

Newsweek

Is Louis DeJoy's 10-Year Plan the Death Knell for the U.S. Postal Service?

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November, 12, 2021

Holiday retail sales are on track to set a record for the highest in U.S. history, according to the National Retail Federation. The U.S. Postal Service (USPS) is predicting this holiday shipping season will be the busiest in its history.

This record shipping season coincides with the implementation of Postmaster General Louis DeJoy's reorganization plan that includes higher rates and an intentional slowing of mail delivery.

Something has to give.

Postal customers can expect higher prices and 1-3 day increases in long-distance shipping times as these policies roll out over the holiday season. Customer traffic at all post offices is expected to increase beginning the week of December 6, with the week after that anticipated to be the busiest of the season.

To prepare for the surge, the Service is hiring 40,000 seasonal workers, deploying 112 new package sorting machines and 50 additional package systems to organize larger items, Xavier Hernandez, a communications specialist for the USPS, told *Newsweek*.

"Our peak season starts in October, then runs through January, so we're busier than ever, plus we've had some structural reorganization within the Postal Service," Hernandez said.

The "structural reorganization" he alluded to was the October 1 launch of Postmaster General and USPS CEO Louis DeJoy's 10-year reorganization plan for the Postal Service, entitled

Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence..

Holiday cheer was noticeably absent in DeJoy's letter of introduction to the plan.

"Our organization is in crisis. Our business and operating models are unsustainable and out of step with the changing needs of the nation and our customers," DeJoy wrote. "We have seen steep annual financial losses in the billions of dollars, unmet service performance goals, and less market relevancy as consumer behaviors have changed."

DeJoy noted the Service had consistently failed to meet delivery goals.

"We have not met current targets for First-Class Mail composite or First-Class Mail 3- to 5-day service standards over the past eight years," the plan states.

DeJoy had a simple answer for this chronic failure to meet delivery standards: reduce them.

"Our Plan is to modify existing service standards for First-Class Mail Letters and Flats from a current 1- to 3-day service standard within the continental United States to a one-to-five-day service standard," the plan states.

Under this plan, the Postal Service aims to reduce its reliance on air delivery and deliver more mail on the ground using its own trucks. By cutting these services it will reduce the amount of funds it doles out to aviation contractors. Ultimately though, this move will result in the Post Office providing a slower service at a higher cost.

"We do have a three-cent increase for First Class mail [from] \$0.55 to \$0.58," Hernandez said. "And then we do have a temporary increase for package services."

This is not the first time that the Postal Service has intentionally slowed down mail service, Steve Hutkins, creator of the Save the Post Office website, told *Newsweek*. The last time was in 2012, "as part of a project to close about half the country's processing centers," he said.

These changes are being implemented in a shipping market in which Amazon, a company with some 876,000 permanent employees, delivers just about anything the heart desires to U.S. doorsteps within 24 hours. As CEO of the USPS, DeJoy has some 644,000 employees in an agency that handles nearly half of the world's postal volume.

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Hutkins said that the public will bear the brunt of the changes, but it will take some time for them to realize the effects of the service slowdown.

"The consequences are suffered by the ratepayers and the recipients of the mail," he told *Newsweek*. "It has always been about delivering mail as fast as possible. So when the Postmaster General comes along and says we're going to intentionally slow down the mail by a day or two, that's a big deal. I don't think people have fully absorbed what the consequences are going to be."

And those consequences will likely affect small businesses as well.

For Asha Banks, the founder of CheerNotes, a company that offers custom greeting cards, the Postal Service is an irreplaceable part of her business model. Through USPS' relationship with Shopify, vendors receive a discounted shipping rate. This allows her to decrease overhead and keep her cards affordable. For the most part she has had no issues shipping her products.

However, preparing for this holiday season has been particularly challenging.

Banks had to order shipping materials and product inventory far ahead of the holiday season in order to prepare for expected supply chain shipping delays. Because she "can't be sure about the shipping variability," she's made the difficult decision to implement a hard "sold out" policy rather than risking taking orders that she cannot fulfill.

At this early stage in her business's growth, Banks cannot afford the services of a UPS or FedEx.

For her, USPS just makes sense.

"We don't have our own shipping routes like Amazon, and other carriers are too expensive for us to remain profitable," Banks told *Newsweek*. "USPS is the partner of small businesses that are starting to get online more."

"I hope that people start to recognize USPS is not outdated," she added, "and is here to stay."

A Business Model Under Threat

Despite its historical reputation for reliable service, over the past decade USPS has been plagued by declining revenues, reduced demand for first-class mail and increased fixed costs. These factors contribute to its \$188 billion in debt.

But far and away the largest contributor to that debt comes courtesy of the U.S. Congress.

In 2006, Congress established a mandate that requires the Service to set aside cash to prefund retiree health benefits for its employees. DeJoy's 10-year plan shows that the Postal Service reported a \$900 million profit that year, but has shown net losses in every year since the law took effect.

"Congress in 2006, with this, basically mandated the Postal Service to fund decades in advance within a 10-year time window," Chris Shaw told *Newsweek*. "It's just when you add in this payment that it is supposed to make on top of everything else, which is like, \$5 billion a year, then it looks like the Postal Service has had major financial issues. Somewhere between 80% and 90% of financial losses has to do with this retiree payment issue."

Although supporters of the bill said this mandate would protect postal workers, their union does not support it. American Postal Workers Union President Mark Dimondstein called the move "draconian." He said it places an "absurd burden" on the Postal Service, one that no other company or federal institution is required to follow.

"We have always believed that the pre-funding is unfair, and it needs to be done away with," Dimondstein told *Newsweek*.

He said this added expense takes away funds from investments in workers, fuel-efficient vehicles, building upkeep and information technology.

"It was really a defunding of the public Postal Service," Diamondstein said.

Hutkins agreed with this assessment.

"It's consequently made it look like the Postal Service has a huge liability, but it's mostly a bookkeeping matter and not a real one," Hutkins argued. "However, [it's] the people who like to bash the Postal Service or who want to use this manufactured crisis of the deficit to rationalize all kinds of things that actually have other motivations, like cutting services, closing post offices and slowing down the mail."

"All these things that they do to cut costs are done in order to remedy the false crisis that's associated with this retiree health benefit plan," he added. "It's a manufactured crisis that has to do with bookkeeping, and not a real threat that the Postal Service cannot pay its bills."

Despite this assessment, some believe the Postal Service would be better prepared to meet the challenges of the future by converting to a privatized model. Former President Donald Trump's 2018 Delivering Government Solutions in the 21st Century report wrote that a privatized Postal Service would "have a substantially lower cost structure, be able to adapt to changing customer needs and make business decisions free from political interference, and have access to private capital markets to fund operational improvements without burdening taxpayers."

However, Trump's argument for privatization ignores that fact that the USPS is not funded by taxpayers, but instead relies on its operational revenues to pay its expenses. As a USPS facts and figures website reports, if it were a private company, it would rank 41st on the Fortune 500.

Chris Edwards, director of tax policy studies at the Cato Institute, a libertarian think tank, argues that privatization is the only option for the USPS.

"The Postal Service's going to die if it's not privatized — that's one argument," Edwards told *Newsweek*. "Because first class mail has plunged in volume, so has advertising mail. The agency needs to adjust and adapt just like any other."

But he said that such adjustments aren't possible, and, like Hutkins, he puts the blame on Congress.

"Postal Service managers and executives want to reform and change the way the Post Office works so the agency survives," Edwards said. "The problem is that they're in a straitjacket from Congress."

He argues that privatization is the answer.

"They can't do some of the things that a private company could do to save itself, defend itself, innovate and expand into different products," Edwards said. "I think they'd have more flexibility to survive and thrive if they were privatized."

But then there is the problem of the "universal mandate."

"The Post Office is a public service," Shaw said, speaking of the universal mandate. "It exists to provide universal, democratic public service. The idea is that everyone in the country is supposed to be served equally and receive the same level of service no matter their income, geography, or other demographic characteristics."

Edwards offered the same solution to the universal mandate as DeJoy offered for the service delivery problems — reduce the standard.

"As a reasonable compromise, we say, the entity must deliver to every address, maybe every second day or something like that, so as to have a more reasonable universal mandate," he told *Newsweek*. "The postal delivery service, it's a network industry, and any private company would want to be able to deliver to every address because that strengthens the value of their service to everybody. I would give more flexibility, maybe keep a universal mandate, but make it a more reasonable one."

Shaw argues that the Postal Service is an essential element of our democracy, and that privatization "endangers the public service mission, and a lot of people could be left out."

"It's a democratic public service, and that seems to me to be important in democratic society," he adds, "especially one with increasing levels of inequality."

Elaine Kamarck, Director of the Center for Effective Public Management at the Brookings Institution, agreed that the Postal Service should preserve the universal mandate.

"I think that is extremely important," she told *Newsweek*, "and that they actually preserve it six days a week, which I wasn't sure was going to happen. But they think they can do this six days a week, because remember, Saturday mail has been a question for some time now."

Struggling to Keep Up

Part of the Post Office's plan to restore its financial health rests on its ability to rapidly adjust the nation's dynamic consumer patterns. As America has shifted its communication online and grown in its demand for home delivery of goods, the Post Office has struggled to keep up.

One of its biggest challenges is adjusting to the relentless expansion of online communication and e-commerce.

Hutkins said that mail volume has decreased 3% per year since 2007 due to "electronic diversion," communications sent electronically that used to be sent through the Postal Service. While the USPS has increasingly looked to package deliveries to make up for lost revenue, the package volume growth it has experienced has not been enough to offset the losses.

Edwards says the unique structure of the Postal Service renders it unable to adjust to changing market conditions.

"They're not allowed to cut costs where you know, where any private business would to survive," he told *Newsweek*. "But they're also not allowed to ... look for new areas of business like a private company would be able to do."

But Shaw finds fault with applying a traditional business model to the Postal Service.

"In the short term you can get some financial gain from it, but when you're looking at the middle or long term, it's a problem," he says. "You'll get rid of some costs, but these are not a major source of financial problems the Postal Service has had. If you start getting more 'cost efficient,' then you get rid of the mission, to bind the nation together and serve everyone in an equal manner."

Kamarack told *Newsweek* that the Postal Service shouldn't necessarily aspire to run at a net gain. Seeking to turn a profit may not be realistic for an institution charged with providing its service to every American, regardless of class and physical location.

"I don't really know if (operating at a net gain) is realistic or even if it should be," she said. "They should try not to operate it with the huge debt, but frankly, getting rid of the pre-funding of health care takes care of a lot of that debt."

DeJoy attempted to address some of these issues in his 10-year plan. Key strategies include raising prices, reducing service standards, optimizing the mail transportation network, and working with legislators to waive the pension payment requirement.

He predicted that through this plan the Postal Service could reach a positive net income by the financial year 2023-2024. However, it is not clear whether he will still be running the Postal Service when that time comes.

Delivering Anywhere Regardless of Cost

Established in 1775, making it older than the nation itself, the United States Postal Service has played a key role in tying together every corner of the United States. While telephones and broadband have largely replaced the need for family members to stay in touch through physical mail, the Post Office continues to play a primary role in delivering packages to America's most remote places at a reasonable price.

Over 46 million rural Americans receive their mail through the Postal Service. For many of them, the USPS is their only option, the agency reports. The Post Office cannot turn down an American who lives a 40-minute drive from the nearest town, because under the office's universal mandate no American address, no matter how remote, is too far for delivery.

The nation's other shipping behemoths, however, have no such mandate.

Amazon, UPS, and FedEx are private businesses. They answer to stockholders and seek to turn a quarterly profit. So they often choose to offload their packages to the Postal Service for the last leg of the shipping journey. They can count on the Post Office, under its mandate, to travel that "last mile" for them, a metaphor for the last leg of a product's journey.

As the pandemic tightened supply chains and ramped up demand for delivery services, UPS and FedEx made the decision to limit the number of orders they would accept from the nation's retailers. But under its universal mandate, the Post Office cannot turn down such orders, regardless of the extra burden it creates during its busiest shipping season.

Sometimes the postal workers must travel dozens of miles from the nearest shipping facility to that rural Amazon customer. This "last mile" service may be the only way for some parents to have those Nike sneakers or that hard-to-find Barbie doll under the tree by December 25.

For millions of others, that service may be the only way to pay bills, taxes, or receive life-sustaining medications.

Pipeline for Prescriptions, Checks and Taxes

The Post Office handles approximately 1.2 billion prescription shipments every year, making 4 million deliveries each day, six days a week, according to the National Association of Letter Carriers. About half of those who receive their drugs through the mail are elderly, more than a quarter have heart disease, and about one in five have diabetes.

Twenty percent of adults over 40 years old who take medication for a chronic condition get those pills by mail order, and approximately 80% of Veterans Affairs prescriptions are sent by mail.

In addition to bringing medicine, the Post Office delivers paychecks and key government benefits. Seven percent of all employees get their paychecks by mail, and nearly 30% pay their taxes in the same way. Nearly one in four Americans lack reliable access to the internet. For these people, a mailed check may be their only means of accessing government benefits.

Many other Americans, particularly the elderly, choose to handle their finances primarily through the mail.

"Since I can remember, I have always used the Post Office to pay bills," Dorothy Swift of Queens, a longtime USPS customer in her 80s, told *Newsweek*. "I don't have too much confidence in electronic mailing and billing. I use the Post Office because I feel more confident in it."

Hernandez said that the USPS continues to serve a vital role in connecting people.

"The Postal Service is the original social network," he told *Newsweek*. "We are the ones that connected every community before you could just log on."

That service was particularly critical during the pandemic, Hernandez said.

"We were the ones that made sure that economic stimulus and economic relief checks were being delivered. We were delivering medicines on the regular and we were able to connect communities to each other," he said. "When we had no other options, the Postal Service was there to deliver for America. And that's what we want to keep on doing."

What Does the Future Hold?

With historic demand and rising public scrutiny, the Post Office faces one of its greatest challenges to-date in responding to the record-breaking volumes expected this holiday season. Should its holiday deliveries, medication shipments and check dispatches arrive late, it could bear the brunt of a public backlash.

With President Joe Biden laboring under an approval rating below 40%, another federal failing is not an option, and the administration could try to avoid blame by persuading the USPS Board of Governors to fire DeJoy. Whether he survives in his post is likely to be determined by the success or failure of his 10-year plan — but the verdict could be in far sooner than a decade from now.

Diamondstein of the Postal Workers Union described DeJoy's plan as "the good, the bad, and the ugly." He does not support the idea of slowing down mail based on distance, saying that it runs "contrary to the DNA" of the Postal Service because it undermines the universal mandate. The union also opposes any moves to cut retail hours. Diamondstein argues this would make the Service less accessible to working people, once again undermining its mission.

But the union supports the plan's commitment to six-day delivery and its pledge to increase staffing and invest in its infrastructure. Diamondstein said that DeJoy had some "very good" ideas on the retail side, and stands firmly behind the move to eliminate the "fundamental problem," which he said is pre-funding retiree benefits.

Kamarck agreed, saying that by removing the pre-funding requirement the Post Office can reduce its debt and fend off criticism of its business model. She argues that a focus on package delivery will allow it to better adjust its services to consumer demands. This investment in infrastructure, she believes, will make it a more efficient transporter of packages and support its efforts to go the "last mile" in delivering mail to rural America under the universal mandate.

"When I got the plan and read it, I was sort of surprised. because, you know, during the 2020 campaign, DeJoy was like, boogeyman number one," she told *Newsweek*.

However, while DeJoy's long-term plan may in fact bring the Post Office closer to financial stability, it may still find itself swamped by a flood of holiday shipping in which mail is delayed, particularly to those in remote locations. Coupled with the extra burden offloaded to it by FedEx and UPS, the Service could, fairly or unfairly, take the blame for a disappointing holiday season.

If that happens, Kamarck said, as the man responsible for higher prices and slower deliveries, DeJoy could take the fall.

"If every shipping service is a mess, then it probably won't have any impact on this job," she told *Newsweek*. "If the Post Office is in more of a mess than everybody else, then I think that [DeJoy] could come under intense criticism, and the White House could come under intense pressure to get rid of him."