

FACT & *Fiction.*

The U.S. Postal Service

News reports have been filled with articles about the financial crisis facing the U.S. Postal Service, many of them based on false premises. The articles often imply that the problems are irreversible, and that hard-copy mail is destined to be replaced by electronic messages. Following is an analysis of the assertions relied upon to arrive at faulty conclusions.

FICTION: Hard-copy mail is dead. The Internet and e-mail have made it irrelevant.

FACT: Absolutely untrue.

In 2006, well after Americans began using the Internet and e-mail on a mass scale, mail volume reached the historic level of 213 billion pieces. Mail sent from one household to another comprises less than 3 percent of mail volume, so the use of e-mail and the Internet by individuals has had only a minor effect on total volume.

The mail mix is dominated by business mail, which increases and decreases based on the strength of the economy. The recent decline of 30 billion pieces is overwhelmingly in this category. As the nation experienced a severe recession, most businesses reduced their advertising budgets. Television, newspapers, and radio revenues also are down significantly. The Postal Service's competitors, UPS and FedEx, have experienced severe losses as well.

Advertising mail does not directly compete with the Internet and e-mail. In fact, mail complements other forms of advertising, and increases the effectiveness of commercial messages on the Internet and in e-mail.

Mail volume fluctuates with the economy; as the nation and the world emerge from economic stagnation, hard-copy mail volume will expand.

FICTION: USPS expenses exceed postal revenue.

FACT: During this period of low mail volume, the Postal Service has done a Herculean job in reducing expenses.

The sole cause of the reported financial deficits in Fiscal Years 2008 and 2009 has been the congressionally-imposed obligation to pre-fund retiree health benefits. The Postal Accountability and

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Enhancement Act (PAEA) of 2006 required the Postal Service to pay annual installments of \$5.4 to \$5.8 billion each year for an 8-year period.

No other public or private entity is required to make payments of this magnitude for future obligations. This legislation did not make allowances for a period when a weak economy would seriously depress mail volume.

Over the two-year period covering Fiscal Years 2008 and 2009, the Postal Service has aggressively responded to the reduction in mail volume with significant cuts in its operating budget. Without the health-fund payment, the USPS would have experienced a \$1.2 billion surplus. If not for the hype surrounding the congressionally-required deficits, the Postal Service would be recognized as a model of efficiency for its response during these challenging times.

FICTION: The Postal Service must eliminate Saturday delivery and close hundreds of stations and branches to achieve fiscal solvency.

FACT: Plans to eliminate Saturday delivery and close retail facilities are in direct response to the obligation to fund future retiree obligations. Relief from this annual payment would eliminate any need for such a drastic reconfiguration of the Postal Service.

FICTION: The Postal Service is in crisis. The Government Accountability Office (GAO) has designated the Postal Service as a “high-risk” agency, whose future is uncertain.

FACT: The crisis facing the Postal Service has been imposed by Congress in mandating the payment for future healthcare liabilities during a period of low mail volume. Pending legislation would provide a substantial relief during this period of economic recovery.

The purpose of the Postal Service is to deliver mail to the address of every American six days per week, but the primary use of hard copy is for commercial uses. It is unreasonable to expect that the Postal Service would not suffer the same loss of volume as the United Parcel Service (UPS), Fed Ex. television, radio and newspaper advertizing during periods of economic stagflation. The Postal Service has responded appropriately to volume loss with work-hour reductions and other efficiencies, but it has been unable to achieve \$5 billion in surplus to satisfy this congressionally imposed obligation. ☐