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Postmaster General and CEO Louis DeJoy's Remarks During Nov. 14, 2023, Postal Service Board of Governors Meeting

WASHINGTON, DC — *The below remarks are as prepared for delivery by Postmaster General and CEO Louis DeJoy during the open session meeting of the Postal Service Board of Governors on Nov. 14, 2023.*

"Thank you, Mr. Chairman, and thank you to everyone for your attendance and interest in the United States Postal Service.

First, I too would like to recognize Governor Moak and Governor Zollars for their support of the United States Postal Service and for their wisdom and collaboration with our leadership team.

Your involvement in the development of the Delivering for America Plan and your guidance through the beginning of its implementation during tumultuous times has been a tremendous service to the nation. On behalf of the 650,000 men and women of the Postal Service, I thank you.

As our CFO Joe Corbett will explain later in our financial presentation, the Postal Service finished the fiscal year 2023 with a \$6.5 billion dollar net loss. When looking back to our DFA projections published in March of 2021, we forecasted that we would break even this year.

Our efforts to grow revenue and reduce labor and transportation costs were simply not enough to overcome our costs to stabilize our organization, the historical inflationary environment we encountered, and our inability to obtain the CSRS reform we sought, none of which were accounted for in our forecasts.

While we are not happy with this result, we cannot lose sight of the downward trajectory the Postal Service faced in the fall of 2020 after years of neglect and willful indifference by its stakeholders and custodians prior, and of the substantial progress we have made in correcting our condition and our trajectory.

The Delivering for America Plan was developed in a crisis environment and during a pandemic, with dwindling cash, and mounting year after year losses that approached \$100 billion dollars.

Along with many other aspirational initiatives, a newly organized leadership team and a newly constituted board of Governors, sought to correct for a projected \$160 billion loss over the ensuing ten years. The remarkable and unfortunate fact was that there was no other plan in sight, even though this condition had existed for almost 15 years.

To reconcile this year's results to our plan, the financial forecasts of the Postal Service at the time we developed the plan projected that we would lose approximately \$15 billion in FY 2023 if we did not accomplish the cost reduction and revenue producing actions identified in our DFA initiatives.

While timing and execution are factors, a close look at our DFA breakeven forecast identifies specifically that the allocation methodology for our CSRS liability would be re-evaluated and we would be relieved of the cost of our unfair CSRS obligation which totaled \$3 billion in this year's financials.

In addition, this year's loss includes \$2.6 billion in inflation above what we projected and what we were able to recover, as our pricing adjustments are not proportional to our costs and are garnered after we have already been impacted by the inflation. Therefore, if not for these two specific factors, breakeven results for 2023 were within reach.

In fact, for the 3 years since the release of the DFA Plan, we have taken what was projected to be between \$34 and \$39 billion in losses and reduced them by half to \$18.8 billion despite incurring \$7.2 billion in CSRS costs expected to be eliminated and nearly \$ 8 billion in inflation above our planned inflation and corresponding revenue authority.

This is in addition to the approximately \$50 billion in cost reductions attained by the passing of the Postal Service Reform Act, which was both an important initiative and accomplishment of the DFA Plan.

Since the release of the DFA plan, we have reduced the projected losses through 2030 of over \$160 billion identified at the plan's outset, to less than \$60 billion, despite our financial and administrative environment.

Unfortunately, the impacts of these issues remain a factor in next year's budget as despite substantial planned reductions in our cost of operations and growth in our package revenues, we will not reach breakeven results in 2024.

However, our leadership team continues to push forward to implement the strategies defined in the Delivering for America Plan that will transform the Postal Service into a vibrant and self-sustaining organization, delivering postal services to the American people for many years to come.

Executing on all the initiatives of the plan is in stark contrast to doing nothing. Today, the DFA strategies remain the only solution to yesterday's problem and the only path forward to creating a postal service with long term viability in service, product and culture.

Many of you know of our ongoing efforts to redesign our network from 430 randomly deployed, inadequately equipped, and poorly maintained facilities to a logical and efficient network of 210 facilities suited for their intended purposes that are safe and habitable for postal employees.

Many of you have heard of our initiatives to stabilize our workforce by converting over 150,000 people to full time positions.

Many of you have heard of our efforts to improve our transportation and delivery methodologies so that our network runs efficiently to meet our service requirements and drive cost out of our operations.

Many of you have heard of our efforts to buy more than 100,000 delivery vehicles within the next 4 years to begin the replacement of our 30-year-old fleet which lacks many of the basic safety features and is extremely expensive to repair and maintain.

Many of you have heard of our investment in technology and automation to provide postal employees with modern day tools that facilitate the availability of actionable information at times and in places where precise and consistent decisions can be made.

Many of you have heard about the changing of our products, such as USPS Ground Advantage and USPS Connect, and changes in our customer relationship management and contract methodologies, which are all efforts to grow our package business in a reliable and profitable manner to fund the costs of our market dominant obligations to deliver to 165 million addresses 6 days a week and sometimes 7.

Many of you have heard of our efforts to be innovative in pricing our market-dominant products through incentive and negotiated service agreements.

Many of you have heard of our efforts in sustainability making significant commitments to carbon reduction with major initiatives in reducing emissions from our transportation operations and the substantial electrification of our carrier vehicle fleet.

And finally, many of you have heard of the overall improvement of our delivering mail and packages to more than 165 million delivery points across the nation 6 days a week so that 98% of the American public receive their deliveries within three days.

All these activities emanate from the strategies identified in the Delivering for America Plan because we knew at the time that cost cuts and austerity without a corresponding strategic plan were not the solution for the long-term viability of the Postal Service.

That approach had been tried before and led to the devastating consequences we faced when I arrived in 2020.

Our goal is to reduce costs by improving our operational precision through the deployment of modern-day logistics strategies and suitable operational assets to compete for a growing share of the growing package market.

I estimate that our requirement to deliver market dominant mail products to the required 165 million addresses 6 and sometimes 7 days a week far exceeds any market dominant revenue we can ever achieve, even with our price increases.

Using any costing methodology, over 50% of our retail centers and ZIP Codes do not make money, including the package revenue we have today, which if not for the competitive strategies being deployed under the Delivering America Plan, was in jeopardy of being ceded to our formidable competition as our market share was declining prior to our Plan.

Our goal to remedy this is quite simple, to become the preferred delivery provider in the nation by reducing our cost to deliver market dominant products and use the available capacity such an efficient mission creates, to move increasing package volume in an integrated manner with mail, as is required in the recent Postal Service Reform Act.

To do this requires the Postal Service to evolve its operations, evolve and align its products and service, and create a competitive culture across the organization focused on winning against formidable competitors—and that is what this leadership team, this Board of Governors and the 650,000 men and women of the Postal Service are focused on—serving the American people and American businesses with reliable and affordable service and competing for volume and revenue.

This requirement for dramatic change in our operations and dramatic change in our culture needs to be articulated and amplified throughout our workforce, throughout our oversight entities and throughout America.

The goals of the DFA are not ingenious, they are obvious. They attempt to deploy the best commercial operating practices known today. While they are simple in their design, they are complicated in their implementation as we must undo a plethora of processes and thinking that have plagued the organization from both inside and out.

The coming year will be one of continuous implementation of our changes. We expect to end 2024 with the completion of over 20 modernized processing facilities, the closing of over 40 costly annexes and contracted facilities, the opening of close to 100 commercially impactful Sorting and Delivery Centers, the deployment of approximately 30,000 new carrier vehicles, the reduction of another 28 million work hours, the elimination of close to \$1 billion of transportation costs and the growth of our package business by over \$1 billion.

All of this will be done with calculation to keep disruption to service to a minimum, but please be aware, that this is not a perfect science. The road to success and the scope of the changes we are compelled to make will invariably result in some disruption on any given week, in any given area, for any given service.

However, I can assure the American people and our customers that we will respond rapidly to correct for the impacts to service that might result from these complicated changes.

As you can ascertain, the women and men of the United States Postal Service are undergoing dramatic change—both in where and how they work, and we appreciate the understanding of the American people and the Congress as we move forward with this urgent undertaking.

As a final note, this endeavor also requires dramatic change from our regulator who has a demonstrated tendency to resist change or to move only incrementally as it concerns our efforts to acquire new business and save this institution.

Their strategies, rooted in the legacy and bureaucratic thinking of a mail monopoly of the 1990s, impedes our efforts to timely and adequately respond to the requirements for success in the competitive marketplace.

The Congress has decided that we must compete for our revenue with an integrated mail and package system to support the delivery of market dominant mail throughout the nation.

This requires substantial change which is not able to be achieved with current regulatory thinking and resistance to the changes that are critically necessary at the pace that they need to be made.

I ask that the PRC bring their thinking forward to understand what it entails to compete. Innovation, speed to market, cost, price, customer contracts, and disruption of long-standing practices that have proven not to work are requirements for this Postal Service to succeed.

Please join us in creating the environment that allows us to succeed in the commercial marketplace and evolve to an appropriate regulatory structure for a Postal Service operating in 2023.

Our management team is working harder and smarter, our employees are engaged and participating in the changes, our customers are interested in our new products and initiatives, and together we are navigating the resistance to change and tired thinking that derailed many initiatives of the organization in the past.

I would like to thank my leadership team at headquarters, our managers and supervisors in the field, our Postmasters, clerks, mail handlers, letter carriers and union leadership for everyone's efforts to comprehend, engage, and implement the massive improvements we are trying to make.

I would also like to thank our governors for the same.”

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Please Note: The United States Postal Service is an independent federal establishment, mandated to be self-financing and to serve every American community through the affordable, reliable and secure delivery of mail and packages to nearly 165 million addresses six and often seven days a week. Overseen by a bipartisan Board of Governors, the Postal Service is implementing a 10-year transformation plan, [Delivering for America](#), to modernize the postal network, restore long-term financial sustainability, dramatically improve service across all mail and shipping categories, and maintain the organization as one of America's most valued and trusted brands.

The Postal Service generally receives no tax dollars for operating expenses and relies on the sale of postage, products and services to fund its operations.

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