



April 29, 2019

The Honorable Elijah Cummings  
Chairman, U.S. House Committee on Oversight and Reform  
2157 Rayburn House Office Building  
Washington, D.C. 20515

The Honorable Jim Jordan  
Ranking Member, U.S. House Committee on Oversight and Reform  
2157 Rayburn House Office Building  
Washington, D.C. 20515

Chairman Cummings, Ranking Member Jordan, and Members of the House Committee on Oversight and Reform:

This letter respectfully seeks to provide information for the record in advance of the upcoming Full Committee Hearing, “The Financial Condition of the Postal Service,” scheduled for April 30, 2019.

The American Consumer Institute (ACI) is an independent organization founded in 2005. The Institute’s mission is to identify, analyze and project the interests of consumers in selected legislative and rulemaking proceedings in information technology, health care, insurance, postal and other matters.

In numerous comments to the Postal Regulatory Commission, ACI has documented that the core mission of the USPS – to deliver mail – has become subordinated by delivery of its competitive services.<sup>1</sup> This is an important matter that must be solved as consumer confidence further erodes due to diminishing efficiency and performance quality of the USPS’ monopoly services.

With ACI’s comments in mind, we present key topics for discussion during the hearing.

- The importance of requiring the U.S. Postal Service to establish balance sheet separation for competitive and market dominant services to help prevent cross-subsidization between mail and package business units:

As ACI has noted, the USPS financial results for 2018 report that packages now account for 50% of the delivery weight, which means that packages (which tend to be less dense than letters) now occupy more area within delivery vehicles used in the last mile, compared to market dominant services. The new realities of the eCommerce landscape are ultimately strong indicators that competitive services should, in fact, be allocated a much greater share of expenses related to personnel, equipment, capital expenditures, depreciation, and much more.

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<sup>1</sup> Comments of American Consumer Institute Center for Citizen Research, Regarding Docket No. ACR2018, Submitted to the United States Postal Regulatory Commission January 31, 2019, <https://www.prc.gov/docs/108/108143/ACI%20Comments%20-%20ACR2018.pdf>

Under the current frameworks lawmakers and the public do not have access to data demonstrating that competitive services carry their fair share of costs associated with delivery. Why has the USPS continually neglected to provide full cost and revenue transparency for lawmakers and regulators to review?

Based on the magnitude of USPS fiscal challenges, it is clear that a new allocation model with fully distributed costs to all products, services, and activities is the optimal approach for informing decisions involving price increases and potential discontinuation of services that are not financially viable.

- Rapidly declining USPS service performance for core lines of business and the need to identify corrective action:

The Postal Regulatory Commission's Annual Compliance Determination (ACD) reveals that rates of on-time delivery have declined for all 14 segments of First-Class Mail service that were analyzed by the Commission. What operational changes will the Postal Service make to provide better service across nation and within communities that rely heavily on efficient mail service?

How can lawmakers and regulators ensure that revenues generated by letter mail are being properly directed to support efficient letter mail delivery, and not used to fund extraneous postal operations?

Overall, ACI expresses confidence in recommended operational changes discussed by the U.S. Treasury's Postal Task Force, whose experts have highlighted the need for the USPS and Congress to work together to overhaul the USPS's business model in order to return it to sustainability.

Should the USPS ultimately prove unable to institute meaningful change that will improve service performance and costing management, Congress should aim to take matters into their own hands. This is consistent with the Task Force's recommendation to "strengthen the governance and regulatory oversight of USPS. This could be achieved through reforming, but maintaining, the existing institutional structures or by changing the institutional structures."

Ultimately, Congress will have a central role in helping to achieve critical reforms to the U.S. Postal Service.

Respectfully submitted,

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