

April 08, 2020

## President Trump is Being Misinformed About the Postal Service

At a time when the heroic workers of the US Postal Service are braving infection to serve the country during an unprecedented national crisis, it is imperative that representatives at all levels of the federal government have a fundamental understanding of the value of the Postal Service, the cause of and solutions to its current financial circumstances, and the dangers to the US economy and rural health in the event of a USPS insolvency.

At the April 7 daily press briefing on the pandemic, President Trump was asked about his Administration's opposition to financial relief for the Postal Service in the recently enacted CARES Act, as reported by Rep. Gerry Connolly (D-VA) to a Washington, D.C. television station. Congressman Connolly warned that the Postal Service could run out of money if action is not taken. The

President's response warrants some clarification about the status of the Postal Service:

1. Nobody is blaming the President for the current crisis facing the Postal Service. However, the COVID-19 pandemic threatens its survival.

The shutdown of the American economy to fight the COVID-19 virus has resulted in plummeting postal revenues – just as we have seen in the airline and hospitality industries, which have been given massive relief. The USPS needs the same kind of relief because it must still keep delivering. Every day it delivers tens of millions of prescription drugs, invoices, payments, newspapers, e-commerce deliveries, and soon it will be needed to deliver stimulus checks, home virus tests and other pandemic-related goods and information.

2. The President noted that the Postal Service has been losing money for years. That is true, but not due to the pricing of its package services. The real reason is that Congress imposed a crushing mandate on the Postal Service back in 2006, requiring it to prefund decades of future health care premiums for retired postal employees in advance. This prefunding mandate, which no other enterprise in the country faces, cost an average of \$5.4 billion annually since 2007, accounting for nearly 90 percent of the agency's losses. Between 2013 and 2018 it accounted for 100 percent of the losses. On an operational basis, the Postal Service has been profitable for most of the past decade.

Sen. Ron Johnson (R-WI), chairman of the Senate Homeland Security and Governmental Affairs Committee, has called the prefunding mandate a mistake. In February, the House passed the USPS Fairness Act (H.R. 2382) by an overwhelming vote of 309-106, including 87 Republicans voting in favor. President Trump should urge the Senate to pass the bipartisan Senate companion bill (S. 2965), introduced by Sen. Steve Daines (R-MT), and sign it into law.

3. The President has been told by private shippers and others that that the Postal Service underprices its delivery services for e-commerce packages from Amazon and other internet companies. This is not true. By law, each of the Postal Service's competitive products must earn "profits" to cover the cost of universal service. In 2019, the USPS surplus on package services was \$8.3 billion, an amount verified by its regulator, the Postal Regulatory Commission.

The President is being fed bad information, often at the behest of private shipping companies with a commercial axe to grind against the Postal Service, which is committed to public service, not commercial profits.

The Postal Service's shipping services are affordable because it has the best and most efficient last-mile delivery network in the country, linking 160 million households and businesses every day of the week. The President is right that the Postal Service has routes established in every nook and cranny in America, and because it is delivering letters, flyers, newspapers and prescriptions to every door every day, it can deliver packages very cost effectively. That benefits every American, but it also benefits the private companies (UPS, FedEx and Amazon) who rely on the Postal Service for last mile delivery.

4. The President has suggested that the Postal Service should raise its prices on Package Delivery. While his revenue-raising intentions are well placed, the result of such a policy would more likely lead to the loss of competitive volume and higher prices for average Americans. Such a scenario would harm all American consumers and millions of small businesses who rely on the Post Office, especially those living and operating in rural states and inner cities that are not well served by private shipping companies, such as Amazon.

Ironically, allowing the Postal Service to fail would essentially divert business to Amazon and other higher-priced private companies, none of which can replicate the Postal Service's universal first- and last-mile delivery network. Unlike private companies, the Postal Service delivers to every home and business at affordable prices.

The pandemic is threatening the Postal Service at a time when its affordable, universal reach is needed more than ever. Last week, USPS delivered President Trump's guidelines for social distancing to every American household. Even as letter volume has plummeted in recent weeks, package deliveries have spiked as millions of Americans, sheltering in place to stop the spread of the deadly COVID-19 virus, order goods online. The Postal Service must also be there for us when self-administered tests and therapeutic drugs are developed to combat the virus.

The Postal Service, the heart of the \$1.6 trillion mailing industry that employs 7 million Americans, will also be crucial for economic recovery. It will deliver stimulus checks to the tens of millions who don't have bank accounts or who have not given bank information to the IRS. Once the crisis is over, the country and its businesses will need the Postal Service to restore the economy. Indeed, in normal times, the USPS delivers 4 million prescriptions to American households. A third of all household bills are still paid through the mail, and millions of small businesses and household-based merchants rely on

the Postal Service for package delivery, invoicing and payments.

The Postal Service is not a partisan institution; it operates in every corner of this country and it has hundreds of thousands of workers -- Democrats, Republicans and Independents -- who are committed to serving all the American people and their businesses. It is the largest employer in many states and a deeply embedded part of virtually every American community.

The Postal Service is by far the most trusted and most loved federal agency. It has a 90 percent favorability rating, according to a recent Pew Trust survey. Congress and the President should take action to preserve this national treasure.

Although the Postal Service has not required any taxpayer subsidies since the early 1980s, it does need taxpayer help right now. Congress should provide an immediate injection of cash and commit to cover the Postal Service's losses over the next fiscal year, appropriating the difference between revenues and costs until the crisis passes. For most of its history (from 1775, when Benjamin Franklin was Postmaster General, all the way up to 1970), the Postal Service was funded by taxpayers and postage. A temporary return to this dual-funding structure is vitally needed right now. It would be a tragedy to let this pandemic kill such an important and essential American institution.

It would also be an insult to the 600 postal employees who have already contracted the virus while performing their essential duties -- and to the 6,000 who are currently quarantined and those who have lost their lives to the COVID-19 virus. We urge President Trump and the entire Congress to work together on **commonsense policies** to ensure the continued operations of the U.S. Postal Service through this crisis.