Before the Subcommittee on Government Operations

Committee on Oversight and Government Reform

U.S. House of Representatives

Statement for the Record of the Hearing on

The Postal Service: The Route Forward

Coalition for a 21st Century Postal Service

July 1, 2025

The Coalition for a 21^{st} Century Postal (C21)[1] deeply appreciates and thanks the Committee and the Subcommittee for holding this hearing on the route forward for the Postal Service ("USPS") and stakeholders' perspectives today. We specifically thank Subcommittee Chairman Sessions, Ranking Member Mfume and full committee Chairman Comer for their leadership. As the representative of a very broad cross-section of a nearly $2 trillion industry, employing close to 8 million workers nationwide, composed of mailers, shippers and our supply chain, C21 offers a unified industry view at this critical juncture.

C21 would like to start by remembering the late Ranking Member of the Committee, Gerry Connolly. Mr. Connolly was not only a long-time member of this Committee and a fighter for causes he believed in, but maintained an active interest in and leadership role on postal matters that C21 members welcomed and appreciated. He will be missed in our community.

At the hearing on June 24, the subcommittee concentrated on what changes might be made to improve the fortunes and performance of the Postal Service. C21 supports several changes that we believe will make a very serious, positive difference, and will discuss each below:

- Pause, review and revise the Delivering for America Plan ("DFA" or "the Plan");
    - Cancel the July Rate Increases and Rollback the Regional Transportation Optimization ("RTO") Initiative
- Expand the options for investing Postal Service funds;
- Return overpayments by USPS to the Civil Service Retirement System Fund ("CSRS");
- Reduce costs and improve efficiency in the "middle" mile
    - Utilize the private sector's existing infrastructure in the middle mile to expand public private partnerships in transportation, logistics and processing;
    - Enable the private sector to induct mail and packages as close to delivery as possible to improve service and efficiencies;
- Strengthen regulatory oversight; and

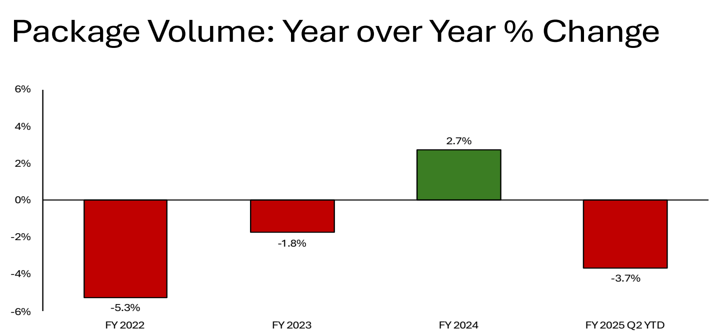
The timing of this hearing was propitious. The Postal Service faces very serious challenges to its operations and its finances. It lost $16 billion in the last two fiscal years, and is likely

[1]C21 is composed of business mailing associations and companies – newspapers, magazines, advertisers, catalogers, e-commerce, packages, greeting cards, financial services, telecommunications, insurance, retail, small businesses of every kind, paper, printing, technology, envelope manufacturing, mail services, who understand the essential role of USPS and want it sustained for the future.

to lose $7 billion or more this year. Under the clearly failed DFA, it has slowed service more than once and still cannot achieve the targets it sets for itself on the way to meeting these reduced service standards. Substantial declines in its business, i.e., significant reductions in mail use and little to no growth in packages to compensate, show no signs of abating.[2]

At the same time, costs continue to rise and excessive rate increases continue to be employed. Costs are up some $7.6 billion over the four years of DFA, and Market Dominant (mail) rates are up 50% or more, with many products and some classes substantially higher. Shipping rates are up, as well: Parcel Select prices have risen over 66% since DFA was introduced, and First-Class Package Service/USPS Ground Advantage prices have risen over 30%.

Two of the main tenets of DFA were that mail was going to continue to decline and packages would grow. While accurate about mail, package volume did not grow meaningfully and, in fact, contracted the first two years of DFA and are contracting again this year as the following chart shows:



Source: USPS public documents.

The timing of this hearing was optimal for another reason. The new Postmaster General, David Steiner, will likely start on July 14 (we are awaiting public confirmation). This interregnum gives the Subcommittee an opportunity to analyze what it heard at the hearing and sees in additional statements for the record as Members evaluate the problems and potential solutions for the system. An assessment from this Subcommittee would help guide Mr. Steiner's fresh take on the Postal Service and how to respond.

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[2] *Projecting Mail Volume: Future Trends and Implications for the Postal Service*, U.S. Postal Service Office of Inspector General, RISC-WP-25-003 (June 2, 2025) https://www.uspsoig.gov/reports/white-papers/projecting-mail-volume-future-trends-and-implications-postal-service

Importantly, this hearing wisely solicited important perspective for Members from those who actually pay the bills for USPS. Businesses provide 90% or more of postal revenues every year. They are the people who work with the Postal Service every day, fully understand the strengths and weaknesses of the system, the impact of change and then determine how they will use, or not, the system.

The DFA Should Be Paused, Reviewed and Revised

Four years after beginning to implement DFA, and a promise to break even in two years, service is down, prices and costs are way up, and losses abound. This program is, unfortunately, a failure.

DFA was to be a transformational plan. The intentions behind it were good; the executives worked hard to develop it, and the workforce worked hard to implement it. But it was flawed from the start. In January, the Postal Regulatory Commission ("the Commission" or "PRC") issued a scathing advisory opinion[3] that highlighted major problems and poor preparation on the elements of the plan, including problematic modeling. In other words, in the Commission's judgment, DFA had not been ready for prime time since its inception. The industry agrees.

Two of the main tenets of DFA were that mail was going to continue to decline and packages would grow. While accurate about mail, packages did not grow meaningfully and, in fact, are contracting this year. [Chart] Meanwhile, as mentioned above, service has been intentionally slowed. The result is that mailers are paying much more for less. That fact contributes to the decline in volume.

"Fill the trucks" was heavily counterproductive. Retreating from air transit, slowing First Class and Periodicals standards and, most recently, imposing the Regional Transportation Optimization (RTO) initiative, all firmly based in "filling the trucks," have contributed to falling seriously short on timely service, which is both a significant measure of satisfaction for businesses and consumers, as well as a critical funds collection measure for businesses.

In-sourcing of volume was a damaging mistake. Previously handled more cheaply and efficiently by public-private partnerships, in-sourced volume creates the need for more personnel and equipment, and slows deliveries by moving entry and sorting upstream thereby requiring more handling. It is common sense that when 80% of the organization's costs are labor-related, adding functions and tasks will only add costs. And, among other things, by cancelling contracts with package resellers, it also effectively shut off a key,

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[3] Advisory Opinion ("AO") on the Operational and Service Standard Changes Related to the Delivering for America Plan, Docket No. N-2024-1 (January 31, 2025) https://prc.arkcase.com/portal/filings/135219

independent, source of developing business for USPS. In other words, USPS cut out some of its best sales people.

Package volume has not grown under DFA and is contracting so far this year. Notwithstanding continued growth in e-commerce and packages overall, the Postal Service market share is not growing. It has fierce competition among shipping companies large and small. Regional and local delivery companies, e-commerce leaders and a number of conventional retail companies handling their own shipping, as well as the well-known national delivery companies, have siphoned off much of the growth potential.

The pending July rate increases must be cancelled or suspended. Mail and packages continue to drop as prices rise too far too fast. For mail, this is from diversion to digital communications and excessive pricing increases, yet still provides the majority of USPS revenues. For packages, as discussed above, it arises from intensifying competition.

USPS can only fix what is in its control: *it is essential that the next price increases, scheduled for July 13, be cancelled*, or at least paused and reconsidered. The consequences of going ahead mean more pressure on both legs of business for USPS and more distance from its mission of public service.

Seventy-eight cents for a First-Class stamp is breathtaking. And concomitant increases for business classes are just as problematic. Similarly, package prices are rising again, notwithstanding the decline in volume this year. See discussion at p. 3 above. Further thought must be given, before it is too late, to this relentless pressure on price.

The Regional Transportation Optimization ("RTO") initiative must be rolled back. Found to have disproportionate impact on rural areas by the Commission,[4] RTO adds a day to any mail beyond an arbitrary fifty-mile limit from relevant facilities imposed by USPS. This means many bills will be paid late, packages from small sellers will be sent late, and more. Delayed payments incur late fees for senders and adversely impact remittances to businesses, large and small – with ripple effects on their suppliers. Late packages obviously are not good for business.

More Revenues to USPS without Using Taxpayer Funds

As much as it is true that costs must be cut from USPS operational expenses, it is also true that more revenues are critical to USPS' future. Notwithstanding $120 billion in cash and balance sheet forgiveness from Congress earlier this decade, USPS remains in bad, and getting worse, financial shape. Changes must be made that do not involve tapping the Treasury for additional funding.

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[4] Commission AO, n.3 at 2 and *passim.*

<u>Smarter investment of USPS Funds.</u> Under law today, USPS must invest in Treasuries. The return on those of course is low: 2 – 3% range. Investing in a conservative suite of investment funds and bonds should more than double that average annual return. A good example is the federal government's own Thrift Savings Plan ("TSP") for employees. Amtrak, the Railroad Retirement Board, the Tennessee Valley Authority and others already do use a TSP-like system for their agency funds. Even investing a portion of USPS pension and health benefits funds would be a very substantial boost to its returns. The Postal Service Inspector General ("IG") two years ago estimated that had these funds been so invested since their inceptions, USPS would be running a surplus of $1.2 trillion.[5]

Of course, such investments would have to be made by a full-time professional fund manager, and overseen by senior Administration and Postal Service figures. For example, an oversight Board might include the Secretary of the Treasury, the Chair of the Federal Retirement Thrift Investment Board, and the Chair of the Postal Board of Governors.[6]

<u>Return Overpayments Made by USPS to the CSRS Fund</u>

Both the PRC and the IG have determined that USPS has dramatically overpaid the CSRS Fund. Depending upon the date of the study, as the problem worsens over time, the Postal Service has cumulatively overpaid by $60- to as much as $110 billion. The Department of Justice ("DoJ") last year provided an opinion that there must be a change in the law to accomplish this.[7] Yet, Congress has already addressed this issue. See 5 USC 8348(h) concerning calculating USPS surpluses or deficits to the CSRS Fund and, in particular, subsection (C):

> ''(C) As of the close of the fiscal years ending September 30, 2015, 2025, 2035, and 2039, if the result is a surplus, that amount shall be transferred to the Postal Service Retiree Health Benefits Fund, and any prior amortization schedule for payments shall be terminated. (Highlighting added.)

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[5] *Historical Analysis of USPS retirement Fund Returns,* USPS OIG (April 6, 2023) https://www.uspsoig.gov/reports/white-papers/historical-analysis-usps-retirement-fund-returns

[6] *See,* e.g., the *Postal Service Financial Improvement Act*, HR 760, 115th Congress (sponsored by Cong. Lynch), §(2)(C) https://www.congress.gov/bill/115th-congress/house-bill/760?q=%7B%22search%22%3A%22The+Postal+Service+Financial+Improvement+Act+HR+760%22%7D&s=1&r=7

[7] DoJ concluded that Congress in its legislation previously addressing the overpayments did not mandate that the Office of Personnel Management change the *methodology* to calculate how much USPS owed to CSRS. But Congress also did not require OPM to stay with the same methodology, especially when other, updated, methodologies would change the outcome and were found to be reasonable by GAO, the PRC and USPS OIG. *Whether the United States Postal Service Bears Responsibility for the Cost of Certain Civil Service Retirement Benefits Paid to Its Employees,* Department of Justice Opinion (March 26, 2024), https://www.justice.gov/olc/media/1348126/dl?inline .

This section and subsection seem abundantly clear. Thus, we urge the Subcommittee and Committee to reiterate to all parties that the transfer back to USPS should be done as directed by law. But if the DoJ opinion is nonetheless deemed correct, then we urge that legislative action be undertaken to effectuate Congress' intent in the foregoing provisions.

Reduce Costs and Improve Efficiencies in the "Middle" Mile

As was stated a number of times at the hearing, USPS has an unparalleled delivery network. C21 could not more heartily agree. No private sector entity can, or would want to, match that network. It would have to deliver everywhere every day to nearly 170 million addresses across the country, including many rural and other areas that are not dense enough to enable a profit. But this universal delivery is not only required by law, it has been at the very core of what USPS does for nearly 250 years. It cannot be replaced, nor should its universal service obligation be reduced from six days each week. It is a true public service.

Similarly, the 30,000+ USPS retail outlets, and the blue collection boxes (where safe), cannot be easily replaced. That access to the system must be preserved for nationwide service.

However, in the *middle* mile, there is ample opportunity to grow already existing public-private partnerships, and create new ones. Presorting and otherwise preparing the mail and packages by mailers, mail service providers, packagers and others, "dropshipping" close to entry destinations, and transportation have all long been done successfully in ways to create the "lowest combined cost" (between the mailers and the Postal Service).

Growing such partnerships would reduce the need for sortation and transportation by USPS. In turn, this would save on machines, buildings and headcount. The last has been particularly intractable, hovering at 80% of postal costs. And its cost was badly exacerbated by the previous Postmaster General. Fortunately, our understanding is that there is widespread opportunity for attrition in an aging USPS workforce.

Finally, current law limits USPS to only businesses that are "postal" in nature: mail and packages. Moving forward, the USPS should examine its spending on technology solutions where private sector solutions already exist in the market. Focusing expenses on the first and last mile and partnering wherever possible in processing, sorting, transportation, and technology can reduce expenses without impacting service negatively.

Strengthen Regulatory Oversight

The old Postal Rate Commission was renamed the Postal Regulatory Commission and given some additional powers in the Postal Accountability and Enhancement Act of 2006

“PAEA”). However, the powers provided to it fell short of making it a true regulator. For example, see its limitations to an advisory opinion in regional or national changes of service or on reviewing Market Dominant rates only to assure compliance with the objectives and factors in 39 USC 3622(b) and (c). And it has not, in nearly twenty years, once used its PAEA-conferred authority to subpoena or sanction USPS personnel.

The insularity of postal management and leadership, excesses in pricing, erosion of service, and inappropriate attitude toward Congress, the PRC and customers, with poor and predictable results, demonstrate the need to have a stronger check on the Postal Service to ensure this kind of problematic and counterproductive behavior is not repeated.

C21 believes the Commission, whose underlying statutory authority has not been reviewed since 2006, should be modernized and strengthened to enable it to be that effective check. To that end, The USPS SERVES US Act, HR 3004, sets out a number of changes, which we endorse, that would accomplish that goal.

Among these are

- Permitting “X-Factor” ratemaking;
- Requiring that there be no more than one rate increase per year;
- An “underwater” surcharge limitation;
- Adding a volume growth requirement to the 9 objectives already in law; and
- Creating an autonomous “Customer Advocate” at the Commission to represent both the public and small business.

We commend these changes and the others proposed in HR 3004 to the Subcommittee’s attention.

C21 again thanks the Committee and the Subcommittee for the opportunity to contribute to the record of this hearing. We would be happy to discuss in more depth any of the above, or otherwise answer any questions you may have