



**STATEMENT OF
POSTMASTER GENERAL AND CHIEF EXECUTIVE OFFICER
LOUIS DEJOY
before the
House Committee on Oversight and Reform
“Legislative Proposals to Put the Postal Service
on Sustainable Financial Footing”
UNITED STATES HOUSE
February 24, 2021**

Good Morning Chairwoman Maloney, Ranking Member Comer, and Members of the Committee. Thank you for calling this hearing to discuss legislative proposals to place the Postal Service on a more sustainable financial path while addressing service performance. This combination of topics is exactly the correct focus. I appreciate your shared sense of urgency and the opportunity to discuss the challenges that are facing the Postal Service, and the solutions to which Postal Service management and the Board of Governors are committed.

ONGOING AND LONG-STANDING CHALLENGES WILL LEAD TO PROJECTED \$160 BILLION LOSS OVER TEN YEARS

Since I last testified before this committee on the important work of the Postal Service, it has only become more evident that we are and must remain a fundamental part of our nation's critical infrastructure — both in terms of the value we deliver to our customers and the role we play in the American economy and society. The more than 645,000 dedicated men and women of the Postal Service live, work, and serve in every community in America.

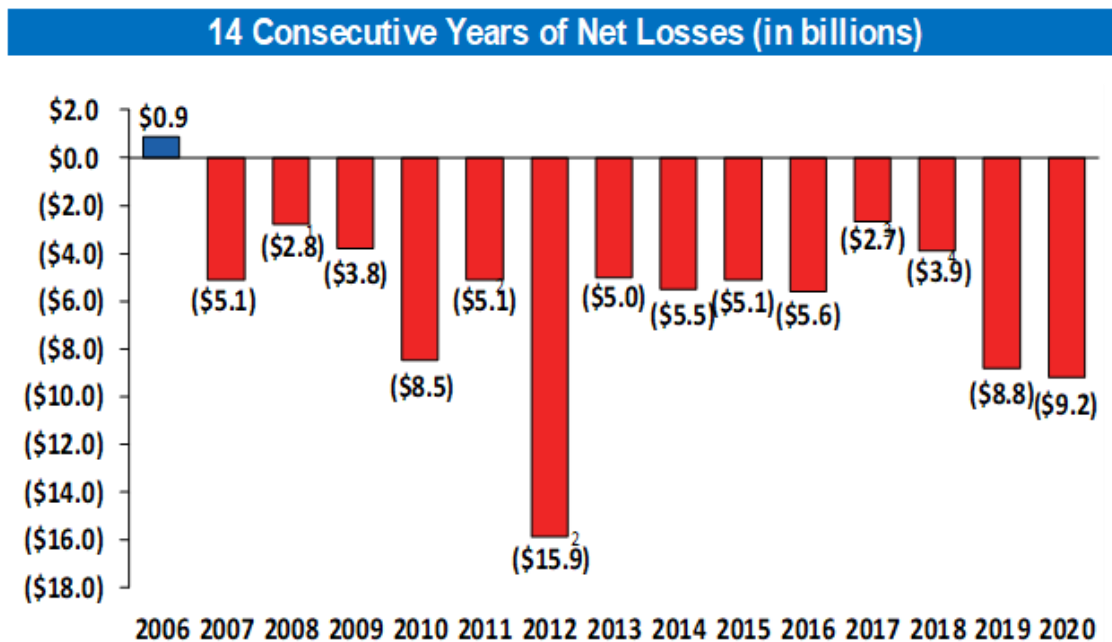
Our mission is to bind the nation together by providing universal delivery service, which has been the foundation of the Postal Service for more than 245 years. The Postal Service is the only organization with the resources, network infrastructure and logistical capability to regularly deliver mail and packages to 161 million residential and business addresses daily.

We enable retailers and e-tailers — no matter their size or geographical location — to market their businesses and meet rising consumer delivery expectations. Our unparalleled last-mile resources ensure universal access to online goods and services. We are a critical channel for the conduct of business and financial activities through the delivery of bills, statements, and other commercial correspondence, and we provide a means for Americans to stay in touch in a more meaningful, personal way than digital channels through the delivery of greeting cards, wedding invitations, holiday mailings, and other personal correspondence.

While we provide an essential service to the American people, we face systemic challenges that render the Postal Service financially unsustainable, and unable to make the investments needed to ensure that our network infrastructure is suitable to meet the Nation's postal needs for today and for the future. Due to fundamental changes in demand for our services, coupled with a statutory, regulatory and political environment that has not been flexible enough to allow us to adapt to those changes, our financial situation is dire.

Since 2007, we have recorded significant net losses each year. Despite our mandate to be financially self-sufficient, in fiscal year 2020, the Postal Service recorded a net loss of \$9.2 billion, adding to a decade of losses totaling \$66.8 billion. We have been able to maintain operations only by defaulting on statutory obligations to fund pension and retiree health benefits, and we have large unfunded liabilities. Absent substantial changes, our financial losses will continue to widen, and our ability to invest in the future of the organization will be severely curtailed. We are forecasted to lose \$160 billion over the next ten years, with a negative cash balance of the same size. Our ability to judiciously utilize the increased pricing authority provided to us in the recent Postal Regulatory Commission (PRC) final order on the 10-year regulatory review will mitigate those losses somewhat, but does not come close to solving the problem or fully closing the gap.

USPS Net Income/Loss, FY 2006-FY 2020



Source: U.S. Postal Service Forms 10-K

Because of these financial challenges, we have suffered from chronic underinvestment over a prolonged period of time, meaning that too much of our infrastructure is outdated, and our network has not been adequately adapted or redesigned to efficiently and effectively process and deliver the current and projected volume of mail and packages.

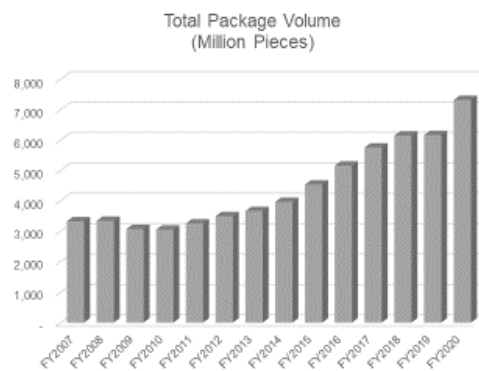
Mail volume has continued to decline dramatically, even as the cost of delivering mail to an expanding number of addresses continues to increase. At the same time, package volume attributed to the e-commerce economy has dramatically increased and has become a critical source of revenue to support our ability to provide universal service. However, our network, designed primarily to process and deliver traditional mail, is ill-equipped to accommodate this monumental shift. The impact of the COVID-19 pandemic has only served to exacerbate or hasten these mail and package volume trends.

Historical Mail and Package Volume Trends

Dramatic change in customer demands has resulted in mail volume declines year after year and significant package volume growth. Since 2007, mail volume has decreased by 42%, while package volume has increased by 120%.



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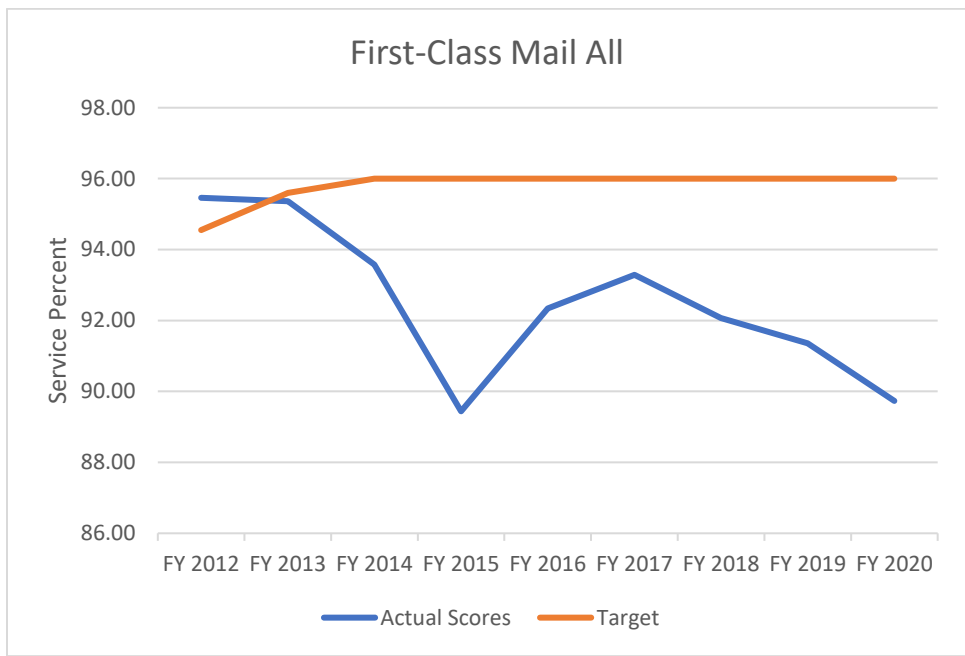


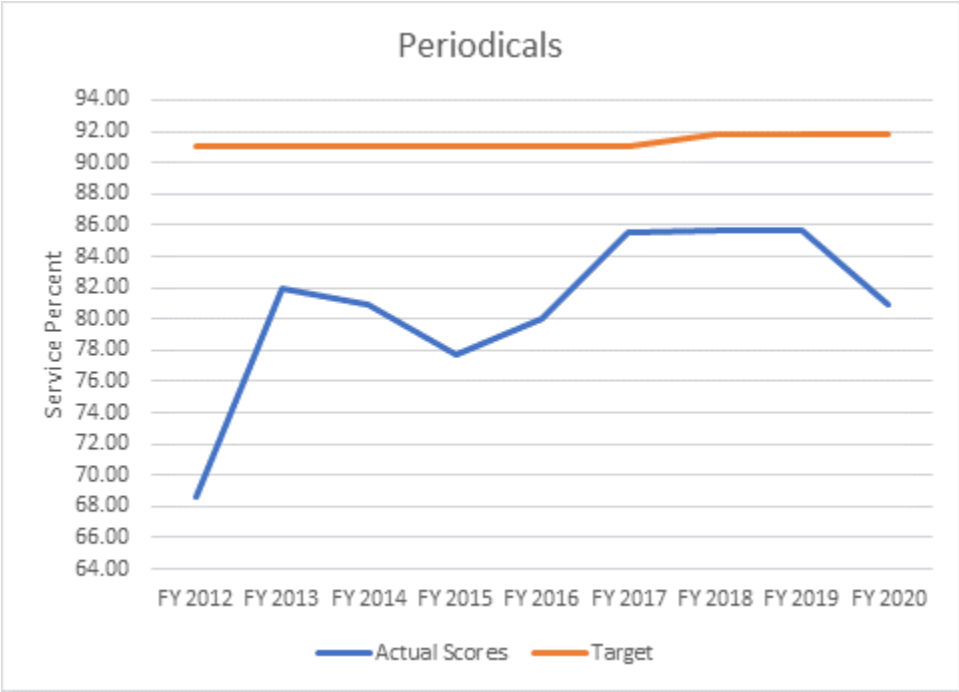
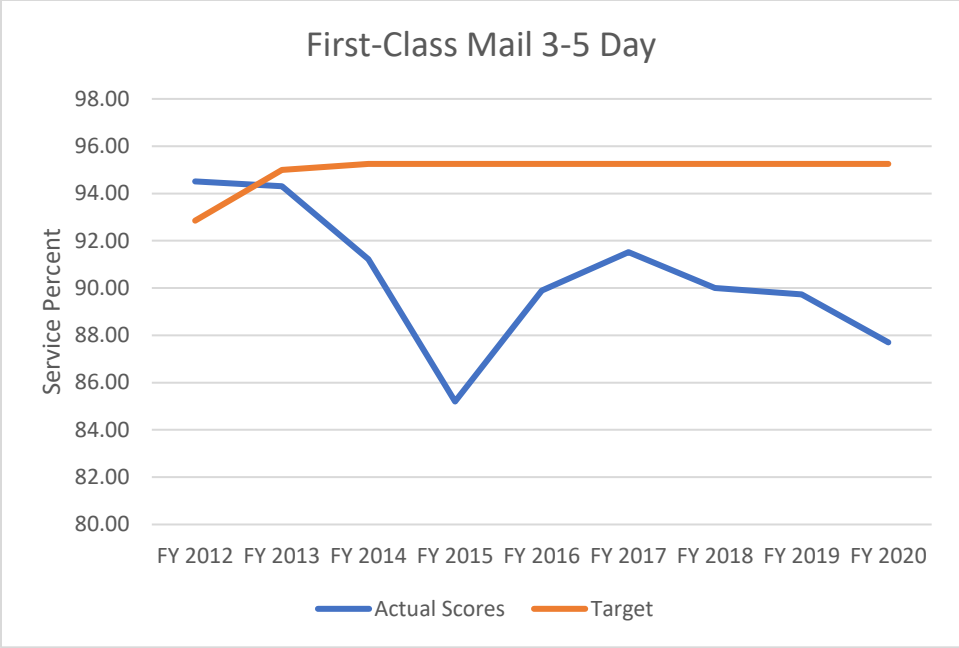
...while package volume has increased by 120%

Faced with these challenges and marketplace trends, the Postal Service has made significant efforts over the past decade to reduce costs, increase efficiency, and grow revenue. However, these efforts have not been pursued with the urgency and breadth that is needed to sufficiently address our dire financial condition. This is in large part due to the statutory, regulatory, and political environment under which the Postal Service operates, which has severely limited our ability to adequately adapt our network. While the Postal Service must be more committed to implementing needed reforms, Congress and the PRC also have a role to play. As a start, along with all of our stakeholders, Congress and the PRC must be willing and receptive to enabling us to make the necessary changes to put us on a sustainable path.

The Postal Service also has long-standing problems from a service performance perspective: over the past 8 years, the Postal Service has chronically failed to meet our service performance targets. The charts below show how there has been a persistent gap between actual service performance and the service targets for First-Class Mail (particularly First-Class Mail traveling longer distances) and Periodicals. This is partly a consequence of the inability to adequately invest in, and adapt, our network. It is also a consequence of establishing service standards that are not achievable through efficient and effective operations, and an organizational reluctance to change those service standards to be more realistic in the face of the past political resistance to operational changes. Finally, it is a consequence of the fact that the Postal Service has failed to adopt best practices to ensure the operational precision that is necessary to provide reliable and consistent service.

Service Performance Results





Operating a nationwide network that reliably and efficiently accepts, processes, transports, and delivers mail and packages in accordance with even realistic service expectations requires careful development of, and adherence to, integrated operating plans that can be executed in practice and that are designed to achieve such service standards. The Postal Service has not

sufficiently cultivated an operational environment in which this occurs on a consistent and disciplined basis.

These long-standing financial, operational, and service problems predate the COVID-19 pandemic, but have been exacerbated by it. Overall, these problems fundamentally threaten the Postal Service's ability to continue achieving our public service mission over the long-term. If our service, reliability, and costs do not improve — and improve soon — our ability to meet our universal service obligation (USO) will be threatened, and our relevancy diminished. It is impossible to expect service performance to meaningfully improve in an environment where costs are increasing, the network needs significant attention, customer expectations are growing, and we are losing \$10 billion a year.

Simply put, the Postal Service needs better operating and business strategies, and greater investment, to meet our public service mission. We must acknowledge that the Postal Service has been on a dangerous trajectory for years and needs significant fundamental change to how we operate, and not just legislation to address our discrete benefit funding challenges, or just additional pricing authority. We need those things, but also require rapid implementation of operational best practice strategies.

For too many years, Postal employees have been asked to do more with less — forced to employ antiquated systems, utilize outmoded equipment, and drive outdated vehicles. This drives up costs and slows down service for customers. We cannot afford to continue on this path.

OUR CHALLENGES IN 2020 FURTHER ILLUSTRATE THE NEED FOR CHANGE

Our plan seeks to revitalize the Postal Service to ensure that the Postal Service can develop and maintain a network that provides excellent, predictable, and reliable service for our customers, which consistently meets the standards that we set. The years of financial stress, underinvestment, unachievable service standards, and lack of operational precision discussed above have resulted in a system that does not have adequate resiliency to adjust and adapt to changing circumstances. This was made evident during 2020, which presented a number of fundamental challenges for the Postal Service. I am proud of the dedication of our employees, who worked tirelessly to meet our public service mission during the most trying of

circumstances. While our performance during the Election was tremendous, the service performance issues that we otherwise experienced during much of the year, and particularly during peak season, demonstrate why we must make fundamental changes to provide our customers with the service they expect and deserve.

COVID Impacts

Like nearly every organization in the country, the Postal Service workforce and operations were very significantly impacted by the COVID-19 pandemic (53,399 positive/presumed positive employees/165 employee fatalities). These impacts exacerbated our long-standing financial, operational, and service performance problems. Even so, we continued to deliver 471 million mail pieces to the best of our ability to 160 million addresses six or seven times a week. The responsibilities of continued connection and commerce amidst a national and global pandemic demanded it, and our employees worked tirelessly to meet our public service mission to the American people as essential workers that are vital to the critical infrastructure of the nation.

The Postal Service is an organization powered by people. While focusing on protecting employee health, there is no question that the pandemic has impacted our workforce. In addition to, and in part because of, the toll on the workforce, the impacts of the pandemic have also been felt operationally and financially – exacerbating our already tenuous financial condition.

- Employee Availability: The number of employees quarantined due to their own illness or due to exposure reached 122,913 of our more than 645,000 workforce thus far. For a service operation, this has a very real impact. This was fully in evidence during our peak holiday season and profoundly impacted our service performance during that two-month period.
- Transportation: An economy-wide logistics upheaval has directly disrupted the Postal Service's supply chain and transportation resources. The scarcity of airplane and truck capacity, and the industry competition for both of those transportation modes, impacted our ability to deliver throughout 2020 and especially during the peak holiday season.
- Hastened shift in mail/package composition: An existing trend in the decline in First-Class Mail was forced into steeper decline by the pandemic. This had both financial and operational impacts. At the same time, package volume increased due to e-commerce and social distancing. For a logistics and delivery operation dependent on the correct

complement of people, plants, volume-relevant machinery and transportation, this shift has further stressed an already misaligned and outdated mail network.

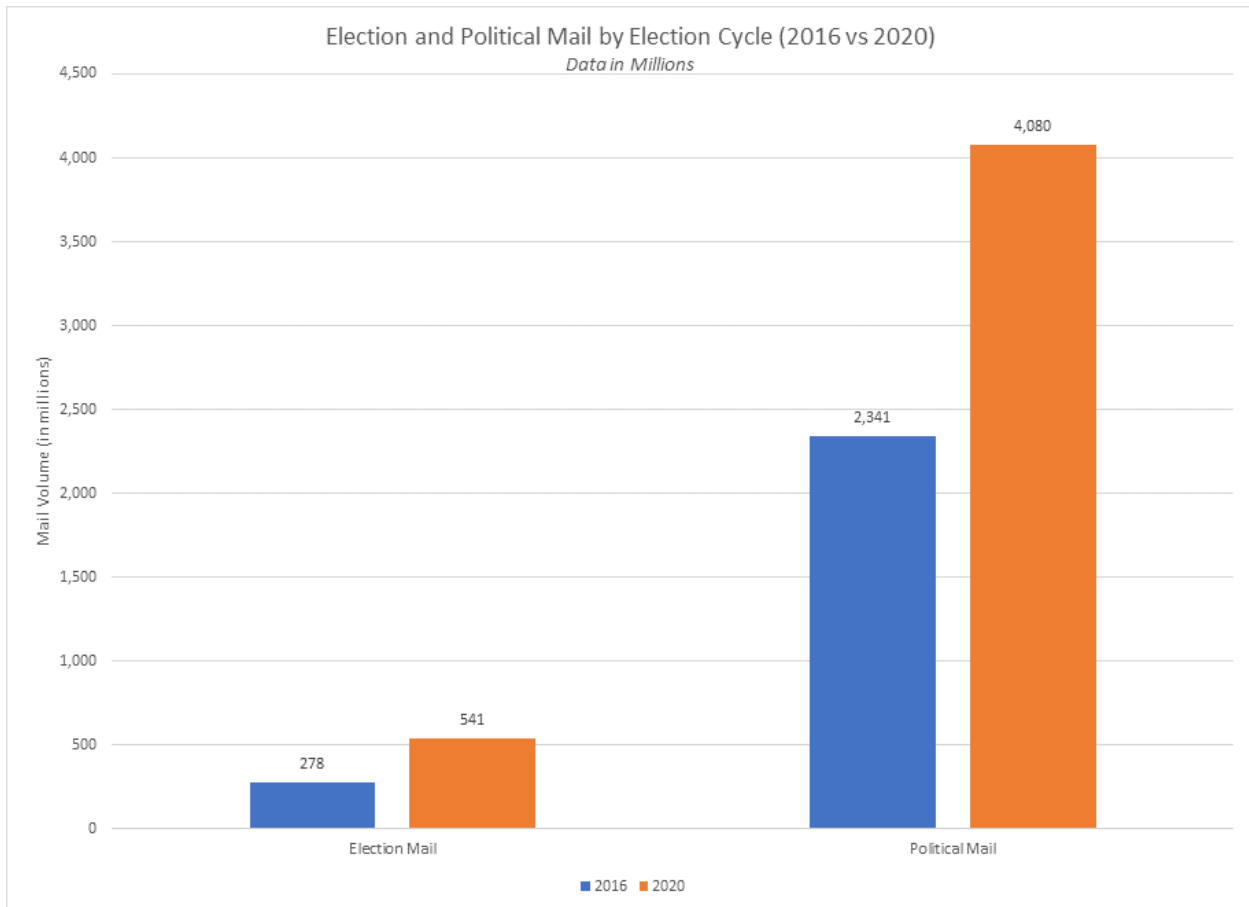
The strains of the COVID-19 pandemic and record volume of packages that resulted from it during our holiday season would have been difficult for the Postal Service to absorb under the best of circumstances. But it is also fair to conclude that because the long-standing challenges noted above were allowed to persist for entirely too long, the Postal Service's network was less resilient, and hence less capable of responding to the dramatic impacts of the global pandemic than would otherwise have been the case. For example, our inability to sufficiently invest in package processing machines and updated delivery vehicles exacerbated the demands of the shift in mail mix.

Election Mail in 2020

The performance of the Postal Service and our employees in connection with Election Mail was a great success story, but also illustrative of the problems we face as a result of the unreasonable expectations and unfunded mandates that are imposed upon the Postal Service. Throughout the 2020 election cycle, the Postal Service faced unprecedented challenges, though our hard-working employees went to extraordinary lengths to fulfill our public service mission. Starting in March, it became increasingly clear that our preparation for the 2020 election would require additional resources, planning and outreach. The COVID-19 pandemic, and the increased demand for and availability of mail-in voting options, caused the Postal Service to dramatically expand our overall approach.

As detailed in our 2020 Post Election Analysis (https://about.usps.com/newsroom/national-releases/2021/usps_postelectionanalysis_1-12-21_georgia.pdf), the Postal Service delivered for the American public during the 2020 election cycle. We did so in every community in America, as thousands of jurisdictions turned to the U.S. Mail more than ever before to enable greater public participation in the nation's electoral process. It is the task of policymakers to decide the role that the U.S. Mail should play in our electoral system. Our task, as the Postal Service, is to ensure that we provide secure and timely delivery of the ballots that are entrusted to us for mailing, as well as to ensure that both elections officials and individual voters who choose to utilize the mail understand how to do so effectively.

A record 159 million voters cast ballots in the 2020 general election — 22 million more than in 2016 — and the turnout percentage was the highest in a U.S. election since 1900. In a year when COVID-19 made voting in-person less desirable, these dramatic increases were achieved in part because the public had the convenient and safe option of voting via a mailed ballot. The Postal Service delivered over 135 million ballots to or from voters in the general election, a subset of the broader 541 million election mail pieces delivered during the 2020 general election."



We are proud of our performance as a delivery organization. We delivered 99.89 percent of ballots within seven days, consistent with the guidance we provided voters throughout the election cycle and delivered 97.9 percent of ballots from voters to election officials within three days. Overall, on average, we delivered ballots to voters in 2.1 days. Most importantly, on average, we delivered ballots from voters to election officials in just 1.6 days.

The Postal Service went to extraordinary lengths to achieve these results (as detailed in our report). These extraordinary ballot mail measures were planned and in place in advance of any court review or orders.

The wide-ranging Election Mail efforts and achievements documented in our report demonstrate that the Postal Service continues to play an indispensable role in the lives of the American public and in the life of the nation. We take great pride in the achievements of the women and men of the Postal Service in fulfilling our public service mission, meeting the public's high expectations, and in delivering the nation's Election Mail amid the significant challenges of the COVID-19 pandemic.

And yet the expectations and demands are well beyond our typical operations and impose a significant cost and burden on the organization. This is in a large part because the timelines permitted by state Election Mail laws do not take into account the Postal Service's operational realities. We adopted extraordinary measures to nevertheless ensure that the ballots reached their destination in time, recognizing the importance of Election Mail, but every departure from normal processing practices brings with it inherent risk, as well as cost. There needs to be broader alignment between electoral rules and Postal Service operations; and as discussed throughout this testimony, we must work to implement changes necessary for a sustainable Postal Service that provides operational precision and reliable and consistent service.

2020 Peak Season Challenges

Throughout the peak season, the Postal Service faced multiple challenges, including significant employee shortages as a result of the COVID-19 pandemic, multiple winter storms in the Northeast, capacity issues with airlifts and trucking, and a historic high level of mail and package volumes.

Compounding matters, we did not refuse volumes, consistent with our universal service mission. By contrast, many of our competitors did so during peak season as their own networks reached capacity. We received their overflow volume in many instances.

Altogether, the Postal Service still managed to deliver more than 1.1 billion packages, with a more than 40 percent increase in full network packages this holiday season. I am proud of our employees who made this happen and thank them for their efforts amidst historically challenging circumstances.

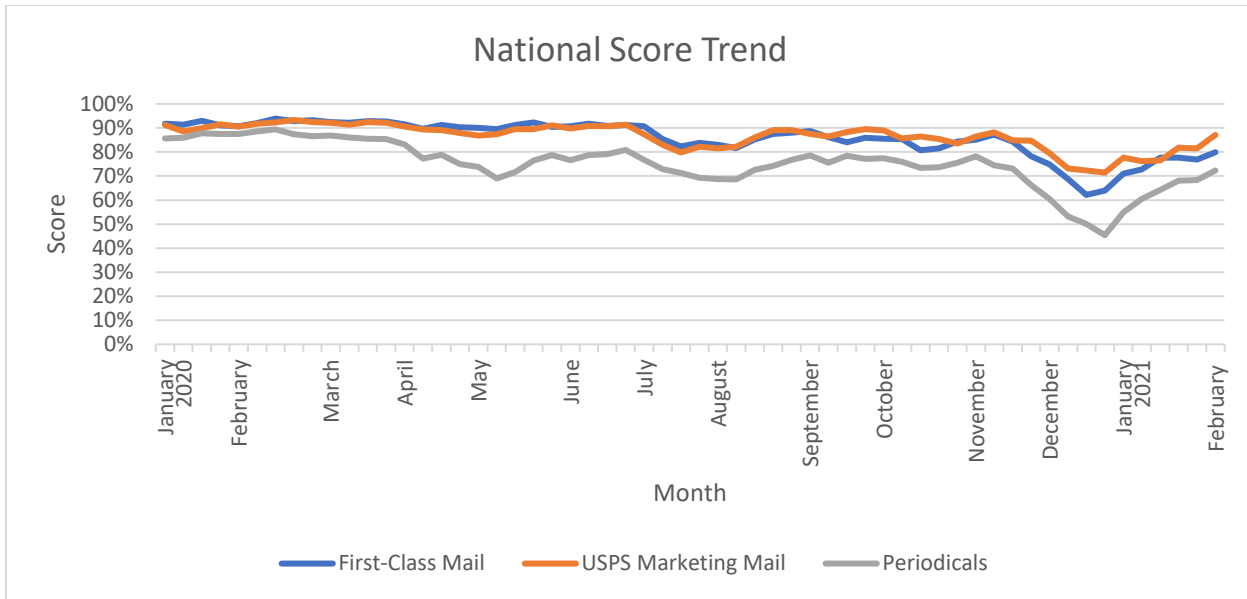
At the same time, we must acknowledge that during this peak season, we fell far short of meeting our service targets. Too many Americans were left waiting weeks for important deliveries of mail and packages.

This is unacceptable, and I apologize to those customers who felt the impact of our delays. All of us at the Postal Service, from our Board, to our leadership team, to our union and association leadership, to every employee strive to do better in our service to the American people.

During the peak season, Postal Service management took a number of steps to try and address our issues head-on.

- We hired over 50,000 seasonal workers and then increased full-time career staffing — by more than 10,000 positions in total — in key facilities across the country.
- We continued to utilize employee overtime as necessary to stabilize operations; and ran a significant number of extra transportation trips throughout the country.
- We extended lease agreements on annexes to provide additional package processing and dispatch capacity beyond the holiday peak season — and bought as much air capacity as we had access to.

All in all, we threw everything we had at the situation — no cost cutting — no efficiency initiatives — no relaxation of any effort anywhere. We “muscled through” as the Postal Service always does. And yet we missed our service standards by far and disappointed the nation. Fortunately, we have now returned to pre-peak operating conditions. Service levels have substantially improved and remain a focus, but as noted above the only way to truly create a reliable, predictable, and resilient network is through the enactment of fundamental reforms, rather than perpetuating the unsustainable status quo.



RECENT EFFORTS TO AFFECT CHANGE HAVE REVEALED THE NEED FOR FURTHER CHANGE

During my tenure as Postmaster General we have focused on developing operating and business strategies to improve our operational discipline and precision, and to ensure the appropriate leadership and managerial attention on, and accountability for, key process and structural changes that need to be made. In addition to our financial and service performance challenges, the Postal Service has long operated under an organizational structure that was not sufficiently attentive to our core mission and hindered our ability to adapt and evolve to changing circumstances. Historically, the Postal Service operated under a structure in which all facets of operations (retail, processing, and delivery), as well as administrative support functions (Human Resources, Information Technology, Finance, and Sales), were managed in separate geographic Areas, headed by an Area Vice President. In addition, these Area Vice Presidents all reported to a single individual at Postal Service Headquarters, the Chief Operating Officer. This structure created leadership roles where the range of responsibilities were simply too broad. This created redundancies and inefficiencies, and a lack of clear focus, and also hindered the ability to hold leaders accountable. This structure also inhibited the Postal Service’s ability to effectively pursue integrated, nationwide operating initiatives at the level of consistency and precision that was needed.

For that reason, as I previously testified before this Committee, one of the actions I took in my first few months in office was to identify an organizational strategy more equipped to deal with our operating model and the initiatives we are developing to ensure the long-term success of the organization. The modified organizational structure aligns functions based on core business operations and will provide more clarity and focus on what the Postal Service does best: collect, process, transport, and deliver mail and packages. We needed to provide greater focus on the core aspects of our business – Retail and Delivery Operations, Logistics and Processing Operations, and Commerce and Business Solutions – and the new structure allows that with clearer lines of authority and accountability. The modified organizational structure will also strengthen the Postal Service by enabling us to identify new opportunities to generate revenue, so that we will have additional financial resources to be able to continue to fulfill our universal service obligation to all of America. These changes are already bearing fruit, as it was the collective vision of the new leadership team, with the guidance of our Board of Governors that collectively developed the strategies and initiatives that constitute our plan to revive the Postal Service.

In addition, and despite reports of numerous other changes causing service disruptions early in my tenure, the only other initial change I made was to ensure that the organization refocused on the need for operational discipline. I started with one simple step: directing that we be more disciplined by running our trucks on time and on schedule, and that we should eliminate unnecessary extra trips. Running on time and on schedule is the only way that our network can work in the manner that is intended, because each step that is used to accept, process, transport, and deliver a piece of mail or package throughout our network must work seamlessly to meet our service standards. While this effort achieved substantial improvements in our on-time dispatch schedule, it also revealed some of the deficiencies of our operating plans that I have generally described elsewhere in this testimony, and exposed a need to realign some of our processing and scheduling, which temporarily impacted mail and package service performance. We acted quickly to resolve this and saw immediate improvement, but the situation again demonstrated the broader need for change in our operational approach to ensure that our system is precise enough to provide predictable and reliable service to meet the expectations of our customers.

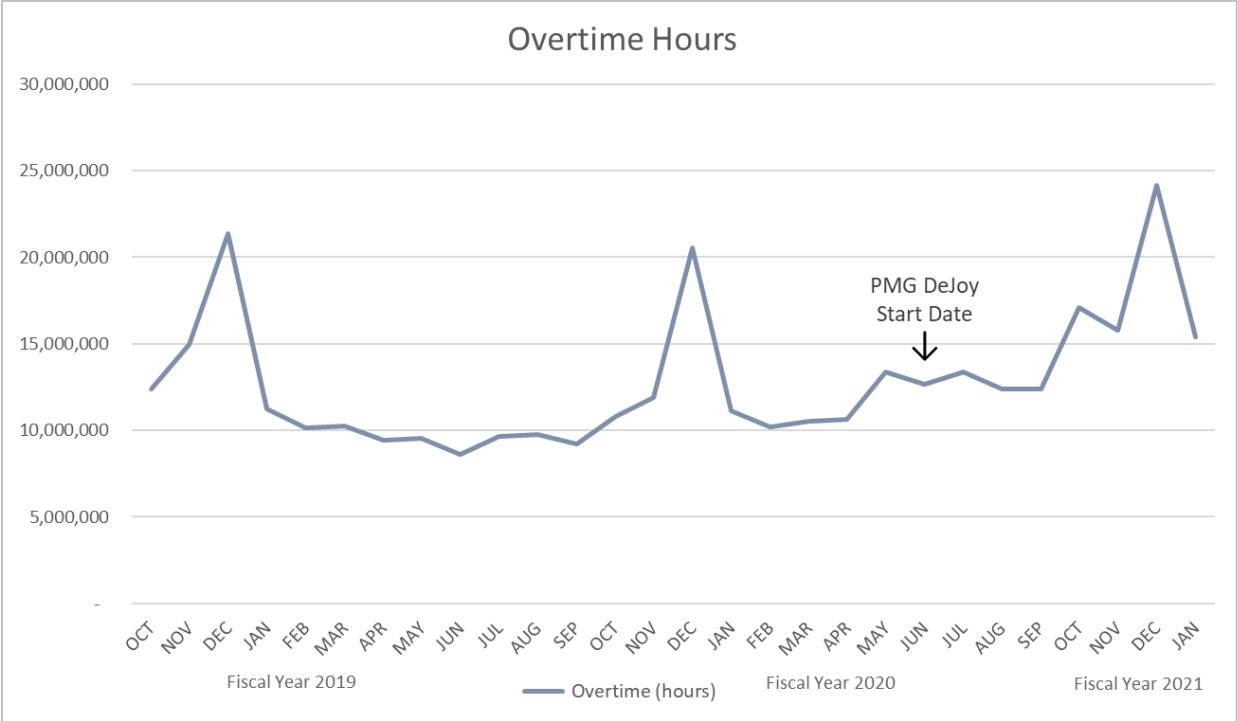
In regard to the development of other initiatives attributed to me during the early months of my tenure, I would once again like to dispel that assertion. As indicated in the Office of Inspector General's November 6, 2020 report, *Deployment of Operational Changes*, these 57 "Do It Now

FY Strategies” — aimed at achieving FY 2021 financial targets and reducing workhours — were generated from and executed by operations executives and presented to me during an introductory meeting held on July 7, 2020. These basic operational efforts were consistent with those undertaken every year in an effort to meet annual financial targets, and to ensure that we are continuously improving operations to match workhours with the declining amount of volume actually in the system.

Another misconception from 2020 relates to availability and use of overtime. Since the beginning of my tenure, overtime ratios in each month were higher than ratios in the previous year.

- During election season months, October and November 2020, overtime ratios were 16.59 and 16.64, as compared to 10.97 and 12.67 in October and November of 2019.
- During our peak month while delivering record volumes, overtime ratio was 21.25 as compared to 18.69 the year prior.
- Since I joined the Postal Service, we have utilized 123 million overtime hours. This is an increase of 32 million overtime hours, as compared with the same period the year prior.
- In December alone, during peak, the Postal Service utilized 24 million overtime hours to deliver record holiday volume.

This clearly shows that not only did I not eliminate overtime, but in fact I did not even reduce it. Instead I have granted the organization the ability to use all avenues necessary, including overtime, to deliver mail and packages in a timely manner during this extraordinary election and holiday season. In fact, despite this use of overtime and significant transportation resources, peak season performance still suffered.



THE STATUS QUO IS NOT SUSTAINABLE

For too long, the Postal Service, Congress, the PRC, and other postal stakeholders have been willing to tolerate an unsustainable status quo, and have been persistently resistant to implementing the changes that are necessary to ensure that the Postal Service will be financially sustainable and able to fulfill our primary mission.

Continuation of the status quo would mean that the Postal Service remains in a state of financial instability, characterized by increasingly large annual losses, continued defaults on retirement funding obligations, and a growing gap between assets and liabilities. It would mean that our ability to invest in the future of the organization would be severely curtailed. It would mean that our service reliability and operational performance will not significantly improve, and that we will over time be even less able to deal with contingencies that stress our system like the current pandemic. It would mean that the Postal Service is less capable and less competitive, and hence less and less able to meet the evolving needs of American households and businesses. Most fundamentally, it would mean that the Postal Service’s ability to continue meeting our universal service mission will be severely threatened.

The good news is that while our problems are extremely serious, they can be solved with bold and comprehensive action where we face our challenges openly, make tough choices, and do what is right. If this is done, we can revitalize the Postal Service and position ourselves for long-term sustainability and success.

To constructively move forward, the Postal Service management team and Board of Governors are on target to release a 10-year strategic plan to build a sustainable organization that provides our customers with the excellent service they expect and deserve. A high-level description of this plan follows.

DELIVERING FOR AMERICA: THE POSTAL SERVICE'S PLAN TO ACHIEVE SERVICE EXCELLENCE AND FINANCIAL SUSTAINABILITY

To confront these urgent issues, our team has been working on a 10-year strategy that will reinforce the Postal Service's obvious strengths and address our obvious weaknesses, including all aspects of our management strategy, employee engagement, service products and features, plant processing, transportation, and unachievable service standards. It offers solutions to the challenges touched upon earlier in this testimony:

- **Changing customer demands**

Dramatic change in customer demands has put downward pressure on First-Class Mail volume, which currently provides the greatest contribution toward covering our fixed costs. Since 2007, pieces per delivery destination per day dropped by 45 percent, and overall mail volume has decreased by 42 percent, substantially eroding our cost coverage and nullifying the financial model enacted in the Postal Accountability and Enhancement Act (PAEA) of 2006.

- **Current price regulation scheme**

We have not had the flexibility to use prudent pricing strategies to address our challenges. Pricing restrictions have resulted in prices that are insufficient to provide adequate revenue to pay for our fixed Universal Service Obligation costs and other legally mandated costs. The recent rule changes by the PRC mitigate the problem, but

do not come close to solving the entire shortfall, nor do they compensate for years of inadequate pricing flowing from the delayed regulatory response.

- **Resistance to operational change**

Deep rooted internal and external resistance to change has resulted in a vagueness of mission and ongoing systemic inefficiencies that have weakened our ability to adapt and innovate and ultimately degrades service.

- **Pension and healthcare costs**

The Postal Service is required to participate in federal pension, health benefits, and worker's compensation programs, which often do not reflect private sector best practices. In addition, Congress has imposed extremely large funding obligations on the Postal Service, which means we are subject to much more onerous funding burdens than other comparable private or public entities.

- **Processing capabilities that are not aligned to the changing customer demands**

The entire processing and distribution network was built off the backbone of an organization that primarily delivered mail. With that, we have a lack of space and equipment necessary for package processing given its explosive growth and underutilized mail processing facilities and equipment. Much more must be done to adapt our network to reflect the changing demand and ensure that we have the ability to deliver package volume in an efficient, effective, and timely manner.

- **Inconsistent transportation network**

The transportation network is not optimized for providing reliable and efficient service. A significant portion of volume must travel by air given existing service standards; the reliability of air transportation is subject to a number of factors outside of the Postal Service's control. Surface transportation is more reliable and cost-effective, but the efficiency of that network can be enhanced using best-in-class operating practices. In a capacity-stressed transportation industry with increasing demand, the need to improve transportation reliability, predictability, and visibility becomes even more important.

- **No clear operational strategy**

The Postal Service has not had a focused operational strategy, resulting in the lack of clear and measurable objectives, inconsistent flow of communications, and an unclear organizational structure.

- **Inadequate growth plan**

Historically, the path towards a self-sustaining organization has been primarily through cost cutting measures, and while the Postal Service has grown revenues from packages it has not engaged a sufficient strategy to enhance the Postal Service's competitiveness and improve our ability to be financially self-sufficient. While measures to rationalize costs are necessary, the path towards a sustainable Postal Service also needs to include more robust growth strategies through the implementation of innovative mail and parcel delivery and digital solutions.

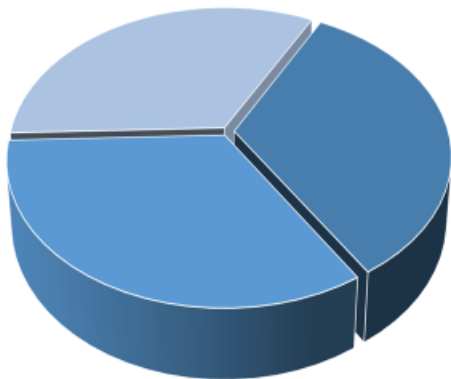
Transformational Goals and Impactful Initiatives

Through our Get it Right (GIR) portfolio of strategic initiatives, we have identified core strategies necessary for the Postal Service to deliver the services the American public values while also being a financially sustainable. The phrase "Get it Right" reflects a mindset that shapes the postal decision-making: prepare relentlessly for and strategically execute on today's opportunities and those ahead.

Our GIR portfolio of strategic initiatives are designed to achieve the following goals:

- **Goal 1: Delivery.** Become the preferred delivery service provider for the American public.
- **Goal 2: Retail.** Transform Postal Service Post Offices™.
- **Goal 3: Commerce.** Implement innovative parcel delivery solutions.
- **Goal 4: Network.** Increase operating efficiency of the mail-and-package processing network.
- **Goal 5: Employee Engagement.** Equip, connect, engage, and empower employees.
- **Goal 6: Fiscal Stewardship.** Create a financially sustainable Postal Service.

A BALANCED APPROACH TO REVITALIZING THE POSTAL SERVICE



1 Self-Help

Boldly transform our network, delivery, and retail operations while building new capabilities that will position the Postal Service to meet the rapidly changing needs of our household and business customers for e-commerce and digital solutions.

2 Regulatory Flexibility

Obtain the necessary regulatory approval, advice, and flexibility so that we can respond to market forces.

3 Legislative Changes

Pursue legislative changes necessary to achieve financial sustainability.

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The plan goals demonstrate our commitment to:

- **People**

We are committed to developing and engaging employees to create an exceptional and desired workplace. We are committed to stabilizing and strengthening our workforce — especially for our associates who are not yet in a career position. We want every postal employee to have the tools, training, and supportive environment necessary to enjoy a long-term career with us. We want them to feel empowered.

- **Service**

We are committed to improving operational performance to enable service excellence. We are committed to six day a week delivery service to every address in the nation, not just because it is the law – but because it is the right thing to do and a key ingredient to our future success.

- **Infrastructure**

We are committed to fully utilizing our unparalleled infrastructure to provide efficient, frictionless, and secure logistics solutions. We are committed to investing in our infrastructure, including vehicles, technology, and package sortation equipment.

- **Innovation**

We are committed to creating new product and service offerings to meet the needs of the American public and today's changing marketplace.

- **Sustainability**

We are committed to championing sustainable and environmentally focused solutions.

- **Diversity**

We are committed to infusing diversity, inclusion and acceptance throughout our culture.

In the weeks ahead, I look forward to sharing more information about this strategy with this committee, other public policymakers, our unions and management associations, our employees, our stakeholders, and with the American people.

Legislative Elements

While the vast majority of initiatives outlined thus far are ones we ourselves may execute, there are components to our plan relating to our workforce that require legislative action – many of which have advanced through Congress in the past but fell short of enactment. They have an exceptionally large financial impact on our balance sheet.

The single largest component for us to achieve financial sustainability relates to our retiree benefits expense. In particular, retiree health insurance is one of the most prized benefits offered by the Postal Service to our employees. Any legislative reforms we advocate for will be focused on ensuring these benefits remain available, but also affordable. I am pleased to note that we are aligned with our employee unions in support of these proposals, which in the past have also won the support of the mailing industry. Collectively, these proposals have a financial benefit to the Postal Service of over \$57 billion over the 10 years of our strategic plan, all while sustaining benefits, lowering costs, and improving coverage of health and retirement benefits so vital to our workforce.

The following two legislative proposals, and one administrative action, comprise our key requests of the 117th Congress and will have benefits for decades to come.

- **Medicare Integration:**

Medicare Integration continues to be the top priority legislative proposal we are advancing to improve cost and coverage. The Postal Service participates in the Federal Employees Health Benefits Program (FEHBP), which does not require that retirees enroll in Medicare when they become eligible. For those state and local government

entities and private sector employers who still provide retiree health benefits (and most do not), virtually all fully integrate their programs with Medicare. The lack of such integration for the Postal Service has a direct and substantial impact on our financial viability both in the near term and long term. Integration would favorably impact health insurance costs not only for the Postal Service, but also for the current workforce and our retirees. The proposal would also require the retiree health benefits liability be calculated only for those employees and retirees eligible to receive immediate benefits (vested liability). In previous Congresses, versions of Medicare Integration legislation have advanced in the Senate and House but fallen short of enactment. This action would reduce our cumulative expenses by \$36.3 billion over 10 years based on fiscal year **2021** enactment and **2022** implementation. With your leadership we hope to achieve enactment.

- **Repeal of the Retiree Health Benefit (RHB) Prefunding mandate:**

The RHB pre-funding mandate that applies to the Postal Service is not imposed on any private sector or state or local government entities that still provide retiree health benefits. Indeed, except in rare instances, the rest of the federal government does not prefund this benefit at all. It is important to note that repeal of the mandate, when coupled with Medicare Integration, does not equate to our retiree health benefits program being underfunded or placed in any financial jeopardy. Repealing the prefunding mandate in addition to the Medicare integration proposal noted above will relieve a very substantial amount of expenses of approximately \$8 billion over ten years. I want to clarify that prefunding repeal is an important legislative complement to Medicare Integration, but it is not as financially meaningful as a standalone bill. They need to travel together. This proposal has bipartisan support and passed the House in the 116th Congress with over 300 House cosponsors.

- **CSRS Benefit Reallocation Resolving Longstanding Unfairness of the Methodology Used for Apportioning Liability:**

We plan to urge the Biden Administration to take administrative action to correct the methodology used by the Office of Personnel Management (OPM) to allocate postal employees' Civil Service Retirement System (CSRS) liability allocations. This fix addresses a longstanding responsibility to more fairly reallocate CSRS benefits liability between Treasury and the Postal Service for employees who worked for both the

predecessor Post Office Department (POD) and the Postal Service. CSRS benefits are determined by an employees' high-3 average salary multiplied by years of service (with benefits accruing more slowly in the first ten years of service). These salary amounts were unjustly frozen for purposes of retirement benefit calculations for the years after POD employees became Postal Service employees. As stated, it is our hope that this can be resolved through Administration action, but encouragement from Congress in some form will be important to achieve a successful outcome.

We look forward to the opportunity to work with you in the near term to address these important priority provisions for the Postal Service. We stand ready to work with urgency toward achieving broad policymaker support and enactment, and we are rolling up our sleeves to execute on the "self-help" portions of our strategic plan.

CONCLUSION

We will continue to do all that we can within our current authorities to effectively manage the Postal Service while we work with the Administration, Congress, and the PRC to implement the necessary changes that will enable financial sustainability, ensure excellent service for our customers, and best meet the needs of the American public. The legislative actions Congress can take are specific and doable. They benefit our workforce and put us on clear path to financial viability so that we can continue to serve the American people for decades to come. We are pleased to note some recent collaboration with the Committee on these proposals.

I also want to conclude by expressing my long-term commitment to leading the Postal Service through this necessary transformational change. I am committed, because the privilege to serve as Postmaster General brings together three things I've been interested in as a private citizen – how things work in business, in my community, and our country.

I can assure you that each member of the Board of Governors shares the same desire and intention to build a better U.S. Postal Service for the future. They are equally committed and together we welcome any future board appointments, because we are confident these individuals will be proud to work alongside us, once they see the work we have done already, and the future that we envision for this great institution.

Our nation is justifiably proud of its Postal Service. Our employees are too. Now it is up to all of us who care about this institution to provide it with the tools, the investments, and the strategies it needs. Together, we can improve and strengthen this institution for future generations.

Thank you, Chairwoman Maloney, Ranking Member Comer, and Members of the Committee, for the opportunity to submit this testimony. I welcome any questions that you and the Committee may have.

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