

**“Examining the Finances and Operations of the United States Postal Service During
COVID-19 and Upcoming Elections.”**

Opening Statement of Chairman Ron Johnson

August 21, 2020

As prepared for delivery:

I want to start by thanking Postmaster General DeJoy first, for making himself available on such short notice, and second, for taking on the very thankless task of trying to maintain the United States Postal Service as a financially viable entity. Unfortunately, he has found out over the last few weeks, that not only is it a thankless task, but he has already been subjected to character assassination as Democrats have put him in the cross hairs of another hyperbolic false narrative perpetrated to gain political advantage.

I hope we can stick to the facts in this hearing today. One fact that needs to be highlighted to refute one part of the false narrative is that the Postmaster General was not appointed by President Trump. The bipartisan Postal Board of Governors engaged a professional search firm that identified Louis DeJoy as an outstanding candidate with the necessary background and skill set to tackle the enormous challenges facing the Postal System. The bipartisan Governors then unanimously approved his appointment as Postmaster General. Mr. DeJoy reports to the Board, not the President.

Another false narrative is that a failure to provide funding to the Postal Service will undermine the election. The Postal Service has \$15.1 billion in cash following a better than expected financial performance during the pandemic. Due to a surge in package delivery, USPS earned \$1.5 billion more during COVID-19 than during the same period last year.

That said, the long term financial reality of the Postal system is bleak, and it has been bleak for years. The main reason is that first class mail volume has declined dramatically with the advent of the internet. Because the Postal System is constrained by a host of legislative requirements, it does not have the flexibility a private sector entity would have to deal with the dramatic reduction in the demand for its products.

In a perfect world, the Postal System would have funded its long term pension and retiree health care liabilities as they were incurred. Because they didn't, those unfunded liabilities now total \$120 billion. Unfortunately, the 2006 Postal Reform Bill did not ensure long term financial viability and in its attempt to address the unfunded liability problem, it depleted the Postal System of cash and arbitrarily turned long term liabilities into short term liabilities on its balance sheet.

Subsequent attempts at reform have largely proposed a taxpayer bailout. The cost of these proposals is generally understated based on CBO's 10 year scoring requirement, which misleadingly characterize a \$48.3 billion bailout as only costing \$10.7 billion over ten years. These proposals always lack the full range of structural reforms that will be required to ensure the long term viability of the System.

For years, GAO and Inspector General's reports have recommended reforms that have at best, been only partially implemented. One of the most costly inefficiencies that has been repeatedly highlighted in these reports is the out of control use and payment of overtime. To his credit, this is the reform Postmaster DeJoy began implementing shortly after his appointment. According to an Inspector General report issued the day Postmaster DeJoy was sworn in, the Post Office spent \$4 billion in FY 2019 in mail processing and delivery overtime and penalty overtime costs. Those overtime costs represent 45% of the Postal System's \$8.8 billion loss for last year.

It is Postmaster DeJoy's commendable attempt to reduce those excess costs that are now being cynically used to create this false political narrative. According to Democrats, the postmaster is trying to sabotage the Post System to disenfranchise voters in the upcoming election. Notices that were sent before he was sworn in, meant to inform election officials to factor in normal postal capabilities in setting their ballot deadlines, are being used as evidence of this conspiracy theory. And a willing media is once again, happily playing along.

On average, the Postal System delivered 2.6 billion pieces of non-package mail per week in 2019. Because of COVID, the Postal System's first class weekly volume is down 17% this year to date. Even if every voter used mail-in balloting, that would be approximately 150 million pieces of mail, or less than 6% of weekly volume. As long as election officials factor in normal postal delivery capabilities, and in light of the 17% decline in weekly volume, the postal system has more than enough excess capacity to handle mail-in balloting.

Again, I want to thank Postmaster General for his appearance today, for his service, and I look forward to your testimony.