## U.S. Postal Service: The Mother of Government Shutdowns

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Imagine if a one-week partial government shutdown led to plunging stock prices with calls to close the markets, panic among businesses that were not getting paid and a presidential declaration of a national emergency, including mobilizing the National Guard. This happened during a [U.S. Postal Service strike](https://en.wikipedia.org/wiki/U.S._postal_strike_of_1970) in 1970.

While today’s Postal Service is less central for the economy, it is still vital for transacting and promoting business. Approximately [40 percent of Americans](https://www.aciworldwide.com/news-and-events/press-releases/2017/january/americans-pay-more-than-half-of-their-bills-online) pay their bills by mail.

Today, a pending liquidity crisis threatens to bring Postal Service operations to a halt. Granted the impact will not be as severe as in 1970, but it will still be quite disruptive and significant. The [Trump Administration](https://home.treasury.gov/system/files/136/USPS_A_Sustainable_Path_Forward_report_12-04-2018.pdf) and [Postal Service](http://about.usps.com/who-we-are/financials/10k-reports/fy2018.pdf) have repeatedly warned Congress about these liquidity challenges.

The Postal Service’s finances make for a prima facie case that a liquidity crisis is a question of when, and not if:

         The Postal Service has a negative net worth of $62 billion.

         At the end of Fiscal Year 2018, the Postal Service’s total unfunded liabilities and debt were $139.6 billion.

         For 12 consecutive years the Postal Service has lost money, accruing cumulative net losses of $69.0 billion.

         Losses are accelerating despite the strong economy. In Fiscal Year 2019 the Postal Service is budgeted to lose $6.6 billion, up 69 percent from the $3.9 billion 2018 loss.

Given the above, American taxpayers could be hit with more than $100 billion in potential costs. While Congress no longer sets postal rates nor provides large direct appropriations to the Postal Service (a result of the 1970 Postal Reorganization Act that gave the Postal Service more operating flexibility) it retains an essential role for keeping the Postal Service running.

Yet, Congress has consistently delayed postal reform, even though the [Government Accountability Office](https://www.gao.gov/highrisk/restructuring_postal/why_did_study) has included the Postal Service on its high-risk list of agencies needing attention from Congress and the Executive Branch since 2009.

Key components for Postal Reform should include:

         **Understanding actual business-unit costs**. The [Presidential Task Force](https://home.treasury.gov/system/files/136/USPS_A_Sustainable_Path_Forward_report_12-04-2018.pdf) makes clear that packages are the postal service’s least profitable business. In fact, losses are probably worse than the Postal Service estimates because of outdated “attributable cost” methodologies to this product line. A separate balance sheet should be developed for this business so that these costs are clearly known. The Postal Service can then charge more for certain products or let others provide it at lower cost.

         **Develop a sustainable business model.**In the digital age, the Postal Service needs to have a new universal service obligation (USO), a definition of the services that it can uniquely provide for which a strong rationale exists for government protection or subsidy. While a USO can take many forms, the rise in low- to zero-cost digital cost correspondence, through e-mail, texting and other forms, indicates a reduced need for USO-activities.

         **Maximizing facility revenues.** The U.S. has 31,000 post offices. Congress has pushed hard in recent years to prevent nearly any from being closed. There are significant opportunities, though, to make them profitable by subleasing space or moving to lower cost areas.

         **End quirky subsidies to foreign mailers.** Because of an international agreement, it costs less to send small packages from China and many other countries to the United States than it does to send similar packages within the United States. The [Postal Regulatory Commission](https://www.prc.gov/press-releases/white-house-announcement-universal-postal-union-statement-chairman-robert-g-taub/4523) is pushing to end this by categorizing such packages as “competitive products”, which will result in price fairness and several hundred million dollars in additional revenue for the Postal Service.

The challenges at the Postal Service are severe, but still manageable. Congress should act while it still has time to protect taxpayers and avoid an economic catastrophe.



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Thank You

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