



June 14, 2016

Postal Regulatory Commission
901 New York Ave., NW #200
Washington, DC 20001

Re: Docket P12016-3

Dear Members of the Commission:

The United States Postal Service (USPS) recently released its latest financial report, which indicated a loss of just over \$2 billion. This was the 27th of the last 30 quarters in which it lost money, as it continues to add to the red ink that has totaled \$38.3 billion since 2011. Additionally, it has maxed out its \$15 billion credit line with the US Treasury with seemingly no intention to pay it off anytime soon.

Despite this serious financial situation, the leaders of the USPS have offered few practical solutions and have failed to acknowledge that its problems stem from its flawed business model. The USPS was first created with the mission of providing letter mail delivery to every address at a reasonable rate. In recent years however, it has shifted focus away from this core mission and toward package and other specialty delivery services, which have proven to be unprofitable. Standard and First-Class mail covers costs at greater than a two-to-one rate, while Standard Parcels only generate 72.8 cents of revenue for every dollar of cost.

If it continues to focus attention on products that do not cover their costs, the USPS must establish a more rational pricing structure. Inversely, USPS financial reports show strong profitability for several monopoly-protected products. Under the current required practices, the USPS is at risk of using these gains to subsidize products in more competitive areas.

As noted in NTU's comments to the Postal Regulatory Commission in 2015, the USPS's accounting procedures are so opaque that it is nearly impossible to properly understand how products truly perform. For cost attribution specifically, the agency assigns just 55 percent of costs to specific products while the rest is categorized as "institutional overhead." This lack of transparency in accounting leaves USPS unable to fully trace all costs and leaves the public with inadequate information about USPS's serious fiscal challenges.

Taxpayers have major reasons to be concerned with USPS's financial situation. Greater transparency, better financial management, and improved accounting standards and practices are necessary. Otherwise, billion-dollar losses will continue each year and a taxpayer-funded bailout could become likely.

Sincerely,

Brandon Arnold
Executive Vice President