



June 19, 2020

The Honorable Louis DeJoy  
Postmaster General and Chief Executive Officer  
Board of Governors  
United States Postal Service  
475 L'Enfant Plaza SW  
Washington, DC 20260

Dear General DeJoy,

On behalf of the more than one million members and supporters of Citizens Against Government Waste (CAGW), I want to congratulate you on your appointment to serve as the United States Postal Service's (USPS) Postmaster General.

As America suffers unprecedented economic pain due to the coronavirus pandemic, which has caused mail volumes to plummet, the financial woes at the USPS have only worsened and the pressure to put the agency on sustainable financial footing has never been greater. In its second financial report of fiscal year (FY) 2020, the USPS posted a net loss of \$4.5 billion, a 114.3 percent increase compared to the \$2.1 billion loss in the second quarter of FY 2019. Already down \$5.3 billion for FY 2020, the USPS is well on its way to its 14th consecutive year in the red. Since 2007, the USPS's net losses total \$83 billion. In FY 2019, the Postal Service ran an \$8.8 billion deficit, a 125 percent increase compared to the \$3.9 billion in FY 2018.

According to the Government Accountability Office (GAO), total unfunded liabilities and debt for the USPS in FY 2018 stood at \$143 billion, double its annual revenue. The USPS is also a perennial name on GAO's annual High-Risk List report, a designation the agency has held since 2009. In a May 7, 2020 [report](#), the GAO highlighted that the USPS is on financial thin ice and reform can no longer wait, stating, "Absent congressional action on critical foundational elements of the USPS business model, USPS's mission and financial solvency are increasingly in peril."

As you assume your new responsibilities as Postmaster General, I urge you to consider the following principles, highlighted both by CAGW 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 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, 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 work sharing 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 work sharing 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 USPS since the 1970s; We urge you to advocate for the expansion of work sharing wherever possible.
- **Improve the USPS’s ability to identify wasteful and inefficient practices.** Several recent USPS OIG reports highlight the agency’s difficulties in identifying efficiencies and realizing savings. A 2018 USPS Inspector General (IG) [audit report](#) found that the agency 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 2019 March IG [report](#) found that the USPS’ 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 OIG found that the USPS could not adequately explain the reasons for the disconnect. A January 30, 2019 IG [report](#) reviewing 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. We ask that you support better cost control and cost accounting procedures to ensure that cost saving initiatives achieve their stated goals.
- **Impose an immediate hiring freeze on new postal employees.** This is the first order of business for a new leader of any company of any size with serious financial problems. When the hole is this deep, it is time to stop digging. The USPS could and should get by with fewer workers. It may be more difficult for those who remain, but they would still have jobs.
- **Realign labor costs and practices with the broader labor market.** Labor costs make up 76 percent of 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 Postal Task Force Report recommends that 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.

- **Allow USPS to close and consolidate underperforming facilities.** While USPS management has the authority to close postal facilities without congressional consent, USPS has struggled to consolidate and shutter some of its failing facilities because of a set 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 your direction and support as Postmaster General. CAGW hopes that you will address these issues where feasible and stimulate a much-needed conversation about the future of the Postal Service. We look forward to working with you on market-oriented reforms to prevent the USPS’s finances from reaching a catastrophic stage that will put taxpayers on the hook.

Sincerely,

Tom Schatz  
President, Citizens Against Government Waste