The U.S. Postal Service (USPS) supports a $1.4 trillion mailing industry that employs 7.5 million people through which small and large businesses, nonprofit organizations, and consumers can transact business, advertise services and distribute products. In addition, approximately 39 percent, or nearly $6.5 billion worth of communications papers produced in the U.S. are delivered through the mail system.

Despite being a significant driver of the nation’s economic engine, the USPS faces financial insolvency. The Postal Regulatory Commission issued its FY 2016 Financial Analysis Report of the Postal Service, reporting a net loss of $5.6 billion, a deterioration of $0.5 billion compared to FY2015 and liabilities at the end of FY2016 totaling $81.2 billion. As the volume of mail declines and the number of delivery points increases, the USPS simply cannot generate sufficient funds to cover its mandated expenses and also invest in critically-deferred infrastructure needs. While the USPS has implemented cost-cutting measures, without action from Congress to address the fundamental underlying problems and to provide the flexibility to create new revenue streams, it cannot be financially solvent.

As part of current postal law (PAEA2006), the Postal Regulatory Commission (PRC) began its required 10-year review of the system for regulating postal rates on Dec. 20, 2016. If the PRC finds that the current rate system does not meet the objectives established by Congress, it has the authority to either propose rules that modify the system or adopt an alternative system to achieve the objectives. Based on the financial condition of the Postal Service, and without postal reform legislation, the PRC could recommend double-digit rate increases for several consecutive years. Such a move could create sticker shock that would have damaging effects on mail volume and risk the use of mail as a competitive option for marketers and business communication.

Serving 153 million residents, offices and businesses across the country, the USPS connects people and business transactions through a sophisticated delivery infrastructure no other entity can provide.

Policy Recommendations:

• Ensure the fiscal viability of the USPS by eliminating unreasonably-imposed financial obligations such as benefit pre-funding and the return of Federal Employees’ Retirement System overpayments to the Postal Service;

• Allow the USPS to innovate and develop new revenue sources;
• Support service standards that meet the needs of the public and business customers, including continued six-day mail delivery;
• Ensure postal rate setting has checks and balances that provide price predictability for mailers and cost-control incentives for USPS; and
• Enable mail as a cost competitive option for business communications.

For mail to remain a vital part of the American economy, high quality service and reliability at an affordable cost are necessary. Raising rates and reducing services are counterproductive in an economy where industry and consumers are seeking faster and cheaper delivery options for communications and business transactions. These actions would simply make mail less competitive and further accelerate volume and revenue losses.

The USPS is a vital service relied upon by all Americans, and AF&PA supports postal reform measures that allow the USPS to continue serving its mission. Only Congress can provide the necessary tools through comprehensive legislation that will provide the USPS with the flexibility and authority to quickly adapt to changing market needs.