USPS begins search for new postmaster general amid 13 years of net losses

The Postal Service has begun its search for a new postmaster general at a time when the agency just marked its 13th straight year of net financial losses.
The agency on Wednesday reported an $8.8 billion net loss in FY 2019, an increase of nearly $5 billion from the previous year, and urged Congress and regulators to alleviate some of its systemic business challenges.
“Our cost to fulfill our universal service obligation and to fund our mandated benefits programs continue to rise at a faster rate than the revenues we are able to generate in a very competitive market,” outgoing Postmaster General Megan Brennan said at a meeting of the Board of Governors.
Operating revenue increased by $514 million, despite over volume decline of 3.8 billion pieces of mail and packages. While growth in the booming e-commerce package market has helped USPS offset continued declines in first-class mail volume, Brennan said growth in its package business has slowed because of increased competition.

USPS saw less than a 1% growth in volume, but a 6.1% increase in shipping and package revenue this year. In 2018, the mail agency reported more than a 10% percent increase in package revenue amid concerns about the sustainability of that double-digit growth.

“While our package business generates roughly a third of our revenue for the year, it will never be enough to close the financial gap,” Brennan said.
The Postal Service, she added, continues to seek out efficiencies and cut costs. Chief Financial Officer Joe Corbett, for example, said USPS saw a reduction of 4.3 million work hours over the last three quarters.
But the agency, Corbett warned, will “continue to see large net losses without legislative and regulatory reform.”
During her five-year tenure as postmaster general, Brennan has pressed Congress to pass a postal reform bill that would eliminate a 2006 mandate for the agency to pre-fund retiree health benefits.
Most of the bills introduced in the House and the Senate would solve this by requiring future retirees to enroll in Medicare Part B.
Corbett said that in 2019 alone, USPS defaulted on $7.3 billion in payments to that retiree health fund.

“Because of our liquidity situation, the board decided to default on all those payments,” Corbett said, adding that USPS recorded the mandated payments as expenses for its annual financial report, but did not make those payments this year.
Meanwhile, USPS faces a price cap on its mail products — about two-thirds of its revenue — that’s anchored by the Consumer Price Index. The agency has also urged the Postal Regulatory Commission, now reviewing the postage rate-setting system, to allow it to set rates beyond the CPI cap.
“We can’t cost-cut our way to prosperity or grow our way out of this,” Brenan said. “We need structural reform. We need Congress to act and we also need the regulator to address the pricing system.”
While the pre-funding mandate stands out as the Postal Service’s most obvious expense, the agency has seen other costs climb this year.
While the Postal Service is on track to run out of cash by 2024 absent legislative reform, it paid off $2.2 billion of its debts this year in an effort to reduce interest payments.

The agency also invested $1.4 billion in delivery vehicles, tractor-trailers, cargo vans, package sorting equipment and improvements in delivery tracking capabilities. USPS has also invested in recent pilot programs for autonomous vehicles and artificial intelligence tools for mail and package sorting.

Corbett said USPS management has held talks with the Board of Governors about replacing the agency's legacy vehicle fleet, and would likely issue a request of proposals in the near term.

Changes in the calculation used by the Office of Personnel Management to determine USPS's liability for future retiree health benefits also led to a half-billion-dollar increase in costs this year, from $3.5 billion to $4 billion.

"It is important to note that more than half of the 2019 reported losses have to do with actuarial adjustments for projected future liabilities, based on the current historically low interest rates, a technical matter that artificially inflates red ink but has nothing to do with the actual status of the business," Fredric Rolando, president of the National Association of Letter Carriers, said in a statement. "These adjustments will reverse when interest rates rise again."

'Time to transition' to new USPS leadership

Now that the Board of Governors has enough presidentially appointed members to reach a quorum, the panel has gotten to work on two major objectives: finding a new postmaster general and crafting a long-term strategic business plan.

Postal Governor John McLeod Barger said Wednesday at a board meeting that the board has hired the firm Russell, Reynolds and Associates to lead the search for a new postmaster general.

Brennan, who announced her retirement last month, will step down from her post at the end of January.

Despite some reports that President Donald Trump urged Brennan to step down from her position, she told reporters Wednesday that the decision was entirely her own.

"After 33 years in government service [and] five years as postmaster general, it's time to transition," she said.

The board's Strategy and Innovation Committee, Barger said, recently made recommendations on a draft of the Postal Service's five-year strategic plan and received an in-depth briefing on the agency's package strategy.

USPS leadership this summer briefed members of the House Oversight and Reform Committee on a draft of its business plan. The Huffington Post first reported in June that the plan would save the agency $5 billion by combining vacation and sick days for postal workers and require employees to pay more into their pension plan, saving USPS $7 billion.

"The Board of Governors set the strategic direction for the Postal Service and the five governors we have, have the business acumen, the experience, the knowledge to do that, so I'm optimistic for the future of the Postal Service," Brennan said.