



August 17, 2020

## Open Letter to Congress: Save USPS by Enacting Long-term Reforms

Dear Representative,

According to yesterday's press release from Speaker Pelosi, the House of Representatives will be back in session later this week to consider legislation that will "save the postal service." While there are understandable oversight concerns regarding what is likely to be a record number of mail-in ballots during the 2020 election, it must be noted that, more than anything, the postal service needs to be "saved" from the avalanche of debt and unsustainable business operations that plague this broken agency. It is our hope that the Congress can work on a bipartisan basis to tackle the root causes of the Postal Service's poor financial condition and enact a comprehensive reform package that protects USPS for decades to come.

As you are keenly aware, the USPS is bleeding red ink and in desperate need of reform. Despite maintaining a government-sponsored monopoly over the delivery of first class mail, USPS has lost \$78 billion over the past 13 years and is facing concerns about bankruptcy. Due to these steep losses, alongside \$140 billion in unfunded liabilities and general debt, the GAO regularly labels this agency as "high risk." Without structural changes USPS will continue to rely on multibillion-dollar withdrawals from taxpayers in order to remain solvent.

For the last several years, NTU and other advocacy organizations have [sounded the alarm bells](#) that on its current trajectory, USPS would not be economically viable in the 21st century. Unfortunately, as is sometimes the case in Washington, our pleas have fallen on deaf ears.

Unsurprisingly, there is disagreement on whether or not USPS should be changed, or if Congress should simply shovel endless amounts of money to keep it afloat. In May, the House took the latter approach, and passed a \$3 trillion COVID-19 relief bill that contained a no-strings attached \$25 billion USPS bailout. Lawmakers blame the COVID-19 pandemic as justification for massive spending, but a May report reveals the Postal Service has enough resources to continue operations for at least an entire year, even after accounting for the effects of the COVID-19 pandemic. With that being the case, it means Congress has ample time to craft legislation to reform or reimagine the Post Service.

In the end, USPS needs reform, not bailouts that kick the can marked "insolvency" down the road toward the not-so-distant future. NTU submits the following recommendations and urges Congress to work on a bipartisan basis to advance a bill that seeks to reform the USPS:

- **Don't Scrap the Pre-Funding Mandate.** Many opponents of postal reform have argued the requirement to pre-fund retirement benefits is a core reason for ballooning losses. However, it must be noted that USPS has failed to make a full payment on the trust fund every year since 2010. NTU supports a pre-fund requirement to tackle the future tidal wave of benefit payments that will come due in the not-so-distant future.

While it may be prudent to adjust the pre-funding levels or frequency of payment, it is short-sighted to end the provision completely. In fact, according to a December 2018 report from the Task Force on the United States Postal System, the Task Force “does not believe that this general policy should change or that the liability for USPS retiree health benefits should be shifted to the taxpayers.” USPS’s defenders claim that pre-funding is an unfair burden to bear, but from the taxpayer’s perspective, more agencies and government-chartered entities should be concentrating attention on this type of planning.

- **Streamline operating costs.** Using FY19 data, labor costs accounted for more than 75 percent of the agency’s total operating costs. Since labor remains the primary driver in cost, it ultimately must be the primary area from which to reduce costs. Doing so through a gradual reduction in headcount, using a combination of staggered layoffs, buy-outs, natural attrition, hiring freezes, in addition to changes to employee health care or retirement benefits, could save billions a year. Ideally, the average pay and benefits would align with competitors in the private sector. To ensure no community suffers from delays in mail/package service during this transition, USPS could operate cluster boxes to best serve residents.
- **Adjust Delivery Schedules and Pricing.** It is a fact that paper mail volume has declined considerably, and will likely continue its decline in the years ahead. To equalize the drop in demand, Congress should reduce the number of days that USPS mail delivery is available and consider granting USPS more pricing flexibility. As it stands, a six-day delivery schedule makes little economic sense in the age of the internet.
- **Close Post Office Locations.** The United States government operates more than 31,000 post office locations. Many of these locations are within close proximity to another post office, or in other cases, serve communities with limited foot traffic. To save money while having as little impact as possible on service, Congress should make it easier to close offices that are redundant or not cost-effective to operate.

The way Americans communicate, businesses advertise, and producers ship their products to customers has drastically changed over the last several decades, yet the USPS remains virtually unchanged. Eventually, postal reform will happen one of two ways: either deliberately and deliberatively, or haphazardly in a crisis environment. Policymakers would be wise to choose the first path now rather than be confronted with the second path later. As we continue to witness year after year, that aforementioned “crisis” moment is not too far away.

In the meantime, we hope to work with you as you chart a bipartisan course of action for postal reform that eventually deserves a president’s signature.

Sincerely,

Thomas Aiello  
Policy and Government Affairs Manager