



February 18, 2021

The Honorable Gary C. Peters
Chairman
Committee on Homeland Security
and Governmental Affairs
United States Senate
Washington, DC 20510-2205

The Honorable Carolyn B. Maloney
Chairwoman
Committee on Oversight and Reform
House of Representatives
Washington, DC 20515-3212

The Honorable Rob Portman
Ranking Member
Committee on Homeland Security
and Governmental Affairs
United States Senate
Washington, DC 20510-3506

The Honorable James R. Comer
Ranking Member
Committee on Oversight and Reform
House of Representatives
Washington, DC 20515-1701

Dear Chairman Peters, Chairwoman Maloney, Ranking Member Portman, and Ranking Member Comer:

I was pleased to receive an invitation last week from Committee on Oversight and Reform Chairwoman Carolyn Maloney and Ranking Member James Comer to testify February 24 on the condition of the Postal Service and legislative proposals to address it. I know from speaking to each of you personally that there is a common sense of urgency around this issue. The hearing will provide an important opportunity to focus both on our challenges and on the very important role that certain legislative changes can play in addressing them. The future of our ability to meet our mission of binding the nation together depends on it.

The purpose of this letter is to share the thrust of remarks I delivered Tuesday, February 9, to the Postal Service Board of Governors, and to continue our discussions concerning our strategic plan, in order to be transparent around both the problems we face and our plan for meeting them. These topics have a direct bearing on our work together to revitalize the Postal Service and make it sustainable for the long term.

The 2020 Elections

Without in any way minimizing our issues, I must start on behalf of the 644,000 women and men of the Postal Service with our huge sense of pride for the role we played for the approximately 60 million Americans who chose to vote by mail this election season. To be direct: their performance was flawless; 99.89% of ballots were delivered from voters to election officials within the guidance we gave to voters, with an average delivery time of 1.6 days. It was the Postal Service at its best and I know you will join me in recognizing the job that our people did.

The COVID-19 Pandemic and 2020 Peak Season Further Exposed Our Operational Challenges

That success, however, did not extend to our performance over the Holiday season.

Members of Congress in recent weeks have justifiably conveyed the concerns of constituents about service levels during our 2020 peak season. As with much of 2020 conditions, this year's peak season was like no other. Like our fellow citizens the Postal Service workforce and operations were very meaningfully impacted by the COVID-19 pandemic with 51,842 infections and 160 deaths. These impacts exacerbated our long-standing financial and service performance problems. And while we continued to deliver approximately 471 million mail pieces and packages to 160 million addresses every day, six or seven times per week—and our employees worked tirelessly to meet our public service mission to the American people our performance was not acceptable.

Throughout the peak season, the Postal Service faced multiple challenges. This included significant and persistent employee shortages as a result of the COVID-19 pandemic, multiple winter storms in the Northeast, capacity issues with airlift and trucking, and a historic high level of mail and package volumes. To make matters worse, because of our public service mission we do not refuse packages tendered to us for delivery, as many of our private sector counterparts did during peak season as their own networks reached capacity. We believe that we received substantially all of their overflow volume.

In all, the Postal Service delivered more than 1.1 billion packages this holiday season. I am proud of our employees who made this happen.

At the same time, we must acknowledge that during this peak season, we fell far short of meeting our service targets. Too many Americans were left waiting weeks for important deliveries of mail and packages.

This is unacceptable, and I apologize to those customers who felt the impact of our delays. All of us at the Postal Service, from our Board, to our leadership team, to our union and management association leadership, to every employee, will strive to do much better in our service to the American people.

During the peak season, Postal Service management took a number of steps to try to address our issues.

- We hired over 50,000 seasonal workers and then increased full-time career staffing—by more than 10,000 positions in total—in key facilities across the country.
- We continued to utilize employee overtime as necessary to stabilize operations; and, ran a significant number of extra transportation trips throughout the country.
- We extended lease agreements on annexes to provide additional package processing and dispatch capacity beyond the holiday peak season—and bought as much air capacity as was available to us.

All in all, we threw everything we had at the situation—and pursued no cost cutting—no efficiency initiatives—and no relaxation of any effort anywhere. We “muscled through” as the Postal Service always does. And yet we missed our service standards by far and disappointed the nation.

Frayed Network, Longstanding Issues and Mail Trends

Like nearly every organization in this country, the pandemic has strained our operations and caused us to fall short of our service standards, but we should not fool ourselves into thinking that our failure to achieve our service standards is merely a pandemic problem. The fact is that we have not met our service standards for the past eight years and we have not covered our costs for far longer. And while our service performance issues have deservedly captured a lot of recent attention, the problems underlying them stretch back for many years and therefore our recent more significant service problems are a prelude to what will be coming if changes are not made.

As we look forward, we are facing losses of \$160 million over the next 10 years, even after assuming that we can capture substantial work-hour reductions that will be required due to further mail volume declines. An ability to utilize the increased pricing authority provided to us in the recent Postal Regulatory Commission rate ruling would mitigate those losses somewhat, but does not come close to solving the problem.

The current trends that impede us the most are poised to continue to plague any meaningful progress we might make. These trends include:

- Declining mail volumes, even as the size of our delivery network continues to grow;
- An operating model that has failed to adequately evolve as the economic and societal changes of the past 10 years have led to dramatic shifts in the characteristics of the remaining mail and package volumes;
- An insufficient ability to invest in and maintain the network infrastructure, and to adapt to the logistical requirements of growing package volumes, so as to maintain our competitiveness in this highly dynamic part of our economy;
- Inadequate organizational and operational management strategies to respond to these trends, leading to widespread failures throughout the system, particularly when the system is overstretched as during the pandemic and during our seasonal peak;
- Unachievable and costly service standards;
- A resistance to necessary required change both internally and from external stakeholders.

What this means is that if our service, reliability, and costs do not improve—and improve soon—our ability to meet our Universal Service Obligation will be threatened, and our relevancy diminished. It is impossible to expect service performance to meaningfully improve in an environment where costs are increasing, the network is failing, and we are losing \$10 billion a year.

Simply put, the United States Postal Service needs better operating and business strategies and greater investment to meet our public service mission. To accomplish this, we must honestly face the consequence of the issues identified above and acknowledge that the Postal Service has been falling further and further behind and needs not just legislation, not just pricing authority, but also implementation of substantial operational and organizational changes.

For too many years, Postal employees have been asked to do more with less—forced to employ antiquated systems, utilize outmoded equipment, and drive outdated vehicles. This drives up costs and slows down service for customers. The status quo is simply unacceptable.

Solutions Exist and There Is Urgency to Pursue Them Now

The future of the Postal Service must not be about assigning blame; it must be about finding solutions and implementing them—and that is what our Board, our management team, and I plan to do.

When I review our operating performance, even during this difficult period, I begin with our most important strength—our trained and dedicated workforce delivers mail and packages to every address in America over 161 million of them—each day.

The fact is, if our system gets mail and packages to our delivery units—it gets delivered within a day over 99% of the time. This is an astounding accomplishment that makes me very optimistic about our future.

Unfortunately, our national network does not have the same success. Plants, transportation, processing equipment and our operating strategy have not evolved with the changing demands of our society. Our national network has not kept up and adjusted to the over 40% increase in network package business—which we are obligated to accept.

To confront these urgent issues, our team has been working on a ten-year strategy that will reinforce the Postal Service's obvious strengths and address our obvious weaknesses. The key commitments of this plan will include:

1. An absolute commitment to six-day a week delivery service to every address in the nation, not just because it is the law—but because it is the right thing to do and a key ingredient to our future success. This will include meaningful growth in our service offerings for small and mid-sized businesses so they can take full advantage of our network and participate in the digital economy.
2. A new commitment to stabilizing and strengthening our workforce—especially for our associates who are not yet in a career position. We want every postal employee to have the tools, training, and supportive environment necessary to enjoy a long-term career with us. We want them to feel empowered.
3. A commitment to investing over \$40 billion in our infrastructure, including vehicles, technology, and package sortation equipment.

Service. People. Infrastructure. These serve as the foundation that will drive our evolution and determine our success.

Our strategy intends to address our weaknesses, including all aspects of our management strategy, employee engagement, service products and features, plant processing, transportation, and unachievable service standards.

These changes are not just necessary; they are long overdue. Further delay will not only exacerbate our current problems, but also threaten our very existence.

Our new operating goals will be simple—get mail and packages to our carrier network in the most cost-effective manner, and on a deliberate schedule to meet our service standards. From there, our carriers will deliver them within one day—over 99% of the time—to every address across the country and in every community.

With this new precision, we will grow our pieces per delivery and our ability to reinvest in our network. Most importantly, we will improve our ability to meet the Postal Service's public service mission to which our entire team is fully committed.

In the weeks ahead, I look forward to sharing more information about this strategy with public policymakers, our unions and management associations, our employees, our stakeholders, and with the American people.

Legislative Action

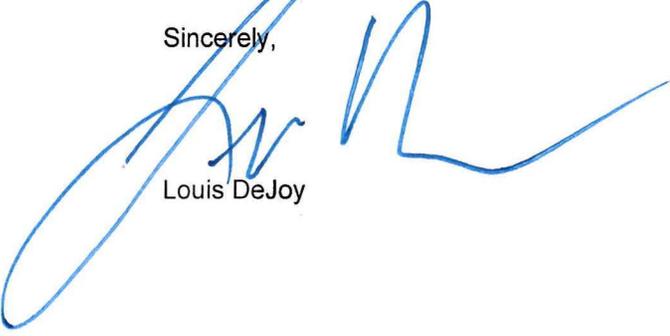
I would also like to thank the Congress for the recently enacted legislation that will reimburse the Postal Service for COVID-19 related expenses and thereby provide a measure of financial breathing room. Further, I thank you as our oversight committee leadership for your renewed interest in addressing the unfair and unaffordable manner that we are required to pay for employee retirement benefit costs. There is a refreshing energy around addressing this issue (Medicare integration and reforming the Retiree Health Benefit funding mandate) in a way that will give us a fighting chance for financial sustainability but only if we are also committed to implementing operational changes that need to be made. Thankfully these benefit funding changes can be made while sustaining and improving—not diminishing—these valued benefits for our workforce.

I look forward to working with you and the new Administration in making these and other measurable improvements to the Postal Service.

Our nation is justifiably proud of its Postal Service. Our employees are too. Now it is up to all of us who care about this institution to provide it with the tools, the investments, and the strategies it needs. Together, we can improve and strengthen this institution for future generations.

Much work needs to be done by all of us, but with your support I am confident in our plan and optimistic about our future.

Sincerely,



Louis DeJoy

cc: Members of Congress
United States Senate

Members of Congress
House of Representatives