



SUBMITTED STATEMENT OF

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BEFORE THE

**SUBCOMMITTEE ON GOVERNMENT OPERATIONS OF THE  
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM**

**U.S. HOUSE OF REPRESENTATIVES**

HEARING ON

**“THE ROUTE FORWARD FOR THE U.S. POSTAL SERVICE:  
A VIEW FROM STAKEHOLDERS”**

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**PAUL STEIDLER TESTIMONY,  
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Chairman Sessions, Ranking Member Mfume, and Members of the Subcommittee:

Thank you for the invitation to participate in this important hearing. My name is Paul Steidler, and I am a Senior Fellow with the Lexington Institute, a conservative public policy think tank in Arlington, Virginia, where I have covered the U.S. Postal Service since 2017.

My message today encompasses three points.

First, the state of the U.S. Postal Service (USPS) is dismal and needs prompt, dramatic, and holistic reform, internally at USPS and from Congress. By any basic metric, it poorly serves the American people and has fundamentally declined in recent years.

Second, while the core mission of delivering mail and packages at USPS remains and will remain important in perpetuity, USPS needs to be right-sized, that is, become a smaller and more efficient organization. The push by many to get USPS into new business lines, where the primary motivation often seems to be to keep and expand government jobs, will do far more harm than good.

Third, the governance structure of USPS, specifically the U.S. Postal Service Board of Governors, is broken and cannot be repaired. It needs to be replaced. One option is a smaller board of three outside members with substantial resources and authority. Another option is directly integrating it into the U.S. government, such as becoming part of the U.S. Department of Commerce.

Let me also be clear that USPS is today, and has always been, 100 percent part of the federal government. Privatization is not a viable option, especially at this time.

Besides being nearly politically impossible and requiring new laws, it would leave taxpayers holding the bag for tens and likely hundreds of billions of dollars of liabilities that should be paid for by USPS operations. The outrage over this would exceed that which arose during the 2008 financial crisis.

Let me briefly review where things stand. In recent years:

- Mail delivery times, which were already slower than in the 1970s, have gotten even longer. USPS claimed that with an October 2021 degradation in service standards, allowing 39 percent of mail to be delivered a day later, there would be greater predictability in mail delivery. The new standards would be met, and the public would be happy. USPS never met those standards. And what has followed is not only gradual delays but, at times, weeklong delays. In March 2023, *The Wall Street Journal*

documented this in Colorado, Minnesota, Vermont, North Dakota, Iowa, Pennsylvania, California, and Tennessee.

- Mail price increases have exceeded the rate of inflation, which hit its highest mark in 40 years. On July 13, the price of a forever stamp will rise another 7 percent, to 78 cents from 73 cents.
- Financial losses and liabilities at USPS have ballooned. A notable exception is an accounting blip on USPS Net Income from the 2022 Postal Service Reform Act, in which Congress provided USPS with \$107 billion in financial benefits. Total direct government assistance to USPS since 2020 is \$120 billion. Yet, at the end of Fiscal Year 2024, USPS reported in its 10-K a negative net worth of \$32.6 billion.

The Postal Service Reform Act, signed by President Biden on April 6, 2022, provided this \$107 billion in taxpayer assistance by forgiving defaults on retiree health care payments and transferring some USPS obligations to the already heavily burdened Medicare system.

Congress also provided USPS with \$10 billion in cash during COVID. This occurred despite the fact that the COVID pandemic, though tragic, created an economic boon for USPS as Americans sought package home delivery like never before. Congress also subsequently provided \$3 billion in funding for electric vehicles.

Yet despite all this, USPS will likely run out of cash sometime before the 2028 Presidential election.

USPS assured Congress, through its 2021 Delivering for America strategic plan, that if it passed the Postal Service Reform Act and other modest steps were taken, it would be breakeven in Fiscal Year 2023 and breakeven for the 10-year fiscal period 2021-30. That has never come close to happening, and, as I wrote in *The Hill* on May 8, 2023, it was not going to happen. In Fiscal Year 2024, USPS had a net loss of \$9.5 billion.

It is disappointing that the seven outside members of the U.S. Postal Service Board of Governors, with the exception of Governor Ron Stroman, did not speak out or raise concerns about these developments.

Former Postmaster General Louis DeJoy had a well-intentioned, bold, and expensive plan that envisioned USPS building out extensive infrastructure. It has not worked and should be halted and abandoned. Instead, when Postmaster General DeJoy announced his resignation, the Board said it would continue on with this plan.

Basic reform steps, in addition to changing the governance structure, reducing staff, and ending the Delivering for America strategic plan, include the following.

- Investing USPS's \$249 billion in pension assets (figure for the end of Fiscal Year 2024) and its retiree health benefit funds into a plain vanilla stock and bond portfolio instead of keeping this strictly in government bonds. USPS employees' funds would be invested

similarly to teachers' and state government workers' retirement plans. USPS's Inspector General reported that had this been done previously, USPS would have \$1.2 trillion in additional investment gains.

- Systematically assess the use of robotics and AI to improve operational efficiency as logistics and warehouse companies are widely doing.
- Remove the Postal Service Reform Act requirement that USPS deliver mail six days a week to all residences.
- Implement defined contribution retirement plans for new employees to begin reducing long-term liabilities.

Thank you for the opportunity to testify and I look forward to your questions.