



September 17, 2019

The Honorable Robert M. Duncan  
Chairman  
Board of Governors  
United States Postal Service  
475 L'Enfant Plaza SW  
Washington, DC 20260

Dear Chairman Duncan,

On behalf of the millions of members and supporters of Citizens Against Government Waste, National Taxpayers Union, and Americans for Tax Reform, we want to thank you for your leadership on the United States Postal Service's (USPS) Board of Governors.

The USPS has had 12 years of consecutive losses totaling more than \$70 billion and faces a financial crisis. According to the Government Accountability Office (GAO), [total](#) unfunded liabilities and debt for the USPS in fiscal year (FY) 2018 stood at \$143 billion, which is double its annual revenue. The USPS was included in GAO's 2019 High Risk List [report](#), which stated that the agency's financial condition is "deteriorating and unsustainable."

As you assume your new responsibilities as chairman of the Board of Governors, we urge you to consider the following principles, highlighted both by our organizations and the U.S. Treasury Department's Postal Task Force's [Report](#), *United States Postal Service: A Sustainable Path Forward*:

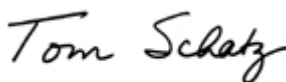
- **Focus on the core mission of physical mail and package delivery.** An entity so financially unstable that it struggles with the primary functions of tracking costs and projecting savings in its core operations should not expand into non-core businesses in private markets where it does not have recognized credibility or expertise. Too often the USPS's motives for striking out into these non-core businesses is not to remedy a market failure, but to justify and create make-work for a bloated workforce. Alternatively, as in the case of postal banking, the USPS is chasing illusory and unrealistic revenue estimates, without any serious consideration of the associated regulatory complexity and risk. All proposals to have the USPS enter into financial services should be rejected. As the Treasury Department's Task Force report [stated](#), "[g]iven the USPS's narrow expertise and capital limitations, expanding into sectors where the USPS does not have a comparative advantage or where balance sheet risk might arise, such as postal banking, should not be pursued."
- **Prioritize private-sector partnerships.** Postal private partnerships called worksharing should be expanded to outsource the cost and risk of many activities that could more efficiently be performed by the private sector. USPS management should leverage worksharing to reduce costs and improve operational efficiency. Third-party private-sector logistics, processing, and delivery partnerships will help wring excess costs from the USPS's operations. Workshare has been a successful model for the USPS since the 1970s; the Board of Governors should urge management to expand worksharing wherever possible.
- **Improve the USPS's ability to identify wasteful and inefficient practices.** Several recent USPS Office of the Inspector General (IG) reports highlight the agency's difficulties in identifying efficiencies and realizing savings. An October 15, 2018 IG [audit report](#) found that the USPS had predicted that it would save \$1.6 billion due to an operational window change for FYs 2016 and 2017, but it only saw a paltry 5.6 percent of the projected savings for both years. The

report concluded that it was not only “unlikely” that the USPS would ever achieve the yearly \$805 million in savings, but also that management never developed any way to track the savings. A March 18, 2019 IG [report](#) found that the USPS’s overall transportation costs have risen by 18 percent in the past decade, even though mail volume has dropped by 26 percent and service standards were lowered. The IG found that the USPS could not adequately explain the reasons for the disconnect. A January 30, 2019 IG [report](#) reviewing the USPS’s methodology for calculating savings related to reducing surface transportation costs and eliminating unnecessary highway contracting routes found that the methodologies used in that effort were “inadequate,” “undocumented,” and “inconsistently followed.” As a result, the USPS had overstated its savings in that program by \$119 million. The Board of Governors should require better cost control and cost accounting procedures to ensure that cost-saving initiatives achieve their stated goals.

- **Realign labor costs and practices with the broader labor market.** Labor costs make up 76 percent of the USPS’s overall operating costs, a trend that continues even though the agency has [shed](#) 300,000 jobs since 1999. Labor contracts between the USPS and its unions are negotiated as if the USPS was a thriving, profitable concern, and feature escalating wages and cost-of-living increases. Current binding arbitration rules do not permit arbitrators to take the USPS’s financial condition into consideration. The Treasury Department’s Task Force Report recommends that the USPS “align compensation for both its career and non-career workers with peers in the broader labor market.” Reforms in this area would dramatically reduce costs and put the USPS on a level playing field with its private-sector counterparts.
- **Review the Universal Service Obligation (USO).** The Treasury Department’s Task Force Report urged the USPS to revisit and refresh the USO in a manner consistent with the overall goal of protecting Americans in remote and rural areas. The Task Force supported the USPS’s flexibility in determining delivery frequency, mode of delivery, and service standards. The USPS should enhance the value of its services while maximizing savings.
- **Allow USPS to close and consolidate underperforming facilities.** While USPS management has the authority to close postal facilities without congressional consent, the agency has struggled to consolidate and shutter some of its failing facilities because of overly cumbersome rules, as well as congressional interference. That process should be streamlined, and congressional meddling must be kept to a minimum.

While many of the most consequential and far-reaching postal reforms will require congressional action, there are many changes that USPS management could undertake now, under the direction and with the support of its Board of Governors. Our organizations hope that the Board of Governors will address these issues where feasible and stimulate a much-needed conversation about the future of the Postal Service. Without market-oriented reforms, the USPS’s finances will reach the catastrophic stage, and taxpayers will be on the hook.

Sincerely,



Tom Schatz  
President  
Citizens Against Government Waste



Pete Sepp  
President  
National Taxpayers Union



Grover Norquist  
President  
Americans for Tax Reform