## What Should Congress Expect from USPS’ New ‘Business Plan’?

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While there is clearly broad awareness of the U.S. Postal Service’s struggles, the puzzling financial reality for the institution and poor quality of service for consumers is that its fiscal chaos is getting worse. Since the current postal laws were enacted in 2006, the Postal Service has suffered $72.6 billion in net losses and the Government Accountability Office estimates that its total unfunded liabilities and debt amount to $143 billion.

After losing $3.6 billion thus far in 2019, the Postal Service is well on its way to record its largest annual loss since 2012. The Postal Service is now projected to run out of cash in five years — likely prompting catastrophic service and work stoppages.

In discussing these challenges face to face with Congress at an April hearing, Postmaster General Megan J. Brennan explained how “we have a responsibility to put forward a plan that closes this gap.”This business plan, prepared for congressional review in the coming weeks, is expected to address, in its most basic terms, matters of cost and revenue. Such an approach is positively in the right direction, however the Postal Service’s perspective on these terms, as members of Congress are beginning to learn, is undeniably off base.

More specifically, the direction taken by the Postal Service noticeably conflicts with the core mission of the agency, and it neglects to address its major accounting distortions within competitive parcel products.

Postal leaders have often goaded Congress into allowing reduced delivery days for letter mail, yet members of the House Oversight and Reform Committee have rightfully stood up for the interests of consumers. Lawmakers on both sides of the aisle have refused to take the bait on proposals to intentionally weaken service quality. So, the question remains — will the Postal Service seek to defy Congress again when it comes to slowing down the mail?

On the revenue side of the equation, postal leaders have also expressed the need for “a new pricing regime.” Reading between the lines, this all but certainly means efforts to pry billions of additional dollars from mail customers. These consumers are the same businesses and everyday citizens who simply have no recourse for their mailings based on the parameters of the federal-designated postal monopoly.

When it comes to recent price hikes, the possibilities for the Postal Service have been nearly limitless. As a result of annual inflation-based increases and exigent rate hikes, postage rates have increased more than 30 percent since the 2008 recession. Even after getting the largest rate hike in history earlier this year, the Postal Service is lobbying aggressively again for the Postal Regulatory Commission to roll out its proposal to raise rates by as much as 40 percent.

If this proposal does come into effect, a myriad of questions remain for Congress. Can the Postal Service continue to stake a claim for a variety of different rate hikes? In the face of evidence suggesting that the Postal Service is artificially underpricing its competitive parcel products while trying to increase prices for its monopoly mail products, how much further should this government monopoly be leveraged over the interest of the American public?

The lack of clarity throughout this process stands to reason that Congress would take appropriate measures to undertake pricing oversight and at least attempt to harness the onslaught of consumer price gouging.

Transparency is especially important on this front, and the Postal Service needs to provide a clear understanding of the costs that need to be covered by each individual product. Presently, the Postal Service has a minimum cost attribution for competitive products and packages of 8.8 percent. This all-important measure of the cost effect on the postal system requires a more intuitive approach based on the current set of circumstances.

Given the mass of competitive parcel products, which now accounts for 50 percent of the service’s delivery weight, the current contribution to the postal system is simply not enough.

A revised rate regime for competitive products should therefore be the order of the day that Congress expects. Achieving this, along with balance sheet separation between market dominant monopoly products and competitive products, would help to alleviate concerns stemming from the de facto cross-subsidy for costly parcels.

In 2018, First-Class Mail yielded significant profits by covering costs by more than $13.1 billion. Moving forward, Congress must look to achieve a system where these large windfalls are protected from covering the losses incurred by other services that aren’t financially viable.

In truth, package products can face shortfalls for a variety of reasons — including issues like inefficiencies, below-cost pricing or simply a lack of demand from customers to justify the service. Given the multiplicity of factors involved, full accounting transparency is a must for the Postal Service.

The Postal Service often envisions itself as an independent self-sustaining business. However, to reach this point, it must provide Congress with strong assurances that each of its commercial functions are independently viable.