Statement

Of

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Before the Government Operations Subcommittee of the Committee on Oversight and Government Reform

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Chairman Sessions, Ranking Member Mfume and Members of the Subcommittee,

Postmaster General David Steiner has warned that USPS could run out of cash by early 2027 without help from Congress. While the Postal Service must be saved, now is not the time for another blank check. Congress must tie financial relief to stronger Postal Regulatory Commission (PRC) oversight, including a CPI-based price cap and measurable cost controls, to keep USPS from squandering another effort to stabilize it. Even if Congress chooses to delay monetary aid, lawmakers should act now to enhance the PRC's mandate and ability to ensure that USPS improves efficiency and cost discipline so that the PRC can steer the Postal Service back to solvency and minimize any ultimate financial assistance from taxpayers.

The Postal Service's current fiscal crisis is a direct result of efforts by former Postmaster General Louis DeJoy to dilute PRC oversight and pursue a failed agenda that USPS is, unfortunately, continuing to follow. When DeJoy unveiled the 10-year Delivering for America plan in 2021, he projected USPS would break even by fiscal year 2023 thanks to aggressive, frequent rate increases, operational cost cuts and a pivot to packages over mail. Yet instead of breaking even, USPS has lost more than $30 billion since then—despite the Postal Service Reform Act of 2022, which eliminated $120 billion in liabilities. And although the stated intent of the reform law was to prevent the need for large rate increases, DeJoy plowed ahead with unprecedented twice-annual stamp hikes above inflation—which reduced mail volume and revenue, according to the PRC. Any agency that receives such massive financial and balance sheet aid, yet continues to lose money and forecasts insolvency only a few years later requires stronger supervision to meet the expectations of Congress and its customers.

The Delivering for America plan has produced higher prices for consumers while doing scarcely nothing to control spending or improve service and efficiency. **In fact, USPS could break even and improve profitability over the next five years if it cuts costs by just 2 percent annually.** Yet instead of cutting expenses, its operating costs soared—increasing by nearly 10 percent between 2021 and 2025—while productivity plummeted to its lowest levels ever. While Postmaster General Steiner has reportedly restricted nonessential spending, that is only a first step.

Despite the Delivering for America plan's failures and the fact that USPS is hemorrhaging cash and customers, the USPS Board of Governors and Postmaster General Steiner are continuing down the same path. American businesses and consumers are bracing for more huge cost hikes in July, when USPS plans to raise the price of the Forever stamps to 82 cents and increase mailing service rates across the board by 4.8 percent. Stamp prices have already climbed 44 percent over the past 15 years, yet USPS still faces potential insolvency in less than a year. Mail service cannot be allowed to halt, and the Postal Service's status quo of raising prices while cutting services cannot continue.

As a statutory monopoly, USPS needs stronger oversight to keep it on the rails. In theory, its current financial crisis should have been prevented by the PRC, especially after USPS failed to achieve the break-even status it promised by FY2023. But that did not happen, and it is why the hearing today is so critical. Congress must equip the PRC with enhanced authority and a clear mandate to ensure that what has transpired under the Delivering for America plan can never happen again.

Keep US Posted urges Congress to enact legislation containing the following three core principles reflected in The USPS SERVES US ACT (HR 3004):

- **ACCESSIBILITY**: Preserve the Universal Service Obligation requiring six-day mail and package delivery to every address.

- **AFFORDABILITY:** Limit rate hikes to once per year and keep them affordable for small businesses and consumers. A CPI-based price cap for Market Dominant products would require USPS to improve efficiency and live within its means. Any service reductions must be required to provide guaranteed savings.

- **ACCOUNTABILITY:** Strengthen the PRC's oversight with binding authority over service changes and a dedicated customer advocate to ensure USPS improves efficiency and cost discipline to live within its means.

After an extensive review by regulatory experts, HR 3004 was introduced to meet these goals by clarifying and enhancing PRC responsibilities and authority. A summary of the bill's provisions is attached, and we would like to highlight a few key points below.

First, the PRC must be given the mandate—and ability—to ensure that USPS makes significant and ongoing productivity improvements. Despite promises of cost reduction and claims of millions of eliminated work hours, there has not been a net reduction in controllable costs at any point under the Delivering for America Plan, and both Total Factor and Labor Productivity have reached their lowest levels since measurement for the modern U.S. Postal Service began in 1972.

While H.R. 3004 would tie rate increases to productivity improvements, a simpler method would be to restore the CPI price cap established by the 2006 Postal Accountability and Enhancement Act (PAEA). Restoring the CPI price cap would still preserve the Postal Service's flexibility to set rates at predictable and reasonable levels, and maintain the elimination of the lengthy litigation-driven rate setting process. When the PRC expanded the CPI price cap in 2020 to allow USPS to raise postage prices above standard inflation, it unfortunately did not reinstate the opportunity for mailers to challenge proposed increases in advance. As a result, USPS rate increases rely too heavily on fatally flawed elasticity calculations, disincentivize efficiency improvements, and have been a huge factor in diminishing mail volume and customers.

Second, the PRC should be invested with binding authority over service changes. The current system of an advisory opinion has served no one. Most recently, the PRC delivered an opinion advising against the extended delivery times as part of the Regional Transportation Optimization initiatives in a 300-page decision that mail customers spent time and resources informing, yet was ignored by USPS. The PRC has technical expertise that exists nowhere else in the oversight process, and it should be trusted to make binding decisions on service that can only be overturned by the Congress or a unanimous vote by the Board of Governors.

Third, the PRC should be directed to consider impact on volume as one of the primary factors in evaluating USPS price and service proposals. The Postal Service has intentionally sacrificed traditional mail volume through exorbitant price increases and diminished service; however, the PRC is currently not directed to consider volume as a factor in evaluating rates. The loss of customers is a critical challenge for USPS, and it is in the interest of all stakeholders—including the postal unions—to ensure that the maximum number of customers remain in the system. Extracting more revenue from a dwindling customer base provides only short-term gains while causing disaster in the long run.

These issues are elaborated in detail in the attached summary of H.R. 3004 and recent supplemental comments by Keep US Posted to the PRC. We appreciate the Subcommittee's examination of the Postal Service's regulatory framework and urge lawmakers to make these changes, especially as part of any further financial relief or appropriation for USPS. The Postal Service must be enabled to continue delivering, but Congress must grant the PRC with both the mandate and authority so that it can protect that investment.

The USPS SERVES US Act

Over the last several years, USPS service quality has declined steadily, rates have risen dramatically–at an unprecedented twice-a-year frequency– and labor and total factor productivity have reached the lowest levels since measurement began. In the decision to approve the latest rate increase in July of this year, the Postal Regulatory Commission stated that the increase was not “prudent…or consistent with the best interests of all stakeholders” but claimed it lacked the statutory basis to reject it.

H.R. 3004, the USPS Services Enhancement and Regulatory Viability Expansion and Sustainability for the U.S. Act (USPS SERVES US Act), makes needed updates and reforms to the postal regulatory process to ensure fairness and provide protections for customers captive to the USPS monopoly. By empowering the Postal Regulatory Commission with a clear mandate to protect the public interest, this legislation holds the USPS accountable for efficiency and service performance.

Key provisions of the **USPS SERVES US Act** include:

- **X-Factor Rate Reduction**: Implements an X-factor reducing rate authority, a widely utilized tool to ensure cost discipline, if USPS productivity is not improved each year

- **Price Cap Protection:** Prohibits the PRC from creating a rate system with no price cap ultimately preserving the trade-off between pricing flexibility and rate predictability

- **Service Accountability:** Holds USPS accountable for service performance by reducing rate authority if it fails to meet established service targets and makes PRC nature of service evaluations binding decisions, not just advisory opinions as they are now

- **Annual Rate Increase Limit:** Limits USPS to one rate increase per year, avoiding unnecessary implementation costs and providing greater rate predictability

- **“Underwater Surcharge” Limitation:** Caps surcharges if service performance and cost efficiency are not maintained for the relevant products

- **Volume Growth Objective:** Creates a new volume-encouraging objective for evaluating rate increases and requires the PRC to apply each objective for rate setting in every proceeding

- **Customer Advocate Office:** Establishes an autonomous Office of Customer Advocate within the PRC, with the authority to represent customer concerns, along with those of the general public, and initiate proceedings on their behalf

- **Complaint Resolution:** Streamlines PRC consideration of complaints and empowers the PRC to reduce rates for affected parties if it finds a rate is unlawful

- **Independent Volume Model:** Requires the PRC to develop its own volume estimation model independent of the USPS

- **Retirement Fund Investments:** Authorizes USPS to invest retirement assets in conservative private index funds such as those used by the Thrift Savings Plan

These changes enable the PRC to ensure that the USPS maintains service quality at a predictable, fair, and affordable price for customers that are captive to its monopoly on mail products. This legislation requires the USPS to operate efficiently, and provides customers with a dedicated and autonomous advocate within the Postal Regulatory Commission that can approach their responsibility with consistency and the benefit of the data to protect stakeholder interests in all proceedings.

Before the
POSTAL REGULATORY COMMISSION
Washington, DC 20268

Statutory Review of the System for Regulating Rates and Classes for Market Dominant Products (Consolidating Docket Nos. RM2024-4, RM2022-5, RM2022-6, and RM2021-2)	Docket Nos. RM2024-4 RM2022-5 RM2022-6 RM2021-2

SUPPLEMENTAL COMMENTS OF KEEP US POSTED

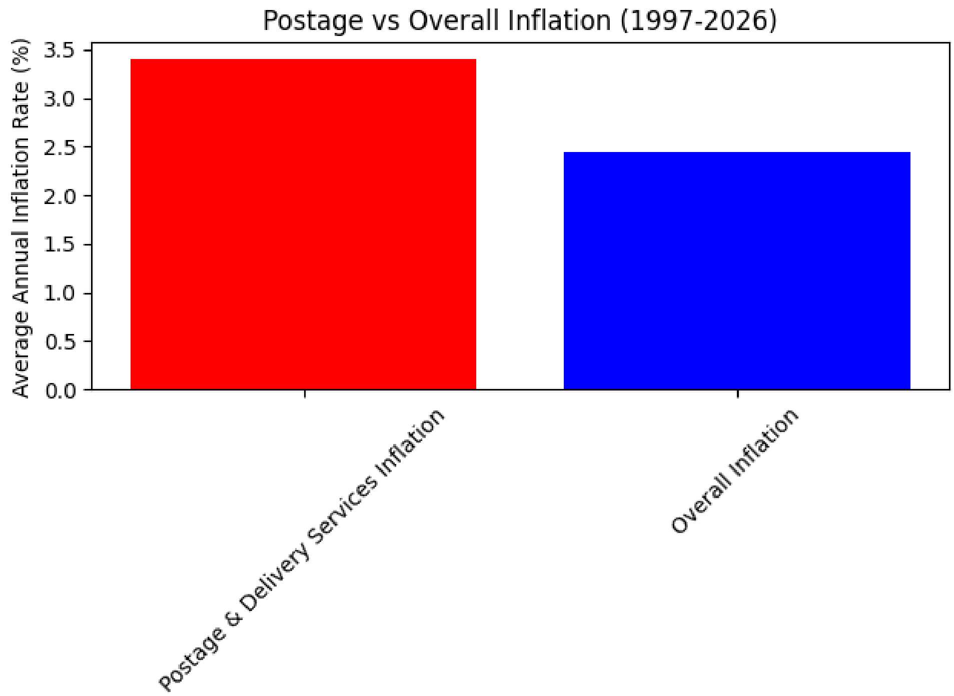
Keep US Posted is a nonprofit advocacy group representing consumers, nonprofits, newspapers, greeting card publishers, magazines, catalogs, and small businesses that depend on an affordable and reliable U.S. Postal Service (USPS). Pursuant to Order 9427, these supplemental comments support our July 3, 2024, filing and urge restoration of the CPI-based rate cap established under the Postal Accountability and Enhancement Act.

The evidence is unmistakable: postage rates are rising significantly faster than overall inflation, imposing significant affordability burdens on mail users. In fact the data strongly supports restoring the CPI-based rate cap to protect the public interest and stabilize the mail system.

Postal Inflation Exceeds Overall Inflation

According to inflation data from the U.S. Bureau of Labor Statistics analyzed by in2013dollars.com, the price of postage and delivery services increased 163.68% from 1997 to 2026, reflecting an average annual postal inflation rate of 3.40%, compared to just 2.45% for overall inflation during the same period. For the critical period of 2020-2026, postage inflation was 4.48%, compared to 3.82% for overall inflation.

Many Keep US Posted members across the Market Dominant mailing industry have experienced postal rate increases far exceeding overall inflation as a result of compounded density adjustments and underwater surcharges. This dynamic, reflected in the chart below, underscores the growing mail affordability crisis, with postal costs increasing on a steeper curve than overall inflation.



This gap means mail users — especially price-sensitive ones — experience annual increases that significantly outstrip their capacity to absorb costs, and thus, reduce their ability to send mail.

Above-CPI Rate Hikes Trigger Unnecessary Volume Declines

Recent research confirms that USPS's repeated above-CPI, twice-a-year rate hikes are driving away mail volume faster than USPS predicted. A 2024 industry study reported:

- USPS's Market Dominant revenue in FY2023 came in $1.8 billion below forecasts, indicating that rate hikes are suppressing volume more aggressively than USPS models assumed;[1] and
- mail volume declines are accelerating: FY2023 saw a 9% drop in Market Dominant Mail — more than three times the historical average annual decline (when excluding recession and COVID years).[2]

The USPS Office of Inspector General separately confirmed that Market Dominant Mail volume has fallen 46% since 2008, with First-Class Mail down 50%.[3] The Inspector General noted that rate pressure is not the only factor causing volume decline — but it is a prominent accelerant.

[1] Critique of USPS Elasticities – ndp | analytics.
[2] *Id*.
[3] Analysis of Historical Mail Volume Trends | Office of Inspector General OIG.

These trends demonstrate a dangerous cycle: above-CPI rate hikes lead to excessive volume loss, resulting in revenue loss that has only motivated USPS to seek more increases.

Restoring the CPI-based Rate Cap is Essential to Stop Compounding Harm

Above-CPI rate hikes directly strain small businesses, nonprofits and community organizations that rely on Marketing Mail. Marketing Mail volume has fallen 40% since 2008[4]. As rates increase, mail users reduce prospecting mail, thus leading to fewer new customers, fewer donors, and fewer mail orders.[5]

The current rate structure also harms local newspapers. Periodicals volume has fallen 65% since 2008.[6] Ongoing price increases further jeopardize local journalism, especially in rural communities that depend on USPS for distribution.[7]

The Universal Service Obligation Requires Affordability, Not Just Availability

USPS's statutory obligation is not only to deliver mail universally but to do so at predictable, affordable prices. When prices rise far faster than inflation:

- rural Americans face heightened burdens due to limited alternatives;[8]
- older and fixed-income households struggle with essential bills and medication deliveries;[9] and
- more consumers defect to digital alternatives, accelerating volume declines and directly impacting USPS's escalating revenue losses.[10]

A return to a CPI-based rate cap will align USPS pricing with general cost of living trends and protect vulnerable communities.

USPS's poor service performance also raises questions of whether the rate system currently in place properly balances the statutory objectives governing postage rates. In the 2025 Annual Compliance Review, the Greeting Card Association (GCA) commented:

> "[s]upplying a worse product at the same (or even a higher) price amounts to a 'hidden' price increase. If the price set by, or with the approval of, a regulator pertains to a product described as

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[4] *Id*.
[5] TNPA-Comments-to-PRC-07092024.pdf.
[6] Analysis of Historical Mail Volume Trends | Office of Inspector General OIG.
[7] Critics: Postal Service plans imperil community newspapers | AP News.
[8] The Public Postal Service and Rural America - Institute for Policy Studies.
[9] Warren Casey Mail Order Drug Staff Report Final.
[10] Digital strategy in the postpandemic era | McKinsey.

> bearing service level X, and service is actually at level X-Y, then that price may well be excessive for the customer — which is how the Commission, in Order No. 4257, has defined '[un]just.' Accordingly, the Commission's task under section 3622(b) is to reflect properly in the Postal Service's prices any significant degradation in the quality of service it renders. This is what we mean by coordination of objectives (b)(3) and (b)(8)."[11]

In their comments, the GCA asserted USPS diluted the notion of service standards — the subject of objective (b)(3) — through its practice of setting targets reflecting its ability to fulfill the service standard. The Commission, as it explains in its dashboard, then "compares the percentage of mail pieces that achieve the service standard against the Postal Service's self-established targets." From FY2021 to FY2024, the price of a stamp rose from $0.55 to $0.78. From the establishment of a target of 90% or more, on-time delivery of 3-to-5-day mail fell from 83.8% to 73.2%, and the target declined from 90.5% to 90.28%. For this mail, a roughly 12.5% decline in timely delivery accompanied a 41.8% price increase. GCA reasoned, "[i]f we were to apply the degradation in service without change, it would imply a stamp costing not $0.78 but $0.78 x 0.660 = $0.51. It seems to us that most would agree that charging 78 cents for a product 'worth' 51 cents is overpricing."[12]

Keep US Posted concurs and notes that this issue exists with other mail products, not just letters. The increase in rate authority USPS is currently proposing will only exacerbate this problem.

A CPI-based Rate Cap Reintroduces Discipline, Stabilizes Volume, and Supports Long-term Financial Health

The examples above highlight the core responsibility of the Commission to restore balance to USPS's pricing structure. Its failure to balance service quality with price has been acknowledged by the Commission, but USPS has also failed to balance its costs with its revenues.

As the Commission noted in its May 8, 2025 analysis of USPS's 10-K, both Total Factor Productivity and Labor Productivity declined markedly in the period FY2021-FY2024 — the same time USPS was imposing large increases at an unprecedentedly frequent, twice-a-year cadence.[13] This decline marks the worst productivity performance by USPS since measurement began in 1972 and highlights that USPS

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[11] Initial Comments of the Greeting Card Association- ACR2025.
[12] *Id*.
[13] Financial Analysis of United States Postal Service Financial Results and 10-K Statement Fiscal Year 2024, p. 118.

does not have a revenue problem — it has a cost control problem that it has proven to be incapable of addressing on its own.

Private corporations are accountable to shareholders, who exert strong pressure on boards to ensure efficiency and profitability — often prompting swift corrective action when performance falls short. Comparable accountability to mail users, USPS's de facto shareholders, does not appear to exist.

It is useful to observe the recent actions taken by UPS and Amazon that are competing with USPS for significant packaging market share. Both companies have announced significant staff reductions, even as they expand their deliveries.[14] These actions stand in stark contrast to the actions of USPS, which has undertaken expensive capital investments and increased the number of employees by 37,784 from 2020-2024.[15]

Restoring the CPI-based rate cap will impose the need for USPS to reduce its costs, imposing the cost discipline that shareholders bring to private companies. The nature of the USPS structure — particularly with its monopoly powers — requires the Commission to restore the balance in the cost-revenue equation.

The evidence shows that USPS pricing is increasingly unaffordable and unsustainable and supports restoring the CPI-based rate cap. Doing so is necessary to protect affordability, stabilize the mail system, and uphold the universal service obligation.

Respectfully submitted,

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[14] Amazon cuts another 16,000 jobs | AP News.
[15] Number of Postal Employees Since 1926 - Who we are - About.usps.com.