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Postmaster General and CEO Louis DeJoy's Remarks During Nov. 10, 2021 Postal Service Board of Governors meeting

WASHINGTON, DC — *The below remarks are as prepared for delivery by Postmaster General and CEO Louis DeJoy during the open session meeting of the Postal Service Board of Governors on Nov. 10, 2021.*

"Good morning. Thank you, Chairman Bloom.

And thank you for your service to the United States Postal Service.

Your contributions to this organization are substantial and this management team will endeavor to fulfill the commitments we together made for the improvement of the Postal service.

Let me add my welcome to all those here in person and those on- line.

I join Governor Bloom in thanking and recognizing all our board members for their service and support.

It is an exciting and active time at the United States Postal Service as we begin to focus on the initiatives required to fulfill the objectives of the Delivering for America Plan and prepare for a successful peak season.

Concerning the DFA, there are many positive steps we are taking that we believe will advance our organizations potential for a successful future:

We have implemented the first-class standard changes for market dominant product that will enable us to improve reliability and reduce the cost of performance.

We have attained approval to implement our requested first -class package standard change to align with the market dominant mail change so we can operate with an integrated mail and package network, delivering to the same 161 million delivery points each day.

We will implement this standard change in the second quarter of this fiscal year and expect to reach our commitment of 95% on time performance in fiscal year 2023.

We have implemented our market dominant rate increases at the end of August—to begin our recovery from years of a damaging pricing methodology.

Shortly thereafter, we announced that we chose not to increase prices approximately 1.9% this coming January as authorized—thus demonstrating our commitment to use our new pricing authority judiciously.

We are conducting a pilot in the state of Texas addressing the various service initiatives of USPS Connect and our new approach to serving package shippers of all sizes at all speeds of delivery.

We soon will begin filing with the PRC for the required service and rate changes required and plan to roll out the service across the nation next year.

We have completed our Organization realignment resulting in more clear lines of responsibility, authority, visibility, and accountability.

We have converted approximately 33,000 pre-career employees to career employees providing evidence to our pre-career associates and new recruits, that we are serious about our initiative that all employees have a solid chance of long-term employment and secure retirement with the United States Postal Service.

And finally, and it is noticeable that, our leadership team at headquarters and in the field, are working together intensely to pursue a new level of operating precision and cost efficiency.

It is exciting to watch this change in organizational behavior and see the benefits slowly begin to manifest.

This is the professional team that will engage the additional initiatives we need to advance next year to fulfill our obligation to the American people.

I am proud to work alongside them.

Regarding the peak season—I want to begin with three words—We are Ready!

We set the targets early this year and immediately went to work.

Rapid additions of facilities, equipment and modes of transportation, as well as significant efforts to stabilize our workforce are near complete.

I am also confident in the increased operating performance we are seeing throughout our existing network which will provide significant additional capacity.

We took a long- term approach in our infrastructure requirements that will build resiliency into our operations not only for peak, but also for the future, as we begin to transform our operations.

Last year, for a variety of reasons, we were overwhelmed and were not able to meet the demands of the nation. As I stated this earlier, we are ready...so send us your packages and your mail —and we will deliver timely.

As I travel the country and meet with our employees, there exists a great deal of excitement about the activities we are engaging in-especially those concerning increases in facilities, equipment and personnel.

And while our strategy is to invest to create a vibrant postal service for the American people years into the future, we have years of inflicted damage to fix that will necessitate us taking some continued uncomfortable actions.

Today I would like to speak to you about this.

I joined the Postal Service on June 15th, 2020, in the middle of the Pandemic and when the organization was in a self-declared crisis.

Our financial condition was dire:

We had lost \$87 billion dollars over the last 10 years, had a \$152 billion dollar equity deficit, were projected to lose \$160 billion over the next 10 years and run out of cash 3 months from the date I joined.

We had severely underinvested in our infrastructure to a consequence that it will take us many years to recover. This resulting in an extremely poor processing, transportation and delivery network.

Mail volume had declined over 42% in the last 10 years and was predicted to drop another 30 % over the next 10 years while serving substantially increasing delivery points.

We had over a 40 % turnover rate in our pre-career workforce creating significant instability in our network and a tough and working environment.

We had not met our delivery standard in the past 10 years and there was no intention to do so.

And finally, from a financial perspective, the only way we had been surviving and meeting our cash needs, had been by not paying our employee retirement obligations to the magnitude of tens of billions of dollars.

These and many other failing conditions were not stagnant.

They weren't frozen at a point of time.

They were metastasizing at a rapid pace leading to the continued failure of our service and the near-term destruction of the United States Postal Service.

We were in crisis.

And while the crisis of our condition was bad, the lack of action or the existence of any plan was even worse.

So why didn't we have a plan.

The Government Accountability Office, a respected organization, has for years published a report alarming the Congress that United States Postal Service is at High Risk of failing—a 650,000-person organization—failing-collapsing-gone.

Yet nothing meaningful had been done.

The Government Accountability Office also recently identified the following policy questions the Congress should consider as our situation became more newsworthy:

- 1.**What level of Universal Postal Services does the Nation require
- 2.**Whether the USPS should be required to be self-sustaining
- 3.**Whether USPS operations and solvency would be better managed under an alternative institutional structure

Those questions identify specific concerns identified by the GAO as to where our business model is failing.

Service levels and Cost are prominently mentioned.

While we appreciate the GAO bringing these topics to the attention of Congress-

Policy debates do not resolve the problems of the immediate crisis we face.

And more importantly, current law already answers those questions and provides the regulated environment we must operate in.

The GAO report goes on to identify that because key postal decisions were made by congress through the legislative process, postal management had limited ability to plan and finance department operational and capital investments in accordance with postal needs. GAO reports also identify that because of significant stakeholder outrage—it was very difficult to initiate any meaningful corrective action.

We have decided that this cannot continue.

I concur that there have been significant obstacles and constraints imposed by Congress and our regulator.

However, I believe, and we have identified operational and service offering initiatives, that Postal Service leadership could have pursued more robustly, more completely, more precisely and more rapidly, that would have substantially mitigated the dire condition that exists today.

Had more substantial action been taken early on, by management, congress and our regulator, the current effort to avoid collapse may not have to be as dramatic. We now face at least 10 years of ill consequence to adjust for.

The initiatives identified in the DFA plan support our belief that there are authorities and competencies of this independent agency that can create a viable operating model for the future that delivers mail and packages to the American people six days a week at affordable prices and covers its cost.

Our goal is For the Postal Service to become the best run agency in the United States Government defining and fulfilling its mission to the American people well into the future.

And, until policies are changed, we must accomplish this in accordance with the rules of the game as they exist today.

The Delivering for America plan spells this out.

The plan is based on three basic tenets:

The first tenet is that we must commit to delivering to every address six days a week, as this is the unique service we provide the American people.

Entering the organization in the middle of the pandemic made this an obvious to me.

The second tenet is that we must commit to becoming self- sustaining.

The Congress enacted the Postal Reorganization act in 1970, which designed the Postal Service to be a self-sustaining business -like entity that would cover its operating cost through the sales of postal related products and services.

I believe there was wisdom in that legislation, albeit compromised by subsequent legislation and regulation.

In other words, it recognized that you can't do all things at all costs-and that absent these parameters, it would lead to unlimited and unrealistic expectations from the users of the system as well as develop a lack of service discipline from the organizations management.

By continuing to incur losses to the extent we have –in fact violates that law and the basic principle of that legislation.

Service, cost and price all need to evolve as the circumstances in our economy changed.

And finally, the third tenet, and probably the most important one—is that we have to believe we are a going concern.

We have to believe, contrary to what our current and projected financial conditions proclaimed – that we were going to be here ten years from now.

Therefore, leadership must have a vision for what our role would be in the American economy and how we would serve the American people in the future.

And, once leadership developed that vision it needed to have a strategy to get there and then needed to take the actions within their power to get there-no matter how uncomfortable.

In developing the plan, we concluded that consistent with the previous 10 years of operation, we could not meet the 3-day service standard without continuing to incur significant and growing losses in attempting to do so.

In deciding to raise our prices, we determined that after 14 years of an extremely defective pricing model, one that has cost the organization in excess of \$35 billion dollars, we must use all the pricing authority provided us by our regulator.

In doing them both at the same time, reflects the urgent and comprehensive action required to avoid the collapse of the United States Postal Service and a start to try to change the trajectory of its future.

But those are just two of the many initiatives in the plan.

The plan has close to 200 separate initiatives across every function in the organization:

- to improve our operational precision
- improve our service reliability
- reduce our cost of performance
- increase our revenue
- and create productive and enjoyable long-term career paths for all our employees

By executing on this plan, we will reverse \$160 billion dollars of projected losses and avoid a government bailout.

We also generate \$40 billion dollars in cash to invest in desperately needed facilities, vehicles, technology and other infrastructure.

With these investments and new operating disciplines, we will set this organization on its path for a bright future as envisioned.

And what does that look like in the future.

Well—

We see a Postal Service that is the preferred delivery provider in the country delivering mail and packages to each American household and business six and seven days a week in a reliable and affordable manner.

We see a Postal Service Retail center in easy reach of every community enabling communication, commerce and a variety of services desired by the American People.

We see a modern processing and transportation network operating in a disciplined and precise manner moving mail and packages, efficiently throughout the nation.

We see technology enabled carriers in new vehicles, perhaps electric, fully loaded with mail and packages travelling their routes in a scheduled and repetitive manner in full communication with their neighborhoods.

We see Postmasters as leaders of commerce in their communities helping small businesses market and move their products.

We see a preferred employer providing a stable and vibrant workforce with exciting career paths and respectable retirement.

We see a proud organization operating with precision and covering its costs as the Congress expects us to.

And finally, we see not only the most Trusted organization, but also the most used ...and thereby, the most needed organization in America.

This is the Postal Service of our future.

This is what we are trying to do.”

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