

Keep US Posted Statement to the House Subcommittee on Government Operations

Kevin Yoder

Executive Director

The Holiday Rush: Is the Postal Service Ready?

November 16, 2022

On behalf of the Keep US Posted campaign, I express appreciation for the effort of the subcommittee in looking at the USPS readiness for the forthcoming holiday peak mailing season. This is a critical time for the USPS and its customers. In recent years, there have been challenges for mailers that will hopefully be avoided this year. But we respectfully submit that the fundamental question now at hand is not whether the USPS will be ready for the peak mailing season this year, but whether there will be a peak mailing season at all in just a decade. The USPS is forging ahead with a deeply flawed *Delivering for America* plan that did not receive adequate scrutiny from Congress or adequate and effective supervision by its regulator. The questions that needed to be answered at the beginning were not asked, and it is a house of cards that is destined to fall. With the recently announced rate adjustments for Market Dominant and Competitive mail products, it is now clear that USPS management is moving forward with a plan that will lead to the destruction of traditional mail products—and that that destruction is not the result of market forces but intentional actions by the Board of Governors to elevate package volumes at the expense of traditional mail.

When the *Delivering for America* plan was first unveiled, there was great concern among USPS customers that it had been developed with no consultation with any sector of the mailing industry and about the impact it would have on the USPS legacy customer base. Analysis of the plan suggested that many of its assumptions were flawed and this has borne out over time but at its core, the plan was predicated on substantial growth in packages and presumed a decline in traditional Market Dominant mail volume of more than forty percent. The industry was concerned that the predicted volume decline for mail was unnecessarily high and the recent rate and service actions by the USPS make it clear that the volume loss is not so much the result of inexorable market forces, but rather of a conscious decision by USPS management to force mail and mailers out of the system. Moreover, the foundation of the plan was based on significant projected package growth, which is now in question. From FY2021 to FY2022 total parcel volumes declined by 351 million pieces. UPS, Fed Ex, and Amazon are all in the process of contracting having announced reduced forecasts, facility closures, and in some cases significant layoffs. These factors demonstrate that the *Delivering for America* plan is likely a castle built on sand.

Since the implementation of the *Delivering for America* plan, the USPS has pursued an aggressive pattern of increases, maximizing the use of the expanded rate cap approved by the Postal Regulatory Commission (PRC), imposing mid-year increases rather than the usual January timeframe, and culminating in the recent announcement of a second major rate increase for Market Dominant mail products this January for only the second time in the history of the USPS. USPS has stated that twice-a-year increases will continue. This pattern of increases has been proclaimed by Postmaster General DeJoy as necessary to respond to the pressures of inflation, and the absolute need to achieve financial solvency as quickly as possible. Yet in last week's price announcement for competitive parcel products, the USPS set forth and boasted about a set of rates that left many package product prices unchanged,

lowered others, and increased the rest at rates far below the rate of inflation. It also noted service improvements for key parcel products after it had degraded service standards for First Class Mail. Any arguments of financial necessity as a justification for the Market Dominant rate increases fall apart in light of the approach USPS is taking with its parcel products. More importantly, it is indicative of a policy decision to fundamentally alter the composition of the USPS product base in favor of parcels that goes beyond the scope of a management decision and constitutes a policy choice that should be determined by Congress. Whether the USPS should be a public service for all Americans or the market share leader for parcels in the competitive market space to the exclusion of mail is a decision that should be made in this building, not at L'Enfant Plaza. Since 1970, the USPS charter has required it to be a public service binding the Nation together through the "personal, educational, literary, and business correspondence of the people." In 2006 and again this year Congress passed postal legislation which kept that basic charter unchanged.

We note with regret that the *Delivering for America* plan was not the subject of a dedicated hearing. It is also unfortunate that a provision in earlier versions to ensure that the rate system would be reviewed by the PRC following the enactment of postal reform was excluded from the bill that you passed earlier this year. We commend your leadership and that of Chairwoman Maloney and Ranking Member Comer in passing the bill after many years of protracted debate, but the failure to ensure that its substantial financial benefits as they bear on the rate cap for Market Dominant mail products would be reviewed on the record by the PRC, as well as the provision that gave the USPS Board of Governors control over the funding of its regulator, are elements that require further scrutiny from Congress.

We also believe that the role and responsibilities of the PRC should be re-examined. Congress may have assumed that the elimination of more than \$100 billion in USPS liabilities from postal reform, \$10 billion in relief funding for the pandemic, the impact of the pandemic itself, and most recently the likely funding for a new vehicle fleet, none of which were completed before the PRC closed the record in March of 2020 in its review of rate caps, would compel the PRC to review its decision on its own. Sadly, that is not the case nor has the PRC acted on two separate petitions for a review. In fact, since the 2006 PAEA law was enacted, the PRC has progressively stepped back from providing the benign skepticism needed for effective control over the USPS monopoly that Congress intended when it was created in 1970. It abolished the dedicated consumer advocate and replaced it with an ineffective system of rotating public representatives that offer no consistency in approach or common vision for protecting consumer and business interests from the postal monopoly. Most recently, it failed to initiate a required review of analytical principles changes when the USPS announced that it would treat the \$57 billion windfall one way on its quarterly financial statement but in a different way for purposes of maximizing its rate cap authority next year. The role of the PRC, the way it assigns staff to represent the interests of the general public, and the qualifications of its members should be examined by Congress in the post-reform era to ensure that it is capable of fulfilling its important mission to constrain the postal monopoly.

This Congress has achieved much in passing postal reform legislation this year but there are fundamental questions that must now be asked and having accomplished two major postal reform bills in the last 20 years, should now look at the regulatory framework and consider changes to make sure it safeguards the public interest. Most importantly, it should ensure that decisions that will determine the scope and reach of the USPS are made by Congress, not an unelected Board of Governors with no accountability. Turning the USPS into a package-only delivery service may be Postmaster General DeJoy's definition of success but it is not that of the mailing industry and not in the best interests of the public, the USPS, or its employees.