

Elena Patel

Assistant Professor, Marriner Eccles Institute for Economics and Quantitative Analysis,  
University of Utah

House Subcommittee on Government Operations

Testimony Submitted for  
“The Route Forward for the U.S. Postal Service: A View from Stakeholders”

June 24, 2025

Dear Chairman Sessions, Ranking Member Mfume, and Members of the Committee:

Thank you for inviting me to testify today on this important topic. My testimony has 4 major conclusions that I’d like to immediately draw your attention to:

- The Postal Service provides a vital public service to Americans.
- Its funding model is broken and cannot support universal service in the long run.
- The USPS is a poor candidate for privatization, both practically and as a matter of public policy.
- Mail delivery should remain a government function, and the Postal Service should be adequately compensated for the costs of providing universal service.

This testimony is divided into several sections. The first describes the public value of the postal service, a cornerstone of American infrastructure that connects individuals and businesses. The second section summarizes the challenges facing USPS operations, including the structural decline of mail volumes, the ongoing mismatch between fixed costs and revenue, and the inadequacy of the current funding model. The third explains why privatization is not a viable solution to these challenges, drawing on international examples and the unique public obligations the USPS is tasked with fulfilling. Finally, the last section outlines what I believe to be the most viable path forward: ensuring that the USPS can continue to serve as a vital public institution by directly and transparently funding the costs of its universal service mission.

This testimony draws on my research and professional experience with postal economics. I hold a BA, MA, and PhD in Economics from the University of Michigan, where I specialized in Industrial Organization and Public Finance. During graduate school, I worked as an Economist in the Office of Accountability and Compliance at the Postal Regulatory Commission, where my duties included analyzing the potential effects of a network-wide consolidation plan proposed by the USPS. I have published academic research using advanced methods to estimate the price sensitivity of postal customers and have consulted for PRC on the effect of proposed changes to First-Class Mail and Periodicals service standards. Most recently, I published research evaluating the (in)feasibility of postal privatization. Importantly, this testimony reflects my own views, and does not reflect the views of my employer, the University of Utah.

## **I. The USPS Provides an Essential Public Service**

Nothing better embodies the public value of the postal service than a reading of its core mission:

*The Postal Service shall have as its basic function the obligation to provide postal services to bind the Nation together through the personal, educational, literary, and business correspondence of the people. It shall provide prompt, reliable, and efficient services to patrons in all areas and shall render postal services to all communities. 39*  
U.S. Code, Section 101

The USPS delivers mail to every address in the country—reaching more than 166 million delivery points across more than 3.8 million square miles. This universal service is a core piece of national infrastructure, connecting people and businesses much like roads, highways, and electric grids. Just as important, everyone is entitled to equitable access to this network at affordable prices.

This mission is operationalized through the Postal Service’s Universal Service Obligation (USO), which reflects a set of legal and regulatory expectations that ensure that every American has access to mail service, regardless of geography, income, or cost of delivery. The USO requires the USPS to deliver mail to every address six-day-per-week, offer uniform pricing, and provide access through an extensive network of post offices. These obligations are rooted in the principle that access to communication, commerce, and government should not depend on where someone lives or how much they earn. And, they exist regardless of profitability.

The Postal Service is one of the most trusted and favorably viewed institutions in the federal government. According to a recent Pew Research Survey, 72% of Americans have a favorable opinion of the USPS, second only to the National Park Service. This support spans political lines, with 68% of Republicans and 76% of Democrats expressing favorable views, and reflects the agency’s consistent and visible role in everyday life (Cerdeja 2024). Likewise, the 2020 RAND American Life Panel found the public places an extraordinarily high level of trust in the USPS, ranking it second only to the CDC. Notably, trust in the USPS was even higher in rural communities, underscoring its importance in areas where other government services are often limited (Pollard and Davis 2020b).

The Postal Service plays a critical role in the function of government that should not be overlooked. It facilitates vote-by-mail systems, delivers official government and court documents, and enables individuals to establish legal residency and receive identification, benefits, and other essential services tied to a verified address. For many Americans—especially those in rural areas or those who experience housing instability—a reliable mailing address provides a lifeline by ensuring connection to the civic, legal, and economic systems of the country. The Postal Service supports national security and public safety by screening millions of pieces of mail for hazardous substances and maintaining operations during emergencies. It is also formally recognized in the National Response Framework as part of the nation’s critical emergency response infrastructure—underscoring its essential role in times of crisis (Pollard and Davis 2020a).

The Postal Service’s infrastructure also plays a critical role in facilitating commerce across an increasingly globalized and digitized economy. Its vast, nationwide delivery network provides essential logistics support not only for individuals and small businesses, but also for large e-commerce firms and private carriers. In fact, many private shipping companies—including FedEx, UPS, and Amazon—routinely rely on the Postal Service for last-mile delivery in areas where it is more cost-effective for USPS to complete the route. In this way, the USPS’s public infrastructure lowers the cost of reaching customers in remote or sparsely populated regions—regions that often lack nearby retail stores, pharmacies, or other essential services. For residents in these areas, reliable mail delivery is not simply a convenience; it is a critical link to the broader economy.

Finally, the Postal Service is widely recognized for offering stable, well-paying jobs and for building a workforce that reflects the nation it serves. It is not only one of the largest civilian employers in the United States, but also one of the largest employers of military veterans. USPS has earned national recognition for its commitment to diversity, with more than half of its workforce made up of individuals from historically disadvantaged (Government Accountability Office 2023). In addition, USPS offers strong compensation and benefits—particularly for workers without a college degree—making it an important provider of middle-class jobs in communities across the country.

## **II. The USPS Funding Model Is Broken**

The USPS is operated as a self-funded, independent entity that does not rely on taxpayer appropriations to cover its operating expenses. Instead, it is expected to finance its operations through revenue generated from the sale two types of postal products: market-dominant products like First-Class Mail, Marketing Mail, and Periodicals, and competitive products, including parcels and shipping services. Under the current regulatory framework, established by the 2006 Postal Accountability and Enhancement Act (PAEA), market-dominant products are subject to price caps and service standards overseen by the Postal Regulatory Commission (PRC), a structure designed to regulate the Postal Service’s legal monopoly over these services. In contrast, USPS has pricing flexibility for its competitive products, which operate in an open market.

USPS’s monopoly rights are not a special privilege, but rather a critical component of the funding model intended to support the Postal Service’s core public service mission. The Postal Service is best understood as a natural monopoly with high fixed costs (infrastructure) and relatively low marginal costs (mail delivery). These are textbook conditions under which competitive markets fail to provide the socially optimal outcome (universal service) and where efficiency is maximized by having a single provider serve the entire market. These models prescribe pricing at marginal cost, which inevitably requires public support or cross-subsidization (for example, from their competitive products) to cover fixed costs. This is not a flaw in the model—it’s a defining feature. Like a public utility, the Postal Service is not a profit-maximizing business, but a government-provided public service designed to advance the public interest, even when it is not commercially viable to do so.

Importantly, a private firm would never choose to operate a network that delivers mail six days per week, to every address in the country, or charge uniform and affordable rates regardless of geography. But, this is precisely what the Postal Service is tasked with doing. A private firm would, instead, choose to operate only in markets and to serve customers that are profitable. Its legal monopolies over letter mail and mailbox access are a longstanding, deliberate choice meant to prevent this kind of cherry-picking of profitable markets. In exchange for these protections—and the revenue stability they were designed to provide—the Postal Service is obligated to provide prompt, reliable, and affordable service to all Americans, regardless of geography.

In recent decades, however, the economics of letter delivery have become increasingly challenging. First-Class Mail volumes have been in steady decline since the early 2000s, largely driven by the rise of the digital economy and substitution towards electronic communication. As we have grown to rely more heavily on email, electronic billing, and online communications, the core revenue base that once sustained the Postal Service's universal service obligations have eroded significantly. In 2009, for example, USPS handed over 175 billion pieces of market-dominant mail; 15 years later, that figure has fallen by 60%, to just 106 billion (United States Postal Service 2009; 2024a). This downward trend is expected to continue: the U.S. Postal Service Office of the Inspector General recently projected an additional 28% decline in mail volume over the next decade (U.S. Postal Service Office of Inspector General 2025). Importantly, this decline is not just an American phenomenon. Postal operators around the world have grappled with this very same structural shift, raising fundamental questions about the future of letter mail.

While letter mail volumes have declined, the rise of e-commerce over the same time period has driven steady growth in parcel deliveries. USPS responded to this shift by expanding its package services through competitive pricing for consumers and small businesses and last-mile delivery for private carriers. As a result, competitive products have grown from less than 15% of USPS revenue in 2009 to more than 40% in 2024. Still, market-dominant mail continues to generate the majority of USPS's revenue today, demonstrating that despite the decline in volume, letter mail remains a critical source of funding for universal service.

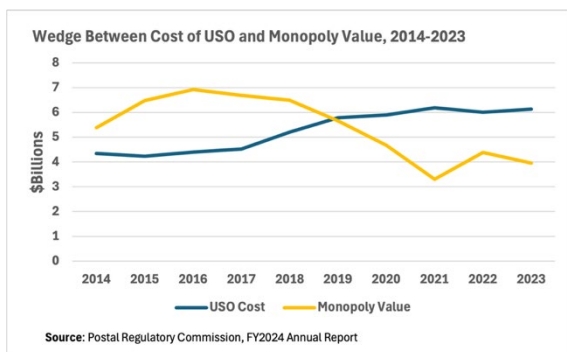
Despite adapting to changing market conditions, the Postal Service continues to face substantial financial losses. In FY2024, USPS reported a net operating loss of \$1.8 billion, reflecting the shortfall between its core revenues and expenses (Postal Regulatory Commission 2025b). After accounting for non-operating costs—such as retiree health benefit expenses and changes in workers' compensation liabilities—the total net loss reached \$9.5 billion (United States Postal Service 2024b). These figures mark yet another year in a long stretch of deficits, driven by a persistent imbalance between declining mail revenues and the fixed costs of delivering universal service. Without reform or stable public investment, these losses are likely to continue.

In the meantime, the cost of fulfilling the Postal Service's universal service obligation far exceeds the value of the legal monopolies that are meant to support it. According to the PRC's most recent estimates, the total annual cost of the USO under the current model—including obligations like six-day delivery, uniform rates, and delivery to every address—is estimated to be \$6.3 billion per year, 40% of which is driven by the mandated six-day delivery (Postal Regulatory

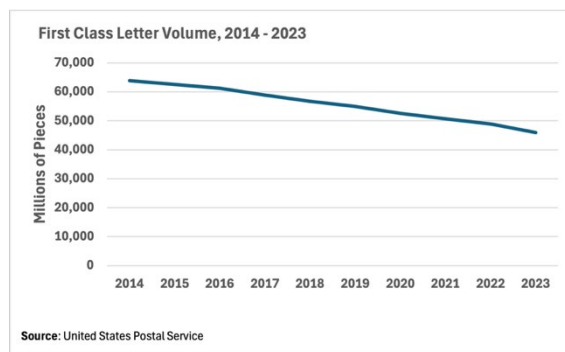
Commission 2025a). By contrast, the estimated value of the postal and mailbox monopolies is only \$4 billion per year, leaving an annual gap of \$2.3 billion.

As shown in the Figure 1A, this gap has widened in recent years, and it will likely continue to grow. The value of the Postal Service’s monopoly rights is tied directly to the volume of market-dominant mail, particularly First-Class mail. As those volumes continue their long-term decline (Figure 1B), the financial support that these monopolies once provided will erode even further. In other words, the existing funding model, which relies on declining mail volumes to fund expanding public obligations, is no longer sustainable.

**Figure 1A**



**Figure 1B**



### III. Privatization is Not the Solution

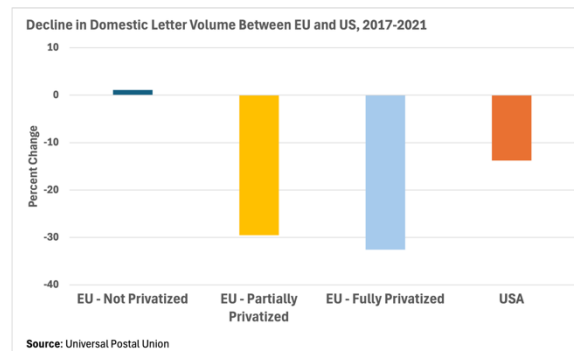
Some have pointed to privatization as a potential solution for the Postal Service’s long-standing financial challenges, but my work suggests that it would do little to improve USPS’s long-run fiscal outlook (Patel and Rajan 2025). Private delivery firms already operate in the most profitable segments of the market, including middle-mile sorting and delivery operations performed by third-party mailers and large parcel delivery companies like FedEx and UPS. Meanwhile, USPS’s core public obligations—such as uniform, affordable pricing, six-day delivery, and universal geographic coverage—are the very features that make it unprofitable by commercial standards. Shifting these obligations to a private provider would necessitate ongoing government subsidies to maintain service levels, especially in rural and underserved areas. In other words, privatization will not shield taxpayers from the financial obligations required to ensure that all Americans can access this critical infrastructure, nor will privatization eliminate the cost of universal service; it will simply obscure it.

Moreover, privatization will not resolve the core structural issue: declining mail volumes. The USPS is not losing money because it is a government-run entity. It is losing money because the products it has historically financially relied upon and it is legally required to provide are in a long-run, structural decline. No ownership structure, public or private, can make letter mail grow again.

Postal operators around the world—also required to provide universal service, and in some cases already partially or fully privatized—are facing the same pressures as USPS: declining mail volumes, rising delivery costs, and growing competition in the parcel market. As shown in

Figure 2 below, EU member states with partially or fully privatized postal services have experienced even steeper declines in domestic letter volumes than the U.S (Figure 2), underscoring that privatization does not shield national posts from industry-wide disruptions.

**Figure 2**



Despite varied ownership models, several European operators have faced acute financial and operational challenges in recent years. For example, PostNL, the privatized postal operator in the Netherlands, recently [announced](#) that its current business model is no longer viable, citing sustained declines in mail volume, growing delivery costs, and intensifying competition in the parcel sector. In Spain, the government-owned postal operator Correos has [struggled](#) with ongoing losses and workforce reductions, prompting policymakers to expand its public service obligations to include basic financial services as a means of maintaining relevance and reach. Meanwhile, PostNord, Denmark’s corporatized postal service, has [announced plans](#) to discontinue letter delivery altogether, citing the steady erosion of mail volumes. These examples underscore a key point: structural challenges in the postal sector persist regardless of ownership model, and privatization has not resolved them.

#### **IV. A Path Forward: Keep it Public and Fund it Accordingly**

The Postal Service’s universal service obligation imposes real and ongoing operational costs that must be transparently funded. While the postal monopoly offsets some of these costs, the fundamental shift towards electronic communication and e-commerce has significantly and permanently reduced its ability to serve as a reliable funding source. The Postal Regulatory Commission regularly estimates the cost of meeting this obligation. To ensure the continued delivery of this vital public service, Congress should consider providing a direct appropriation equal to the estimated cost of universal service. This model aligns with the approach of the European Union, where governments are required to directly fund these public service costs rather than expecting postal operators to recover them through shrinking commercial revenues.

Some may worry that a direct appropriation to fund the universal service obligation will distort competition in the parcel delivery market by giving the USPS an unfair advantage. However, the 2006 PAEA already established a clear legal framework to prevent such cross-subsidization. Under the PAEA, the USPS is required to maintain separate accounting for its market-dominant and competitive products to confirm that this cross-subsidization does not occur, and the PRC conducts regular oversight to ensure compliance. These safeguards are explicitly designed to

protect against unfair competition, ensuring that any public funding for the Postal Service's universal service mission does not spill over to subsidize its competitive package services. In other words, the existing legal framework is already poised to resolve the concern that such public funding would distort the marketplace.

At the same time, the Postal Service can—and must—modernize to meet the evolving needs of the American public. But, this does not require abandoning its core public mission. USPS can improve efficiency, adopt new technologies, and strengthen service delivery. Indeed, leaders within USPS, the PRC, and the broader federal government—as well as stakeholders in the community it serves—have already put forward thoughtful plans to achieve these goals. What is essential is that modernization efforts preserve universal access. Achieving that will require sustained investment in infrastructure, modernized sorting and delivery systems, and a stable, well-supported workforce. These are public investments in a public institution—designed not to maximize profit, but to ensure that the Postal Service continues to serve every community, now and into the future.

The Postal Service has been a cornerstone of public service since the earliest days of our nation. Its core mission is to provide reliable, affordable, and universal service, ensuring that every American can participate in the essential networks of communication that bind our nation together. In an increasingly isolated and fragmented society, this connective role is more important than ever, aligning closely with other core government responsibilities that promote civic inclusion, trust, and national cohesion. This public infrastructure also supports a vibrant commercial ecosystem, similar to roads, highways, and bridges, by enabling businesses to reach customers, facilitating e-commerce, and providing logistical reach in areas that private markets often overlook. Everyone benefits from USPS's public mission—to serve everyone, everywhere, regardless of profit.

## References

- Cerda, Andy. 2024. “Americans Feel Favorably about Many Federal Agencies, Especially the Park Service, Postal Service and NASA.” *Pew Research Center* (blog). August 12, 2024. <https://www.pewresearch.org/short-reads/2024/08/12/americans-see-many-federal-agencies-favorably-but-republicans-grow-more-critical-of-justice-department/>.
- Government Accountability Office. 2023. “U.S. Postal Service: Opportunities Exist to Strengthen Workforce Diversity Efforts.” GAO-24-105732. <https://www.gao.gov/products/gao-24-105732>.
- Patel, Elena, and Aastha Rajan. 2025. “Return to Sender: What Privatization Might Mean for the Future of the USPS.” The Brookings Institution. <https://www.brookings.edu/articles/return-to-sender-what-privatization-might-mean-for-the-future-of-the-usps/>.
- Pollard, Michael S., and Lois M. Davis. 2020a. “The Postal Service Is More ‘Essential’ Than You Thought.” <https://www.rand.org/pubs/commentary/2020/08/the-united-states-postal-service-is-more-essential.html>.
- . 2020b. “The Role of the United States Postal Service in the Age of COVID-19.” [https://www.rand.org/pubs/research\\_reports/RRA308-5.html](https://www.rand.org/pubs/research_reports/RRA308-5.html).
- Postal Regulatory Commission. 2025a. “Annual Report to the President and Congress FY 2024.” <https://www.prc.gov/sites/default/files/reports/AR%20FY24.pdf>.
- . 2025b. “Financial Analysis of United States Postal Service Financial Results and 10-K Statement FY 2024.” [https://www.prc.gov/sites/default/files/reports/FY-2024-Financial-Report\\_Final.pdf](https://www.prc.gov/sites/default/files/reports/FY-2024-Financial-Report_Final.pdf).
- United States Postal Service. 2009. “Final Revenue, Pieces, and Weight by Classes of Mail and Special Services for Fiscal Year 2009.” <https://about.usps.com/.../fy2009.pdf>.
- . 2024a. “Final Revenue, Pieces, and Weight by Classes of Mail and Special Services for Fiscal Year 2024.” <https://about.usps.com/what/financials/revenue-pieces-weight-reports/fy2024.pdf>.
- . 2024b. “Fiscal Year 2024 Annual Report to Congress.” <https://about.usps.com/what/financials/annual-reports/fy2024.pdf>.
- U.S. Postal Service Office of Inspector General. 2025. “Projecting Future Mail Volumes.” <https://stories.uspsoig.gov/projecting-future-mail-volumes/>.