Congress must reform the United States Postal Service (USPS) to address long-running structural and financial challenges that leave the federal government on the hook for billions of dollars in liabilities.

BACKGROUND

From Fiscal Year (FY) 2016 to FY2018, the USPS averaged an annual net loss of more than $4 billion. With no improvement of the USPS financial condition in sight, the Postmaster General notified Congress, “the Postal Service’s business model is broken and will only produce widening losses in the coming years absent dramatic changes.”

The USPS operates at a multi-billion-dollar loss every year and has accrued almost $90 billion in liabilities as of FY2018 for a total net deficiency of more than $62 billion.

Several factors contribute to the ongoing financial deterioration of the USPS:

- Declining volume of First-Class and other mail categories;
- Inflexible product pricing;
- Substantial personnel costs in the form of compensation and benefits; and
- Broad universal service obligation.

Currently, the USPS operates under a statutory mandate to offer nationwide service at affordable rates. Such mandates also prohibit the USPS from closing post offices which operate at a deficit. Many of the connectivity considerations that lead to the creation of the USPS’s universal service obligation (USO) may not hold sway in an era increasingly dominated by digital communication.

In FY2018, “labor costs accounted for 76 percent of the USPS’s overall operating costs.” As a 2017 comparison, “total per-employee cost at the USPS was $85,800, compared to $76,200 and $53,900 at UPS and FedEx, respectively.” USPS per-employee costs were significantly higher than the private sector companies with which it most directly competes.

Generally, federal law caps the USPS prices on market-dominant mail at the rate of change in the consumer price index for all urban consumers (CPI-U). Additionally, the USPS must also consult the Postal Regulatory Commission (PRC) to change service standards. These statutory restrictions hinder the USPS’s ability to respond quickly to market changes.
Historically, USPS’s “mailbox monopoly” and monopoly on most letter mail enabled the USPS to cover any losses associated with the USO. While USPS package volumes and revenue are increasing due to increases in e-commerce, they are not sufficient to offset declines in mail revenues. More importantly, the USPS may have a distortionary impact on the private parcel shipping marketplace where its package shipments benefit indirectly from infrastructure and personnel on the mail side of the USPS operation.

On April 12, 2018, President Donald Trump signed Executive Order 13829 to establish the Task Force on the United States Postal System (USPS Task Force) in an effort to evaluate the operations and finances of the USPS and develop reform recommendations.9

CONSTITUTIONAL AUTHORITY AND REPUBLICAN PRINCIPLES

The Constitution empowers Congress to “establish Post Offices and post Roads.”10 The USPS should be modernized to reflect current national service needs, operate within its generated revenues, and minimize any distortionary impact on the private shipping marketplace.

POLICY SOLUTIONS

The USPS Task Force offered a number of recommendations for Congress:11

- Align USPS employee rights with other federal employee rights by eliminating collective bargaining over compensation for USPS employees.
- Pursue reforms to USPS employee wages consistent with those proposed for the broader federal workforce in the president’s Management Agenda.
- Explore and implement new business lines that generate revenue and that present no balance sheet risk to the USPS.
- Institute a new policy mandate for management that sets organizational direction and financial targets, which align with a sustainable business model and establish an enforcement mechanism if the existing Board is unable to meet these targets.
- Pursue reform of the Federal Employee Retirement System that would increase employee contributions and move toward a defined contribution system.

Additionally, Congress should consider re-evaluating the USO to determine what the modern essential services for the USPS should be as the nation increasingly relies on digital avenues as the lowest-cost form of communication.

Please contact Cameron Smith or Kelsey Wall with the Republican Policy Committee at (202) 225-4921 with any questions.

2 Id.
3 Id.
4 39 U.S.C. §§ 403(b) and 404(c).
7 Id.
8 39 U.S.C. § 3622(d)(2)(A)
10 U.S. Const. art. I, § 8, cl. 7.