Louis DeJoy
Postmaster General, CEO

UNITED STATES
POSTAL SERVICE

January 10, 2024

Dear Mr. President and Congressional Leaders:

As a follow-up to my letter[1] on December 4, 2023 (attached), I wish to inform you about the steps we are taking to continue our efforts in reducing the ongoing losses incurred by the Postal Service. These are the necessary strategies we are pursuing over the next two years to help close the gap on breaking even.

As background, in addition to working with Congress on a bipartisan basis to reduce approximately $5 billion a year in retirement health care expenses, for the three years since the release of the Delivering for America (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. This was accomplished despite incurring $7.2 billion in unplanned Civil Service Retirement System (CSRS) costs and nearly $8 billion in unplanned inflation over those three years.

As stated in my previous letter, the Postal Service expenses exceeded income by $6.5 billion dollars in fiscal year 2023. This loss was significantly impacted by the cost of our unfairly allocated CSRS obligation which totaled $3 billion in this year's financials and includes $2.6 billion in inflation for FY23 above what we projected and what we were able to recover. Here it is important to be reminded that 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 those two factors, breakeven results for 2023 were well within reach.

Self-Help Tools Available to Get the Postal Service Back to Break Even Status

In FY23, we reduced annual workhours by $1.8 billion (or 28 million hours) as compared to the same period last year (SPLY) by planning better and working smarter, all while improving service. For air transportation, we reduced $604 million by moving air volume to surface transportation netting a $200 million total savings during the beginning of this transition. Meanwhile we grew revenue by $500 million in FY23 as compared to SPLY. Since the release of the DFA Plan on March 23, 2021, we have reduced the projected losses through 2030 from more than $160 billion identified at the Plan's outset, to less than $60 billion, despite our financial and administrative headwinds.

Nevertheless, the fact remains we had a $6.5 billion dollar loss in FY23, and it is evident that to break even and avoid running out of cash in the next several years we must press ahead on our financial improvement initiatives over the next two years. While we have already achieved historic reductions, they are simply not enough to make us financially sustainable. Given our still-precarious financial condition, we need to continue to move forward with the remaining DFA elements that are already in motion to solidify our progress in decreasing costs and increasing revenue. The alternative is that we will run out of cash, therefore making our financial condition, again, a problem for the Congress to address. My continued goal is not to let that happen by utilizing all of the self-help tools that are available to us. These focused initiatives are consistent

[1] Delivering for America: Responses of the United States Postal Service to the Reporting Requirements Specified in the Postal Service Reform Act of 2022: FY 2023 3rd and 4th Quarter.

475 L'Enfant Plaza SW
Washington DC 20260-0010
www.usps.com

with the DFA Plan and are methodologies we can prioritize in advance of the completion of the full implementation of all our network strategies. The following are our near-term goals and objectives:

1. Reduce our regional network transportation by at least $1.5 billion by aggregating volume in fewer facilities, moving mail and packages regionally in an integrated manner using less trips, reducing underutilized trips, and shifting air volume to ground transportation.

2. Reduce our local transportation by $1 billion by optimizing routes and decreasing thousands of underutilized local trips a day.

3. Reduce our Processing & Distribution costs by at least $1.5 billion by insourcing previously outsourced operations, reorganizing operating plans and schedules, adding more sortation equipment, and improving operating tactics to increase throughput, gain productivity and increase asset utilization.

4. Reduce our Retail & Delivery cost of performance by $1 billion by right-sizing workhours, equipping our delivery units, accelerating S&DC implementation, optimizing our carrier route structures based on changing market conditions and improving operating tactics.

5. Grow our package revenue by at least $3 billion by the introduction of new reliable and affordable products to the American people and American businesses that are aligned with our operating model and modernizing our approach to sales and marketing.

6. Continue to recover market dominant revenue of $2 billion by leveraging our pricing authorities to offset past inflation and correct for 15 years of a defective pricing model.

All these initiatives will continue to be implemented with transparency, in consultation with our internal stakeholders, and consistent with our contractual and regulatory requirements. In that regard, as we move forward with implementing initiatives under the DFA Plan, and as a matter of course, we will assess whether any initiative being pursued pursuant to the DFA Plan requires the Postal Service to seek an advisory opinion from the Postal Regulatory Commission.

These initiatives represent our continuing efforts to organize what over many years grew to be a random, complicated, and costly methodology to deliver the nation's mail and packages to one that deploys logically sequenced processes and maximizes cost efficiency. We aim to minimize service disruptions where possible, while also meeting our service requirements. But as you know change is never easy, even when it's for the better. Complications may occur, so we plan to proactively communicate often and early with our employees, customers, and relevant stakeholders.

Service Remains Steady Amidst Our Transformative Efforts

As it pertains to service, currently in a time of extraordinary change for the Postal Service, 98% of the American Public receive their mail and packages within three days. More specifically, in quarter one of fiscal year 2024, which includes increased volumes related to the peak holidays, over 55% of all market dominant and competitive products were delivered a day in advance of their service standard, and 96% of these products were delivered within 24 hours of their service standard.

We are also confident amidst this progress and its corresponding benefits, that we will continue to deliver the nations election mail for the upcoming 2024 elections in the same successful manner we have accomplished in the past. Consistent with our longstanding policies and procedures, the Postal Service will undertake significant efforts to prioritize the monitoring and timely delivery of all Election Mail.

Amid improved stakeholder engagement and service performance, the Postal Service cannot lose sight of reclaiming our financial viability. The business model Congress established in the Postal Reorganization Act of 1970, and perpetuated through every subsequent postal reform statute, is sound so long as the Postal Service is given the freedom to fulfill the statutory role that Congress gave to us, and that importantly is still the law. In that regard, it bears repeating that Congress assigned the Postal Service with the responsibility of providing quality universal service while also being financially self-sufficient. It is critical that the Postal Service be empowered to utilize the corresponding authority that Congress provided to us in the law to exercise businesslike judgment in balancing the tradeoffs between quality service (which is intentionally expressed in the postal laws primarily in qualitative or subjective terms), and financial self-sufficiency, to ensure that both goals could be reached.

Status Quo Is Not An Option, and We Must All Be Resolute Against It

It is paramount that we do not lose the momentum built over the past three years by our organization and with bipartisan help from Congress to close the gap on breaking even. We are correcting for 15 years of inadequate responses to changing times and the damage inflicted on this organization by the tired thinking of the past. The time has long since passed for prior perspectives that focused on process and procedure at the expense of meaningful results, that preserved the status quo for the short-term benefit of interested stakeholders who resisted change for parochial reasons, and that encouraged painstaking slow decision-making that permitted only incremental change while our condition of crisis persisted and was exacerbated. Now is the time where we must show a collective willingness to address an otherwise looming calamity, to rally around rational change, to put short-term self-interest and myopic thinking aside, and to confront the situation that faces the Postal Service by adopting the bold organizational, operational and market strategies in the DFA Plan that will change the trajectory of the Postal Service.

The DFA Plan is a vision for the Postal Service to achieve service excellence and financial sustainability. As outlined in this letter, the financial accomplishments in just FY23 alone are proof that the Plan is the right path forward, but the Postal Service (and the Congress) must be realistic based on the headwinds we are facing that an even more resolute focus to cutting costs and generating revenue is required, now more than ever. Together, we need to act courageously, decisively, and immediately to fix the Postal Service, and we are confident that the DFA Plan is a rational roadmap for doing so.

Sincerely,

Louis DeJoy

Enclosure

Cover Letter from the Postmaster General

December 4, 2023

Dear Mr. President and Congressional Leaders:

During my first two years leading the Postal Service, I was pleased to advocate alongside four strong bipartisan Committee leaders in favor of a well-crafted Postal Service Reform Act (PSRA). Enacted in April of 2022 with your signature, these reforms were the single most beneficial action the Congress could have taken to set the stage for our long overdue financial and operational recovery. It is a remarkable achievement when legislation can strike the right balance between Congressional action and the self-help that is reflected in the Delivering for America (DFA) Plan. The overwhelming bipartisan support the PSRA won in both chambers of Congress demonstrates that it achieved that balance. We are thankful to the Congress for this long overdue action.

The reality is that we are just getting started with the hard self-help work in the DFA Plan, and as we pursue the dramatic change required to achieve long-term viability, it is important to recognize that difficult pre-existing conditions persist, and new events and obstacles have arisen that continue to challenge our efforts to succeed. In that regard, consider the following:

1. The PSRA provided the long elusive retiree health benefit funding reforms to put us on a level playing field with other very large employers. This legislation was a reversal of several of the harmful requirements mandated by the legislation the Congress enacted in the 2006 Postal Accountability Enhancement Act (PAEA) which were early on recognized to be overwhelming and destructive to the long-term viability of the Postal Service. The 2006 PAEA legislation was passed after a period of ever-increasing mail volumes, but the Great Recession occurred immediately after its passage and mail volume plummeted. As a result, the PAEA's flawed premise—that the Postal Service could prefund massive retiree benefits costs and be financially sustainable through ever-increasing revenues associated with mail, supplemented by an enhanced ability to compete for additional revenues in the package business—proved illusory. In addition, while our package volume and revenue has grown substantially, we have been unable to take full advantage of the growing package business because of the overly restrictive regulatory environment, which limited our agility to make deals and to be effective as a competitor. We were therefore limited in our ability to meet the challenges we faced to adapt to the nation's changing economy. Many of those statutory and regulatory obstacles remain today. And of course, the PAEA also massively increased our retiree health benefits costs, a failure of public policy that was only recently reversed through the passage of the PSRA.
2. The Postal Service lost money every year from fiscal year 2007 (when the PAEA was enacted) through fiscal year 2021, amassing $92 billion in losses. The fact of the matter is that the Postal Service was only able to maintain positive liquidity because we had not paid our retiree health benefits prefunding obligations, as well as our pension amortization obligations, in over a decade. By the end of 2021, our liabilities exceeded our assets by nearly $150 billion (including our underfunded pension and retiree health benefits

accounts). When I arrived in June of 2020, the Postal Service was on a path to incur well over $160 billion in losses over the next 10 years. The 2022 PSRA legislation provided welcome financial relief but, to be clear, it did not result in any infusion of cash.

3. The PSRA, while certainly helpful in providing us with a runway for self-help, essentially enabled an accounting journal entry that reversed the current liability concerning our retiree health benefit costs mandated by the 2006 PAEA legislation. Rather than prefunding those costs, the PSRA allowed us to pay the costs as incurred, as private companies are allowed. We will be subject to top-up payments beginning in 2026 but, based on the current level of funding in the Postal Service Retiree Health Benefits Fund, we will also have to cover all retiree health benefit premium costs as incurred approximately seven years from the bill's enactment. While the Medicare integration provisions of the PSRA will reduce these costs somewhat as compared to the current state, covering these costs in the future will still be a very significant liability.

4. What the PSRA did not address were the other impacts that the 2006 PAEA legislation had on the Postal Service, combined with the social and economic changes the Postal Service encountered from 2006 through 2021, when the Delivering for America Plan was released. These devastating impacts and years of ineffective actions and inactions from Postal Service management and stakeholders resulted in a Postal Service that had experienced 15 years of neglect and willful indifference to the conditions present and to the failed strategy of a long-term business and operating model that everyone recognized was not working, but that no one was either able or willing to do anything about. The challenges these past years produced and the problems they created, which I identify below, are left to the current leadership team of the Postal Service to solve. They are as follows:

    a. Substantial year over year declines in mail volume resulting from the digital revolution. Total mail volume declined 42 percent between 2007 and 2020. Domestic mail revenue has also declined from $60.6 billion in FY2007 to $38.7 in FY2020—a decline of over $21.9 billion (36 percent). This trend will continue.

    b. Significant year over year increases in the number of delivery points. This has resulted in a drop in pieces per delivery point per day from 5.6 pieces of mail and packages in FY2006 to 3.0 pieces in FY2020. Simply put, we are delivering less mail to more delivery points, and this trend will continue.

    c. Under any costing methodology, almost 60 percent of our Post Offices and ZIP codes lose money. This trend will continue.

    d. A defective pricing model on our mail products that was not timely corrected by a regulator, resulting in close to $50 billion of lost revenue from the time of the law's passage in 2006 to the time of my arrival in June of 2020. While we have received some relief prospectively because of the "10-year review" that came after 14 years, the lost revenue of the past years remains lost and the impact on our operating condition has been devastating.

    e. Deferred maintenance on our facilities that exceeds $20 billion.

f. A 30-year-old fleet of delivery vehicles that lack modern safety features and are costly to maintain and repair.

g. A workforce in need of stabilization and motivation.

h. The absence of basic operating equipment and technology currently deployed even by small businesses today to conduct their work.

i. A Postal Service organizational, operational and product strategy that was void of any effective initiatives to improve operations or compete – effectively enabling a total catastrophic condition to develop where we were projected to run out of cash within 60 days of my arrival if we paid our bills.

j. A limited ability for the Postal Service to respond effectively to the expanding package delivery market due to restrictive pricing oversight and regulatory delay and interference.

While I again thank the Congress for the important Postal Service Reform legislation, the PSRA provided no immediate positive tangible impact to correct for the above identified problems and conditions. It did put behind us the punitive employee retirement funding previously legislated, but it left the need to rehabilitate the organization from the remaining damage that had been inflicted. We have engaged forcefully in this rehabilitation during unusual times in our nation. Through thoughtful execution of our strategies contained in the Delivering for America Plan, we are striving to:

- Improve our operational precision.
- Improve our service reliability.
- Reduce our cost of performance.
- Grow our revenue.
- Provide stable long-term career paths for all our employees.

It is only through the rapid accomplishment of these goals that we can achieve Congress's legislated requirement to deploy an integrated mail and package network that enables us to deliver to 165 million delivery points six days a week and cover our costs. It is also only through the rapid accomplishment of these goals that we can avoid running out of cash within the next several years and avoid a federal bailout.

Financial Position and Obstacles to "Break Even" Status

The Postal Service finished fiscal year 2023 with a $6.5 billion net loss, despite our projections published in the DFA in March of 2021 that we would break even this year. That is headline-grabbing, and acceptable to no one, but let me place it in context.

Our efforts to grow revenue and reduce labor and transportation costs were simply not enough to overcome our costs to stabilize our organization from the devastating impacts of the past. This, combined with the historic inflationary environment we encountered, and our inability to yet obtain the Civil Service Retirement System (CSRS) reform we sought from the Office of Personnel Management (OPM), left us with net results that were not what we were hoping for when we issued the DFA in 2021, but that do reflect the significant benefits that we are starting to see from our initiatives when considered in the broader and more complete context.

To reconcile this year's financial 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 have been re-evaluated by now and we would have been relieved of the cost of our unfair **CSRS obligation which totaled $3 billion in this year's financials**. OPM has not yet elected to make the adjustment despite having the legal authority to do so, and despite our consistent urging and validation efforts.

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 well within reach.

In fact, for the three 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, which we expected to have been eliminated by now, and nearly $8 billion in inflation above our planned inflation and corresponding revenue authority.

This is in addition to the approximately $57 billion in non-cash balance sheet reductions attained by the passing of the PSRA, which was an important accomplishment of the Congressional and stakeholder collaboration enabled by the DFA Plan.

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

Unfortunately, the impacts of the issues identified above remain a factor in next year's budget. 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, as well as the 640,000 men and women of the United States Postal Service, continue 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 high-quality postal services to the American people for many years to come.

Doing Nothing is Not an Option, and Ours is the Only Viable Plan that Has Been Proposed.

Executing on the plan is in stark contrast to doing nothing (as we have experienced in the past). Today, the DFA strategies remain the only solution to our longstanding problems and the only path forward to creating a Postal Service with long-term viability and strong service, products, and culture. Allow me to provide several highlights:

- You must know of our ongoing efforts to **redesign our network** from 430 randomly deployed, inadequately equipped, and poorly maintained mail handling facilities to a logical and efficient network of 210 facilities suited for their intended purposes that are safe and habitable for postal employees. Do not be confused by the drop in facility numbers; the eliminated facilities are ill-placed and ill-equipped "middle-mile" facilities. We will not close public-facing retail facilities in this effort. Furthermore, many of the facilities we will eliminate are contractor facilities and annexes and other facilities that were haphazardly added to (ineffectively) deal with the problems of the past.

- You must know of our initiatives to **stabilize our workforce** by converting over 150,000 people to full-time career positions. This creates a committed and more knowledgeable workforce, in more appealing work surroundings, creating a more stable workforce that inevitably improves service performance.
- You must know 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.
- You must know of our efforts to **buy more than 100,000 delivery vehicles, most of them electric**, 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.
- You must know of our **investment in technology** and automation to provide postal employees and our customers with modern day tools that facilitate the availability of actionable information at times and in places where precise and consistent decisions can be made.
- You must know 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 service obligations to deliver to 165 million addresses six and days a week.
- You must know of our efforts to be **innovative in pricing** of our market-dominant products through incentives and negotiated service agreements.
- You must know, or soon will hear, 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, you must know of the overall improvement of our delivery of mail and packages to more than 165 million delivery points across the nation six days a week so that **98 percent of the American public receive their deliveries within three days**.

All these activities emanate from the strategies identified in the DFA Plan–because we knew at the time we issued it, that cost cuts and austerity without a corresponding strategic plan, and the willingness to act on it, were not the solution for the long-term viability of the Postal Service.

The historical approach that relied solely on cost cutting and managing decline proved penny-wise and pound-foolish. It poisoned the Postal Service’s pride in operations and created an operational strategy and culture that had diminished ability to perform and compete. We are no longer managing the decline of the Postal Service. Our current strategy is to serve, survive and thrive.

Our Recovery Plan Depends on Package Business; Delivering Mail Under the Current Legislative and Regulatory Regime Will Never Enable Us to Cover Our Costs.

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 am certain that our service requirements and costs to deliver market dominant mail products (primarily letter mail, marketing mail, and periodicals) to the specified 165 million addresses six days a week far exceeds any market dominant revenue we can ever achieve for providing that service, even with our price increases. I will be more direct—the legislation that Congress has passed and the regulation that Congress has enabled will result in a failure of the Postal Service if we are not able to rapidly implement our plan to reduce our overall costs and to grow revenue, primarily in the package business.

To remedy our situation, the Postal Service's goal is quite simple: to become the preferred delivery provider in the nation by reducing our cost to deliver market dominant products and by improving efficiency, and then to use the available capacity in our network 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 our operations, evolve our infrastructure and technology, evolve and align our products and service, and create a culture across the organization engaged in improving efficiency and winning new package volume against able competitors. That is what our leadership team, our Board of Governors and the 640,000 men and women of the Postal Service are focused on—serving the American people and American businesses with reliable and affordable service while competing for volume and revenue.

Our Transformation, While Simple in Design, is Complex in Implementation – It Must Be Understood and Embraced to Overcome the Status Quo Forces.

This requirement for dramatic change in our operations and infrastructure 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 and execution, as we must undo a plethora of outdated processes and outdated thinking that have plagued the organization from both inside and out.

The coming year will be one of continuous implementation and execution of our changes. My experiences thus far enable me to state without hesitation that it would be easier to build a new Postal Service from scratch than to unwind decades of outdated, illogical, and inefficient practices and introduce new modern, logical and efficient ones while still delivering the mail across the nation. The magnitude of these changes is massive in scope and scale. We expect to end 2024 with the completion of approximately 20 modernized processing facilities, the closing of over 40 costly annexes and contracted facilities, the opening of nearly 100 commercially impactful Sorting and Delivery Centers (S&DCs), the deployment of approximately 30,000 new carrier vehicles, the reduction of over $2 billion of labor, contracting and transportation costs, and the growth of our package business by over $1.5 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. Past inaction and the resulting legacy conditions, as well as our inability to achieve CSRS reform and the historical inflationary costs embedded in our system, require a staggering pace of change for the survival and continued relevance of the Postal 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. We are committed and driven to make the required changes in the least impactful manner, and to ensure the long-term success of the Postal Service.

New Thinking Will Be Required by All, Including Our Regulator

As you can ascertain, the women and men of the United States Postal Service are experiencing dramatic change–not only in where they work, but also in how they work, and we appreciate their flexibility, their efforts, and their support. We also appreciate the understanding of the American people and 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 thinking of a robust and growing mail monopoly of the 1990s, impede our efforts to adequately respond in a timely manner to the requirements for success in the competitive marketplace.

Congress has determined 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 achievable with current regulatory thinking and resistance to the changes that are critically necessary at the aggressive pace that they need to be made if the Postal Service is to survive as a self-funding entity.

I have asked that the Postal Regulatory Commission (PRC) bring their thinking forward to understand what is required for us to compete. Innovation, speed to market, cost-consciousness, pricing flexibility, customer-specific contracts, and disruption of long-standing practices that have proven not to work are requirements for this Postal Service to succeed.

In response, the PRC has so far largely doubled down on its past practices. While we will continue to challenge their worn and anachronistic interpretation of the regulations while respecting all regulatory requirements and the PRC's role, there may come a time when the Congress will need to pursue reform of the PRC and the restrictive regulations it imposes on us to compete or face the failure of the United States Postal Service. As with many other Postal operators around the world, their oversight activities concerning our competitive contracts, competitive pricing, competitive service, and all matters about the competitive portion of our business need to be re-evaluated and modernized in recognition of today's competitive realities. The PAEA was intended to enable the Postal Service to fully compete, on a level playing field, with other companies in the marketplace. But a level playing field must be level, and not one where the Postal Service is put at a competitive disadvantage.

One key example of the current disfunction is that under the PRC's current rules, any Negotiated Service Agreement (NSA) by which we offer our existing products in a manner that is customized to the needs of a particular customer is treated as an individual product that the Commission must review and approve before the NSA can be implemented. There is no time limit for such PRC review, and hence no certainty as to when the PRC will issue its decision. This pre-implementation review is not statutorily required and unnecessarily burdens our use of NSAs. It is also not necessary to ensure that the Postal Service's NSAs cover their costs. The Postal Service has absolutely no incentive to enter commercial contracts to provide services to our customers at a loss. The Postal Service has encountered numerous examples of customers who declined to do business with the Postal Service over the years because of the complexity, uncertainty, and slow speed to market involved in the NSA regulatory process.

Moreover, the Postal Service believes that the current Annual Compliance Report process, in which we submit ample data to demonstrate our compliance with the statutory requirements at the end of each fiscal year, provides sufficient transparency and oversight concerning NSAs. Such post-implementation review by the Commission will ensure that each NSA continues to cover its costs, thus more than adequately protecting competition, while allowing the Postal Service to compete more effectively in the competitive marketplace and to implement agreements in a market-responsive timeframe.

Efforts that limit our ability to compete equally or chip away at our revenue generation capabilities are contrary to the public policy goal that we be self-funded while continuing to provide essential universal mail and package delivery service to the nation. The cumbersome, myopic, pre-implementation review process for NSAs currently deployed by the PRC is a prime example of an unnecessary hurdle to the Postal Service's efforts to achieve service excellence, grow our business, and attain financial sustainability to ensure a strong Postal Service well into the future. Rather than serving a legitimate regulatory process, the pre-implementation review process instead harms the ability of the Postal Service to compete in the package delivery marketplace and puts the long-term viability of the Postal Service at substantial risk.

As noted above, the Postal Service lost $6.5 billion dollars in fiscal year 2023, and it is perhaps therefore self-evident that in order to break even we must find a way to improve our bottom line by that amount. The current legislative and regulatory business model and the related restrictions imposed upon us (even if not legally required) basically provide the Postal Service with a narrow set of tools, either alone or in concert, to achieve that result:

1. Reduce costs to transport mail and packages through improved logistical methods.
2. Reduce costs to process and deliver mail and packages by increasing labor productivity through improved infrastructure and operating processes.
3. Increase our prices.
4. Grow the contribution margin from our package services by increasing package volumes through sales, service and contracting methods that rival those of our competitors.

The DFA plan properly integrates the cost saving and revenue growth opportunities in a proportional way in each of these areas, and we are already gaining traction. To the extent that the PRC regulatory processes continue to impede our ability to grow our business, a greater contribution will need to be garnered from the transportation, labor and pricing tools that are otherwise available to us. If those tools prove insufficient to close the gap, we will also be forced to consider service cuts to the American people, given our legal obligation to be financially self-sufficient.

Please join the leadership team and the men and women of the United States Postal Service in creating an environment that allows us to succeed.

Sincerely,

Louis DeJoy

CC:

The Honorable Gary Peters, Chair, Senate Homeland Security and Government Affairs Committee
The Honorable Rand Paul, Ranking Member, Senate Homeland Security and Government Affairs Committee
The Honorable James Comer, Chair, House Committee on Oversight and Accountability
The Honorable Jamie Raskin, Ranking Member House Committee on Oversight and Accountability
The Honorable Michael Kubayanda, Chair, Postal Regulatory Commission