

Before the
Postal Regulatory Commission
Washington, D.C. 20268-0001

First-Class Mail and Periodicals
Service Standard Changes, 2021

Docket No. N2021-1

Statement of Position of the Lexington Institute
(June 11, 2021)

The Lexington Institute opposes the U.S. Postal Service's proposal to lengthen delivery times, by degrading service standards, on approximately 39 percent of first-class mail. This is a dramatic and audacious change that will alter the very character of the U.S. Postal Service (USPS), while accelerating its decline and reducing its public service role and value to the American people.

It is particularly distressing that USPS has presented this service reduction in a vacuum and with minimal financial back-up information. This has occurred both in the USPS ten-year plan announced on March 23, where the reduction was first unveiled, and subsequently in the April 21 filing with the Postal Regulatory Commission (PRC).

Before any consideration is given to an advisory opinion supporting USPS's service standards reductions, USPS should be ordered to provide information about the costs of meeting the current standards, instituted less than seven years ago in 2014. Based on testimony at the June 9 public hearing, it does not appear that USPS has such information or has made a serious effort to determine what those costs would be.

Once such information is developed, USPS should be transparent and provide it not only to the PRC but to the American public and its representatives in

Congress, particularly as Congress is considering major postal reform legislation, the Postal Service Reform Act.

USPS management faces quite difficult choices to make USPS financially solvent. In fact, it is possible the mail service reduction delivery plan is the most viable path on which the agency should proceed. Absent such public documentation, though, such a major change is at best premature.

Endorsing USPS's plan to reduce service may also accelerate even worse service because it will send a message, whether intended or not, that timely, efficient mail delivery is just not important. In 2015, the first full year of reduced mail standards after the 2014 change, on-time first-class mail fell precipitously, from 94.1% to 89.6% (see Exhibit A).

Lower mail service quality (i.e., longer delivery times) perpetuates and accelerates the loss of first-class mail from the USPS system. As first-class mail has consistently been USPS's most profitable product, this erodes USPS's financial standing. While overall mail volume is declining, USPS must add and re-deploy resources that will stabilize mail volume, even if this means a modest reduction in first-class mail's profitability.

Another large service drop coming on top the past year's performance would be especially trying for the American people.

Since the new mail standards went into effect in 2014, the decline in mail service has been most precipitous in the past year. During the first full quarter of the pandemic, ending June 30, 2020, USPS delivered 91% of first-class mail on time. For the quarters ending December 31, 2020 and March 31, 2021 it was 78.4% and 78.1%, respectively. Additional information is in Exhibit A.

Exhibit A

First-Class Mail Service Standards Continually Not Met Target: 96.0% On-Time Delivery¹

<u>Year</u>	<u>Actual</u>
2013	N/A
2014	94.11%
2015	89.64%
2016	92.34%
2017	93.29%
2018	92.07%
2019	92.02
2020	89.73%
2021 (Q1)	78.44%
2021 (Q2)	78.13%

It appears that USPS has made a pre-meditated choice to reduce resources going to mail delivery and to prioritize those going to package delivery. Yet mail volume is still 16 times package volume. Endorsing lower mail standards will only accelerate the push to deploy resources to packages from mail.

Further historical context is also important as you consider your advisory opinion. Based on USPS's own information, first-class mail takes more than half a day longer on average to be delivered today than it did in 2012.²

¹ "United States Postal Service FY2016 Annual Report to Congress," U.S. Postal Service, p. 17 of PDF. <https://mailomg.files.wordpress.com/2017/04/usps-2016-annual-report.pdf> (2013-15); "United States Postal Service FY2019 Annual Report to Congress," U.S. Postal Service, p. 24 of PDF <https://about.usps.com/what/financials/annual-reports/fy2019.pdf> (2016-19); "United States Postal Service FY2020 Annual Report to Congress," U.S. Postal Service, p. 37 of PDF. <https://about.usps.com/what/financials/annual-reports/fy2020.pdf> (2017-2020); "Board of Governors Open Session," U.S. Postal Service, February 9, 2021 <https://about.usps.com/who/leadership/board-governors/briefings?video=bgs210209> "Board of Governors Open Session," U.S. Postal Service, May 7, 2021 <https://about.usps.com/who/leadership/board-governors/briefings/welcome.htm>

² "Our Future Network," U.S. Postal Service, March 23, 2015. The document says, "Prior to the (January 2015) service standard change, mail was delivered in an average of 1.8 days. <https://about.usps.com/news/electronic-press-kits/our-future-network/ofn-usps-delivery-standards-and-statistics-fact-sheet.htm#:~:text=Prior%20to%20the%20service%20standard,by%20consolidating%20their%20mailing%20operations> U.S. Postal Service, "Board of Governors Open Session," August 7, 2020. Here, the Postal Service announced first-class mail took an average of 2.3 days to be delivered for the quarters ended June 30, 2020 and June 30, 2019. <https://about.usps.com/who/leadership/board-governors/briefings/welcome.htm>

From 1971-2012, the Postal Service had a one-day standard for delivery of much of its first-class mail. By 2015, the one-day standard was eliminated entirely.

During the 1970s, first-class mail volume ranged from 48.6 billion to 57.9 billion pieces of mail annually, comparable to 2020's 52.6 billion pieces.³

In 1974, the Comptroller General reported to Congress that USPS was sorting half of its mail manually. However, the standard for 1-day overnight delivery of mail was met 90 percent of the time. This was for delivery within sectional centers and adjoining sectional sectors. Two-day delivery was for other mail within a 600-mile radius and three-day delivery for all other first-class mail.⁴

The American people have no one else but the U.S. Postal Service to rely upon for mail delivery, a monopoly service. Mail delivery can and must be treated as a public utility, with a careful, highly detailed, and defensible review of its costs.

In recent months, there have been numerous complaints about the impact of poor mail service in the media, letters to Congressional offices and the PRC. The effects of this have included delayed checks, credit card penalties (even though payments were sent well in advance), delays resulting in missed court appearances, and numerous other costs and inconveniences.

For more than 200 years USPS has predominately delivered mail and periodicals. Even today, packages are a fraction of USPS volume – 6%.

USPS's packages are often discretionary items. Unlike those relying on mail service, package customers have numerous options. As a competitive product, there are inherent choices about other shippers. Many items can be purchased at

³ "First Class Mail Volumes Since 1926," U.S. Postal Service, Office of the Historian, February 2020. <https://about.usps.com/who-we-are/postal-history/first-class-mail-since-1926.htm>

⁴ "Missent Mail – A Contributing Factor To Mail Delay And Increased Costs," U.S. Government Accounting Office, October 22, 1974, p. 6. <https://www.gao.gov/assets/210/200396.pdf>

nearby stores instead of online. In fact, were USPS to re-orient itself to primarily serve large retailers and shipping companies, it would be in direct contradiction of its mission to bind the nation together, as Main Street businesses serving local communities would be hard hit.

In sum, the USPS's planned change in first-class mail service standards should be opposed as it:

- Accelerates the decline in mail
- Deteriorates USPS's financial position
- Institutionalizes and rewards bad conduct
- Changes USPS's mission as it seldom has been changed in 200 years.

The PRC should do all in its power to fight the change in service standards. This might include adopting a resolution urging Congress to pass appropriate legislation if the PRC does not feel empowered to otherwise stop USPS's planned service changes from going into effect on September 1, three days after the large August 29 rate increase.

USPS should be required to assess and publicly provide information about the costs and related steps necessary to meet the existing standards.

Thank you for your consideration.

Respectfully,

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