

The Postal Service and the Covid-19 Crisis

April 6, 2020

At the height of the 2008-2009 recession, more than 800,000 Americans per month lost their jobs. In recent weeks, millions of workers per week are filing for unemployment insurance. The Covid-19 crisis is both a public health crisis and an economic crisis. The U.S. Postal Service is a vitally important tool for battling these twin calamities. The impact of the Covid-19 pandemic on the Postal Service's financial situation will pose grave danger to its ability to provide crucial service to our country if decisive action isn't taken by Congress and the Administration.

Value of the Postal Service in Normal Times

In ordinary times, the Postal Service, which has fully funded itself through the sale of postage since the early 1980s, plays a vitally important role in our economy, our society and our health care system.

- It is the nation's only truly universal delivery and communications network, connecting 160 million homes and businesses in every corner of the country. It's the hub of a huge mailing industry -- comprised of the paper, printing, marketing, publishing and e-commerce and shipping sectors of the economy -- that together generate \$1.7 trillion in sales and employ nearly 7.0 million private sector workers. The USPS, with 640,000 employees, is among the largest employers in all 50 states -- and the single largest civilian employer of veterans.
- The Postal Service provides American citizens, residents and businesses with the industrial world's most affordable and efficient delivery services. Postal services and post offices are particularly critical to rural areas, small towns, the elderly, military veterans, and most American companies, which are typically small or medium-sized enterprises and include millions of home-based businesses. Households and business depend on the reliable receipt of checks and payments to keep functioning -- indeed, hundreds of billions of payments still go through the mails each year.
- The Postal Service is also essential to the political and cultural life of America, delivering hundreds of millions of magazines and weekly newspapers each year, not to mention billions of birthday cards, wedding invitations and other personal communications. It routinely handles tens of millions of ballots delivered to voters who request absentee ballots or who live in states that conduct elections by mail -- for elections at every level, from school boards to city councils and state legislature to federal elections. The USPS is also a trusted presence in neighborhoods across the country, especially for the elderly and the disabled who value a daily visit and assistance when needed. Nearly everywhere local post offices serve as community hubs and letter carriers perform acts of everyday heroism when house fires, car accidents or crimes befall ordinary citizens.
- The USPS also plays an important role in the U.S. health care system by handling 1.2 billion prescription drug shipments a year -- that's nearly 4 million every day, six days a week. It also

delivers hundreds of millions of lab tests and medical supply shipments -- from blood testing strips and insulin needles to contact lenses. The Postal Service is and has been a partner with law enforcement and government agencies that deal with natural disasters and other emergencies.

Importance of the Postal Service During this Crisis

In a major public health crisis like the one we face today; the Postal Service is more important than ever. In late March, the Centers for Disease Control and Prevention sent a mailing to every American household to give our citizens the information they need to protect themselves and their loved ones from the Covid-19 virus. The FDA is currently working on a self-testing nasal swab that must, once available, be efficiently delivered to 135 million households across America. As a matter of public health, there is no substitute for the Postal Service's universal delivery network, especially now with medical needs rising exponentially. A collapse of the Postal Service at this crucial moment or a severe disruption in service would undermine our fight to defeat the Covid-19 virus.

The Postal Service is also crucial for fighting the pandemic-induced recession. With foot traffic plummeting, small businesses increasingly depend on package deliveries to continue generating revenue and employing workers. Without postal deliveries of orders and checks, many will collapse. Similarly, the USPS is stepping up for large enterprises facing disrupted supply chains, empty stores due to quarantines and self-isolating consumers. It offers reliable end-to-end services to these firms while also providing "last-mile" delivery for tens of millions of packages for FedEx, UPS and Amazon. The universal reach of the postal network is invaluable to all Americans, but especially to those in rural, inner city and exurban areas that would not be served if not for the Postal Service.

And the Postal Service is vital to the functioning of the national government during this crisis, offering an affordable universal means to distribute paperwork for vitally needed Small Business Administration loans, household stimulus checks, tax returns and decennial Census mailings – all of which must go forward despite the crisis.

There is simply no substitute for the U.S. Postal Service as we battle both the pandemic and the deep recession it has caused.

What We Need Now

The Postal Service has experienced financial problems for several years now, for reasons unrelated to the coronavirus, and lawmakers have been considering postal reform measures for more than a decade. But the pandemic has created a separate and immediate threat to America's postal network. Now is not the time to debate longer-term reforms; now is the time for urgent and bold action to save the agency from the potentially devastating impact the Covid-19 impact will likely have on its ability to operate and serve the American people.

Indeed, in recent weeks, mail volume has plunged by the largest percentage since the Great Recession of 2008-2010 and is likely to drop by more than it did during the Great Depression of the 1930s. Postal management believes that volume and revenue may drop by 50% or more over the next year. The pandemic-induced loss of revenue facing the Postal Service is no less dramatic than that facing the airline and hotel industries. The Postal Service, and the segment of the private economy it supports, needs the same level of assistance provided those industries.

Unfortunately, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act, P.L. 116-137) signed into law on March 27, 2020 did not offer the same kind of support for the Postal Service that it did for airlines (\$61 billion), private cargo shippers (\$17 billion) and other corporations (\$425 billion). It provided \$10 billion in new debt authority, subject to control by the Treasury Department's Federal Finance Bank (FFB). That is woefully inadequate for two reasons:

First, it fell far short of the stimulus legislation introduced in the House of Representatives on March 23, 2020. That bill would have provided the Postal Service substantial relief, including an emergency appropriation of \$25 billion. Second, by making the coronavirus credit line subject to the control of the Treasury Department, there is no guarantee that the Postal Service will receive access to this credit. In any case, adding to the Postal Service's existing debt is not a real solution.

Indeed, the Federal Finance Bank has restricted access to the Postal Service's remaining \$4 billion in borrowing authority since September 2018, demanding ideological and operational changes supported by special interest groups before extending further loans to the Postal Service. Media reports imply that the Treasury is using the credit line as leverage to force massive price increases on competitive products (which will be especially damaging to small businesses and Americans in rural areas) and to interfere with postal collective bargaining matters. To its credit, the USPS Board of Governors has rejected these unacceptable pressure tactics.

Given this record, the CARES Act offers virtually no relief to the Postal Service – more debt with unacceptable strings attached. Congress can and must do better in the next round of legislation to strengthen and preserve the Postal Service.

Therefore, to both protect public health and to stabilize our economy, we call on Congress to enact provisions in the next stimulus bill that would:

- 1) Make a direct "public service" appropriation of at least \$25 billion to the Postal Service to help it weather the pandemic and the deep recession it is causing. Although the Postal Service has not received taxpayer appropriations (other than for military/overseas voting and free mail for the blind) since the early 1980s, the present crisis warrants such appropriations now.
- 2) Authorize an emergency "public service" appropriation for the duration of the crisis, distributed quarterly, starting in Fiscal Year 2021 (which begins in just six months) to cover the difference between postage revenues and total USPS expenses. This would signal to the American people and the business community that the Postal Service will be there to: battle the pandemic (with the delivery of tests and public health information, etc.); deliver online purchases and

prescription drugs; support the economic recovery; and facilitate absentee voting as well as other vital civic functions.

- 3) Treat the Postal Service as a covered employer in the program that funds the cost of Covid-19 related sick leave and family medical leave, as mandated by the Families First Coronavirus Response Act (P.L. 116-127). That legislation applies the leave measures to the Postal Service, but it failed to apply the employer reimbursement provisions to USPS.
- 4) Ensure equal treatment for postal employees in any legislation that authorizes and funds hazard pay for other front-line workers exposed to health risks related to the Covid-19 virus. Such legislation should cover postal workers, who face heightened exposure risks to the virus on a daily basis.
- 5) Remove the Federal Finance Bank's discretion to impose operational changes and policy conditions on any of the Postal Service's existing borrowing authorities – changes and policies that should properly be set by the Postal Service Board of Governors and the Congress, not the Treasury Department – and eliminate any annual limit on these authorities. (These authorities are provided by Section 2005 of Title 39 and Section 6001 of the CARES Act of 2020.)

Conclusion

The postal unions will work with the Congress, stakeholders in the mailing industry and the general public to advance a significant relief package and other measures to preserve the Postal Service, a vital part of our national economic infrastructure.

The USPS is a source of comfort and a welcome sign of normalcy to the American people. That has been true during recoveries from hurricanes, tornadoes, floods and other disasters in the past, and it should be now as we grapple with the current national crisis.

All American leaders, Democrats and Republicans alike, should work together to ensure that this pandemic does not destroy the U.S. Postal Service, a true national treasure and a vital part of America's response and eventual recovery from the Covid-19 pandemic.