Businesses and Consumers Need Viable Postal Service

The U.S. Postal Service (USPS) supports a $1.4 trillion mailing industry that employs 7.5 million people through which small and large businesses, nonprofit organizations and consumers can transact business, advertise services and distribute products. Approximately 39 percent, or nearly $6.5 billion worth of communications papers produced in the U.S., are delivered through the mail system. In addition the USPS “last mile” resources delivered over six billion parcels, ensuring universal access to online goods and services in the rapidly-expanding e-commerce sector.

Postal Service Financial Uncertainty

Despite being a significant driver of the nation’s economic engine, the USPS faces financial insolvency. It reported a fiscal year 2018 net loss of $3.9 billion and has projected that loss to grow to $6.6 billion in 2019. The USPS has posted a net loss every year over the last 11 years, with fiscal 2018 liabilities exceeding assets by over $62 billion. As the volume of mail declines and the number of delivery points increases, the USPS simply cannot generate sufficient funds to cover its mandated expenses and also invest in critically-deferred infrastructure needs. While the USPS has implemented cost-cutting measures, without prudent regulatory action from the Postal Regulatory Commission and legislative reforms by Congress to address fundamental underlying problems and provide the flexibility to create new revenue streams, it cannot be financially solvent.

Postal Regulatory Commission

In its 10-year review of the system for regulating postal rates, the Postal Regulatory Commission (PRC) concluded that the current rate system does not meet the objectives established by Congress. Based on the financial condition of the USPS, the PRC proposal includes allowing the USPS to increase mail rates at more than double the rate of inflation each year for the next five years, granting the ability for the USPS to increase rates based on service performance criteria and requiring additional increases for products that don’t cover cost calculations. These rates, if allowed to go in effect, would represent a 27.5 percent increase in postal rates over five years. Such a move could create sticker shock that would have damaging effects on mail volume and risk the use of mail as a competitive option for marketers and business communication.

White House Task Force on the U.S. Postal Service

In December 2018, the President’s Task Force on the United States Postal System issued recommendations to improve USPS financial performance. A number of their proposals are incomplete, politically unlikely or would lead to accelerating decreases in mail volume and permanent negative changes in the mail stream.
Congress Needs to Act

In its review of the Postal Service financial status, the PRC showed that the vast majority of accumulated USPS deficit is due to statutory obligations imposed by Congress in the 2006 postal law. The new Congress has an opportunity to consider the findings of the PRC and the Postal Task Force and use those insights to enact legislation that will create a sustainable path forward.

Policy Recommendations:

A coordinated set of reforms must be implemented together rather than pushing through separate parts. Achievable, sustainable postal reform will:

• Ensure the fiscal viability of the USPS by eliminating unreasonably-imposed employee and retiree health benefit obligations;

• Allow the USPS to innovate and develop new revenue sources;

• Support service standards that meet the needs of the public and business customers, including continued six-day mail delivery;

• Ensure postal rate setting has checks and balances that provide price predictability for mailers and cost-control incentives for USPS; and

• Enable mail as a cost competitive option for business communications.

For mail to remain a vital part of the American economy, high-quality service and reliability at an affordable cost are necessary. Raising rates and reducing services are counterproductive in an economy where industry and consumers are seeking faster and cheaper delivery options for communications and business transactions. These actions would simply make mail less competitive and further accelerate volume and revenue losses.