

Delivers the facts

The United States Postal Service provides the nation with a vital delivery platform that enables American commerce, serves every American business and address, and binds the nation together — as it has for more than 240 years.

No tax dollars

The Postal Service is a self-funding entity. We do not receive tax revenues to support our operations, which are paid for entirely through the sale of postal products and services. We are a \$71 billion business. We have an independent, presidentially appointed board of directors (called Governors.) If we were a private sector company, the Postal Service would rank 44th in the 2019 Fortune 500.

Serving the nation

The secure, reliable, affordable and universal delivery of mail and packages to America's homes and businesses is our core function. We provide this fundamental service to people and businesses of the nation — only the Postal Service fulfills this essential need for the American public.

In fiscal year 2019, the Postal Service delivered 143 billion pieces of mail to 160 million delivery addresses and operated more than 31,000 Post Offices. We served more than 46 million rural addresses, and for much of rural America we are often the only delivery option. Our Post Offices and employees play an integral role in every American community, and we are a vital conduit to the national and global marketplace.

We are a responsible employer providing stable, middle-class jobs throughout the country. With more than 630,000 employees as of Sept. 30, 2019, we are the second largest civilian employer in the United States, and one of the largest civilian employers of U.S. veterans. We employ more than 100,000 military veterans.

Engine of growth

We are an engine of economic growth for the marketing and communication needs of America's companies. We deliver bills, statements and a wide range of marketing materials that connect businesses with consumers. To companies in nearly every economic sector — including retail, health care, real estate, and financial services — we are a strategic and closely aligned business partner. We are a major part of the nation's financial infrastructure, facilitating millions of transactions daily for virtually every commercial entity in America.

We deliver more e-commerce packages to American homes than any other shipper. Our unrivaled network and infrastructure enable the nation's e-commerce and will facilitate its future growth.

Public-private partnerships

The relationship between the mailing and shipping industry and the Postal Service is one of the nation's oldest and most

effective partnerships with the private sector. The Postal Service's highly integrated supply chain leverages strong partnerships with private companies — many of which are small businesses. And consumers can purchase our products and services in more than 52,000 commercial locations through partnerships with retailers of all sizes.

The Postal Service continually adapts to a dynamic marketplace. We operate an extensive and integrated retail, transportation, processing and delivery network to serve both residential and commercial customers.

Major business lines

We have three major lines of business: First-Class Mail, Marketing Mail, and Packages. In 2019, First-Class Mail produced \$24.4 billion in revenue, largely made up of transactional mail, payments, bills and statements; Marketing Mail's revenue was \$16.4 billion, largely composed of advertising mail; and Package revenue totaled \$22.8 billion.



Within the last 13 years our total mail volume has dropped significantly. Since fiscal year 2007, total mail volume has declined by 33 percent. First-Class Mail, our most profitable product, has declined by 42 percent during the same timeframe, and is expected to continue to decline as more transactions and other communications move online.

Price cap restrictions

First-Class Mail, Marketing Mail, and Periodicals are the major categories of Market-Dominant mail. Altogether, Market-Dominant products and services accounted for approximately 66 percent of total revenue in 2019. These products are subject to a strict price cap¹ tied to changes in the Consumer Price Index, restricting our ability to generate revenue. In 2016, the Postal Regulatory Commission (PRC) initiated a statutorily required 10-year review of the system regulating Market-Dominant prices and classes. The PRC issued a proposed rule in December 2017 and a revised proposed rule in December 2019; however, the review is ongoing and the date and content of any final rule affecting Market-Dominant pricing is unknown as of this publication date.

Packages

Our Package business accounts for the remainder of our revenue, and we compete for customers with other package delivery providers in the open market. Package products must cover their attributable costs and are therefore subject to a price floor.

In addition, our competitive products collectively must contribute an appropriate share toward covering institutional costs to help fund our universal service obligation.² In 2019, this share was 8.8 percent, as determined by the PRC, using a newly-implemented formula-based calculation.³

Aggressive management actions

In response to changes in our marketplace and within the constraints of our existing business model, we have taken aggressive management actions to right-size our network and infrastructure. We pursued an aggressive agenda of cost cutting, efficiency improvements and targeted innovation that resulted in approximately \$13.4 billion in annual savings. We achieved these savings by consolidating 363 mail processing facilities and 29,000 delivery routes; modifying retail hours at more than 13,000 Post Offices; reducing our total workforce size by more than 150,000 through attrition; negotiating contracts that control wages and benefits and increase workforce flexibility; and through reductions in administrative overhead.

However, the Postal Service has suffered 13 consecutive years of net losses, and since 2012 has been forced to default on \$47.2 billion in mandated payments to the Treasury Department for retiree health benefits and \$8.2 billion in mandated amortization payments for unfunded retirement liabilities. Without these defaults, the deferral of capital investments and the aggressive management actions described above, we would not have been able to pay our employees, our suppliers, or deliver the mail.

Unsustainable business model

Even with continued aggressive management actions, absent legislative and regulatory reform, the current Postal Service business model is unsustainable: we cannot generate enough revenue to pay all of our bills and will likely be forced to default on a range of mandated obligations.⁴

The Postal Service has therefore been pursuing legislative reform to address its business model — a model that was imposed upon us by legislation in 2006. To address these issues, postal leadership has followed a process that includes significant efforts to educate — and to explore common interests with — all stakeholders.

Postal reform proposals

In 2017, and again in 2018, legislation that would assist the Postal Service in regaining financial health was introduced in

both the House and the Senate, gaining the broad support of many in the mailing industry and the postal unions.

More recently, the USPS Fairness Act was passed by the House. It would eliminate the requirement to prefund retiree health benefits and forgive our current defaulted prefunding payments. However, ultimate passage of the bill will not reduce our underlying retiree health benefits liability, nor improve our cash flow or long-term financial position.

The 2020 national emergency arising from the COVID-19 pandemic has turned congressional attention on the Postal Service's need for liquidity to maintain operations. Congress enacted the CARES Act to provide \$10 billion in conditional borrowing authority related to the crisis. Senate and House bills have also proposed emergency appropriations and unconditional borrowing authority.

Ability to delivery mail will be threatened

Most importantly, the bill would not impact the liquidity crisis that we will be facing in the next few years — a crisis that will literally threaten our ability to deliver the mail.

For us to continue to meet our universal service obligation and serve as the backbone of the nation's delivery infrastructure, Congress will need to make a series of legislative changes that will allow us to transform our business model.

Our goal is to preserve the ability to provide and finance prompt, reliable and efficient universal delivery service — to further economic growth and enhance commerce, to ensure long-term self-sufficiency, and to maintain fairness to employees and customers.

Serious but solvable

These business model problems are serious, but solvable. An open and transparent review process in which the perspectives of all stakeholders are fully represented will allow development of postal reform proposals to benefit American businesses and consumers alike.

While these recommendations are being developed and then considered by the President and Congress, it remains necessary to put the Postal Service on firmer financial footing through immediate legislative and regulatory reform.

We therefore continue to urge Congress to enact postal reform legislation, and the Postal Regulatory Commission to allow more pricing flexibility for our mailing products than is currently permitted by the price cap.

Life of the nation

We will continue to aggressively manage our business, and to serve the American public — through the Postal Service that is valued and important in the lives of the public, and in the life of the nation.

Footnotes:

¹ Price Cap — We operate under a fixed statutory price cap that applies to our Market-Dominant products. Reduced mail volume and the statutory price cap constraints mean there is less revenue to pay for our required and increasingly expensive network and other costs imposed upon us by law.

² Universal Service Obligation — This legal mandate requires us to maintain an expansive retail, transportation, processing and delivery network, so that we can serve every address six days a week. The cost of the network continues to grow as the country adds approximately 1 million delivery addresses each year. Additionally, total mail volume has declined from 213 billion pieces in 2006 to 143 billion pieces last fiscal year, and projections are that volume will continue to decline. Simply put, we deliver less mail to more addresses every year.

³ The Postal Regulatory Commission must conduct a review of the appropriate share requirement for competitive products every five years.

⁴ The Postal Service is legally required to participate in U.S. government pension programs and participates in the U.S. government health benefits program as mandated by its collective bargaining agreements and is legally required to fully fund its obligations to each.