains. Regrettably, mail is now declining so rapidly that USPS risks hollowing out its system; packages, so far, show no indication of the scale of growth necessary to make up that loss. That would leave no choice but for Congress to rescue USPS with a bailout, or radically downsize it.

C21 wants to be clear: we do not want to see either a bailout or a radical downsizing. But at the pace of loss driven by service and price, we fear they could become inevitable.

---

[9] https://www.justice.gov/olc/media/1348126/dl?inline

[10] The Commission has initiated a second review of the ratesetting system, Docket RM 2024-4 https://prc.arkcase.com/portal/docket-search/active-cases. It comes some 18 months before the 5-year mark from the decision in the Commission's first statutory review of the ratemaking system, November 20, 2020, https://prc.gov/press-releases/prc-adopts-final-rules-modify-rate-system-classes-market-dominant-products/5013, previously planned for a second review.

Coalition Members

Amazon
American Catalog Mailers Assn
Datamatx
Domtar
eBay
Enru
Envelope Manufacturers Assn
Greeting Card Assn
Ing
Major Mailers Association
Mailers Hub
National Assn of Presort Mailers
National Newspaper Assn
National Postal Policy Council
National Retail Federation
News/Media Alliance
Parcel Shippers Assn
Pitney Bowes
Printing United Alliance
Quad Inc.
R.R. Donnelley
Sylvamo