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. Approximately 39 percent, or nearly $6.5 billion worth of communications papers produced in the U.S., are delivered through the mail system, and in FY2017 the USPS delivered 5.7 billion parcels that contain paper-based packaging materials.

Postal Service Financial Uncertainty
Despite being a significant driver of the nation’s economic engine, the USPS faces financial insolvency. It reported a fiscal year 2017 net loss of $2.7 billion and has projected a 2018 net loss of $5.2 billion. USPS has posted a net loss every year over the last 10 years, with accumulated losses of $59 billion and a balance sheet with liabilities exceeding assets by $122 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 prudent regulatory action from the Postal Regulatory Commission and legislative reforms by Congress to address fundamental underlying problems and provide the flexibility to create new revenue streams, it cannot be financially solvent.

Postal Regulatory Commission
As required by current postal law (PAEA2006), the Postal Regulatory Commission (PRC) conducted its 10-year review of the system for regulating postal rates. The PRC concluded that the current rate system does not meet the objectives established by Congress. Based on the financial condition of the Postal Service, the PRC proposal includes allowing the USPS to increase mail rates at more than double the rate of inflation each year for the next five years, grant the ability for the Postal Service to increase rates based on service performance criteria and require additional increases for products that don’t cover cost calculations. These rates, if allowed to go in effect, would represent a 27.5 percent increase in postal rates over five 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.

White House Task Force on the U.S. Postal Service
In April 2018, the President created a Task Force charged with examining the market conditions, financial status and business model of the Postal Service and making recommendations to improve the long-term viability of USPS. Recommendations are expected in August 2018.

Congress Needs to Act
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. In its review of the Postal Service financial status, the PRC showed that approximately $54 billion of the accumulated $59 billion USPS deficit is due to statutory obligations imposed by Congress in the 2006 postal law. Only Congress can provide the necessary tools through legislative reform to
change these unrealistic requirements and provide the USPS with the ability to overcome its long-term financial challenges.

**Policy Recommendations:**

- Ensure the fiscal viability of the USPS by eliminating unreasonably-imposed employee and retiree health benefit obligations;
- 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.